Ausdrill Limited
Supplemental Disclosure Information
May 2, 2019

This Supplemental Disclosure Information is for informational purposes only and is not an offer to sell any securities and is not soliciting an offer to buy any securities.

Investors should not assume that the information contained in this Supplemental Disclosure is accurate as of any date other than the date on the front of this Supplemental Disclosure.

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NOTICE TO INVESTORS

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the proposed offering of the securities described in this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies or reproductions of this Offering Memorandum or any documents referred to in this Offering Memorandum.

The Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar (as each is defined herein) make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. Ausdrill has furnished the information contained in this Offering Memorandum. The Initial Purchasers assume no responsibility for the accuracy or completeness of such information. The information contained in this Offering Memorandum is as of the date of this Offering Memorandum and is subject to change, completion or amendment without notice. Neither the delivery of this Offering Memorandum at any time nor the offer, sale or delivery of any Note shall under any circumstances create any implication that there has been no change in the information set forth in this Offering Memorandum since the date of this Offering Memorandum. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent or the Registrar (each as defined herein) accepts any responsibility for the contents of or any omission from this Offering Memorandum or for any statement made or purported to be made by it or on its behalf in connection with the Issuer, the Parent Guarantor, any Initial Subsidiary Guarantor or the issue and offering of the Notes. Each of the Initial Purchasers, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement or any omission therefrom.

Neither the United States Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority, has approved or disapproved the Notes nor have any of the foregoing authorities passed judgment upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum.

This offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes that do not involve a public offering. Prospective purchasers are hereby notified that sellers of the Notes may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. In making a purchase, investors will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions."

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum titled "Plan of Distribution" and "Transfer Restrictions."

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. The Issuer, the Note Guarantors and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see "Plan of Distribution" and "Transfer Restrictions." None of the Issuer, the Note Guarantors or the Initial Purchasers are making any representation to any offeree or purchaser under any applicable law.

The Issuer reserves the right to withdraw this offering at any time. The Issuer and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive (as defined below). This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State") will only be made to a legal entity which is a qualified investor under the Prospectus Directive ("Qualified Investors"). Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so with respect to Qualified Investors. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes other than to Qualified Investors. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

Prohibition of Sales to EEA Retail Investors—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended or superseded (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance / Professional Investors and ECPS only Target Market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The communication of this Offering Memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this Offering Memorandum relates will be

engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA")

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined and hereby notifies all persons (including all relevant persons (as defined in the Section 309A(1) of the SFA)) the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of the Commonwealth of Australia, with limited liability, and all the Note Guarantors are incorporated or organized as corporate entities outside the United States. All the directors and officers of these entities and the experts named in this document reside outside the United States, principally in Australia. A substantial portion of the assets of these entities and the Ausdrill group as a whole, and the assets of the directors, executive officers and experts of those entities, are located outside the United States. As a result, it may be difficult for U.S. investors to effect service within the United States upon such directors, executive officers or experts, or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability of such persons under U.S. federal or state securities laws.

Australia

There is doubt as to the enforceability in Australia in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated upon the civil liability provisions of the federal or state securities laws of the United States. Also, there is no statutory recognition in Australia of the judgments of United States courts (whether or not such judgment relates to United States federal securities laws) and such judgments will not be enforceable in Australia in certain circumstances, including, but not limited to, where the plaintiff is unable to prove that the U.S. court exercised jurisdiction over the defendant which is recognized by Australian courts or where such judgments contravene local public policy, were obtained by fraud or duress, breach the rules of natural justice or general principles of fairness, are not for a fixed or readily ascertainable sum, are subject to a stay of execution, an order under the Foreign Proceedings (Excess of Jurisdiction) Act 1984 (Cth) has been made, or are otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts were of a penal nature. See "Limitation of Liability of Independent Auditors" for a summary of limitations of PricewaterhouseCoopers' and KPMG's liability under a professional limitation on liability scheme in Australia.

Burkina Faso

To enforce a judgment obtained in the United States under the U.S. federal securities laws against the Burkina Faso Note Guarantor or its directors, the Courts in Burkina Faso will first have to recognize that judgment. Subject to the limitations discussed below, the enforceability in Burkina Faso of U.S. judgments will be granted if judgments are rendered by a competent jurisdiction and are final and enforceable in the United States. However, the judgments of United States courts will not be recognized and thus not enforceable in Burkina Faso under certain circumstances, including the following cases: the relevant matter is subject to the exclusive jurisdiction of the Burkina Faso courts; the dispute does not have a clear link with the United States; the choice of the United States is fraudulent; the decision is inconsistent with Burkina Faso public order; the party against whom the judgment is invoked was not given proper notice and if there is a case of a pending related suit or if the matter has previously been decided in the Courts of Burkina Faso.

Ghana

The enforceability of judgments obtained in the United States, under the U.S. federal securities laws against Ghana incorporated companies or their directors or judgments otherwise obtained in the United States, by courts in Ghana is doubtful given the provisions of Part V Sub-Part I of the Courts Act 1993, Act 459 and Foreign Judgments and Maintenance Orders (Reciprocal Enforcement Instrument) 1993 (L.I 1575). An original action can, however, be instituted in the courts in Ghana and judgments so obtained in the United States will only constitute a piece of evidence in support of the plaintiff's action.

Judgments of United States courts (whether or not such judgment relates to United States federal securities laws) will not be enforceable in Ghana in certain other circumstances, as judgments must emanate from superior courts of judicature and must be final and conclusive between the parties (notwithstanding that in the United States such judgment may be subject to an appeal); the nature of such judgment must not involve taxes, penalties, fines or penal sanctions. The subject judgment must be registered within six years of the date of delivery of the United States judgment. Such judgments are also subject to any and all defenses open to a judgment debtor in the U.S. court; and such judgments are subject to defenses such as: lack of jurisdiction by the U.S. court which rendered the judgment; lack of sufficient notice to an entity which did not appear in court and which could have enabled the entity against whom the judgment is sought to be enforced to enter a defense; fraud; Ghanaian public policy; if the matter has previously been decided in a court of Ghana; and immunity in the courts of the United States of the judgment debtor who did not submit to the jurisdiction of the U.S. court.

Mali

The United States and Mali do not currently have a convention or treaty providing for reciprocal recognition and enforcement of judgments. As result a judgment obtained in a court in the United States against the Malian Note Guarantor (or its directors or officers) will not be automatically recognized or enforced in Mali. However, it may be enforceable by a separate action on the judgment obtained in accordance with Malian rules of civil procedure established by the decree N°99-254/PRM dated September 15, 1999, modified by the decree N°09-220/P-RM dated May 11, 2009. To obtain an enforceable judgment in Mali, the claimant would be required to bring fresh proceedings before a competent court in Mali. A Malian court will grant exequatur, in accordance with the articles 515, 516 and 518 of the Malian rules of civil procedure, of the judgment of a court in the United States if the following conditions are met: (i) the decision whose recognition is required must be irrevocable in the state where it was pronounced; (ii) the court that pronounced the decision must have been competent to judge that case; (iii) the existence of reciprocity regarding the effects of foreign decisions in Mali and the state where it was pronounced; (iv) the absence of a decision from a Malian court on the same dispute between the same parties; (v) Malian law does not give an exclusive competence to Malian courts for a such case; (vi) the decision should not result from a fraud committed in the procedure followed abroad (for example, parties should have been present or duly informed); and (vii) the decision should not violate public policy in Mali. The Malian court must verify the fulfillment of all recognition and refusal conditions, but cannot proceed to examine the substance of the foreign decision nor to modify it.

AVAILABLE INFORMATION

None of the Issuer nor any of the Note Guarantors is currently subject to the periodic reporting and other information requirements of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), nor do they expect to become subject to such requirements. In order to permit resales under Rule 144A while the Notes are "restricted securities" under the Securities Act, unless Ausdrill furnishes information in accordance with Rule 12g3-2(b) under the Exchange Act, Ausdrill will furnish, upon request of any holder of a Note or of a beneficial interest in a global note, the information specified in paragraph (d)(4) of Rule 144A, to the holder or beneficial owner or to prospective investors who are "qualified institutional buyers" under Rule 144A of the Securities Act ("QIBs").

The ordinary shares of Ausdrill are listed on the Australian Securities Exchange ("ASX"). As an Australian listed entity, Ausdrill files annual reports and half-year reports with the ASX. Prospective investors may obtain copies of the documents filed with the ASX from its website at www.asx.com.au. These documents are not incorporated in this Offering Memorandum.

None of the information on our website, Barminco Holdings' website or the website of the ASX or SGX-ST is incorporated by reference herein or otherwise deemed to be a part of this Offering Memorandum. Any references to websites are for informational purposes only.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words. Forward-looking statements include statements about our expectations regarding the performance of our businesses, statements about our order book tendering pipeline, statements about trends in the mining services industry and outlook for the mining sector, as well as statements about our plans and growth strategies.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Ausdrill's actual results, performance and achievements or industry results to differ materially from any future results, performance or achievements, or industry results, expressed or implied by these forward-looking statements. These factors include, among others:

- a decline in the consumption of, or demand for, minerals resulting in a significant decrease in demand for mining services;
- risks associated with our operations in Africa and other international regions into which we expand our operations;
- mispricing our mining services contracts or failing to perform them in accordance with their terms or customer expectations;
- our mining services contracts being terminated or not being renewed;
- our ability to win new contracts and the timing, size and type of new contract awards;
- our ability to operate safely in accordance with adequate operating procedures and policies;
- our ability to recruit and retain skilled personnel;
- difficulties integrating our acquisitions, including our acquisition of Barminco Holdings;
- intensification of competition as a result of new entrants or existing competitors improving their service offering;
- retention and maintenance of relationships with key customers and the renewal and retention of existing contracts and success in tendering for new contracts;
- any delay in commencing or interruption to a project resulting in lost revenue or additional costs;
- weaknesses in internal controls and risk management systems or incidents of fraud;
- our ability to refinance our debt or raise funds;
- our ability to operate in compliance with the various environmental, health and safety laws, rules, legislation and guidelines to which we are subject;
- changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business;
- foreign exchange rate fluctuations;
- our level, and the cost, of indebtedness; and
- other factors referred to in "Risk Factors" and elsewhere in this Offering Memorandum.

Forward-looking statements are based upon management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect Ausdrill's business and operations in the future. Ausdrill cannot give investors any assurance that the assumptions upon which management based its forward-looking statements will prove to be correct, or that Ausdrill's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond its control. Any forward-looking statements contained in this Offering Memorandum speak only as of the date of this Offering Memorandum. Ausdrill disclaims any obligation or undertaking to

disseminate any updates or revisions to any forward-looking statement contained in this Offering Memorandum or to reflect any change in management's expectations with regard thereto after the date hereof of any change in events, conditions or circumstances on which any such statement is based.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

Ausdrill publishes its consolidated financial statements in Australian dollars. In this Offering Memorandum, unless otherwise specified or the context otherwise requires, references to "US$" or "U.S. dollars" are to United States dollars and references to "A$" or "$" are to Australian dollars. For the convenience of the reader, this Offering Memorandum contains translations of certain Australian dollar amounts into U.S. dollars at the rate or rates indicated. Ausdrill has translated Australian dollars into U.S. dollars at the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Offering Memorandum have been made at the noon buying rate on December 31, 2018, which was A$1.00 = US$0.7049. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted in U.S. dollars at the rate indicated.

The following table sets forth exchange rate information expressed in terms of U.S. dollars at the noon buying rate for A$1.00 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
Year ended June 30, 2014	0.9427	0.9186	0.9705	0.8715
Year ended June 30, 2015	0.7704	0.8365	0.9488	0.7566
Year ended June 30, 2016	0.7432	0.7289	0.7817	0.6855
Year ended June 30, 2017	0.7676	0.7544	0.7733	0.7174
Year ended June 30, 2018	0.7399	0.7753	0.8105	0.7355
Six months ended December 31, 2017	0.7815	0.7794	0.8071	0.7507
Six months ended December 31, 2018	0.7046	0.7246	0.7466	0.7020
Month ended January 2019	0.7282	0.7151	0.7282	0.7000
Month ended February 2019	0.7099	0.7136	0.7260	0.7065
Month ended March 2019	0.7104	0.7082	0.7140	0.7023
Month ended April 2019 (through April 19, 2019)	0.7150	0.7136	0.7178	0.7058

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

EXCHANGE CONTROLS

The Australian dollar is freely convertible into U.S. dollars and other currencies at market-determined rates. However, the Autonomous Sanctions Regulations 2011 promulgated under the Autonomous Sanctions Act 2011 of Australia, the Charter of the United Nations Act 1945 of Australia and other acts and regulations in Australia restrict or prohibit payments, transactions or other dealings with assets having a proscribed connection with certain countries or named individuals or entities subject to financial sanctions or identified with terrorism. The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities subject to financial sanctions or having a proscribed connection with terrorism which is available to the public at the Department of Foreign Affairs and Trade's website at http://www.dfat.gov.au/icat/UNSC_financial_sanctions.html.

CAUTIONARY NOTE REGARDING INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information and statistics regarding our industry that have been obtained from publicly available information or industry publications, including the "Industry Overview" section which is extracted from a report dated May 1, 2019, prepared by Wood Mackenzie, an industry consultant commissioned by us for use in this Offering Memorandum. All references in this Offering Memorandum to market share and market position are estimates based information contained in the report prepared by Wood Mackenzie and management estimates based internal data and publicly

available information. Much of the information and statistics we refer to in this Offering Memorandum, including in particular information published by Wood Mackenzie relates to one or more calendar years, as opposed to our July 1 to June 30 financial year.

Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information. Industry data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which is itself based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling data. Accordingly, the industry data and statistics included in this Offering Memorandum should be viewed with caution and no representation or warranty is given by any person as to their accuracy.

CERTAIN DEFINITIONS AND REFERENCE CONVENTIONS

In this Offering Memorandum, all references to "Ausdrill", "Ausdrill group", the "Company", "we", "us", "our" and similar expressions refer to, collectively, Ausdrill Limited (ABN 95 009 211 474) and its controlled subsidiaries, including, from the time of acquisition on October 31, 2018, Barminco Holdings (and its subsidiaries) and AUMS. All references to Ausdrill prior to October 31, 2018 do not include reference to Barminco Holdings and AUMS. This Offering Memorandum also uses the following defined terms, unless otherwise specified or the context otherwise requires:

- "Acquisition" means the acquisition by us completed on October 31, 2018 of all of the shares in Barminco Holdings;
- "AUMS" means African Underground Mining Services Limited (incorporated in Ghana); African Underground Mining Services Mali SARL (incorporated in Mali); African Underground Mining Services Burkina Faso SARL (incorporated in Burkina Faso) and AUMS(T) Limited (incorporated in Tanzania), collectively;
- "Barminco" and "Barminco Division" means the Barminco division of our Underground Mining industry sector group;
- "Barminco Holdings" means Barminco Holding Pty Ltd (ACN 126 398 276) and its subsidiaries, which became our subsidiary with effect from the time of acquisition on October 31, 2018;
- "Industry Sector Groups" or "ISGs'', means the operating segments of Ausdrill. Prior to the Acquisition and subsequent reorganization, ISGs were referred to as Ausdrill's segments; and
- "Revolving Facilities" means the A$300 million dual currency revolving loan bilateral facilities we entered into on April 18, 2019 with Caterpillar Financial Australia Limited, Deutsche Bank AG, Sydney Branch, Goldman Sachs Australia Financial Services Pty Ltd, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, Standard Chartered Bank, Australia Branch and Nedbank Limited, London Branch (for a more detailed description, see "Description of Other Financing Arrangements—Revolving Facilities of Ausdrill").

In this Offering Memorandum, when we refer to our customers, for convenience we use the business name of the ultimate parent company of the customer. The contracting party to our customer contracts, however, is generally a direct or indirect subsidiary of the relevant parent company, and in such cases the parent company may not provide any guarantee of the performance by its subsidiary of its obligations under the contract.

FINANCIAL INFORMATION PRESENTATION

The annual and interim consolidated financial statements of Ausdrill and the annual consolidated financial statements of Barminco Holdings, in each case for each period, included in this Offering Memorandum, have been prepared in accordance with Australian Accounting Standards and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Australian Accounting Standards differ from generally accepted accounting principles in

the United States ("U.S. GAAP"), and those differences may be material to the financial information contained in this Offering Memorandum. Prospective investors should consult with their own potential advisers as to potential tax, financial and related consequences and for an understanding of the differences between Australian Accounting Standards and U.S. GAAP and how those differences may affect the financial information herein. This Offering Memorandum does not include a reconciliation of our financial statements to financial statements that would be prepared in accordance with U.S. GAAP.

Presentation of Historical Financial Information

Ausdrill's fiscal years end on June 30 of each year, with the next fiscal year beginning July 1. In this Offering Memorandum, references to "FY18" are to the fiscal year ended June 30, 2018, references to "FY17" are to the fiscal year ended June 30, 2017, references to "FY16" are to the fiscal year ended June 30, 2016, references to "1H19" are to the six months ended December 31, 2018, and references to "1H18" are to the six months ended December 31, 2017. Earlier periods are referred to in a similar manner.

Comparability of Financial Information

There are a number of factors affecting the preparation of our financial statements as of and for the periods presented in this Offering Memorandum, and not all periods presented may be directly comparable as described below.

The Acquisition and the consolidation of AUMS

On August 15, 2018, Ausdrill executed an agreement to acquire Barminco Holdings. Pursuant to the agreement, we acquired 100% of the common shares, redeemable preference shares and shareholder loan notes of Barminco Holdings for 150.7 million fully-paid ex-dividend ordinary shares of Ausdrill and A$17.2 million in cash. The Acquisition was completed on October 31, 2018 and Ausdrill effectively took control of Barminco Holdings and AUMS on and from November 1, 2018.

We have consolidated Barminco Holdings and its subsidiaries, as well as AUMS, for the two-month period ended December 31, 2018. This has resulted in a significant increase in the scope of our operations and significant changes to our financial condition.

In particular, the financial information for 1H19 includes AUMS as a consolidated subsidiary of Ausdrill for the two months ended December 31, 2018. Prior to the Acquisition, AUMS was overseen by a joint management board that was required to make decisions by consensus due to the equal ownership interests of the joint venture parties. As a result, neither Ausdrill nor Barminco Holdings individually "controlled" AUMS for accounting purposes, and each of Ausdrill and Barminco Holdings accounted for AUMS using the equity method of accounting. Therefore AUMS' financial condition and results of operations was not consolidated in the financial information of either Ausdrill or Barminco Holdings in FY16, FY17, FY18 or 1H18, as the case may be. As a result of the Acquisition, with respect to Ausdrill's consolidated financial statements including the financial information for 1H19, AUMS was equity accounted for the period from July 1, 2018 to October 31, 2018 and fully consolidated for the period from November 1, 2018 to December 31, 2018.

The historical consolidated financial information for FY16, FY17, FY18 and 1H18 of Ausdrill included in this Offering Memorandum is derived from separate financial statements of Ausdrill and the historical consolidated financial information for FY16, FY17 and FY18 of Barminco Holdings included in this Offering Memorandum is derived from separate financial statements of Barminco Holdings, as the case may be, for such periods and does not show the impact of the Acquisition on either entity in those periods.

Segmentation of the Business

Following the Acquisition, we reorganized our operations into three operating segments, which we refer to as Industry Sector Groups ("ISGs"): (1) Underground Mining, comprising the Barminco and AUMS businesses; (2) Surface Mining, comprising the African Mining Services and Ausdrill; and (3) Investments, which includes our other businesses, namely, BTP Parts, BTP Equipment (together with BTP Parts, "BTP

Group"), Supply Direct Group, MinAnalytical, Energy Drilling Australia and Well Control Solutions. We are also supported by a fourth supporting segment, Corporate. Prior to the Acquisition, Ausdrill organized its operations into four operating segments, namely (a) Drilling Services Australia, (b) Equipment Services and Supplies, (c) Contract Mining Services Africa and (d) All Other Segments, as well as a supporting segment, Corporate and Finance.

While we have reclassified our segmentation as of and for 1H18 to be comparable to our new segmentation as of and for 1H19, we have not reclassified our segmentation for FY16, FY17 and FY18. Therefore, our segmentation analysis in this Offering Memorandum presents the historic segmentation for FY16, FY17 and FY18 and our new segmentation for 1H18 and 1H19.

Discontinued operations

On May 1, 2018, we sold our subsidiary Diamond Communications for a total consideration of A$6.2 million as part of a plan to focus on our core mining services business. As a result, we reported the net financial contributions of Diamond Communications as "discontinued operations" in the financial statements for FY18 and have restated the financial information as of FY17 accordingly. We only present this restated financial information as of and for FY17 in this Offering Memorandum. As Diamond Communications is not a material part of our business, we have not restated our financial statements for FY16 to reflect Diamond Communications as discontinued operations, and therefore it still presents Diamond Communications as a consolidated entity. As a result, the financial information for FY16 presented in this Offering Memorandum is not directly comparable to the financial information presented for FY17 and FY18.

On June 30, 2016, we sold our subsidiary Drilling Tools Australia (a drill bit manufacturing and distribution business) for a total consideration of A$66.0 million paid in FY16 and FY17 and on September 21, 2016 we sold our subsidiary Miner's Rest (a hotel in Kalgoorlie, Australia) for a total consideration of A$2.5 million in FY16. Since both of these businesses were sold in FY16, we have reported the net financial contributions of these businesses as "discontinued operations" in FY16 and such businesses do not affect our results for any subsequent period (other than the receipt of proceeds in FY17).

Pro Forma Condensed Combined Financial Information

In this Offering Memorandum, we have presented unaudited pro forma condensed combined statements of profit and loss for FY18 and 1H19 that give effect to the Acquisition, which was completed on October 31, 2018, and the debt refinancing and repayment we conducted in connection with the Acquisition, as if they occurred on July 1, 2017. The Unaudited Pro Forma Condensed Combined Financial Information contains certain adjustments as described therein. See also, "Risk Factors—The historical financial information for Ausdrill and Barminco Holdings and our pro forma financial information may not be representative of our results as a combined company in the future."

The unaudited pro forma condensed combined statements of profit or loss for FY18 and 1H19 show the impact of the Acquisition on Ausdrill's combined results of operations under the acquisition method of accounting with Ausdrill treated as the acquirer. Adjustments have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and complies with IFRS as issued by the IASB. Estimated adjustments have been made to reflect the acquisition method of accounting as required by the Australian Accounting Standards AASB 3: Business Combinations, including adjustments to record the assets and liabilities of Barminco Holdings and AUMS at their respective fair values. However, the unaudited pro forma condensed combined statement of profit or loss presented in this Offering Memorandum is based in part on certain assumptions regarding the Acquisition and intercompany eliminations. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical, pro forma and other financial information included in this Offering Memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. Neither the underlying pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with Australian Accounting Standards.

Non-GAAP Measures

Certain "non-GAAP financial measures" (as defined in Regulation G under the Securities Act) have been included in this Offering Memorandum, including:

- "Adjusted EBIT (A)," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, net interest expense, amortization and certain adjustments as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)";
- "Adjusted EBITDA," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, depreciation and amortization expense, net interest expense and certain adjustments as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)";
- "Adjusted EBIT (A) Margin," which is defined as Adjusted EBIT (A) divided by external sales revenue;
- "Adjusted EBITDA margin," which is defined as Adjusted EBITDA divided by external sales revenue;
- "Adjusted EBITDA to net interest expense," which is defined as Adjusted EBITDA divided by net interest expense;
- "AUMS Adjusted EBITDA", which is defined as earnings before finance costs, finance income, income tax expense or benefit, depreciation expense, amortization expense, adjusted to exclude foreign exchange loss or gain;
- "AUMS Adjusted EBITDA margin", which is defined as AUMS Adjusted EBITDA, as a percentage of external sales revenue;
- "AUMS Adjusted EBIT (A)", which is defined as earnings before finance costs, finance income, income tax expense or benefit, depreciation expense, adjusted to exclude foreign exchange loss or gain;
- "AUMS Adjusted EBIT (A) margin", which is defined as AUMS Adjusted EBIT (A), as a percentage of external sales revenue;
- "AUMS EBITDA" which is defined as earnings before finance costs, finance income, income tax expense or benefit, depreciation expense and amortization expense;
- "AUMS Return on Average Capital Employed", which is defined as AUMS Adjusted EBIT (A), divided by sum of average current and prior year receivables, inventories, property, plant and equipment less payables;
- "Barminco Adjusted EBITDA", which is defined as earnings before finance costs, finance income, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets, adjusted to exclude transaction costs, management fees, onerous provision expense or reversal, foreign exchange loss or gain, and share of profit from equity accounted investments, net of tax;
- "Barminco Adjusted EBITDA margin", which is defined as Barminco Adjusted EBITDA, divided by external sales revenue;
- "Barminco Adjusted EBIT (A)", which is defined as earnings before finance costs, finance income, income tax expense or benefit, amortization of intangible assets, adjusted to exclude transaction costs, management fees, onerous provision expense or reversal, foreign exchange loss or gain, and share of profit from equity accounted investments, net of tax;
- "Barminco Adjusted EBIT (A) margin" which is defined as Barminco Adjusted EBIT (A), divided by external sales revenue;
- "Barminco EBITDA" which is defined as earnings before finance costs, finance income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets;

- "Barminco Return on Average Capital Employed", which is defined as Barminco Adjusted EBIT (A), divided by sum of average current and prior year trade and other receivables, inventories, property, plant and equipment less trade and other payables;
- "Barminco Working Capital," which is defined as current trade and other receivables and inventories less current trade and other payables;
- "EBITDA," which is defined as profit (loss) before income tax, depreciation and amortization expense and net interest expense;
- "external sales revenue," which is defined as sales revenue to customers external to Ausdrill Limited and its subsidiaries;
- "gearing ratio," which is defined as a ratio calculated by dividing net debt by net debt plus equity;
- "net debt," which is defined as total debt less cash and cash equivalents;
- "net interest expense," which is defined as interest expense less interest income;
- "ratio of Adjusted EBITDA to net interest expense," which is defined as net interest expense divided by Adjusted EBITDA;
- "ratio of net debt to Adjusted EBITDA," which is defined as total debt less cash and cash equivalents divided by Adjusted EBITDA;
- "ratio of total debt to Adjusted EBITDA," which is defined as total debt divided by Adjusted EBITDA;
- "return on average capital employed," or "ROACE" which is defined as Adjusted EBIT (A) divided by sum of average current and prior year receivables, inventories, property, plant and equipment less payables;
- "Segment Adjusted EBIT," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax and net interest expense and certain adjustments as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)";
- "Segment Adjusted EBIT margin," which is defined as Segment Adjusted EBIT divided by external sales revenue;
- "Segment Adjusted EBITDA," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, depreciation and amortization expense and net interest expense;
- "Segment Adjusted EBITDA margin," which is defined as Segment Adjusted EBITDA divided by external sales revenue and certain adjustments as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)";
- "Segment EBIT," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax and net interest expense;
- "Segment EBIT margin," which is defined as Segment EBIT divided by external sales revenue;
- "Segment EBITDA," which is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, depreciation and amortization expense and net interest expense;
- "Segment EBITDA margin," which is defined as Segment EBITDA divided by external sales revenue;
- "total borrowings," which is defined as total current borrowings plus total non-current borrowings, less pre-paid borrowing costs;
- "total capitalization," which is defined as total current borrowings plus total non-current borrowings and total equity, less pre-paid borrowing costs, and cash and cash equivalents;

- "total debt," which is defined as total current borrowings plus total non-current borrowings; and
- "Working Capital," which is defined as current trade and other receivables and inventories less current trade and other payables.

We have historically presented Segment EBIT, Segment EBIT margin, Segment EBITDA and Segment EBITDA margins with respect to our historic reporting segments for FY16, FY17 and FY18. However, due to the reorganization of our operating segments, we now present Segment Adjusted EBIT, Segment Adjusted EBIT Margins, Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin for 1H18 and 1H19, which we believe better reflects the operations of the new segmentation because it excludes the effects of the net claim settlement benefit, transaction costs, step acquisition foreign exchange loss or gain on ASL's 50% share of AUMS, impairment of property, plant and equipment and foreign exchange. Accordingly, we believe that the Segment Adjusted EBITDA more clearly presents our operating performance.

For more information on EBITDA, Adjusted EBITDA and Adjusted EBIT (A), including a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBIT (A) to profit (loss) before income tax for the years ended June 30, 2018, 2017 and 2016 and the six months ended December 31, 2017 and 2018, see "Summary Historical and Pro Forma Financial Information", "Selected Historical and Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Although EBITDA, Adjusted EBITDA and Adjusted EBIT (A) are not measures of performance that are recognized under Australian Accounting Standards, management believes that they are useful supplemental measures in evaluating the underlying performance of our business 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 and Adjusted EBIT (A) are frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present Adjusted EBITDA and Adjusted EBIT (A) (or similar metrics) when reporting their results.

EBITDA, Adjusted EBITDA and Adjusted EBIT (A), as calculated by Ausdrill, may differ from similarly titled measures reported by other companies. EBITDA, Adjusted EBITDA and Adjusted EBIT (A) do not purport to represent operating income, net income or cash generated by operating activities and should not be considered in isolation or as a substitute for measures of performance in accordance with Australian Accounting Standards. In addition, because EBITDA, Adjusted EBITDA and Adjusted EBIT (A) are not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. EBITDA and Adjusted EBITDA have limitations as an analytical tool and should not be considered in isolation. Some of these limitations are:

- it does not reflect cash outlays for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, working capital;
- it does not reflect the interest expense or cash requirements necessary to service interest or principal payments on indebtedness; and
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect cash requirements of such replacements.

Measures Relating to our Contracts and Order Book

Certain operating measures have been included in this Offering Memorandum, including:

- "contract value at award," which is defined as the estimated revenue at the date of the contract award, assuming that the contract continues to completion, without assuming any renewals and

assuming contractual rates remain constant and there are no significant work stoppages or interruptions in production;

- "order book," which is defined as our order book for mining services contracts. We calculate our order book based on monthly run-rate revenue, assuming that the contract continues to completion, without assuming any renewals and assuming contractual rates remain constant and there are no significant work stoppages or interruptions in production; and
- "run-rate revenue," which is defined as the ongoing estimated monthly revenue, based on the prior months's revenue.

There can be no assurances that any of our mining services contracts will result in revenues that match our order book as actual production is based on a number of variables and many factors outside our control. See "Risk Factors—Our revenues and order book are subject to underlying contracts with varying terms which may not be renewed or which may be terminated and which are subject to factors outside of our control;"

SUMMARY

This summary highlights selected information from this Offering Memorandum and does not contain all of the information that investors should consider before investing in the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. The terms "EBITDA", "Adjusted EBITDA" and "Adjusted EBIT (A)" and certain other financial terms are defined and discussed under "Summary Historical and Pro Forma Financial Information." Prospective investors should read this entire Offering Memorandum carefully, including the sections entitled "Risk Factors", "Unaudited Pro Forma Condensed Combined Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", the financial statements of Ausdrill and related notes and the financial statements of Barminco Holdings and related notes before making an investment decision.

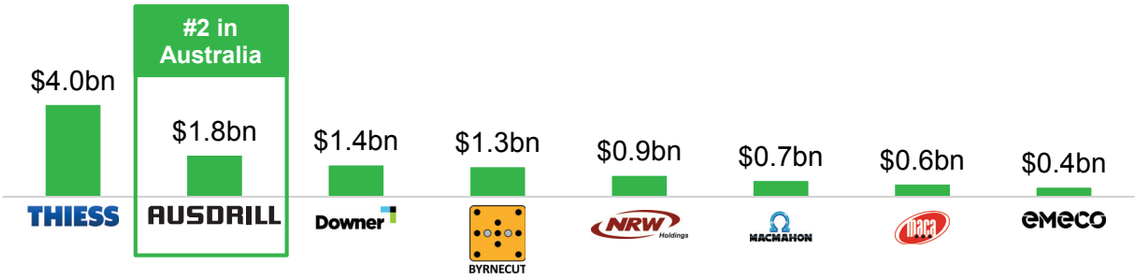
Our Company

We are a leading provider of contract mining and other services to mines predominantly in the development and production phases in Australia and Africa. Founded in 1987 and listed on the Australian Securities Exchange ("ASX") in 1994, we are an ASX 200 constituent with a market capitalization of A$1,124.5 million as of April 30, 2019. In FY18, we had total revenue of A$887.3 million and Adjusted EBITDA of A$161.4 million. Giving effect to the Acquisition as if the Acquisition had occurred on July 1, 2017, we had total pro forma external sales revenue of A$1,745.6 million and Adjusted EBITDA of A$356.9 million in FY18 and total pro forma external sales revenue of $971.6 million and Adjusted EBITDA of $200.7 million for 1H19. As of December 31, 2018, we employed approximately 7,500 people across our operations. Our head office is in Perth in Western Australia.

Our principal activity is providing underground and surface contract mining and exploration, development and production-related services to mining clients across Australia, Africa and India. These services consist of hard-rock specialized services, high speed decline development and production services, load and haul, crusher feed, drilling and blasting, in-pit grade control and mineral analysis. We supplement our in-field services with in-house expertise of designing and manufacturing drilling rigs and ancillary equipment. We also provide supply and logistics solutions and mineral analysis and exploration services to our other mining services businesses and external customers, including fleet rental and parts supply, which represent a small percentage of our revenue. We also provide underground diamond drilling services for mineral grade control and orebody definition in Australia and Egypt.

On October 31, 2018, we acquired all of the equity and equity like instruments in Barminco Holdings in exchange for 150.7 million fully-paid ex dividend shares of Ausdrill and A$17.2 million in cash (the "Acquisition"). Barminco is one of the leading providers of underground hard-rock contract mining services in Australia and Africa with the capability and fleet to provide 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 extracting and haulage, primarily in the gold, nickel and zinc sectors. The Acquisition increased our ownership of the African Underground Mining Services ("AUMS") joint venture from 50% to 100%. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting. Post-acquisition we are Australia's second largest mining services company by revenue. The Barminco service offerings strengthen our market leading positions in underground hard-rock contracted gold mining in the markets in which we operate. Ausdrill, Barminco and AUMS provide complementary services to mine owners, enabling us to provide new underground mining services for existing surface mining clients and an opportunity to cross-sell Ausdrill's combined service offering. The Acquisition is also expected to deliver a lower capital intensity and higher return business. In addition to this, the businesses have a strong cultural alignment having worked together in Africa through the AUMS joint venture for over a decade. Following the Acquisition, the AUMS entities have been fully integrated resulting in clear operational control and streamlined management.

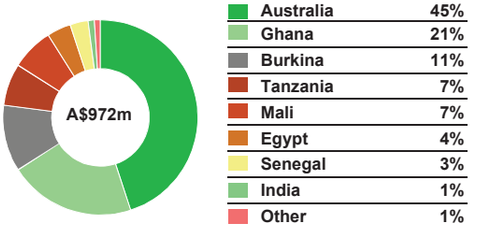
Ausdrill is the #2 largest mining services business in Australia (by revenue) after acquiring Barminco (A$bn)[(a)]



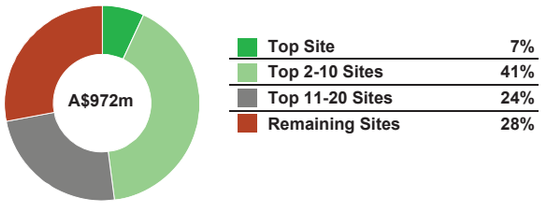
Source: Public company filings, Australian Securities and Investment Commission

Our revenues are primarily derived from operation critical services provided to our customers in the production phase of the mining life cycle, and are diversified through operations across twelve countries, eight commodities, over 50 sites and multiple services. The following charts show Ausdrill's percentage of revenue by commodity, geography, and project sites on a pro forma basis for the six months ended December 31, 2018.

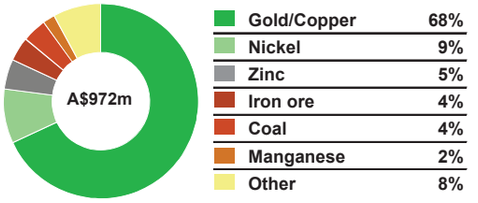
1H19 pro-forma revenue by country



1H19 pro-forma revenue by site



1H19 pro-forma revenue by commodity[1]



[1] "Other" includes approximately A$67m of revenue that is not identifiable by commodity.

The mining projects on which we operate in Australia are primarily based in Western Australia, with a presence in Queensland, South Australia, Northern Territory and New South Wales. In Africa, our customers' mining projects are located in Ghana, Mali, Tanzania, Burkina Faso, Côte d'Ivoire, Zambia, Egypt and Senegal and we have an office in South Africa via our Supply Direct subsidiary. We also have a

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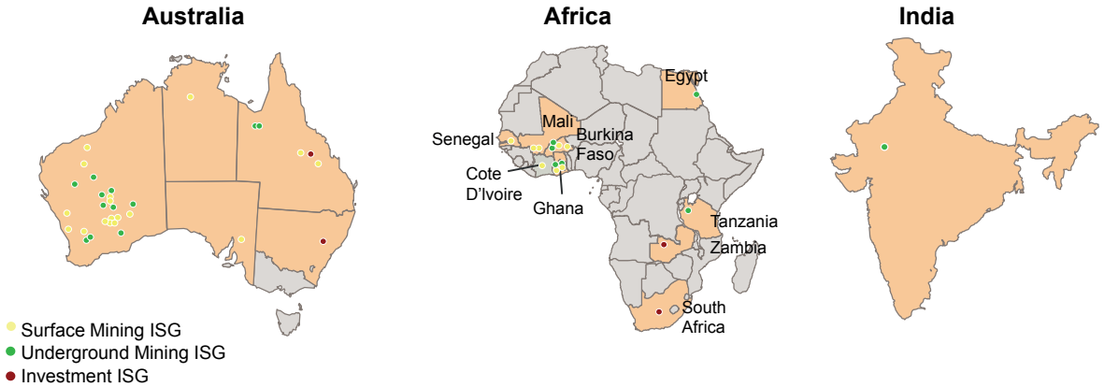
[(a)] By mining services revenue. Ausdrill pro forma FY18 revenue. Thiess based on public filings for twelve months to December 31, 2018 for CIMIC Mining & Mineral Processing segment, which also includes Sedgman. Downer based on public filings for twelve months to December 31, 2018 for Mining segment. Byrnecut based on Australian Securities and Investment Commission filings for Byrnecut Offshore Pty Ltd and Byrnecut Australia Pty Ltd for twelve months to December 31, 2018. NRW and Emeco based on public filings for twelve months to December 31, 2018. Macmahon and MACA based on public filings twelve months to June 30, 2018. Chart excludes other private businesses due to lack of public disclosure of financial information.

presence in India through our contract with Hindustan Zinc and in the United Kingdom via our Supply Direct subsidiary. Our geographies of activity are shown below:

Operating segment locations



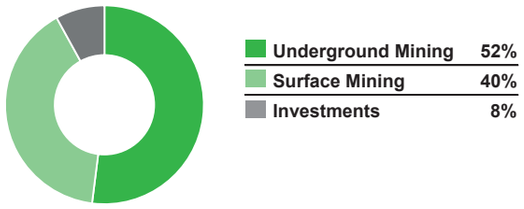
Ausdrill has an extensive operating history in Africa, having operated there since 1991. Ausdrill is a significant employer of local labor in Africa, strengthening our ties and relationships with local governments and making a significant economic contribution to the local economies and communities. We focus on training local managers who can progress to lead and coordinate projects across our African operations. We have built a strong reputation of helping to navigate local regulations and to support international miners operating in a complex and difficult region. We believe our leading brands of AUMS and African Mining Services ("AMS") and long operating track record in Africa give us a significant competitive advantage, especially given the complexities of the African market. When considering commencing operations at new African countries, we undertake thorough diligence, with each new country requiring approval from our Board of Directors. Africa is a highly important region to us, representing 54% and 51% of our pro forma revenues for 1H19 and FY18, respectively. We believe there are future growth opportunities, including several organic growth opportunities in surface and underground mining across a range of commodities in the region.

Operating Segments

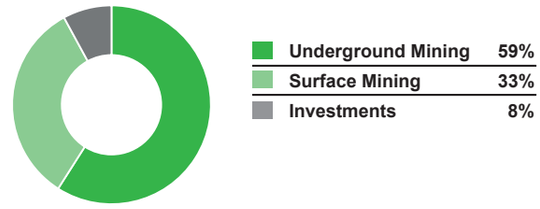
Following the Acquisition, we reorganized our operations into three operating segments, which we refer to as Industry Sector Groups ("ISGs"): Underground Mining, comprising the Barminco and AUMS businesses; Surface Mining, comprising the Ausdrill and AMS businesses; Investments, which includes our other businesses, namely, BTP Group, Supply Direct Group, MinAnalytical, Energy Drilling Australia and Well Control Solutions, which are each supported by our corporate segment.

The following charts show the contribution of pro forma 1H19 revenue and Adjusted EBITDA for each of our Underground Mining ISG, Surface Mining ISG and Investments ISG for 1H19.

1H19 pro forma revenue by segment[(1)]



1H19 pro forma Adjusted EBITDA by segment[(1)]



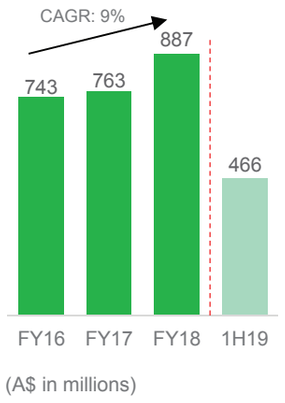
(1) Excludes Corporate

The following charts summarize historical standalone financial information for Ausdrill, Barminco and AUMS. Under the new segmentation of our business adopted following the Acquisition, the Ausdrill

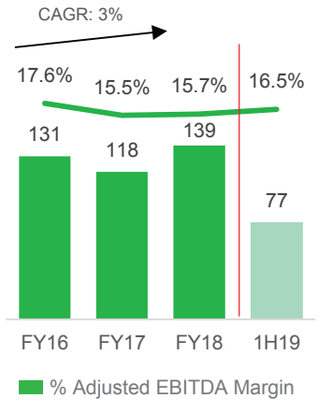
business is reclassified into the surface ISG and the Investment ISG, and the Barminco and AUMS businesses are reclassified into the Undeground ISG. Investors should note that aggregating the results of the three entities would not provide an accurate representation of what the performance of the combined group would have been during these periods because, among other things, these standalone results include transactions between AUMS and each of Ausdrill and Barminco, which would be eliminated on consolidation. In FY18, Ausdrill standalone's margin increased due to operational efficiencies and production scale benefits. In FY18, Barminco Holdings generated profits of A$50.7 million compared to a loss of A$93.8 million in FY17, while Barminco Adjusted EBITDA increased by A$30.0 million, or 34.6%, from A$86.8 million in FY17 to A$116.8 million in FY18 due to strong operating performance across all sites and scope expansions at a number of key sites. Barminco Adjusted Margins also increased after rectification of issues with the Kundana and Rampura Agucha contracts. In FY17, Barminco Holdings incurred a loss of A$93.8 million in FY17 compared to a profit of A$42.5 million in FY16, while Barminco Adjusted EBITDA decreased by A$17.8 million, or 17.0%, from A$104.6 million in FY17 to A$86.8 million in FY16 primarily due to unfavorable margins from Kundana contract and the initial Rampura Agucha contract. The Kundana contract was exited in June 2017 and the Rampura Agucha contract was subsequently renegotiated on improved terms. The strong EBITDA margins of AUMS are reflective of excellent operational delivery for its clients.

Ausdrill financial profile

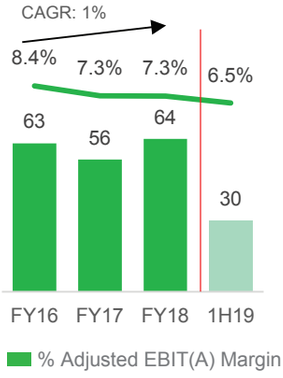
Ausdrill sales revenue[1]



Ausdrill Adjusted EBITDA[1] and Margin



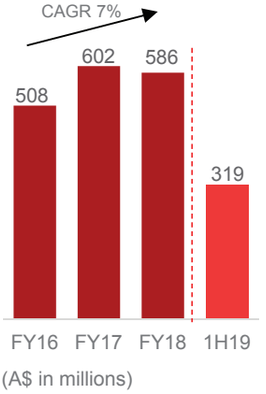
Ausdrill Adjusted EBIT (A)[1] and Margin



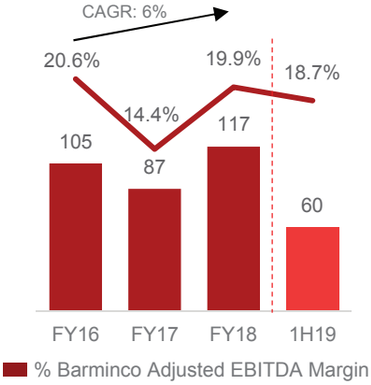
(1) *Excludes Barminco and AUMS share of associated profits*

Barminco Holdings financial profile

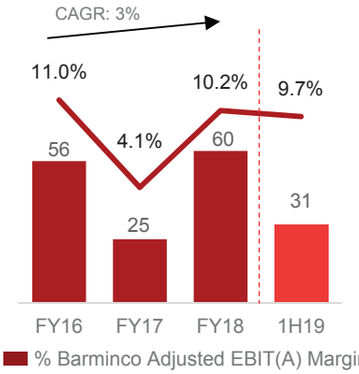
Barminco sales revenue



Barminco Adjusted EBITDA and Margin

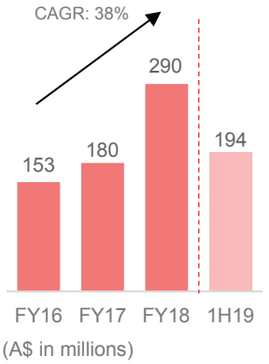


Barminco Adjusted EBIT (A) and Margin

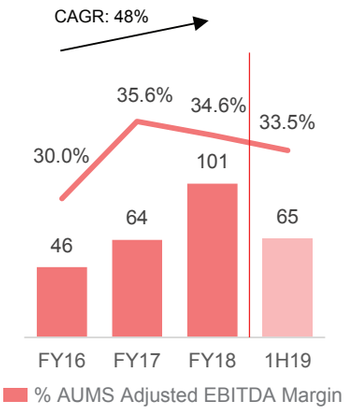


AUMS financial profile

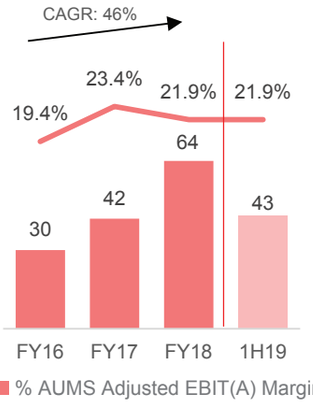
AUMS sales revenue



AUMS Adjusted EBITDA and Margins



AUMS Adjusted EBIT (A) and Margins



Underground Mining. The Underground Mining ISG consists of the Barminco and AUMS businesses, which currently operate in Australia, Ghana, Burkina Faso, Tanzania, Egypt and India. We provide contract mining services, using our own personnel and equipment, primarily in the gold, nickel and zinc sectors as well as copper. Our mining contracts generally have a fixed component and a variable component based on mining volumes and activity levels. Our underground mining contracts are typically for three to five years. Key customers of this ISG include AngloGold Ashanti, Centamin, Gold Fields, Newmont Goldcorp, Roxgold and Western Areas. In addition to contract mining, we provide underground diamond drilling (core sampling) services for the exploration and definition of ore reserves. Underground Mining is our largest ISG, accounting for 52% of our pro forma revenue in 1H19.

The following table shows our top ten underground mining projects for 1H19 based on contribution to pro forma revenue for such period.

Customer	Project	Location	Commodity
AngloGold Ashanti	Geita - Nyankanga	Tanzania	Gold
AngloGold Ashanti	Geita - Star & Comet	Tanzania	Gold
AngloGold Ashanti	Sunrise Dam	Australia (WA)	Gold
Centamin	Sukari	Egypt	Gold
Gold Fields	Agnew	Australia (WA)	Gold
MMG	Dugald River	Australia (QLD)	Zinc
Newmont Goldcorp	Subika	Ghana	Gold
Independence Group	Nova	Australia (WA)	Nickel
Roxgold	Yaramoko	Burkina Faso	Gold
Western Areas	Spotted Quoll	Australia (WA)	Nickel
Total 1H19 pro forma revenue			A$418 million

Surface Mining. The Surface Mining ISG consists of our Ausdrill, AMS and Logistics Direct surface mining businesses, which currently operate in Australia, Ghana, Burkina Faso, Mali, Senegal and Côte d'Ivoire. We provide open cut mine exploration, development and production mining services under our surface mining contracts, including drill and blast, grade control drilling, load and haul, crusher feed, stock pile re-handle, plant and equipment hire, geotechnical services and mining infrastructure. We provide these services across a wide range of commodities, including gold, nickel, iron ore, copper and coal. Our Surface

Mining ISG has a large fleet that includes dump trucks, excavators, loaders, ancillary mining equipment, production blast-hole drills, purpose-built probe drills and reverse circulation grade control and exploration drills. Our mining contracts generally have a fixed component and a variable component based on mining volumes and activity levels. Our surface mining contracts are typically for three to five years. Key customers of this ISG include AngloGold Ashanti, Hummingbird Resources, Resolute Mining, Nordgold, SEMAFO, Ghana Manganese Company ("GMC"), Toro Gold and KCGM (a joint venture between Barrick and Newmont Goldcorp). In addition to contract mining, we provide exploration drilling and resource definition services for prospective mines. Surface Mining is our second largest ISG, accounting for 40% of our pro forma revenue in 1H19.

The following table shows our top 10 surface mining projects for 1H19 based on contribution to pro forma revenue for such period.

Customer	Project	Location	Commodity
AngloGold Ashanti	Iduapriem	Ghana	Gold
GMC	Nsuta	Ghana	Manganese
Gold Fields	St Ives & Granny Smith	Australia (WA)	Gold
Hummingbird Resources	Yanfolila	Mali	Gold
KCGM	Superpit	Australia (WA)	Gold
Macmahon	Tropicana	Australia (WA)	Gold
Nordgold	Bissa	Burkina Faso	Gold
Resolute Mining	Tabakoroni	Mali	Gold
SEMAFO	Boungou	Burkina Faso	Gold
Toro Gold	Mako	Senegal	Gold
Total 1H19 pro forma revenue			A$230 million

Investments. The Investments ISG comprises various businesses that undertake mining equipment hire, mining equipment parts and maintenance and sales, supply and logistics, mineral analysis and oil and gas consumable supply and sales. The businesses operating in this ISG are BTP Group, Supply Direct, MinAnalytical, Energy Drilling Australia and Well Control Solutions. This ISG services mining clients in Australia and Africa. We primarily provide maintenance and repair services, parts, reconditioned and service exchange for major mining equipment components, equipment rebuilds, equipment rental and used equipment sales. Our equipment service rental offering includes a large fleet of excavators, dump trucks, dozers, graders and ancillary equipment, including water carts. We recycle idle equipment from the Surface Mining ISG through the BTP Group. Key customers of this ISG include Peabody and various other short-term rental contractors. This ISG accounted for 8% of our pro forma revenue in 1H19.

Following a review of our portfolio that we commenced after the Acquisition, on April 10, 2019, we announced the sale of our hydrogeological drilling assets, which historically operated as Connector Drilling, for a cash consideration of A$16 million.

Our Services within the Mining Life Cycle

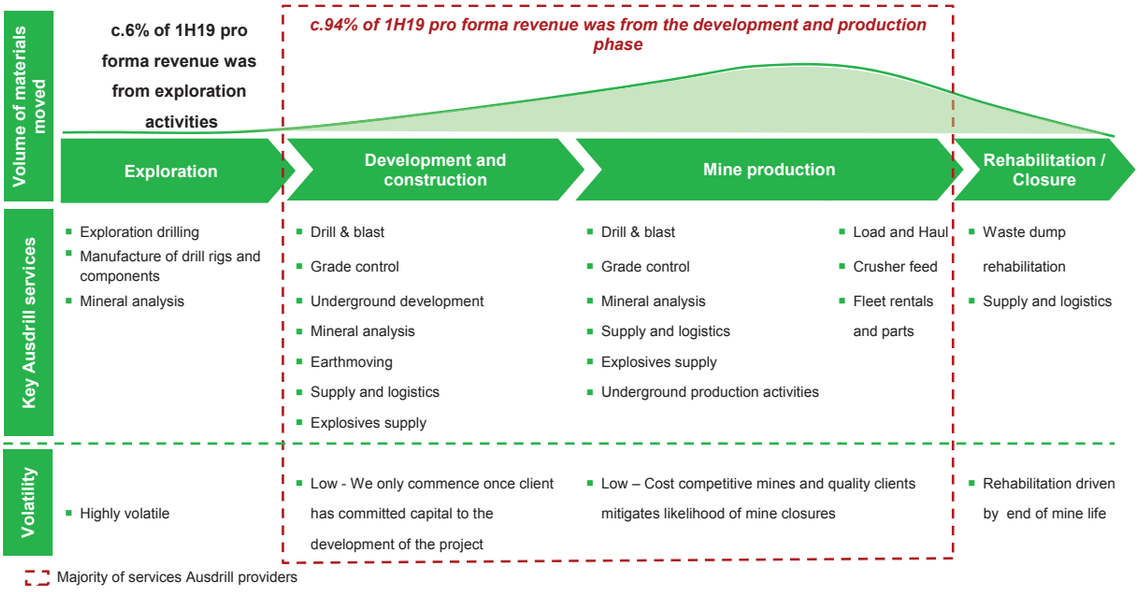
The life cycle of a mine can be generally broken down into the following phases: exploration, development, production and rehabilitation / closure.

Our core activity is providing development and production-related contract mining services to clients who own the mine site. In our Underground Mining ISG, our primary activities consist of providing production drilling, charging, blasting, loading and hauling of material to the surface. We also provide development mining services focused on the planning, development and construction of mine infrastructure, including jumbo development. In our Surface Mining ISG, our principal activities consist of providing open cut mine development and production mining services, including drill and blast, grade control drilling, load and haul, crusher feed, stock pile re-handle, plant and equipment hire, geotechnical services and mining

infrastructure. Our services optimize the production process by ensuring the delivery of appropriate quality ore to the mill and are critical to the development and production stages of a mine.

Our mining services revenues are associated with and more heavily influenced by the long run decision of the mine owner to continue producing and to a lesser extent by short term fluctuations in commodity prices. Our revenues are predominantly in the production cycle and driven by the quantity of materials moved, meters drilled, or meters advanced. We have limited exposure to exploration or resource definition activities. Moreover, we have no material exposure to mining-related infrastructure construction activities. These activities tend to have a greater dependence on underlying commodity prices and therefore experience greater volatility than do our core production-related activities.

The chart below shows the services we provide throughout the mining life cycle as well as what we believe to be the key drivers and degree of volatility for each phase of the mine life cycle.



Customers and Contracts

Ausdrill services some of the largest mining companies as well as emerging producers. Our long-term clients include some of the world's largest resource companies as well as mid-tier companies. Key clients include AngloGold Ashanti, Gold Fields, MMG, Newmont Goldcorp, Independence Group and Western Areas with contracts at the individual mine or operating subsidiary level. Our top ten customers accounted for 62% of our pro forma revenue in 1H19 with several large customers having multiple contracts with Ausdrill across different mine sites, providing a greater level of earnings diversification. Our ability to maintain long-standing customer relationships and high contract renewal rates reflects our strong operational track record of performance. The table below sets out the largest customers based on continuing operations across all our ISGs.

Group	Market capitalization[2]	Length of relationship[3]	Location	Commodity	% of 1H19 revenue	# of current contracts
	US$3.1bn	18 years	Australia (WA)	Gold	7%	5
	US$5.0bn	16 years	Tanzania, Ghana, Australia (WA)	Gold	18%	6
	HK$27.3bn	16 years[3]	Australia (QLD)	Zinc	4%	1
	A$0.6bn	15 years	Australia (WA)	Nickel	5%	3
	US$1.4bn	10 years	Egypt	Gold	4%	1
	A$2.6bn	5 years	Australia (WA)	Nickel	4%	1
	US$0.3bn	4 years	Burkina Faso	Gold	5%	1
	US$25.3bn	2 years	Ghana	Gold	7%	1
	£0.1bn	2 years	Mali	Gold	4%	1
	CA$1.2bn	1 year	Burkina Faso	Gold	4%	2

In addition to our largest customers, we also have long-term relationships with a number of other blue chip customers. The table below sets out selected additional long-term blue chip customer relationships. These relationships contributed an aggregate of approximately 4.1% of our FY18 pro forma revenue.

[2] Data as at April 30, 2019
[3] Represents relationship with either Ausdrill or Barminco Holdings
[4] The length of our relationship with MMG includes prior mine ownership by Oz Minerals, Zinifex and Pasminco

Group	Market capitalization[5]	Length of relationship[6]	Location	Commodity
KCGM	Joint venture	30 years	Australia (WA)	Gold
Ensham Coal	Subsidiary (Idemitsu)	16 years	Australia (QLD)	Coal
BHP	A$185.0bn	16 years	Australia (WA)	Iron Ore
MINCOR RESOURCES NL	A$108.0m	14 years	Australia (WA)	Nickel
Pilbara Manganese	Subsidiary (Consolidated Minerals)	13 years	Australia (WA)	Manganese

As a large scale mining services provider, we are invited to tender for nearly all significant new underground and surface mining opportunities in Australia and West Africa 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 Ausdrill 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, Ausdrill 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.

Safety

We are committed to providing a safe environment for employees, contractors 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 all contract mining tenders, the safety record of the mining services contractor is a significant element of the evaluation criteria in the contract award decision process. Given the critical importance of safety in ensuring the success of our business and welfare of our employees, we devote substantial resources to maintaining our safety systems, including designing and evaluating processes, training, monitoring and analyzing incidents. Total recordable injury frequency rate has steadily declined from above 15 in FY 14[7] to 3.2 in 1H19 amounting to an

[5] Data as at April 30, 2019
[6] Represents relationship with either Ausdrill, Barminco Holdings or AUMS
[7] Relates to Ausdrill prior to the Acquisition

approximately 80% reduction in recordable injuries over that period. We have recently rolled out an in-house safety awareness program to drive engagement of Ausdrill's employees in consideration of safety matters. The program is based on employee case studies and provides a holistic view on safety management inclusive of work related, non-work related and health rated injuries. We adhere to the mining safety and/or general occupational health and safety legislation in the countries/jurisdictions in which we operate. A number of Business Units are certified to AS4801—Occupational Health and Safety Management Systems and/or OHSAS 18001—Occupational Health and Safety Management Systems. Our safety performance is a key competitive advantage in being invited to tender for new contracts as well as retaining key operating personnel.

Equipment and suppliers

Ausdrill has strong relationships with its key equipment suppliers across each of its ISGs, including primarily Sandvik for underground mining equipment and Caterpillar for surface mining equipment. Our relationships with these suppliers facilitate our ability to order equipment for our preferred delivery dates, where some of our smaller competitors may face longer lead times. We operate a significant mining fleet, consisting of more than 1,200 pieces of major equipment and thousands of pieces of support equipment, with an aggregate book value of A$839 million as of December 31, 2018. Ausdrill has a formal in-house fleet management program, which tracks maintenance costs and utilization of equipment and projects expected capex requirements on equipment. This in-house program helps us to extend the average life of equipment, contributing to our reliability and our ability to respond to client needs and optimize equipment levels at our sites. The program also allows the efficient allocation of equipment between projects, as well as the redeployment of equipment to different sites as required. Asset utilization is high at approximately 80%, reflecting the efficient way Ausdrill utilizes its equipment, helping to minimize capital expenditure requirements.

Our Competitive Strengths

We are a leader in the provision of hard-rock underground and surface mining services—We have 30 years of experience and are one of the market leaders in the provision of contract drill and blast services and other underground and surface contract mining services. We have a reputation for reliability, efficiency and technical expertise in highly specialized mining operations. We operate one of the largest fleets in Australia and West Africa of drill and blast rigs, with 279 surface drilling rigs and 94 underground drilling rigs as of December 31, 2018. In addition, we have 91 dozers, 250 dump trucks, 93 underground service trucks and other auxiliary major plants to support our operations. We also have a highly trained and mobile workforce of over 7,500 employees. We believe that our scale and leadership position provide us with a competitive advantage relative to our peers, with mine owners becoming increasingly sophisticated and risk averse and seeking to contract with larger counterparties that operate with a greater focus on internal and external compliance and governance. This also provides us with the ability to better predict cost margins when tendering for renewals where we are the incumbent operator. Our scale also enhances our ability to provide capital and people to offer a full contract mining capability in Australia and Africa, diversification across ISGs, geography, commodity, and clients, and greater purchasing power with suppliers.

Our market position was strengthened by the Acquisition. The Acquisition provides Ausdrill with a leading position in underground hard-rock contract mining in the Australian and West African markets in which we operate. The Acquisition also enhances future international growth opportunities through scale and rebalanced geographic exposure between Australia and Africa, with Australia accounting for 41% of pro forma FY18 revenue versus 35% of revenue for actual stand-alone FY18 pre-acquisition.

The mining services we offer our customers require a high level of technical expertise and specialization. In particular, underground mining is highly complex, with requirements for specialized equipment and skills that serve as significant barriers to entry. Ausdrill has significant experience in the management and operation of underground mining projects supported by a modern fleet of equipment. Some of our services, such as our drill and blast service, require specialist certification and mine site accreditation with our customers who have high performance and safety standards, which helps create an

additional barrier to entry for potential competitors. We also offer specialized and customized equipment to meet our customers' specifications.

Stable revenues derived predominantly from the provision of services essential to mine production— We earn revenues predominantly in the production-phase (including development, construction and mine production) of the mining life cycle. For the six months ended December 31, 2018 and for the twelve months ended June 30, 2018, 92.7% and 93.3%, respectively, of our pro forma revenue was from mining production and production-related development activity. In contrast to the exploration and development phases of a mine, which are volatile and to a significant extent depend on sector sentiment, position within the mining cycle and demand for resources mined, the production phase experiences lower volatility, and production volumes typically remain stable or in line with expectations across the mine's life. We benefit from operating in a relatively stable portion of a mine's life which supports the ability to deliver more consistent financial performance and withstand short term volatility in underlying commodity prices.

In addition, our revenues are predominantly derived from the provision of operational critical services to the mines which are in production. Once Ausdrill is engaged at a mine, demobilization and remobilization costs are generally high for our customers, decreasing the likelihood of termination, with mine owners preferring to ride out short-term commodity price movements. We are typically the exclusive provider of mining services in the mines where we are contracted. Without these services the mines cannot produce, and Ausdrill cannot be easily replaced without possible disruption to mine production. As such, contracts are "sticky", with high cost and high risk to production in replacing the mine contractor.

We have a 'fee for services' business model with contractual protections that provide flexibility and mitigate increases in operating costs, helping to maintain our margins—The majority of our revenue is derived under 'fee for service' arrangements under schedule of rates contracts, with no exposure to fixed contracts. Our mining services contracts generally include fixed and variable components. Fixed charges typically comprise of management services and fixed overheads and, in some instances, fixed ownership charges for equipment. Our variable payments are based on hours, volume of material moved, meters drilled, or meters advanced—primarily covering labor, mining consumables, our margin and the depreciation of our equipment. Our mining services agreements typically have terms of three to five years, which contribute towards greater revenue visibility.

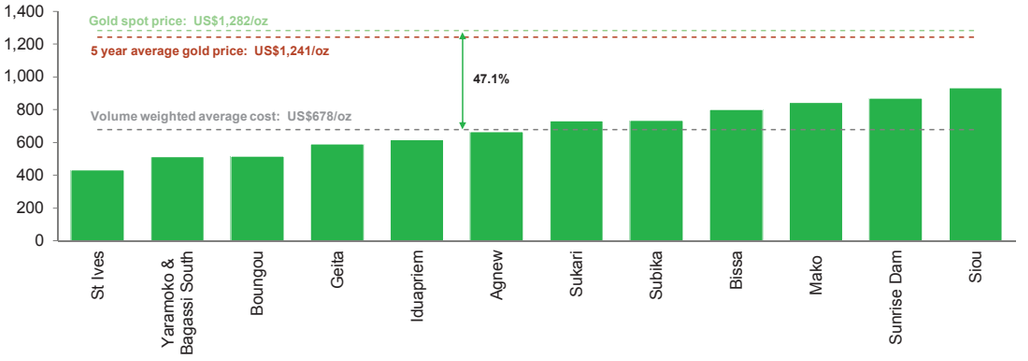
Our mining services contracts generally have "rise-and-fall" provisions, under which the rates we may charge our customers are periodically increased or decreased to reflect changes in our underlying costs such as labor and consumables costs (such as tires and spares). Rise-and-fall provisions help preserve our margin to an extent and help provide us with more stable earnings and greater predictability of cash flow. In addition, we generally embed in our mining services contracts early termination clauses and payments which protect us in the event of a contract termination for convenience, as well as provisions for staff retrenchment without material impact to our operating margins. The early termination payment typically scales down as the contract becomes more seasoned. A customer generally does not have the option to purchase our equipment if the customer terminates the contract. As a result, the customer would need to buy or rent new equipment which could lead to the customer potentially experiencing production disruptions and downtime in the event the customer terminates our contract for convenience. These terms enable us to recover a portion of our capital expenditure costs associated with the project in the event of early termination, and contribute to our stability and favorable contract renewal rate.

Additionally, our extensive tender review, quality assurance, contract performance assessment, and internal review processes help us to protect the robustness of our contract pricing. Senior management is involved in reviewing all significant contract tenders. We typically tender for work to be the sole provider of mining services. Historical operating knowledge and stringent review processes are critical to forecasting costs and provide a robust pricing framework. This is a key advantage when tendering to renew contracts or expand the scope of existing projects.

We selectively pursue opportunities with a focus on cost competitive mines with a long mine life, reducing risks of mine closures due to adverse commodity price movements—Our mining customers typically have strong cash margins on the mines they operate. For our largest commodity exposure, gold,

according to Wood Mackenzie, our customers have a C1 cash cost which is a volume weighted average of 47.1% below the current spot price for gold.[8] Further, on a weighted average mine production basis, according to Wood Mackenzie, our customers' mines sit in the 55th, 35th and 26th cost[9] percentile for gold, nickel and zinc respectively, implying that our customers, the operators of such mines, would be relatively resilient in the event of a reduction in commodity prices.

2018 C1 cash costs vs gold spot price per mine ($US/oz)[10]



2018 paid metal (t)	11.3	4.1	2.0	16.9	7.2	7.2	15.7	14.0	5.0	4.2	7.6	5.6
Percentile[11]	17%	29%	30%	40%	45%	53%	65%	66%	77%	84%	86%	91%

Source: Wood Mackenzie

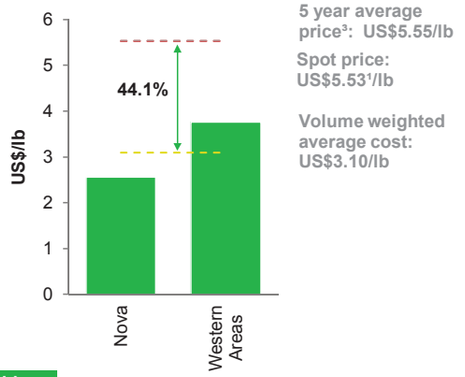
[8] Gold spot price (US$/oz) as at April 30, 2019

[9] Gold, Copper, Nickel: C1 cash costs—the direct cash cost associated with the mining, processing and realisation of the concentrate or marketable product, with an allowance for by-product credits (includes general and administration costs directly related to mine production)

[10] Chart and volume weighted average cost relate only to a subset of gold mines where Ausdrill operates

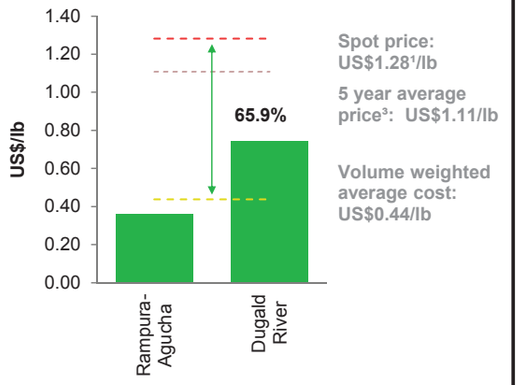
[11] Percentile of global cash cost curve

2018 C1 cash costs vs nickel spot price ($US/lb)



	Nova	Western Areas
2018 paid metal (Mlbs)	58	45
Percentile[2]	22%	48%

2018 C1 cash costs vs zinc spot price ($US/lb)



	Rampura-Agucha	Dugald River
2018 paid metal (Mlbs)	994	242
Percentile[2]	14%	74%

(1) *Nickel and zinc spot price as at April 30, 2019*

(2) *Percentile of global cash cost curve*

(3) *5 year average prices from FactSet*

Source: Wood Mackenzie

As a seasoned contract miner, Ausdrill has operated through several commodity price cycles and our experience and operating structure assist us in managing through commodity price cycles should it be required. Under most of our mining services contracts, approximately 70 to 75% of our revenues are variable, and are driven by production volume, or a metric related to production volume. This means Ausdrill's costs reduce as production volume declines in a downturn, helping to preserve profitability. Our capital expenditure aligns closely with new contracts and revenue-generating activities, which means that we have been able to adapt quickly to changing operational circumstances without bearing significant costs. We can significantly reduce our capital expenditures during a downturn by redeploying equipment from operations experiencing reductions, to active operating sites.

We build and maintain long term relationships with global mining companies—We have long standing relationships with many of our customers. Our long-term clients include some of the world's largest resource companies, as well as mid-tier companies. For ten customers we have a relationship of greater than ten years. These long term relationships provide us with greater certainty of revenues over the medium to long-term and help to reduce the risk of a near-term contract termination materially impacting Ausdrill. We believe that most of our customers view us as a critical partner and regard the mining services that we provide them as essential to their ability to extract resources and generate revenue. Our top ten customers accounted for 62% of our pro forma revenue in the 1H19.

Our strong track record of contract renewals, large order book and tender pipeline provides visibility to earnings and underpins a robust financial outlook—We have a strong track record of contract renewals and extensions, which reflects the recurring nature of the our revenues and our performance levels under these contracts. Our recent positive momentum in both Underground Mining and Surface Mining is reflected in over A$2.8 billion of contract value at award won since May 2018. The average length of these new contracts with existing customers is close to three years. Once we are the incumbent operator at a site, we have better technical information to tender for renewals, which is a barrier to being replaced.

Contract wins over the last 12 months since May 2018

New	Renewal	Date	Customer	Existing customer	Project	ISG	Location	Commodity	Contract length
	√	Feb 19	GMC	√	Nsuta	Surface	Ghana	Manganese	2 years
	√	Feb 19	Hindustan Zinc	√	Rampura Agucha	Underground	India	Zinc	3.5 years
√		Jan 19	Regis Resources		Rosemont	Underground	Australia (WA)	Gold	3 years
√		Jan 19	Western Areas	√	Odysseus	Underground	Australia (WA)	Nickel	1.2 years
	√	Jan 19	Consolidated Minerals	√	Woodie Woodie	Surface	Australia (WA)	Manganese	1 year
√		Jan 19	Bellevue Gold	√	Bellevue	Surface	Australia (WA)	Gold	1 year
√		Nov 18	Polaris	√	Koolyanobbing	Surface	Australia (WA)	Iron ore	1.7 years
√		Oct 18	AngloGold Ashanti	√	Obuasi	Underground	Ghana	Gold	5 years
	√	Oct 18	Independence Group	√	Nova	Underground	Australia (WA)	Nickel	4 years
	√	Oct 18	Gold Fields	√	Agnew	Underground	Australia (WA)	Gold	4 years
	√	Sep 18	AngloGold Ashanti	√	Sunrise Dam	Underground	Australia (WA)	Gold	5 years
√	√	Aug 18	Roxgold	√	Yaramoko & Bagassi South	Underground	Burkina Faso	Gold	2.5 years
√		Jul 18	Resolute	√	Tabakoroni	Surface	Mali	Gold	1.9 years
√		Jun 18	Round Oak Minerals		Mt Colin	Underground	Australia (QLD)	Copper	4 years
√		May 18	SEMAFO	√	Siou	Underground	Burkina Faso	Gold	5.8 years

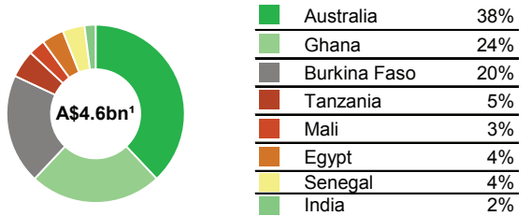
The table below sets forth contracts up for renewal in the twelve months ended March 31, 2020, which have an estimated annual revenue over A$20.0 million:

Upcoming major contract renewals

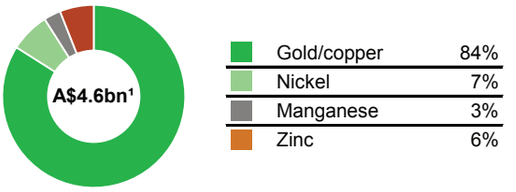
Date	Customer	Project	ISG	Location	Commodity
Mar 19	Peabody	Various	Investment	Australia (QLD & NSW)	Coal
Jun 19	AngloGold Ashanti	Star and Comet	Underground	Tanzania	Gold
Dec 19	AngloGold Ashanti	Iduapriem	Surface	Ghana	Gold
Jan 20	Gold Fields	St Ives	Surface	Australia (WA)	Gold

In addition to a strong contract renewal rate, our large orderbook provides earnings visibility and we are well positioned to extend our order book through our strong pipeline. Our order book as of March 31, 2019 has an aggregated contracted value of A$4.6 billion over the remainder of 2H19 to FY25. Within our order book, 84% of revenues are expected to come from gold / copper and 7% from nickel, while 38% revenues are expected to come from Australia, 24% from Ghana and 20% from Burkina Faso. In addition to our contracted order book, Ausdrill also generates uncontracted revenues for equipment part sales, supply and logistics and exploration drilling that does not form part of our order book.

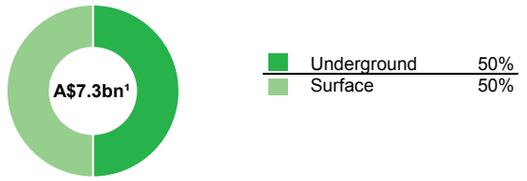
Order book by geography as of March 31, 2019



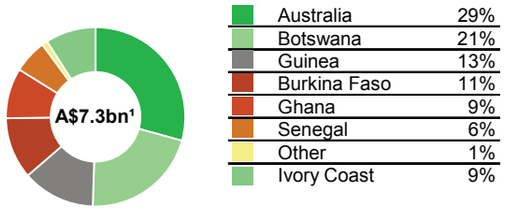
Order book by commodity as of March 31, 2019



Pipeline by ISG



Pipeline by geography



We are continually seeking to increase our order book by tendering for opportunities across diverse geographies. We have identified a pipeline of 32 projects that we anticipate may generate an opportunity to tender for a mining services contract that commences in the next 24-36 months. Our management estimates that if all of these contracts are put out to tender on terms consistent with management's experience, the potential revenue opportunity would be approximately A$7.3 billion based on data made available by mine owners. Ausdrill has existing relationships with approximately 34% of owners of these projects and the projects are predominantly located in jurisdictions where we currently operate, with the exception of Botswana, which would provide further diversification across Africa. The tender pipeline is split approximately 50% / 50% between Surface Mining and Underground Mining. We believe our reliability, efficiency, technical expertise and strong track record of operating performance has resulted in a high rate of contract renewal when approaching contract expiration, which has provided natural replenishment of our order book over time.

The tendering opportunities available to Ausdrill are reflective of the current positive cyclical outlook for the mining sector and the strong industry fundamentals for gold and nickel. Wood Mackenzie expects gold demand to increase at a 1.4% CAGR between 2018 and 2035 driven by increases in bar and coin, jewelry and exchange-traded fund (ETF) demand. Nickel is also supported by strong industry fundamentals, with Wood Mackenzie forecasting demand growth of 4.4% in 2019 and longer-term growth to be driven by its application in electric vehicle batteries and energy storage, which it expects to account for 24% of global nickel demand in 2035, compared to 4% in 2018.

Diversification in projects, commodities, service offering and jurisdictions mitigates potential impacts from specific site disruption—We possess the expertise and capability to provide a full service offering to our customers which provides multiple revenue streams. We are diversified across both surface mining and underground mining, which not only gives us the flexibility to take advantage of growth opportunities in each mining activity but also limits our operational risk and over-exposure to a particular activity. Additionally, our diversified service offering and depth of customer relationships mitigates the risk of loss of any particular contract. Our largest site accounted for 7% of 1H19 pro forma revenue and our second to tenth largest sites collectively accounted for 41% of 1H19 pro forma revenue.

We are agnostic towards any particular commodity or geography. Our Board evaluates projects based on the operating jurisdiction, the quality of our contractual counterparty and the underlying mining project. As of December 31, 2018, we had a presence in twelve countries across four continents.

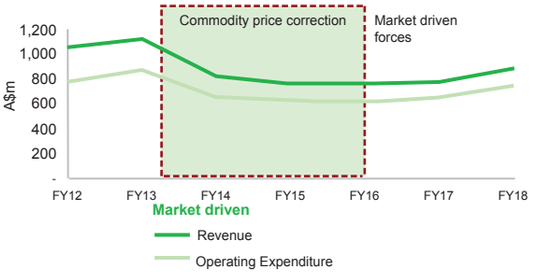
Gold is our largest commodity exposure, which assists in ensuring more stable and consistent historic performance despite troughs in the economic cycle, given its defensive, counter-cyclical nature and lack of correlation to the economy and to other commodities. Beyond gold, we are exposed to a range of

commodities with extensive ongoing and past project experience with copper, iron ore, lithium, manganese, nickel, coal, tin, talc and zinc. Our existing capital fleet can be redeployed across different mining sites and are not specific to any commodity giving us flexibility in managing our operations. As of December 31, 2018, we provided mining services in eight different commodity sectors.

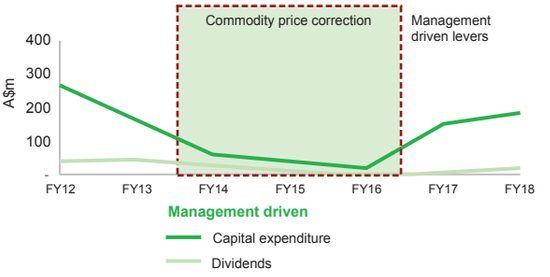
We have a strong track record of prudent financial risk management through the commodity cycle and have multiple levers to sustain cash flow generation in the event of a cyclical downturn—We plan to maintain a prudent capital structure to give us maximum operational and financial flexibility. We believe we conduct our operations within a strong financial framework underpinned by prudent financial risk management, which has allowed us to maintain a strong balance sheet. Our operating costs are linked to production levels, which provides a natural hedge for profitability when activity levels decline. When required, we have the ability to reduce operational and capital expenditure and limit or suspend distributions to shareholders to preserve cash and ensure our long-term financial health. In the last significant commodity price correction experienced between FY14 and FY16, we implemented all these strategies and as a result were able to steadily increase free cash flow and reduce net debt levels from A$391 million in FY14 to A$217 million in FY16. We also used equity to support the Acquisition, conducting a A$250 million entitlement offer to maintain a strong balance sheet, with gearing[12] only increasing modestly from 25.7% as of June 30, 2018 to 27.1% as of December 31, 2018. In addition, the acquisition of Barminco provides further earnings resilience through the cycle with Barminco maintaining relatively stable EBITDA over the last ten years.

Cash flow management through the cycle[13]

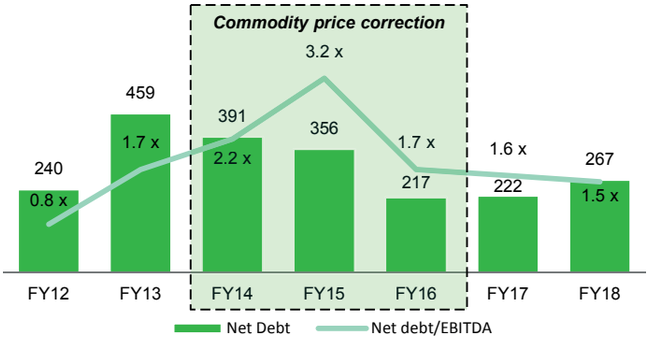
Revenue and variable costs through the cycle



Adaptation of cashflows through the cycle

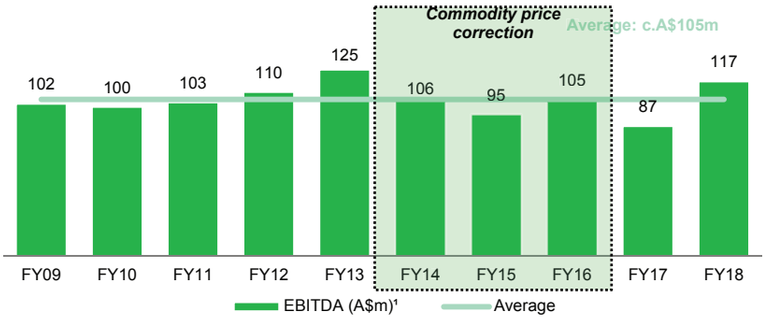


Net debt balance (A$ million) and Net debt/EBITDA evolution[14]



[12] Gearing = net debt / (net debt + total equity)
[13] Relates to Ausdrill standalone business
[14] EBITDA is unadjusted

Barminco Holdings has demonstrated stable Barminco EBITDA generation for a decade



(1) Reported Barminco EBITDA from FY09 – FY15. Barminco Adjusted EBITDA from FY16-FY18

We are led by a highly experienced management team and seasoned Board of Directors—Our Board comprises a majority of independent non-executive directors with extensive collective experience across a range of industries including mining, legal, engineering and mining services industries. Our management team has substantial international experience across a range of operational disciplines and has successfully delivered strong organic and inorganic growth over the last three years, and navigated the commodity price correction in FY14 to FY16 and reduction in mining activity between FY13 to FY15.

Our Board of Directors and management team adhere to high standards of corporate governance and risk management. Site risks for each contract are reviewed by technical personnel and classified under a "Traffic Light" report. There are minimum Return on Capital Employed requirement across the various business units, with incentives aligned to management compensation. For all tenders, as well as any subsequent material alteration to the business case, scope and pricing, approval levels are set by the Board and all decisions involving operating in new jurisdictions require Board approval. Tender reviews include evaluation of detailed technical information, including with respect to the local geography, political situation, infrastructure and logistics, and we conduct numerous site visits by management, technical, business and legal personnel. This helps us assess key risks and the likely operational costs. We have a clear tender submission and approvals process and adhere to continuous risk management.

Mr. Mark Norwell is the Managing Director and CEO of Ausdrill and has over 20 years' experience in the mining industry throughout Australia, New Zealand, Africa and the Americas. Mark's expertise spans underground, open cut and process engineering operations across a variety of commodities including iron ore, gold, copper, diamonds, nickel and oil sands.

Mr. Peter Bryant is the Chief Financial Officer of Ausdrill and has over 25 years' experience, predominately with ASX listed companies. He was previously CFO of Barminco and a director at AUMS.

Mr. Ian Cochrane was appointed as a non-executive director and Deputy Chairman in November 2015. Subsequently, in December 2017, Ian was appointed Chairman of the Board. Prior to joining Ausdrill, Ian practiced law, specializing in mergers and acquisitions, in national law firms Corrs Chambers Westgarth and Mallesons Stephen Jaques until 2006, when he established the boutique law firm, Cochrane Lishman, which was eventually acquired by the global law firm Clifford Chance.

Our Strategies

We have identified five 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 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 to pursue growth through both regional expansion by leveraging the presence of our existing customers, as well as expanding into adjacent service offerings and build on our existing expertise to provide our customers with a more comprehensive portfolio of services.

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. We are also focused on continuing to strengthen our governance, audit, internal controls and risk management 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. Ausdrill is focused on partnering with Original Equipment Manufacturers ("OEM") who are expected to lead the investment into research and development of new technologies.

Building financial capacity for growth and sustainability through the cycle—We plan to actively manage our portfolio of businesses by divesting non-core operations to ensure that existing businesses add value to the group and fit within the new strategic direction of the business. We intend to maintain a strong balance sheet, expand sources of capital and increase our cash backed profits. We will also focus on continuing to grow our financial and commercial acumen across the group by closely monitoring key financial metrics.

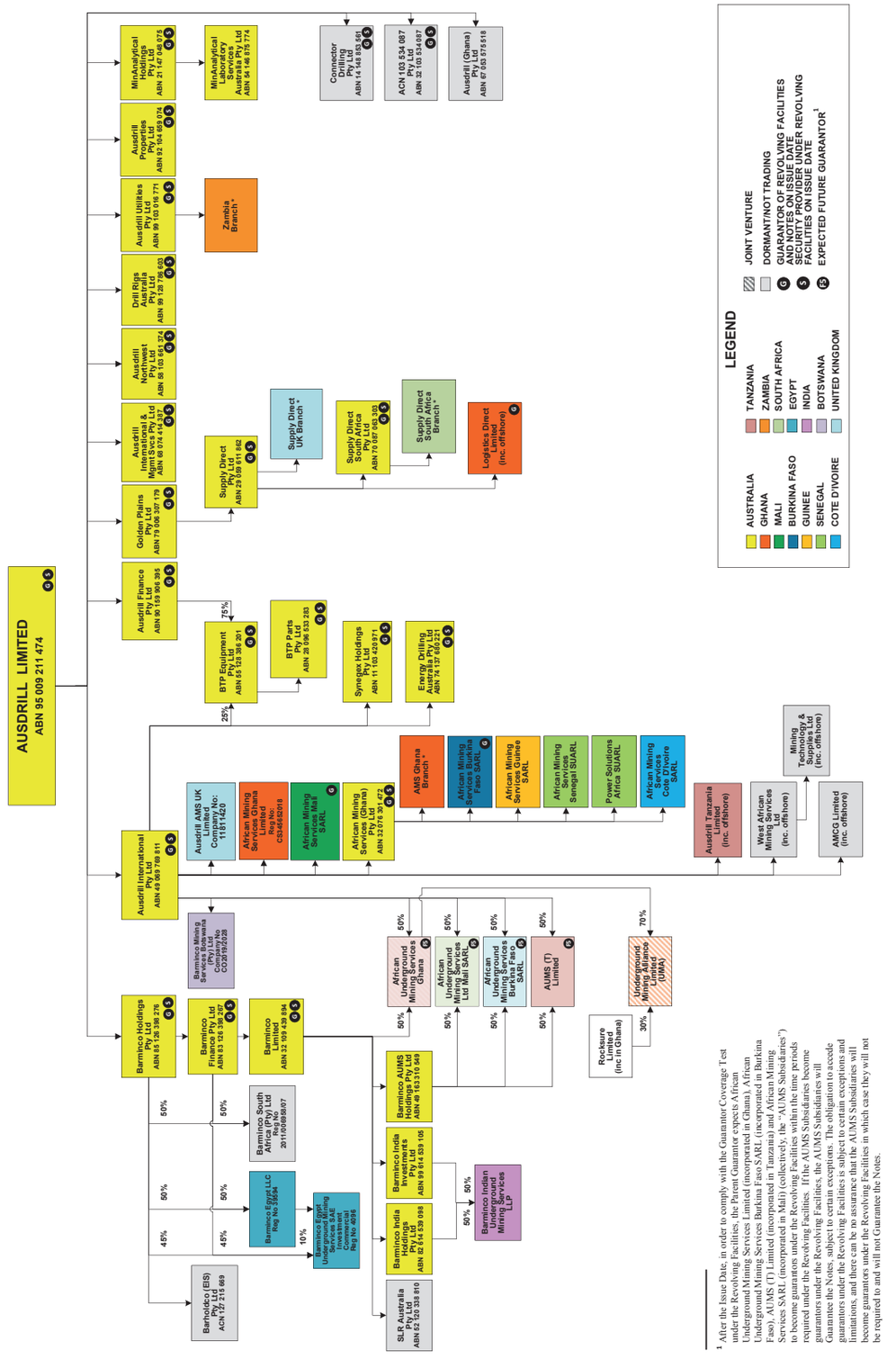
Corporate Information

Ausdrill's principal executive offices are located at 6-12 Uppsala Place, Canning Vale 6155, Western Australia. Our telephone number is +61 8 9311 5666 and our website is located at www.ausdrill.com.au. The information on Ausdrill's website is not part of this Offering Memorandum.

Risk Factors

Investing in the Notes offered by this Offering Memorandum involves risks. You should carefully consider all of the information in this Offering Memorandum prior to investing in the Notes. There are several risks related to our business that are described under "Risk Factors" and elsewhere in this Offering Memorandum.

CORPORATE STRUCTURE



[1] After the Issue Date, in order to comply with the Guarantor Coverage Test under the Revolving Facilities, the Parent Guarantor expects African Underground Mining Services Limited (incorporated in Ghana), African Underground Mining Services Burkina Faso SARL (incorporated in Burkina Faso), AUMS (T) Limited (incorporated in Tanzania) and African Mining Services SARL (incorporated in Mali) (collectively, the "AUMS Subsidiaries") to become guarantors under the Revolving Facilities within the time periods required under the Revolving Facilities. If the AUMS Subsidiaries become guarantors under the Revolving Facilities, the AUMS Subsidiaries will Guarantee the Notes, subject to certain exceptions. The obligation to accede guarantors under the Revolving Facilities is subject to certain exceptions and limitations, and there can be no assurance that the AUMS Subsidiaries will become guarantors under the Revolving Facilities in which case they will not be required to and will not Guarantee the Notes.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following tables set forth summary historical and pro forma financial information for the periods ended and as of the dates indicated.

The summary historical consolidated financial information as of and for each of the years ended June 30, 2018, 2017 and 2016 set forth below has been derived from our audited consolidated financial statements and related notes for those periods, which are included elsewhere in this Offering Memorandum. The summary historical consolidated financial information as of and for each of the six months ended December 31, 2017 and 2018 set forth below has been derived from our unaudited consolidated financial statements and related notes for those periods, which are included elsewhere in this Offering Memorandum. The summary historical consolidated financial and operating data set forth below is not necessarily indicative of future results of operations or financial condition.

The accompanying unaudited pro forma condensed combined statement of profit or loss for the year ended June 30, 2018 and for the six month period ended December 31, 2018 gives effect to the Acquisition and the debt refinancing and repayment, as if they occurred on July 1, 2017.

The summary unaudited pro forma financial information presented in this Offering Memorandum is based in part on certain assumptions regarding the Acquisition. We cannot assure you that our assumptions will prove to be accurate. In addition, the summary historical financial statements of Ausdrill and Barminco Holdings presented in this Offering Memorandum have been prepared in accordance with Australian Accounting Standards. Those financial statements have been prepared using the Australian dollar as the reporting currency for Ausdrill and Barminco Holdings.

The historical, pro forma and other financial information included in this Offering Memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. Neither the underlying pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with Australian Auditing Standards.

As a result of the Acquisition, the divestments of Diamond Communications, Drilling Tools Australia and Miner's Rest and new segmentation of our businesses, the financial results of FY16, FY17 and FY18 and 1H18 and 1H19 may not be comparable across all periods. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Results."

The summary historical and pro forma financial information should be read in conjunction with the historical financial statements and the notes thereto included elsewhere in this Offering Memorandum, along with "Financial Information Presentation," "Unaudited Pro Forma Condensed Combined Financial Information," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary unaudited pro forma financial information included in this section give effect to the Acquisition but do not give effect to the issuance of the Notes. See "Capitalization" in this Offering Memorandum.

Summary income statement information:

	Year ended June 30,				Six months ended December 31,		
	2016	2017[1]	2018	2018	2017	2018	2018
	Historical			Pro Forma	Historical		Pro Forma
	(A$ in thousands)				(A$ in thousands)		
Revenue from continuing operations	744,635	764,950	890,317	1,751,192	440,928	642,544	974,737
Other income	11,102	12,468	22,345	26,002	14,124	200,932	3,594
Materials expense	(298,972)	(328,099)	(367,543)	(620,811)	(171,201)	(248,504)	(350,293)
Labor costs	(239,895)	(241,577)	(285,090)	(611,767)	(149,621)	(211,079)	(334,337)
Rental and hire expense	(13,994)	(13,779)	(14,778)	(26,560)	(8,171)	(10,493)	(16,437)
Depreciation and amortization expense	(67,894)	(62,172)	(74,528)	(209,544)	(34,322)	(70,428)	(117,835)
Finance costs	(33,696)	(31,381)	(31,626)	(58,786)	(15,913)	(24,178)	(29,491)
Other expenses from ordinary activities	(83,782)	(68,878)	(87,362)	(142,355)	(41,815)	(66,446)	(72,803)
Impairment of available-for-sale financial assets.	(1,485)	—	—	—	—	(31,200)	(31,200)
Share of net profit of joint ventures accounted for using the equity method	9,074	13,090	22,344	—	9,167	10,709	—
Profit/(loss) before income tax	**25,093**	**44,622**	**74,079**	**107,371**	**43,176**	**191,857**	**25,935**
Income tax (expense)/benefit	(4,581)	(13,671)	(14,730)	(24,235)	(7,907)	25,126	(37,982)
Profit/(loss) from continuing operations	**20,512**	**30,951**	**59,349**	**83,136**	**35,269**	**216,983**	**(12,047)**
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	37,638	250	1,701	—	—	—	—
Profit/(loss) for the year/half year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**
Profit/(loss) is attributable to:							
Equity holders of Ausdrill Limited	58,150	31,201	61,050	83,136	35,269	216,990	(12,040)
Non-controlling interests	—	—	—	—	—	(7)	(7)
Profit/(loss) for the year/half year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:	CENTS	CENTS	CENTS	CENTS	CENTS	CENTS	CENTS
Basic earnings/(loss) per share	6.6	9.9	16.9	12.4	10.3	41.1	(1.8)
Diluted earnings/(loss) per share	6.4	9.6	16.6	12.3	10.1	40.7	(1.8)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:							
Basic earnings/(loss) per share	18.7	10.0	17.4	12.4	10.3	41.1	(1.8)
Diluted earnings/(loss) per share	18.2	9.7	17.1	12.3	10.1	40.7	(1.8)
Profit/(loss) for the year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**

(1) FY16 income statement information was reclassified to conform with financial statement presentation of FY17 onwards. Amounts reclassified in FY16 to Other expenses from ordinary activities are as follows (A$ thousands): Realised foreign exchange loss (A$ 8,427) and Unrealized foreign exchange loss (A$6,123).

Summary balance sheet information:

	As of June 30,			As of December 31,
	2016	2017	2018	2018
	(A$ in thousands)			
ASSETS				
Current assets				
Cash and cash equivalents	181,857	166,710	137,258	198,858
Trade and other receivables	169,810	167,742	230,464	362,851
Inventories	191,374	188,761	212,600	317,332
Available-for-sale financial assets	2,000	—	—	—
Current tax receivables	4,803	3,028	964	1,464
Total current assets	**549,844**	**526,241**	**581,286**	**880,505**
Non-current assets				
Receivables	—	—	3,314	3,159
Joint ventures accounted for using the equity method	69,764	58,884	71,266	—
Financial assets at fair value through other comprehensive income	—	—	—	11,454
Available-for-sale financial assets	3,641	5,189	11,999	—
Property, plant and equipment	489,832	560,464	664,347	897,307
Intangible assets	—	—	—	765,802
Derivative financial instruments	—	—	—	12,221
Deferred tax assets	37,300	36,584	35,549	93,089
Total non-current assets	**600,537**	**661,121**	**786,475**	**1,783,032**
Total assets	**1,150,381**	**1,187,362**	**1,367,761**	**2,663,537**
LIABILITIES				
Current liabilities				
Trade and other payables	82,839	100,396	122,770	221,817
Borrowings	3,521	2,802	3,334	33,818
Current tax liabilities	3,907	4,181	1,196	8,719
Employee benefit obligations	33,814	40,805	39,061	66,367
Total current liabilities	**124,081**	**148,184**	**166,361**	**330,721**
Non-current liabilities				
Borrowings	395,019	385,815	401,216	712,734
Deferred tax liabilities	23,584	22,289	24,947	144,240
Employee benefit obligations	1,101	960	486	2,914
Total non-current liabilities	**419,704**	**409,064**	**426,649**	**859,888**
Total Liabilities	**543,785**	**557,248**	**593,010**	**1,190,609**
Net assets	**606,596**	**630,114**	**774,751**	**1,472,928**
EQUITY				
Contributed equity	526,447	526,447	624,571	1,126,825
Other reserves	(16,028)	(17,777)	(12,459)	(15,210)
Retained earnings	96,177	121,444	162,639	361,000
Capital and reserves attributable to the owners of Ausdrill Limited	**606,596**	**630,114**	**774,751**	**1,472,615**
Non-controlling interests	—	—	—	313
Total Equity	**606,596**	**630,114**	**774,751**	**1,472,928**

Summary cash flow information:

	Year ended June 30,			Six months ended December 31,	
	2016	2017	2018	2017	2018
	(A$ in thousands)				
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)	791,503	802,207	892,394	455,365	697,528
Payments to suppliers and employees (inclusive of goods and services tax)	(668,345)	(670,096)	(802,239)	(393,313)	(604,455)
	123,158	**132,111**	**90,155**	**62,052**	**93,073**
Receipts from finance customers	2,609	—	—	—	—
Interest received	1,655	2,391	2,990	1,198	2,333
Interest and other costs of finance paid	(30,870)	(29,113)	(28,982)	(14,363)	(36,952)
Income taxes (paid)/refunded	(6,434)	(11,782)	(12,312)	(9,123)	(8,075)
Management fee received from joint ventures	888	1,006	742	382	357
Net cash inflow/(outflow) from operating activities	**91,006**	**94,613**	**52,593**	**40,146**	**50,736**
Cash flow from investing activities					
Payments for purchase of equity investments	(3)	—	—	—	—
Payments for property, plant and equipment	(12,416)	(147,418)	(173,280)	(78,144)	(76,587)
Proceeds from sale of property, plant and equipment	11,418	1,780	3,319	4,375	1,962
Payments for available-for-sale financial assets	(3,849)	(3,855)	(9,187)	(3,047)	(650)
Proceeds from sale of available-for-sale financial assets	7,463	3,207	—	—	—
Proceeds from sale of business	49,369	22,213	4,600	—	—
Cash removed on disposal of subsidiary	—	—	(602)	—	—
Distributions received from associates	8,871	22,946	13,633	—	—
Payments for purchase of subsidiaries	—	—	—	—	(17,205)
Cash acquired on acquisition of subsidiary	—	—	—	—	100,544
Minority interest on start-up of joint venture	—	—	—	—	309
Net cash (outflow)/inflow from investing activities	**60,853**	**(101,127)**	**(161,517)**	**(76,816)**	**8,373**
Cash flows from financing activities					
Proceeds from secured borrowings	—	—	—	—	195,116
Repayment of secured borrowings	(38,091)	—	—	—	(470)
Proceeds from issues of shares, net of transaction costs	—	—	97,606	97,813	244,127
Proceeds from hire purchase and lease liabilities	—	—	—	—	13
Repayment of hire purchase and lease liabilities	(8,047)	(471)	—	—	(4,781)
Proceeds from unsecured borrowings	4,340	3,721	3,991	—	3,402
Dividends paid to Company's shareholders	—	(6,246)	(19,855)	(7,188)	(18,629)
Repayment of unsecured borrowings	(5,974)	(3,969)	(3,458)	(1,548)	(419,036)
Net cash inflow/(outflow) from financing activities	**(47,772)**	**(6,965)**	**78,284**	**89,077**	**(258)**
Net (decrease)/increase in cash and cash equivalents	**104,087**	**(13,479)**	**(30,640)**	**52,407**	**58,851**
Cash and cash equivalents at the beginning of the financial year	77,865	181,857	166,710	166,710	137,258
Effects of exchange rate changes on cash and cash equivalents	(95)	(1,668)	1,188	(478)	2,749
Cash and cash equivalents at end of year	**181,857**	**166,710**	**137,258**	**218,639**	**198,858**

Segmental financial information:

	Year ended June 30,		
	2016	2017	2018
	Historical		
	(A$ in thousands)		
External Sales Revenue[1]			
Drilling Services Australia	222,619	215,524	214,926
Equipment Services and Supplies	131,025	130,684	147,661
Contract Mining Services Africa	361,880	404,683	510,899
All Other Segments	27,479	11,675	13,848
Corporate and Finance	—	—	—
Consolidated External Sales Revenues	**743,003**	**762,566**	**887,334**
Segment EBITDA[1]			
Drilling Services Australia	41,085	36,881	37,859
Equipment Services and Supplies	15,757	18,091	26,046
Contract Mining Services Africa[2]	83,760	95,810	118,487
All Other Segments	(1,434)	1,591	8,222
Corporate and Finance	(14,117)	(16,582)	(13,363)
Total EBITDA[1]	**125,051**	**135,791**	**177,250**
Segment EBIT[1]			
Drilling Services Australia	21,137	19,132	23,747
Equipment Services and Supplies	7,483	9,494	17,326
Contract Mining Services Africa[2]	47,997	62,348	69,331
All Other Segments	(5,039)	(521)	5,965
Corporate and Finance	(14,421)	(16,834)	(13,646)
Total EBIT[1]	**57,157**	**73,619**	**102,723**

Notes:

(1) External sales revenue, Segment EBITDA, and Segment EBIT are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

(2) The Segment EBITDA and Segment EBIT for Contract Mining Services Africa includes share of net profit of joint ventures accounted for using the equity method, representing our share of net profit from AUMS. Share of net profit of joint ventures accounted for using the equity method was A$9,074, A$13,090 and A$22,344 in FY16, FY17 and FY18, respectively.

	Year ended June 30,	Six months ended December 31,		
	2018	2017	2018	2018
	Pro Forma	Historical		Pro Forma
		(A$ in thousands)		
External Sales Revenues[1]				
Underground Mining	869,880	—	172,678	506,696
Surface Mining	725,408	348,841	390,339	390,255
Investments	150,317	90,889	77,194	74,711
Corporate & Finance	—	—	—	—
Consolidated External Sales Revenues	**1,745,605**	**439,730**	**640,211**	**971,662**
Segment Adjusted EBITDA[1]				
Underground Mining	217,940	9,167	53,326	123,480
Surface Mining	128,736	62,670	69,299	69,298
Investments	29,233	16,202	16,643	16,643
Corporate & Finance	(18,963)	(7,404)	(8,684)	(8,684)
Total Adjusted EBITDA	**356,946**	**80,635**	**130,584**	**200,736**
Segment Adjusted EBIT (A)[1]				
Underground Mining	123,640	9,167	36,086	72,191
Surface Mining	65,468	34,277	28,692	28,691
Investments	18,256	10,418	11,030	11,030
Corporate & Finance	(19,246)	(7,549)	(8,859)	(8,859)
Total Adjusted EBIT (A)	**188,118**	**46,313**	**66,949**	**103,053**

Notes:

(1) External sales revenue, Segment Adjusted EBITDA, and Segment Adjusted EBIT (A) are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

Other financial information:

	Year ended June 30,				Six months ended December 31,		
	2016	2017	2018	2018	2017[11]	2018	2018
	Historical			Pro Forma	Historical		Pro Forma
	(A$ in thousands)				(A$ in thousands)		
External Sales Revenue[1]	743,003	762,566	887,334	1,745,605	439,730	640,211	971,662
Adjusted EBITDA[1]	139,601	131,044	161,351	356,946	80,635	130,584	200,736
Adjusted EBITDA margin[1]	18.8%	17.2%	18.2%	20.4%	18.3%	20.4%	20.7%
Adjusted EBIT (A)[1]	71,707	68,872	86,823	188,118	46,313	66,949	103,053
Adjusted EBIT (A) margin[1]	9.7%	9.0%	9.8%	10.8%	10.5%	10.5%	10.6%
Total debt	398,540	388,617	404,550		380,341	746,552	746,552
Net debt	216,683	221,907	267,292		161,702	547,694	547,694
Ratio of total debt to Adjusted EBITDA[1]	2.9	3.0	2.5				
Ratio of net debt to Adjusted EBITDA[1]	1.6	1.7	1.7				
Ratio of Adjusted EBITDA to Net interest expense[1]	4.4	4.5	5.6	7.1			
Gearing ratio[1]	26.3%	26.0%	25.7%		17.5%	27.1%	
Capital expenditures[1]	12,416	147,420	173,280		78,144	76,587	

Notes:

(1) External sales revenue, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT (A), Adjusted EBIT (A) margin, ratio of total debt to Adjusted EBITDA, ratio of net debt to Adjusted EBITDA, ratio of Adjusted EBITDA to net interest expense and gearing ratio are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures." For a reconciliation of Adjusted EBITDA and Adjusted EBIT (A) to profit or loss for the period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)."

RISK FACTORS

Any investment in the Notes involves risks. You should carefully consider the risks described below and all of the information contained in this Offering Memorandum 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 our management or that our management currently deems 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 "Forward-looking Statements" in this Offering Memorandum.

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 adversely affect our results of operations.

Demand for our mining services depends in significant part upon the level of production at mines owned by our customers. Production phase mining services (including development and rehabilitation work) contributed approximately 93.8% of our pro forma total external sales revenue in FY18 and 94.4% of our pro forma total external sales revenue in 1H19. We provide contract mining services principally with respect to gold/copper, nickel, iron ore and zinc projects. 73.2% of our pro forma external sales revenue in 1H19, was generated from the provision of mining services on gold/copper mining projects, approximately 10.0% from nickel projects, 4.7% from iron ore projects, approximately 5.0% from zinc projects and approximately 4.0% from manganese projects. Consequently, our activity levels and results of operations are dependent on production levels and commodity prices at our customers' mines and it remaining economic to continue production at existing gold/copper, nickel, iron ore, zinc and manganese mines. Furthermore, we are exposed to the risk that our customers' mines close before the end of our contracts for various reasons including the loss of their mining licenses or if it is no longer economically viable for them to continue to operate due to changes in commodity prices or their cost base. Our growth is dependent on mine operators continuing to expand production at existing mines or bring new mines into production.

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. Recently, gold prices have been broadly in line with their five year average price of US$1,239 per oz. However, the price of gold has historically been volatile and subject to sharp declines. 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.

We generate a significant portion of our revenue from mining services provide in African countries that face instability and security risks.

For FY18 and 1H19, 50.8% and 54.0% of our pro forma external sales revenue, respectively, were derived from contract mining services we provide in African countries. AUMS and African Mining Services businesses currently operate in Ghana, Mali, Tanzania, Burkina Faso, Senegal, Côte d'Ivoire, Egypt and South Africa and are exploring growth opportunities in Botswana, the Democratic Republic of Congo, Ethiopia, Gabon, Guinea, Kenya, Liberia, Mozambique and Sierra Leone.

Our African operations increase our exposure to risks of war, terrorist activity or other civil disturbance, expropriation, piracy, tribal conflicts, workforce instability, import and export restrictions, exchange controls, inflationary economies, currency risks and risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries. See also "—Unfavorable fluctuations in currency values and exchange rates and the imposition of currency exchange controls could have a material adverse impact on our business." The occurrence of one or more of these risk 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, restrict our financing abilities or limit access to markets for periods of time.

We also operate in countries that can be subject to political instability from time to time and that have experienced various political issues in recent years. For example, in 2015 and 2016, there were coup attempts in Burkina Faso against the president. On January 7, 2019, a group of Gabonese soldiers attempted a military coup against the government of President Ali Bongo Ondimba and temporarily controlled certain national television and radio stations. Improvised explosive devices have been detonated on the road leading to the Boungou site in Burkina Faso at which we operate, resulting in the deaths of gendarmes and others and increased security measures being taken at the site and in relation to travel to and from the site. In addition, Mali continues to experience a difficult security environment since the military coup in March 2012 and the ensuing escalation of armed combat in 2012 and 2013. The situation in Mali remains of heightened concern as a result of the instability in northern Mali, which increasingly is spreading further south and has become more concentrated in Central Mali over the last couple of years. In addition, the presidential and parliamentary elections during 2018 heightened political tensions and instability in the country.

Infectious diseases are a threat to the stability of some of the countries in which we operate and our employees in those countries, where limited local health infrastructure weakens governments' ability to manage and contain outbreaks effectively. For example, from 2014 through 2016, West Africa suffered a large Ebola outbreak that resulted in over 25,000 people being infected with the disease and over 11,000 deaths, according to the World Health Organization.

Where the group operates in countries that the Board considers as carrying political risk, we may take out political risk insurance to protect the assets of the group, if available on commercially reasonable terms. As of the date of this Offering Memorandum, we have political risk insurance in various overseas jurisdictions where we operate. These political risk insurance policies typically cover the expropriation of assets, deprivation or forced abandonment of 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 the continued operation in some countries compromises our security

or business principles, we 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.

Our margins and results of operations could be adversely affected if we misprice our contracts during tendering or negotiation or our performance does not meet the terms of our contracts or our customers' expectations.

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 which we will otherwise propose to a potential customer, we undertake modeling of the contract pricing based on a series of assumptions that we made 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 our equipment, mining consumables expenditure, ground conditions, mine plan and geological conditions, 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 contract with unfavorable economics that could adversely affect our margins and results of operations. We would have no right to renegotiate the contract with the customer should the economics be or become unfavorable to us.

Our revenues and order book are subject to underlying contracts with varying terms which may not be renewed or which may be terminated and which are subject to factors outside of our control.

Contracts for production related mining services represented 90.3% and 91.7% of our pro forma consolidated revenues in FY18 and 1H19, respectively, and our order book as of March 31, 2019 had an aggregated contracted value of A$4.6 billion over the remainder of 2H19 to FY25. We calculate our order book based on monthly run-rate revenue, assuming that the contract continues to completion, without assuming any renewals or extensions and assuming contractual rates remain constant and that there are no significant work stoppages or interruptions in production. There can be no assurances that any of our contracts will result in revenues that match our order book, as actual production is based on a number of variables and many factors outside of our control. See "Our revenues could be adversely affected if our operations are interrupted by factors beyond our control."

In particular, our order book assumes that our contracts will continue until completion. The term of our mining services contracts typically range from three to five years, with an option to extend exercisable by the customer. Some exploration contracts may be for shorter terms, such as 12 months, while equipment rental contracts have varying terms, typically from three months to up to two years. 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.

In addition, as is customary in the mining industry, our mining services contracts are generally subject to termination for convenience by customers without cause on short notice, typically without compensation for lost revenue. There is a risk that our contracts may be cancelled or may not be renewed if our customers decide to reduce their levels of spending, potentially reducing our revenue.

As at March 31, 2019, only four of our contracts that represent greater than A$20 million in estimated annual revenue are due to expire in the next 12 months. One is in the Underground Mining ISG, two are in the Surface Mining ISG and one is in the Investments ISG. 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 taking the service in-house. A customer may also vary our scope of work, access to available mining area, the mine plan and production rates, which could affect our revenue and profit. In the event of a contract termination, we may not be able to redeploy the employees or equipment used at that mining site to other sites on the same terms or at all, and we may experience downtime between and additional costs from demobilization and redeployment. Any of these factors could adversely affect our business, financial position and results of operations.

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 delays or cancellation which could adversely impact our business, results of operations and financial condition. In addition, the scale of operations and the mix of activities we undertake during a period impact our results of operations, due to the differing margins on our businesses, which depends largely on the projects that we are awarded and the decisions of our customers. Our activity mix depends in part on client demand for existing services as well as our ability to offer new services that are sought by clients and/or won by us. If we are more successful in tendering for projects with lower profit margins than projects with higher profit margins, our overall profit margin will suffer. Our results of operations, cash flows and our profit margins may fluctuate from period to period depending on the timing, size and type of new contract awards and delays or cancellations.

New contracts are subject to additional risks and typically are initially less profitable relative to mature contracts during their start-up phase due to upfront costs.

Our new contracts typically have high upfront costs compared to mature contracts during their ramp up phase and may even operate at a loss for a period of time while the project pays back initial capital expenditures. This is due to additional expenses associated with mobilizing equipment and labor training, and commitment of additional staff while commencing operations. Capital expenditures typically decrease, and revenues increase 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 mining services, we face a number of risks associated with the transition of mining operations from the owner or incumbent mining services company to us, 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 on 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 our operating and safety standards and the upgrading of equipment to ensure the transferred fleet meets our required operating standard.

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

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

and safety regulations. We apply the same operating standards, including with regard to health and safety, to our African operations as we do to our Australian operations which, we believe, exceed legal and regulatory obligations in African markets.

We face significant competition, and a large part of our business is dependent upon winning new mining services contracts 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 deliver services. Existing and potential customers consider the health and safety record of their mining services providers to be of high importance in their decision to award service contracts. Some of our activities, in particular drill and blast services and underground mining services, are by their nature among the higher risk activities undertaken at a mine site. If one or more accidents were to occur at an operating site, the affected customer may terminate or cancel our contract and may be less likely to continue to use our services. Even though our commitment to health and safety is one of our core business values, and safety and total recordable injury frequency rates are being reduced, it is possible that we will experience accidents (including fatalities) in the future, causing our health and safety record to deteriorate. This may be more likely as we continue to grow if we experience high employee turnover or add employees who may not be very experienced due to shortages of skilled labor. Our increased exposure to underground mining as a result of the Acquisition also increases the health and safety risks of our business. Similarly, our health and safety risks may be increased by the fact that we are providing a broader range of services in many jurisdictions and we may encounter health and safety issues with which we are not yet familiar with or that arise from risks that are yet to be identified despite our focus on health and safety as a priority. Because our customers require us to report our health and safety metrics to them as part of the bidding process and because the majority of our customers are major mining companies with high health and safety standards, a general deterioration in our health and safety record could have a material adverse impact on our business, including our ability to win new contracts and renew existing contracts. Moreover, because of the inherently higher risk nature of some of our activities, our health and safety record could appear less favorable if mine operators compare it directly to other contractors that are undertaking lower risk activities on site. We could also be subject to liability for damages as a result of any accidents. Changes in health and safety laws and regulations could result in material additional expenditures or material interruptions to our business or operations, including as a result of any failure to comply with applicable regulations, which could adversely affect our business, financial position and results of operations.

Failure to comply with health and safety laws and regulations could result in enforcement actions which could disrupt our operations and result in monetary penalties or suspension or closure of our operations altogether. 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 customers 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. In addition, any damage to our safety record or our reputation for providing our employees a healthy and safe work environment could make it difficult for us to hire or retain skilled labor. All of these factors could adversely affect our business, financial position and results of operations.

We may not benefit from anticipated business opportunities or experience anticipated growth from the Acquisition.

On October 31, 2018, we completed the Acquisition. We expect the Acquisition will result in various business opportunities, particularly in the underground mining business, potential growth and the realization of certain synergies, including with respect to AUMS. The Acquisition increased the Ausdrill group's ownership of AUMS, our joint venture with Barminco Holdings, from 50% to 100%, and we now consolidate AUMS' results in our financial statements. Our ability to obtain these expected benefits is dependent on our ability to integrate Barminco Holdings' business and operations with our business strategy and to effectively maintain and grow the underground hard rock mining services business we acquired in the Acquisition. Our assumptions underlying the expected benefits of the Acquisition may be inaccurate, and there can be no assurance that we will realize them. For example, current or future competitors may expand or enter into the underground hard rock mining services sector or general economic conditions may deteriorate, including conditions that may disproportionately affect the underground hard rock mining sector.

Any deterioration in the underground hard rock mining sector may lead to a deferral or decline of capital expenditure decisions by current or potential customers in the sector. A deferral or reduction in the expected capital expenditures of our current or future customers in the underground hard rock mining sector could adversely impact the anticipated contribution of Barminco Holdings' business to our results of operations. These factors may limit our ability to grow our business or to benefit from business opportunities that we anticipated in our decision to enter into the Acquisition.

Furthermore, our ability to realize anticipated business opportunities and to successfully integrate Barminco Holdings' business carries risk, including potential delays or additional costs in implementing necessary changes, difficulties or unexpected costs in integrating systems or operations and costs relating to alignment of pay rates or retention of key staff and is also dependent on our ability to retain key employees of Barminco Holdings. While synergies were not a key driver of the Acquisition, there is a risk that any actual synergies able to be realized as part of the Acquisition may be less than expected or delayed. Finally, our growth and operating strategies for the combined businesses may not be successful, and there can also be no assurance that the costs of integrating Barminco Holdings' business will not be higher than expected. If we are unable to benefit from business opportunities, achieve anticipated synergies, experience growth or obtain any other of the expected benefits of the Acquisition, our business, financial condition and results of operations may be adversely affected.

We purchased warranty and indemnity insurance for the Acquisition. If a warranty or other claim is made under the share sale agreement, to the extent that warranty and indemnity insurance does not cover the particular claim, we will (in most cases) not be able to bring a claim against the vendors for breach of that warranty. An inability to recover amounts claimed could materially adversely affect our financial condition.

The historical financial information for Ausdrill and Barminco Holdings and our pro forma financial information may not be representative of our results as a combined company in the future.

The historical financial information included in this Offering Memorandum has been derived from separate financial statements of Ausdrill and Barminco Holdings for periods prior to the completion of the Acquisition. Our unaudited pro forma condensed combined statement of profit or loss presented in this Offering Memorandum is based in part on certain assumptions regarding Barminco Holdings and its business. There can be no assurance that these assumptions are accurate or that business conditions will not change and result in these assumptions becoming irrelevant. In addition, the historical financial statements of Ausdrill and Barminco Holdings presented in this Offering Memorandum have been prepared in accordance with Australian Accounting Standards. There could be significant differences between Australian Accounting Standards and U.S. GAAP, as applied to Ausdrill and Barminco Holdings. This Offering Memorandum does not describe the differences between Australian Accounting Standards and U.S. GAAP nor reconcile the Australian Accounting Standards financial statements to U.S. GAAP. Therefore, such information is not available to investors, and investors should consider this in making their investment decision. Accordingly, the historical, pro forma and other financial information included in this Offering Memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented or what our results of operations and financial condition will be in the future. Neither the underlying pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with Australian Auditing Standards.

We may be required to recognize a different value for assets and liabilities acquired in the Acquisition than what we have previously announced, which could adversely impact our operating results and financial condition.

We were required to undertake an assessment of the fair value of the tangible and intangible assets acquired as well as the actual and contingent liabilities of Barminco at the date of the Acquisition. Accounting standards provide 12 months from completion of the Acquisition for this assessment to be finalized. The outcome of this assessment could give rise to different values being applied than those used in the pro forma financial information previously announced by us in connection with the Acquisition. Such an outcome could impact the values of assets and liabilities we report in the consolidated balance sheet.

There could also be differences in the depreciation and amortization charges recognized in the consolidated profit or loss account, which may impact reported profit before tax and net profit after tax.

We may not have discovered certain liabilities or other matters related to Barminco which may adversely affect our future financial position.

In the course of the due diligence review that we conducted prior to the Acquisition, we may not have discovered, or may have been unable to properly quantify, certain liabilities of Barminco Holdings or other factors that may have an adverse effect on our business, results of operations, financial condition and cash flows after the consummation of the acquisition or on the value of our shares after the consummation of the acquisition, and our shareholders may not be indemnified or otherwise compensated for any of these liabilities or other adverse effects resulting from these factors. In addition, while we have obtained warranties and indemnities insurance with respect to the seller's warranties and indemnities for the Acquisition, such insurance may not be available to cover all potential risks or sufficient to fully compensate for these risks, liabilities or other adverse effects. These possible liabilities or other factors could include, but are not limited to, those described in the "—Risks Relating to Our Business and Industry—We may be required to recognize a different value for assets and liabilities acquired in the Acquisition than what we have previously announced, which could adversely impact our operating results and financial condition."

We face competition from a diverse range of companies.

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 mines include Pybar, Macmahon and Byrnecut and for surface mines include Macmahon, MACA, NRW and Thiess. Within the African market, adoption of contract mining services varies from region to region. Mature markets (for example, South Africa) have an established contract mining industry. In these markets, we compete against both contract miners and owner-operators. Some key competitors with African operations include Aveng, Moolman, Rocksure, Redpath, Murray & Roberts, PW Mining and EC Mining. Emerging African markets (for example, Ghana) have a limited history of underground contract mining. However, competition in Africa is increasing, including from other companies that have not historically specialized in contract mining services and from local contractors who may have an advantage through local content or ownership measures in those jurisdictions.

Some of our competitors may have greater financial resources and different cost structures than we do and be better positioned to weather financial or industry downturns. They may also be able to provide a wider range of contract mining services or offer services at lower prices. In addition to utilizing the products and services of our competitors, our customers may also elect to use internal replacements to our service offering.

Competition may affect our ability to renew contracts with our existing customers or win new contracts, which may adversely impact our business, financial position and results of operations.

We may be unable to hire sufficient qualified labor to perform our mining services, which could reduce our revenue or operating margins.

Our ability to remain productive, profitable and competitive and to affect our planned growth initiatives depends on our ability to attract and retain skilled labor. Tightening of the labor market in key regions due to a shortage of skilled labor, combined with a high industry turnover rate and growing number of competing employers for skilled labor, may inhibit our ability to hire and retain employees and may lead to exposure to increased labor costs in markets where the demand for labor is strong. In addition, as the skills required in the mining services industry change and become more technology-focused, we expect to compete for talent with industries not previously seen as competitors for talent. Furthermore, our mining services projects are often in remote locations in Australia, Africa and India and sometimes require our employees to endure harsh conditions and/or to "fly-in, fly-out" from a city to a remote location. We may

not be able to hire enough qualified people who are willing to relocate or endure such conditions and may incur higher labor costs. We are also subject to certain regulations in countries where we operate that require us to hire local workers, thereby decreasing the potential supply of qualified employees for any given project and increasing our training costs. We commit significant resources training our employees, including local employees in the jurisdictions in which we operate. If our employees choose to work for our competitors or terminate their employment for any other reason, we may not realize any benefits from our investment in their training. A shortage of skilled labor 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 adversely affect our business, financial position and results of operations.

Loss of key members of management could disrupt our business.

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 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 business, financial position and results of operations could be adversely affected.

We have recently experienced an instance of employee fraud, which could indicate weaknesses in our internal controls and risk management systems.

We have implemented internal controls and risk management systems, which are designed to identify and minimize incidents of fraud, non-compliance with our risk management policies and weaknesses and limitations in our internal controls and risk management systems, and we have recently enhanced those systems. However, recently we have discovered that an Australia-based employee appears to have authorized and concealed payments to an unrelated, invalid supplier totaling approximately A$10.0 million over an eight year period. The employee has been dismissed and we have reported the matter to the police. In connection with this incident, we have retained Ernst & Young as an external forensic investigator, and we are assisting police as they undertake further investigations. Although we believe that our risk management and internal control systems and procedures meet the required standards, there can be no assurance that such systems and procedures will be effective in identifying all similar incidents or that our further investigation will not identify similar incidents that have occurred in the past or weaknesses in our internal controls and risk management systems. Inadequacies in our internal controls and risk management systems and any instances of employee or other fraud that arise may have a material adverse effect on our business, results of operations and financial condition.

We may enter into new geographic markets, including Africa and North America.

We have a long track record of international operations, first operating in Africa in 1996. We have since expanded to operate in 12 countries, including entry into Egypt and India through our acquisition of Barminco Holdings. We intend to continue to consider prudently exploring entry into new markets including in Africa and North America. Our ability to manage our increased scope of operations and to achieve future growth and profitability depends upon a number of factors, including our ability:

- to recruit, train and retain qualified staff to manage and operate in new jurisdictions;
- to accurately evaluate the contractual, financial, regulatory, environmental and other obligations and liabilities associated with our international investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with our accounting policies;
- to compete successfully with established market participants;

- to accurately judge market dynamics, growth potential and competitive environment;
- to effectively determine, evaluate and manage the risks and uncertainties in entering new markets through our due diligence and other processes, particularly given the heightened risks in emerging markets and areas of political instability; and
- to maintain and obtain necessary permits, licenses and approvals from governmental and regulatory authorities and agencies and satisfy any local content as ownership requirement.

Furthermore, our contract mining business model, while common in Australia and Africa, is not common in North America, where mine owners typically operate a mine in-house or contract with small-scale contractors for discrete aspects of mine operations. If we were to enter into North American markets, we may need to acclimatize potential customers to a new operating model, which may not be successful in such markets or may be more expensive to implement. Any difficulties in addressing these jurisdictions or integrating one or more of our existing or future international operations could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to successfully implement our business strategy or manage our growth successfully.

The successful implementation of our business strategy may be affected by a number of factors, including our ability to successfully bid for new business, our health and safety record, our ability to gain a foothold in new markets, commodity prices, the investment outlook for mining projects, the competition we face in our business, our success in implementing new technologies and innovations and our ability to retain our key management and employees and attract new talent. We cannot assure you that we will be able to implement all or some of our business strategies, and the failure to implement one or more of such strategies may materially adversely affect our business, financial condition, results of operations and prospects.

We expect our future growth to place significant demands on our management, operations and other resources. Challenges we may face in our future growth include continuing to improve our managerial, technical and operational knowledge, implementing effective management information and IT systems, continuing to recruit and train operational, managerial and other skilled personnel to satisfy our business requirements, obtaining sufficient financial resources to fund our ongoing operations and our future growth, managing relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, and strengthening our internal control and compliance functions to ensure that we are able to comply with our regulatory and contractual obligations.

We cannot assure you that we will not experience issues such as capital constraints, project development delays, operational difficulties at new locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. If we are unable to successfully manage the impact of our growth on our operational and managerial resources and control systems, our reputation could suffer, which could materially adversely affect our business, financial position and results of operations.

If we fail to adopt new technologies, our future performance and growth may be adversely affected.

The acquisition and integration of new technologies by our competitors, or the threat that they may do so, means we must continue to make further technological advancements in order to remain competitive. For example, automation technologies are increasingly being added to mining equipment, which is expected to reduce the cost of mine operations. If we fail to adopt similar technologies and make continued advances, including through the use of autonomous and remotely operated equipment, real-time monitoring of data and assessment of results, automation of certain functions and other technology-driven increases in efficiency and safety, our cost structure may become less competitive. We intend to work with our equipment suppliers to adopt new technological breakthroughs as they come to market. Acquiring and introducing innovative solutions and technologies can be time consuming, costly and complex. Successful acquisition and introduction of innovative solutions and technologies on a timely basis requires that we understand our customers' 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 acquisition and introduction of innovations in our services could cause our costs

to become uncompetitive and our margins to decline. Furthermore, we may make substantial investments in adopting innovative solutions and technologies that are not well accepted by our customers. If we fail to effectively address the changing demands of customers and to maintain our competitive advantage, our business, financial position and results of operations could be materially adversely affected.

Our operations are subject to labor laws and regulations.

For FY18 and 1H19, our pro forma labor expenses accounted for 57.8% and 54.1% of our total expenses, respectively. We are exposed to labor costs arising from a number of factors. We may face labor disruptions, from time to time, with respect to our employees and the employees of suppliers, including strikes, work stoppages, work slowdowns, grievances, complaints, and claims of unfair practices or other industrial activity. Furthermore, any changes in labor laws, could cause our labor expenses to increase. Any such activity 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 operating results may be adversely affected. In Australia, we generally do not have a unionized workforce. Employment conditions are generally governed by non-union enterprise agreements or common law contracts. We typically negotiate collective bargaining agreements with our Ghanaian unions every three years. Also, as of December 31, 2018, approximately 75% of the Barminco Division's Australian workforce was subject to collective bargaining agreements in Queensland, Western Australia and Tasmania. If labor laws in the countries where we or our suppliers operate change, we or our suppliers enter into new markets or become subject to labor laws of other jurisdictions, any enforcement action is taken against us with respect to current labor laws, or there is any work stoppage or delay for any reason, our business, financial position and results of operations could be adversely impacted.

We rely on a small number of key suppliers 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 a small number of key suppliers and equipment manufacturers to source new drilling equipment and related parts to perform our obligations under our existing and new contracts. We primarily source surface mining equipment from Caterpillar and underground mining equipment from Sandvik. As a combined group, Ausdrill and Barminco have had a long term relationship with Caterpillar and Sandvik for over 30 years. Any change in our relationships with any of our suppliers 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 business and financial performance. In addition, increased demand for equipment, coupled with over-reliance on a small number of suppliers and a possible failure to accurately forecast and plan equipment needs may lead to a break down in the supply chain and our inability to obtain equipment when needed. We could be adversely affected by any incidents affecting the ability of our suppliers to supply equipment to us, 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 for us to locate alternative suppliers in the event of any disruptions, which could have a material adverse impact on our production.

Our operations face many risks of interruption and casualty losses, and our insurance coverage may be insufficient to cover relevant risks and the costs of our insurance may increase.

Our operations are subject to many hazards inherent in the mining services industries, including blowouts, cratering, explosions, fires, loss of hole, damages or lost equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Additionally, warranty and indemnity provisions in our mining services contracts could leave us exposed to the risk and liability associated with the services performed under such contracts. We seek protection for certain of these risks through insurance, and insurance coverage is currently maintained for employees, as well as professional indemnity, product liability, third party liability and insurance for certain property damage (subject to carve-outs for war, terrorism, nuclear, pollution except where sudden and unforeseen, political risks and certain other exclusions (except where specifically

insured)). However, we cannot ensure that the proceeds from such insurance or any indemnification we may receive from third parties will adequately protect us against liability from the consequences of the hazards described above, or at all in the case of gross negligence or deliberate, willful, reckless or fraudulent acts. The occurrence of an event not fully insured or indemnified against or the failure of a third party or an insurer to meet its indemnification or insurance obligations could result in substantial losses. In addition, insurance may not be available at commercially reasonable terms, or at all, to cover certain of these risks, or, even if available, may not be adequate to insure against all losses or liabilities we may incur if any hazard or risk materializes. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomical. In future insurance renewals, we may choose to increase our self-insurance retentions (and thus assume a greater degree of risk) in order to reduce costs associated with increased insurance premiums or assume certain potential liabilities which our current insurance policies cover.

Changes in Australian accounting standards could adversely affect our reported results of operations and reported financial condition.

Australian accounting standards are set by the Australian Accounting Standards Board (the "AASB") and are outside our control. Changes to accounting standards issued by the AASB could materially adversely affect the reported financial performance and position reported in our financial statements.

Difficulties integrating our acquisitions could lower our profits.

From time to time, we have made acquisitions to pursue market opportunities, increase our existing capabilities and expand into new areas of operations. We may continue to pursue select acquisitions in the future, in which case we may encounter difficulties integrating any such acquisitions and in successfully managing or realizing the growth we expect from the acquisitions.

Acquisitions involve a number of risks, including:

- the ability to identify appropriate businesses or assets for acquisition or to negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining financial and strategic focus while integrating the acquired business;
- adequately addressing any pre-existing liabilities or claims involving the acquired businesses;
- unexpected increases in costs;
- historical under-investment in sustaining capital expenditure; and
- the ability to successfully integrate the acquired business, including by implementing uniform standards, controls, procedures and policies.

Business combinations and acquisitions entail a number of risks including the effective integration of acquisitions to realize synergies, significant one-time write-offs or restructuring charges and unanticipated costs and liabilities. We may also be liable for the past acts, omissions or liabilities of the acquired business that are unforeseen or greater than anticipated. Furthermore, expansion into new businesses may expose us to additional business risks that are different from those we have traditionally experienced. 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 position and results of operations.

Our revenues could be adversely affected if our operations are interrupted by factors beyond our control.

Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond our control, including unsafe conditions, geological instability or unexpected geological

conditions, including strong seismic activity, landslides, mudslides, rock falls, cave-ins, other environmental events or conditions that threaten to result in such an event, acts of god or other force majeure events and variations to reduce scope of works. Interruptions to existing operations or delays in commencing operations experienced by clients may result in lost revenue and, in some circumstances, result in us incurring additional costs, which may have a material adverse effect on our business, results of operations and financial condition.

We are subject to various environmental laws, rules, legislation and guidelines, which can impose material liability or greater costs on our business or lead to a decline in the demand for our services.

Our clients' businesses and operations are subject to numerous laws, regulations and guidelines relating to the protection of the environment, including those governing the management, transportation and disposal of hazardous substances and other waste materials, which we must abide by under law in the relevant jurisdictions and under our contractual arrangements with our clients. These laws, regulations and guidelines include those relating to spills, releases, emissions and discharges of hazardous substances or other waste materials into the environment, requiring removal or remediation of pollutants or contaminants and imposing civil and criminal penalties for violations. Some of the laws, regulations and guidelines that apply to our operations also authorize the recovery of natural resource damages by the government, injunctive relief and the imposition of stop, control, remediation and abandonment orders. Additionally, our drill and blast operations, along with our operations involving the release of hydrocarbons, may be conducted in or near ecologically sensitive areas, such as wetlands, which are subject to special protective measures and which may expose us to additional operating costs and liabilities for noncompliance with applicable laws. While we aim to work together with our clients to ensure that our services are performed in alignment with our clients' onsite policies, management systems and procedures, our actions or failure to act may result in our client incurring environmental liability, regulatory penalties or having licenses suspended, cancelled or subjected to additional conditions.

The trend in environmental regulations has been to impose more restrictions and limitations on activities that may impact the environment, including the generation and disposal of wastes and the use and handling of chemical substances, including explosives. These restrictions and limitations have increased operating costs for both us and our customers. Any regulatory changes that impose additional environmental restrictions or requirements on us or our customers could adversely affect us through increased operating costs and potential decreased demand for our services. Environmental issues have created intense public debate around the world in recent years that is likely to continue for the foreseeable future and could potentially have significant effects on our business, financial position and results of operations.

While we maintain liability insurance, including insurance for certain environmental claims, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination such as damage resulting from gradual pollution and seepage. We cannot assure you that insurance will continue to be available to us on commercially reasonable terms or at all, that the possible types of liabilities that may be incurred by us will be covered by our insurance, or that the dollar amount of such liabilities will not exceed our policy limits. Even a partially uninsured claim, if successful and of sufficient magnitude, could adversely affect our business, financial position and results of operations.

We may be exposed to liabilities under anti-corruption laws and any determination that Ausdrill or any of our subsidiaries has violated any anti-corruption laws could adversely affect our business.

We operate in numerous countries, including many countries that rank poorly in published indices of perceived public corruption. In these and other countries, our operations may be subject to the United Kingdom's Bribery Act (the "Bribery Act"), the United States Foreign Corrupt Practices Act and other anticorruption laws (including laws in Australia relating to corruption, such as section 70.2 of Australia's Commonwealth Criminal Code), 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 protect against such risks and have implemented training and compliance programs for our employees, agents and distributors with respect to these laws. 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, and we may report violations to regulators. 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 adversely affect our business, financial position and results of operations. We do not believe we have violated the Bribery Act or Australian anti-corruption laws or regulations. We cannot assure you, however, that any future investigation will not reveal violations of the Bribery Act 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 or our customers may cease conducting business in certain countries where certain acts prohibited by the Bribery Act or other anti-corruption laws or regulations may be prevalent. The potential decision of either us or our customers to discontinue operations and business in a certain region could adversely affect our business, financial position and results of operations.

Increases in the prices of consumables or wages could increase our operating costs and decrease our operating margins.

We purchase a significant amount of consumables, such as drilling rods, tires, engines and spare parts, for use in our operations. We do not engage in any type of hedging activities to mitigate the risks of increases in market prices for these consumables, and therefore significant increases in the price of these items would increase our operating costs. In addition, a shortage of qualified employees may result in significant wage inflation. We may be unable to pass along increases in the prices of consumables or increases in the wages that we must pay, in which case our operating margins could decrease and this may also adversely affect our business, financial position and results of operations.

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

We provide services in a number of countries around the world. Therefore, we are subject to tax regimes of many different countries and are subject to risks of changes in tax rates, tax legislation generally, interpretation or enforcement. We operate and sell services 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. An interpretation of tax laws by the relevant taxing authority, including the Australian Taxation Office and taxing authorities in the foreign countries in which we operate, that differs from ours may lead to an increase in our tax liabilities and adversely affect our financial condition. Furthermore, we are subject to periodic tax audits in the ordinary course of business in many of the jurisdictions in which we operate, such as Ghana and Mali. Our earnings could be reduced by the uncertain and changing nature of tax regimes in 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. Any of the foregoing could adversely affect our business, financial position and results of operations.

Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could adversely affect our business, financial position and results of operations.

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.

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

Reporting currency translation risk. Broadly speaking, our Australian operations are Australian dollar denominated and our African operations are primarily U.S. dollar denominated but are also exposed to local currencies. Therefore, for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus U.S. dollars and those 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. For FY18 and 1H19, 51.5% and 54.9% of our pro forma consolidated sales revenue, respectively, was denominated in currencies other than the Australian dollar, primarily U.S. dollars and West African francs, which are pegged to the Euro. Fluctuations in foreign currency exchange rates may also make period-to-period comparisons of our results of operations difficult. As our operations in Africa grow, our foreign exchange translation risk may increase.

Unhedged revenue and expense risk. We are also economically exposed to currency exchange rate fluctuations when our sales revenues are derived in one currency and the corresponding expenses are incurred in a different currency. From time to time, we hedge these economic exposures if they are material, but the hedges we use may not fully protect us from the exchange rate fluctuations.

Currency exchange transaction risk. Our African operations also are exposed to currency exchange transaction risk. Under most of our contracts in Africa, the payment terms are denominated in U.S. dollars, but we are paid by our customers in West African francs based on a the U.S. dollar to West African franc spot-exchange rate at the time of invoicing. We typically provide for 30 day payment terms and attempt to convert our revenues, less an amount to cover local currency expenses, immediately to U.S. dollars or Australian dollars. We also purchase some of our major capital equipment in U.S. dollars. During the period between invoicing our customers in local currency and exchanging that currency into U.S. dollars or Australian dollars, we are exposed to further exchange rate risk. In addition, we may purchase capital equipment for our business such as dump trucks, excavators and other equipment in currencies other than the Australian dollar, which will affect our costs. When entering into a new contract, we try to price our anticipated foreign exchange exposure into the capital expenditure budget set out in the contract terms.

Exchange controls risk. We operate in many countries and some of the countries in which we operate have, or may in the future impose, currency exchange controls in the future. For example, Egypt and India have regulations that may restrict our ability to send cash out of the country. As a result, cash in Egypt, India and any other countries with foreign exchange controls may not be available to meet obligations incurred in other countries. Currency exchange controls currently do, and may in the future, prevent us from being able to freely convert these currencies into currencies of other countries. The increased hold time of these currencies further exposes us to exchange rate risk.

Any of the foregoing or any other risk related to foreign exchange exposure could adversely affect our business, financial position and results of operations.

For discussion related to our foreign exchange rate exposure, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Currency fluctuations."

We face risks related to our exploration related services that may adversely affect our results of operations and profitability.

In the six months ended December 31, 2018, exploration related services accounted for 5.6% of our pro forma external sales revenue. Exploration activity of our customers can be volatile as a customer's decision to undertake exploration projects is generally linked to various factors beyond our control, including the market sentiment on relevant commodity prices, the customer's existing reserves and resources, grades and metallurgical characteristics of ore to be mined and processed, the tonnage of ore to be mined and processed, anticipated recovery rates of the relevant commodity extracted from the ore and the customer's ability to fund the anticipated capital expenditure and cash operating costs. Consequently, our customers' need for our services will vary depending on any of these factors, and in the event that our customers decide to terminate or suspend or refrain from exploration activities, our business, results of operations and financial condition may be adversely affected.

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

Some of our mining contracts give the customer an option (exercisable on default or on termination for convenience) to purchase from us 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 us and exercise an option to purchase our equipment, such as in an event 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 varies according to the particular contract, but is often 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 adversely impact our business and operations since there is a substantial lead time to obtain new equipment and loss of such equipment reduces our available fleet of unutilized equipment to service other existing or new customers.

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 our Indebtedness

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

We have significant debt obligations. As of December 31, 2018, we had outstanding A$746.6 million of indebtedness with an additional A$176.5 million in undrawn commitments. This outstanding debt includes US$350 million 6.625% Senior Secured Notes due 2022 issued by Barminco Finance Pty Limited (the "Barminco Notes"), which we intend to redeem. We also have, as of the date of this Offering Memorandum, US$141.0 million and A$20.0 million outstanding under the Revolving Facilities, which we intend to repay. The Revolving Facilities were drawn down to repay amounts outstanding under Ausdrill's previous A$300 million revolving facilities, which was subsequently cancelled in April 2019. See "Use of Proceeds" and "Capitalization." Depending upon market conditions and our financial condition at the time any of our indebtedness matures, we may be unable to refinance such indebtedness on commercially favorable terms or at all.

Our substantial debt could have adverse consequences for us. For example, it could:

- make it more difficult for us to service our debt;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, which will reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the market for our services and competitive pressures;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do;
- increase our vulnerability in the event of general and/or industry-specific adverse economic conditions; and
- limit our ability to borrow additional funds or increase the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt.

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 current or future capital needs and from refinancing our existing indebtedness.

Our business requires significant amounts of capital expenditures, which often includes a front-ended investment by us given the contracting nature of our operations. Whenever we enter new contracts, we need to acquire new capital equipment, typically mining equipment, which has a useful life of between five and ten years for surface mining equipment and three and five years for underground mining equipment, if we do not have existing equipment available. Capital expenditures are also required to maintain capital equipment over its useful life. Consequently, during periods of high or rapid growth in revenues, our capital requirements increase as we enter new contracts. Historically, capital expenditures have been funded by a combination of operating cash flow, funding from equity raisings and secured finance arrangements.

We intend to finance our capital expenditures, other than significant acquisitions, primarily through cash flow from operations and borrowings. Our financing needs, however, may require us to alter or increase our capitalization substantially through the issuance of additional equity or 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 and equity capital is subject to a number of variables, including:

- our activity levels;
- financial leverage;
- margins under our services contracts and the prices at which our services are sold;

- 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, decreases in the prices for our services, 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 on commercially reasonable terms or at all.

In recent years, certain financial markets, including emerging markets, have experienced disruptions, and economic conditions in these markets have been volatile, which has adversely affected the availability and cost of capital. The continuation of these conditions or a recurrence of similar conditions, including as a result of prolonged or further deterioration of economic, fiscal or credit market conditions within Europe, Asia or Australia, 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 provide assurance that funding will be available on commercially reasonable terms or at all. In addition, we may be unable to refinance our existing indebtedness as it comes due on commercially reasonable terms or at all. If we cannot meet our capital needs or refinance our existing indebtedness, 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 position and results of operations.

Despite restrictions in the indenture governing the Notes and in the Revolving Facilities, we will still be able to incur substantial additional indebtedness. This could create substantial leverage and related risks.

We may be able to incur substantial additional indebtedness in the future, including additional secured indebtedness. Although covenants under the indenture governing the Notes and in the Revolving Facilities will limit our ability to incur such additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. In addition, subject to certain exceptions, we are not required to repay any existing indebtedness with the proceeds of such additional indebtedness. The indenture will also allow any subsidiaries that we may designate as unrestricted subsidiaries under the Indenture to incur unlimited additional debt, all of which would be structurally senior in right of payment to the Notes. In addition, the indenture will not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. If we incur additional indebtedness, the related risks would be increased, and we may not be able to meet all of our debt obligations, including the obligations of the Issuer to repay the Notes in whole or in part.

We cannot assure you that we will be able to maintain or improve our leverage position.

An element of our business strategy involves maintaining a disciplined approach to financial management. However, implementation of our business strategies may require the incurrence of additional indebtedness. Although we will seek to maintain or improve our leverage position, our ability to maintain or reduce our level of indebtedness depends on a variety of factors, including future performance and our future debt financing needs. General economic conditions, mineral production volume, labor costs, fuel prices and financial, business and other factors will also affect our ability to maintain or improve our leverage position. Many of these factors are beyond our control.

We may not be able to successfully refinance our maturing debt facilities on commercially favorable terms or at all.

Our ability to refinance our obligations with respect to our indebtedness, including the Notes, will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. Our ability to refinance our maturing indebtedness may be detrimentally impacted if global credit markets tighten and there is a resultant shortage of available credit. Beginning in 2008, global credit markets experienced a shortage in overall liquidity, and there was a resulting disruption in the availability

of credit. Future disruptions in the global financial marketplace, including the bankruptcy or restructuring of financial institutions, could make debt markets less accessible and adversely affect the availability of credit already arranged and the availability and cost of credit in the future. Any limitations on our access to external capital, including limitations caused by volatility in the credit markets, may impair our ability to refinance our maturing debt facilities on favorable terms or at all. If we are unable to refinance our maturing indebtedness in a timely manner and on commercially favorable terms or at all, our financial results may be materially adversely affected and, in an extreme case where alternative funding is not available, we may become insolvent.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes or to fund our other liquidity needs. If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales or that additional financing could be obtained on acceptable terms, if at all. In the absence of such cash flow and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Other credit facilities and the indenture that will govern the Notes will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them, and such proceeds may not be adequate to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations or to refinance our indebtedness on commercially reasonable terms and in a timely manner or at all would materially and adversely affect our financial condition and results of operations and the Issuer's ability to satisfy its obligations under the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources of Ausdrill" and "Description of the Notes".

We require a significant amount of cash to service our debt and capital expenditure requirements, and our ability to generate sufficient cash in the future depends on many factors beyond our control.

Our ability to make payments on and/or to refinance our debt and to fund working capital expenditures and capital expenditure requirements will depend on our future operating performance and ability to generate sufficient cash. Our operating performance and cash flow both depend, to some extent, on general economic, financial, and competitive, market and other factors, many of which are beyond our control.

If our capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay capital expenditures;
- sell assets;
- obtain additional debt or equity capital; and
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing and future debt, including the Notes, may limit our ability to pursue any of these alternatives.

Our debt agreements contain significant restrictions limiting our flexibility in operating our business.

Various covenants contained in our debt instruments, including the Indenture and the Revolving Facilities, limit or may limit our ability to, among others:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make certain other restricted payments and investments;
- create or incur liens;
- create restrictions on our ability to receive dividends or other payments from our subsidiaries;
- transfer or sell assets;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

These restrictions could hinder our ability to finance our future operations (including working capital requirements and capital expenditure) and could thereby have an adverse impact on our ability to make payments of principal or interest on our debt, including the Notes. In addition, we are required to maintain certain financial ratios under our Revolving Facilities, including interest cover, leverage, gearing, security and guarantor cover ratios.

Complying with the covenants and tests contained in our debt instruments may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take. The failure to comply with these covenants and tests would cause a default under the Revolving Facilities and would prevent us from taking certain actions, such as incurring additional debt, paying dividends or redeeming the Notes or other debt. A default, if not remedied or waived, could result in the debt under the Notes becoming immediately due and payable and could result in a default or acceleration of other indebtedness with cross-default provisions. If this occurs, we may not be able to pay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us.

You should read the discussion in "Description of the Notes—Certain Covenants" for further information about these covenants. A failure to comply with the obligations contained in the Indenture could result in an event of default under the Indenture, which would permit acceleration of payment of the Notes and could permit acceleration of our indebtedness under other instruments that contain cross-default or cross-acceleration provisions. In the event any such accelerations occur, we cannot assure you that we will have sufficient assets to repay such indebtedness.

Interest rate fluctuations could negatively affect our financial condition and results of operations.

As of December 31, 2018, 51.6% of our indebtedness is subject to floating interest rates. As a result, a portion of our finance costs, and therefore our results of operations, may be exposed to volatility as a result of fluctuations in interest rates. These interest rates could rise significantly in the future. In addition to the effect on our results of operations, a substantial increase in our finance costs could affect our ability to make payments on the Notes and comply with interest cover covenants in our debt instruments.

Risks Relating to the Notes

Your right to receive payments on the Notes is effectively junior to the right of lenders who have a security interest in our assets to the extent of the value of those assets.

Our obligations under the Notes and the Note Guarantors' obligations under the Note Guarantees will be unsecured, but our obligations under the Revolving Facilities and each Australian Note Guarantor's obligations under its guarantee of the Revolving Facilities are secured by a security interest in substantially all of our assets. In addition, some of our regional working capital facilities and hire purchase agreements are secured. If we are declared bankrupt or insolvent or if we default under the Revolving Facilities, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could take enforcement proceedings in respect of the secured assets to the exclusion of holders of the Notes, even if an event of default exists

under the Indenture at such time. Furthermore, if the lenders take enforcement proceedings and sell the pledged equity interests in any Subsidiary Guarantor under the Notes, then that Subsidiary Guarantor will be released from its guarantee of the Notes automatically and immediately upon such sale. In any such event, because the Notes will not be secured by any of our assets or the equity interests in Subsidiary Guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims in full. See "Description of Other Financing Arrangements."

As of December 31, 2018, on an as-adjusted consolidated basis giving effect to (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facilities, (d) the Notes offering and (e) the application of the net proceeds of the Notes offering, we would have had outstanding A$50.7 million of indebtedness that is secured and effectively senior to the Notes to the extent of the value of the secured assets. The Indenture will permit us, our Subsidiary Guarantors and our Restricted Subsidiaries to incur substantial additional indebtedness in the future, including senior secured indebtedness. In addition, other debts and liabilities of the Note Guarantors and the Issuer, such as certain employee entitlements or amounts owed to tax authorities, may rank ahead of the Notes and the Note Guarantee in the event of administration or insolvency or similar proceedings.

Your rights as a holder of the Notes will be structurally subordinated in right of payment to claims of creditors of our subsidiaries that do not guarantee the Notes, which may limit your recovery as a creditor.

The Notes will be issued by Ausdrill Finance Pty Ltd. and guaranteed by our parent company, Ausdrill Limited, and certain of its subsidiaries. The Issuer, Ausdrill Finance Pty Ltd, is a wholly owned finance subsidiary of Ausdrill Limited. The assets of the Issuer consist principally of loans made to other members of the Ausdrill group and its interest in the BTP Group. Therefore, the Issuer is dependent on loan repayments or intercompany transfers of funds it receives from such entities in order to meet its obligations under the Notes. The Notes will be structurally subordinated in right of payment to the existing and future claims of the creditors of our subsidiaries that do not guarantee the Notes. Any existing and future claims of the creditors of our subsidiaries that do not guarantee the Notes to the assets of such subsidiaries will have priority over the holders of the Notes, except to the extent that the Issuers or a Note Guarantor may be recognized as a creditor of any such subsidiary. Consequently, the Notes may be structurally subordinated in right of payment to all liabilities, including trade payables and lease obligations, whether or not secured, of any of our subsidiaries that do not guarantee the Notes and any subsidiaries that we may in the future acquire or establish to the extent they do not guarantee the Notes, which may limit your recovery as a creditor. As of December 31, 2018, the Non-Guarantor Subsidiaries of the Parent Guarantor including the AUMS Subsidiaries (as defined below) had external liabilities to third parties of A$246.9 million.

Many of the covenants in the Indenture would not apply during any period when the Notes are rated investment grade by Moody's and S&P and no default has occurred and is continuing.

Many of the covenants contained in the Indenture will not apply during any period when the Notes are rated investment grade by Moody's and S&P and no default has occurred and is continuing. There can be no assurance that the Notes will ever be rated investment grade, that if they are rated investment grade or that the Notes will maintain such ratings. Ratings assigned to the Notes may be lowered or withdrawn in the future. However, suspension of these covenants will allow us to engage in certain actions that would not have been permitted were these covenants in force, and the effects of any such actions that we take while these covenants are not in force will be permitted to remain in place, and will not constitute an Event of Default under the Indenture, even if the Notes are subsequently downgraded below investment grade and the covenants are reinstated. See "Description of the Notes—Covenant Suspension."

The ratings assigned to the Notes may be lowered or withdrawn.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be rated "BB" by S&P and "Ba2" by Moody's. The ratings represent the opinions of the ratings agencies and their assessment of the ability of each of the Issuer and the Parent Guarantor to perform its respective obligations under the terms of the Notes and the Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. The rating agencies also provide corporate ratings with respect to the Parent Guarantor on a general basis, which do not take into account the specific features of the Notes and Note Guarantees offered hereby. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that such rating will be issued or that any rating issued will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. In addition, we cannot assure you that rating agencies other than S&P, Moody's and Fitch would not rate the Notes or the Parent Guarantor differently. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the Parent Guarantor or the assignment by a rating agency other than S&P, Moody's or Fitch of a rating of the Notes or the Parent Guarantor lower than those provided may adversely affect the market price of the Notes.

Fraudulent transfer and other laws may permit a court to void the Note Guarantees, and if that occurs, you may not receive any payments on the Note Guarantees.

The issuance of the Note Guarantees by the Note Guarantors may be subject to review under applicable fraudulent transfer and conveyance statutes if a bankruptcy, liquidation or reorganization case or a lawsuit, including circumstances in which bankruptcy is not involved, were commenced at some future date by, or on behalf of, our unpaid creditors or unpaid creditors of the Note Guarantors. Under Australian law, if a liquidator were to be appointed to any Australian note guarantor, the liquidator would have the power to investigate the validity of past transactions and may seek various court orders, including orders to void certain transactions entered into prior to the winding-up of such guarantor and for the repayment of money. These transactions are known as "voidable transactions" and include transactions that are uncommercial, result in an unfair preference being given to a creditor, or otherwise defeat, delay or interfere with the rights of creditors. 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. 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 Note Guarantors and the Issuers, such as certain employee entitlements, may rank ahead of claims under the Note Guarantees in the event of insolvency, administration or similar proceedings.

For additional information on fraudulent transfer considerations in Australia and in the other jurisdictions where our significant Subsidiary Guarantors are incorporated, see "Description of the Notes—Guarantees—Limitations on the Validity and Enforceability of the Subsidiary Guarantees."

If any of the Note Guarantees are avoided, it is possible that you will be left with a claim solely against the Issuers. For additional information on the limitations on the Note Guarantees of the Subsidiary Guarantors in certain jurisdictions, see "Description of the Notes—Certain Covenants—Limitations on Indebtedness."

Insolvency laws of Australia and other jurisdictions may preclude holders of the Notes from recovering payments due on the Notes or the Note Guarantees.

The Parent Guarantor, the Issuer and certain Subsidiary Guarantors representing 71.4% of our total assets as of December 31, 2018 are incorporated in Australia, and certain Subsidiary Guarantors representing 12.6% of our total group assets as of December 31, 2018 are incorporated in a variety of jurisdictions other than Australia and the U.S. At December 31, 2018, the Parent Guarantor, the Issuer and the initial Subsidiary Guarantors accounted for 84.0% of the total group assets and for 1H19 57.3% of total group pro forma Adjusted EBITDA. In the event of insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Note Guarantor. The rights under the Note Guarantees will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcies, 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, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organization of the Issuers and the Note Guarantors may be materially different from, or in conflict with, one another, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realize any recovery under the Notes and the Note Guarantees.

The insolvency laws of Australia and some of the other jurisdictions in which Subsidiary Guarantors are incorporated may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. In particular, the voluntary administration procedure under the Australian Corporations Act, which provides for the potential reorganization of an insolvent company, differs significantly from Chapter 11 under the United States Bankruptcy Code. If the Parent Guarantor becomes insolvent, the treatment and ranking of holders of the Notes, its other creditors and shareholders under Australian law may be different from the treatment and ranking of holders of the Notes, its other creditors and shareholders if it were subject to the bankruptcy laws of the United States or certain other jurisdictions. For instance, in Australia, certain entitlements of employees are given priority over certain claims of secured creditors and all claims of unsecured creditors (with limited exceptions).

For additional information on Australian insolvency proceedings and insolvency proceedings in the jurisdictions where our significant Subsidiary Guarantors are incorporated, see "Description of the Notes—Enforceability of Judgments."

The Note Guarantees by certain Subsidiary Guarantors organized in jurisdictions outside the United States will be subject to significant limitations affecting enforcement of the Note Guarantees.

The Note Guarantees to be provided by certain Subsidiary Guarantors, and the judgments obtained in the United States in respect thereof, may be difficult or impossible to enforce in certain jurisdictions. Note Guarantors that have assets and/or are organized in jurisdictions outside the United States must comply with local law requirements, which may significantly affect the permissibility of payments and/or the enforcement of the Note Guarantees. This is particularly true for Subsidiary Guarantors organized in Mali, Ghana and Burkina Faso. For example, some of these jurisdictions impose limitations that generally limit the value of the guarantee to the amount that would not render such guarantor insolvent, which is generally measured by the value of their net assets at any time. These contractual and/or statutory limitations could significantly reduce the amount that can be claimed or recovered from these Guarantees. See "Description of the Notes—Guarantees—Limitations on Validity and Enforceability of the Subsidiary Guarantees."

Some of our subsidiaries will not guarantee the Notes at the Issue Date or at all and your claims will be effectively subordinated to all of the creditors of these subsidiaries and the Note Guarantors may be released from their obligation to guarantee the Notes in certain circumstances.

After the Issue Date, in order to comply with the Guarantor Coverage Test under the Revolving Facilities, the Parent Guarantor expects African Underground Mining Services Limited (incorporated in Ghana), African Underground Mining Services Burkina Faso SARL (incorporated in Burkina Faso), AUMS (T) Limited (incorporated in Tanzania) and African Underground Mining Services SARL (incorporated in Mali) (collectively, the "AUMS Subsidiaries") to become guarantors under the Revolving Facilities within the time periods required under the Revolving Facilities. If the AUMS Subsidiaries become guarantors under the Revolving Facilities, the AUMS Subsidiaries will guarantee the Notes, subject to certain exceptions. The obligation to accede guarantors under the Revolving Facilities is subject to certain exceptions and limitations, and there can be no assurance that the AUMS Subsidiaries will become guarantors under the Revolving Facilities in which case they will not be required to and will not guarantee the Notes. In addition, the Parent Guarantor also expects certain other subsidiaries not be designated as guarantors at the Issue Date or thereafter.

The Notes and the Note Guarantees will be structurally subordinated to the indebtedness of any subsidiaries, including any AUMS Subsidiaries, that do not guarantee the Notes. Other than the Note 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 Note 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 will, subject to some limitations, permit the non-Guarantor subsidiaries to incur additional indebtedness and will 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 Note 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 Note Guarantor, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that Note Guarantor will be effectively senior to the claim of any holders of the Notes. See "Description of the Notes—Guarantees."

Service of process and bringing of original actions in the United States may be difficult, and enforcement of judgments obtained in the United States may be difficult or impossible to enforce in certain jurisdictions where Note Guarantors have assets and/or are organized.

The Issuer, the Parent Guarantor and a substantial number of our subsidiaries are incorporated outside of the United States. In addition, most of the directors and executive officers of these entities reside outside the United States. As a result, it may be difficult or impossible for holders of the Notes to effect service of process for a lawsuit within the United States upon certain of these entities and our operations, including with respect to matters arising under the U.S. federal securities laws. A substantial portion of the Parent Guarantor's, the Issuer's and the Subsidiary Guarantors' assets and the assets of these other persons are located outside the United States, which may make it difficult or impossible to enforce judgments obtained in courts of the United States in jurisdictions outside of the United States, including any judgments predicated upon the civil liability provisions of the federal securities laws of the United States or state securities laws. For example, there is doubt as to the enforceability in Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated upon the civil liability provisions of the federal or state securities laws of the United States. Also, there is no statutory recognition in Australia of the judgments of United States courts (whether or not such judgment relates to United States federal or state securities laws), and such judgments will not be enforceable in Australia in certain circumstances, including, but not limited to: where the plaintiff is unable to prove that the U.S. court exercised jurisdiction over the defendant which is recognized by Australian courts; where such judgments contravene local public policy, were obtained by fraud or duress, breach the rules of natural justice or general principles of fairness, are not for a fixed or readily ascertainable sum, are subject to a stay of

execution; where an order under the Foreign Proceedings (Excess of Jurisdiction) Act 1984 (Cth) has been made; where such judgments are otherwise not final and conclusive or involve multiple or punitive damages; or where the proceedings in such courts were of a penal nature.

For additional information on the enforcement of judgments obtained in the United States in certain jurisdictions where the Note Guarantors have assets and/or are organized, see "Enforcement of Civil Liabilities."

Transfers of the Notes are restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the Securities Act or any United States state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement. We do not intend to register the Notes, and holders thereof will not be entitled to require us to register the Notes for resale or otherwise. The Notes and the indenture governing the Notes contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

There is no established trading market for the Notes. If an actual trading market does not develop for the Notes, you may not be able to resell them quickly for the price that you paid or at all.

The Notes will constitute new issues of securities, and there is no established trading market for the Notes. The Initial Purchasers have advised us that they intend to make a market in the Notes, but they are not obligated to do so. Each Initial Purchaser may discontinue any market making in the Notes at any time, in its sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the Notes.

We also cannot assure you that you will be able to sell your Notes at a particular time or at all or that you will receive a favorable price for them. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price. The liquidity of, and trading market for, the Notes may also be adversely affected by, among other things:

- prevailing interest rates;
- our operating performance and financial condition;
- the interest of securities dealers in making a market; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes. It is possible that the market for the Notes will be subject to disruptions. Any disruptions may have a negative effect on holders of the Notes, regardless of our prospects and financial performance.

We may not be able, or may not be required, to repurchase the Notes upon a change of control triggering event.

Upon the occurrence of a change of control that is accompanied by a decline in the rating of the Notes, we will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, a change of control would constitute a review event under our Revolving Facilities and could result in a prepayment event under those facilities. In the event this results in an event of default hereunder, the lenders may accelerate the relevant debt, which could also cause an event of default under the indenture governing the Notes.

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. However, the phrase "all or substantially all" will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or disposition of "all or substantially all" of our assets has occurred, in which case the ability of a holder of the Notes to obtain the benefit of an offer to repurchase all or a portion of the Notes held by such holder may be impaired.

Courts interpreting change of control provisions under New York law (which is the governing law of the indenture) have not provided clear and consistent meanings of such change of control provisions, which has led to subjective judicial interpretation. Another court may not enforce the change of control provisions in the Indenture as written for the benefit of the holders, and the change of control provisions could be impacted if we become a debtor in a bankruptcy case.

The Notes will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through the DTC. Interests in the Global Notes will trade in book-entry form only, and the Notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The nominee for DTC will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to The Bank of New York Mellon as Paying Agent, which will make payments to DTC. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the nominee of DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the indenture governing the Notes.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon solicitations for consents or our requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately US$ million after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds of the offering (i) to fund the early redemption of all of Barminco Finance Pty Limited's US$350 million 6.625% Senior Secured Notes due 2022 at a redemption price of 103.313% of the principal amount of the notes redeemed plus accrued and unpaid interest up to the redemption date and (ii) to partially repay the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum. See "Capitalization." We also intend to use cash on hand to repay the remaining amount outstanding under the Revolving Facilities.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and capitalization of Ausdrill as of December 31, 2018:

- on an actual basis; and
- on an as adjusted basis giving effect to (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, and (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facilities; and
- on an as adjusted basis giving effect to (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facilities, (d) the Notes offering, (e) the application of the net proceeds of the Notes offering, which we estimate to be approximately US$ million in aggregate, namely (i) to fund the early redemption of all of Barminco Finance Pty Limited's US$350 million 6.625% Senior Secured Notes due 2022 at a redemption price of 103.313% of the principal amount of the notes redeemed plus the accrued and unpaid interest up to the redemption date and (ii) to partially repay the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum and (f) the application of cash on hand to repay the remaining amount outstanding under the Revolving Facilities.

You should read the following table in conjunction with the sections of this Offering Memorandum titled "Selected Historical and Pro Forma Consolidated Financial Data", "Unaudited Pro Forma Condensed Combined Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes of Ausdrill and Barminco Holdings included elsewhere in this Offering Memorandum.

	December 31, 2018		
	Ausdrill Historical	As adjusted[1]	As adjusted[2]
	(A$ in thousands)		
Cash and cash equivalents	198,858	218,858	
Current borrowings:			
Insurance premium funding	2,783	2,783	2,783
Hire purchase liabilities	31,035	31,035	31,035
Total current borrowings	**33,818**	**33,818**	**33,818**
U.S. dollar notes	493,281	493,281	
Previous revolving facilities	200,217	—	—
Prepaid borrowing costs	(1,364)	(1,364)	(1,364)
Hire purchase liabilities	19,642	19,642	19,642
Joint venture partner loan	958	958	958
Revolving Facilities (new)	—	220,217	
Notes offered hereby	—	—	
Total non-current borrowings	**712,734**	**732,734**	
Total equity	**1,472,928**	**1,472,928**	
Total capitalization	**2,219,480**	**2,239,480**	

Notes

(1) The adjustments in this column reflect (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, and (c) the use of proceeds of the

drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facility; and

(2) The adjustments in this column reflect (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facilities, (d) the Notes offering, (e) the application of the net proceeds of the Notes offering, which we estimate to be approximately US$ million in aggregate, namely (i) to fund the early redemption of Barminco Finance Pty Limited's US$350 million 6.625% Senior Secured Notes due 2022 at a redemption price of 103.313% of the principal amount of the notes redeemed plus the accrued and unpaid interest up to the redemption date and (ii) to partially repay the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum and (f) the application of cash on hand to repay the remaining amount outstanding under the Revolving Facilities.

THE ISSUER

Ausdrill Finance Pty Ltd is the issuer of the Notes. Ausdrill Finance Pty Ltd is a direct, wholly-owned subsidiary of Ausdrill Limited.

Directors and Officers

The directors and officers of the Issuer are as follows:

Name	Title
Mark Norwell	Director
Peter Bryant	Director
Efstratios Gregoriadis	Company Secretary

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 31, 2018 Ausdrill acquired Barminco Holdings, a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India (the "Transaction"). Ausdrill acquired all of the equity and equity-like instruments in Barminco Holdings for an estimated the total purchase price of A$275.6 million consisting of 150.7 million fully paid ordinary ex-dividend shares and A$17.2 million in cash. Concurrently with the acquisition announcement, Ausdrill undertook a non-renounceable entitlement offer to raise A$250 million of additional equity. The proceeds, together with funds drawn on an increased revolving credit facility, were used to repay US$300 million (A$416 million) of 6.875% Guaranteed Senior Unsecured Notes (the "6.875% Guaranteed Senior Unsecured Notes") in November 2018.

The acquisition of Barminco Holdings increased Ausdrill's ownership of the AUMS entities from 50% to 100%. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting.

The accompanying unaudited pro forma condensed combined statement of profit or loss for the year ended June 30, 2018 and for the six month period ended December 31, 2018 gives effect to the Acquisition and the debt refinancing and repayment, as if they occurred on July 1, 2017. The unaudited pro forma condensed combined statement of profit or loss has been compiled from the following sources with the following unaudited adjustments:

- The "Ausdrill Consolidated" column is derived from, and should be read in conjunction with, the historical consolidated financial statements of Ausdrill for the year ended June 30, 2018 and for the six month period ended December 31, 2018 included elsewhere in this Offering Memorandum.
- The "Barminco" column is derived from and should be read in conjunction with, the historical consolidated financial statements of Barminco Holdings for the year ended June 30, 2018. For the four month period ended October 31, 2018, the Barminco Holdings amounts are derived from Barminco Holdings' accounting books and records.
- The "AUMS" column gives effect to the consolidation of AUMS from July 1, 2017. The AUMS amounts included in the pro forma condensed statement of profit or loss are derived from AUMS disclosure in note 14 of the historical consolidated financial statements of Ausdrill for the year ended June 30, 2018, or derived from Ausdrill's accounting books and records.
- The "Pro Forma Adjustments" column gives effect to the preliminary purchase price allocation to acquire Barminco Holdings and AUMS, together with debt financing/repayment in connection with the Transaction.

The unaudited pro forma condensed combined statement of profit or loss shows the impact of the Acquisition on Ausdrill's combined results of operations under the acquisition method of accounting with Ausdrill treated as the accounting acquirer. Adjustments have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, which comply with IFRS as issued by IASB. Estimated adjustments have been made to reflect the acquisition method of accounting as required by the Australian Accounting Standards AASB 3: Business Combinations, including adjustments to record the assets and liabilities of Barminco Holdings and AUMS at their respective fair values.

This unaudited pro forma condensed combined statement of profit or loss is for illustrative informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition actually taken place at the dates indicated, and does not purport to be indicative of the future operating results.

In this regard, the unaudited pro forma condensed combined statement of profit or loss does not give effect to (i) any integration costs that may be incurred as a result of the transaction, (ii) potential future synergies, that may result from the transaction, (iii) any allowance for revenue attrition or revenue opportunities that may be derived from the combined enterprise's plans for growth, (iv) changes in estimates subsequent to the dates of such financial information, (v) restructuring charges that may be incurred to fully integrate and operate the combined enterprise more efficiently, or (vi) possible changes in the capital structure of the combined enterprise.

Future operating results may differ materially from the unaudited pro forma condensed combined statement of profit or loss presented below due to various factors including those described under the captions "Risk Factors", and "Forward-looking Statements" and elsewhere in Ausdrill's historical financial statements included elsewhere in this Offering Memorandum.

The unaudited pro forma condensed combined statement of profit or loss should be read in conjunction with "Selected Historical and Pro forma Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and notes thereto included elsewhere in this Offering Memorandum.

Ausdrill Limited
Unaudited Pro Forma Condensed Combined
Statement of Profit or Loss
For the year ended June 30, 2018
(in thousands of Australian dollars (A$))

	Ausdrill Consolidated	Barminco Note 2	Pro Forma AUMS Note 3	Pro Forma Adjustments Note 4	Footnotes	Pro forma Combined Ausdrill and Barminco
Revenue	890,317	586,795	292,308	(18,228)	**(a)**	1,751,192
Other income	22,345	2,089	1,568			26,002
Materials expense	(367,543)	(182,877)	(88,619)	18,228	**(a)**	(620,811)
Labor costs	(285,090)	(256,706)	(69,971)			(611,767)
Rental and hire expenses	(14,778)	(8,790)	(2,992)			(26,560)
Depreciation and amortization expense	(74,528)	(58,163)	(37,070)	(39,783)	**(b)**	(209,544)
Finance costs	(31,626)	(44,389)	(4,338)	21,567	**(c)**	(58,786)
Other expenses from ordinary activities	(87,362)	(23,561)	(31,432)			(142,355)
Share of net profit of joint ventures accounted for using the equity method	22,344	23,372	—	(45,716)	**(d)**	—
Profit / (loss) before income tax	**74,079**	**37,770**	**59,454**	**(63,932)**		**107,371**
Income tax benefit/(expense)	(14,730)	12,895	(14,762)	(7,638)	**(e)**	(24,235)
Profit / (loss) from continuing operations	**59,349**	**50,665**	**44,692**	**(71,570)**		**83,136**
Earnings per share for profit attributable to the ordinary equity holders of the Company:						
Number of Shares used to calculate basic earnings per share	351,782,137	5,000,000		320,715,241	**(f)**	672,497,378
Basic earnings per share—cents	16.9	1,013.3		(4.5)	**(f)**	12.4
Number of Shares used to calculate diluted earnings per share	357,714,811	5,000,000		320,715,241	**(g)**	678,430,052
Diluted earnings per share—cents	16.6	1,013.3		(4.3)	**(g)**	12.3

Summary pro forma adjustments, which includes a description of each of the footnotes above, is an integral part of these statements.

Ausdrill Limited
Unaudited Pro Forma Condensed Combined Statement of Profit or Loss
For the six month period ended December 31, 2018
(in thousands of Australian dollars (A$))

	For the six month period ended December 31, 2018 Ausdrill Consolidated	For the four month period ended October 31, 2018 Barminco Note 2	Pro Forma: For the four month period ended October 31, 2018 AUMS Note 3	Adjustments Note 4	Footnotes	Pro Forma Combined Ausdrill and Barminco
Revenue	642,544	213,329	126,122	(7,258)	**(h)**	974,737
Other income	200,932	207	866	(198,411)	**(i)**	3,594
Materials expense	(248,504)	(67,428)	(41,619)	7,258	**(h)**	(350,293)
Labor costs	(211,079)	(94,037)	(29,221)			(334,337)
Rental and hire expenses	(10,493)	(4,811)	(1,133)			(16,437)
Depreciation and amortization expense	(70,428)	(19,236)	(14,812)	(13,359)	**(j)**	(117,835)
Finance costs	(24,178)	(14,688)	(1,559)	10,934	**(k)**	(29,491)
Other expenses from ordinary activities	(66,446)	(15,004)	(12,571)	21,218	**(l)**	(72,803)
Impairment of property, plant and equipment	(31,200)	—	—			(31,200)
Share of net profit of joint ventures accounted for using the equity method	10,709	10,417	—	(21,126)	**(m)**	—
Profit/(Loss) before income tax	**191,857**	**8,749**	**26,073**	**(200,744)**		**25,935**
Income tax benefit/(expense)	25,126	(59,180)	(5,664)	1,736	**(n)**	(37,982)
Profit/(Loss) for the year	**216,983**	**(50,431)**	**20,410**	**(199,008)**		**(12,047)**
Earnings per share for profit attributable to the ordinary equity holders of the Company:						
Number of Shares used to calculate basic earnings per share	527,740,042	5,000,000		155,220,182	**(o)**	682,960,223
Basic earnings per share—cents	41.1	(1,008.6)		(42.9)	**(o)**	(1.8)
Number of Shares used to calculate diluted earnings per share	533,185,317	5,000,000		149,774,906	**(p)**	682,960,223
Diluted earnings per share—cents	40.7	(1,008.6)		(42.5)	**(p)**	(1.8)

Summary pro forma adjustments, which includes a description of each of the footnotes above, is an integral part of these statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of preparation

Accounting Policies

The consolidated financial statements of Ausdrill and the consolidated financial statements of Barminco Holdings were prepared in accordance with Australian Accounting Standards and also comply with IFRS as issued by IASB. The unaudited pro forma condensed combined statement of profit or loss is presented in an abbreviated form and therefore does not comply with all presentation and disclosure requirements of IFRS or the requirements of Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 of Australia.

Following a review of accounting policies, there were no adjustments required to Barminco Holdings' historical financial statements to align accounting policies with those of Ausdrill for the purposes of the pro forma condensed combined statement of profit or loss. Barminco Holdings' historical amounts were reclassified between financial statement captions to align with Ausdrill's presentation format. Barminco Holdings' historical amounts were reclassified between financial statement captions to align with Ausdrill's presentation format.

Business Combination Accounting

The unaudited pro forma condensed combined statement of profit or loss shows the impact of the Acquisition on Ausdrill's results of operations under the acquisition method of accounting with Ausdrill treated as the accounting acquirer.

Purchase Consideration

Ausdrill has estimated the total purchase price to be A$275.6 million (including A$17.2 million in cash), plus transaction costs of A$14.1 million, which are expensed when incurred.

Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed are measured at their fair values on the acquisition date. The unaudited pro forma condensed combined statement of profit or loss therefore includes estimated adjustments to record the assets and liabilities of Barminco Holdings and AUMS at their respective fair values and represents management's best estimates based on information available at this time. The pro forma adjustments may be revised as additional information becomes available and additional analysis is performed.

The excess of the consideration paid over Barminco Holdings' and AUMS identifiable net assets acquired (after recognition of the adjustments noted above) has been allocated to goodwill (A$449.7 million) and customer related intangibles (A$321.5 million). The goodwill is attributable to Barminco Holdings' strong position and performance as a specialist underground hard-rock mining contractor, Barminco Holdings' 50% share of the AUMS entities and synergies that are expected to arise. It has been allocated to the Underground Mining segment.

The fair value of the Barminco Holdings and 50% share of the AUMS customer related intangibles on acquisition is provisional pending the final valuations of those assets. It has been allocated to the Underground Mining segment. Customer related intangibles are considered to be amortizing intangible assets and to have a weighted average of 11 years of useful life.

Further details regarding the preliminary purchase price allocation are described in Note 10 (a) of Ausdrill's consolidated financial statements for the six month period ended December 31, 2018.

Ausdrill has assumed that Barminco Holdings will be grouped with Ausdrill for corporate tax purposes with effect from November 1, 2018.

Debt refinancing and repayment

Concurrently with the acquisition announcement, Ausdrill undertook a non-renounceable entitlement offer to raise A$250 million of additional equity. The proceeds, together with funds drawn on an increased revolving credit facility, were used to repay Ausdrill's US$300 million (A$416 million) of 6.875% Guaranteed Senior Unsecured Notes in November 2018.

2. Barminco Holdings Reclassification adjustments

Reclassification adjustments have been made to the Barminco Holdings combined statement of profit or loss to conform presentation to that used in Ausdrill's statement of profit or loss. These include:

	For the year ended June 30, 2018 (in thousands of Australian dollars (A$))				For the four months ended October 31, 2018 (in thousands of Australian dollars (A$))			
	Barminco (Historical)	Reclassifications		Barminco (Reclassified)	Barminco (Historical)	Reclassifications		Barminco (Reclassified)
Revenue	586,065	730	(1)	586,795	213,052	277	(1)	213,329
Other income	2,089			2,089	207			207
Consumables used	(182,877)	182,877	(2)	—	(67,428)	67,428	(2)	—
Materials expense	—	(182,877)	(2)	(182,877)	—	(67,428)	(2)	(67,428)
Employee benefits expense	(220,726)	220,726	(3)	—	(82,192)	82,192	(3)	—
Contractor and consultant expenses	(35,980)	35,980	(3)	—	(11,845)	11,845	(3)	—
Labor costs	—	(256,706)	(3)	(256,706)	—	(94,037)	(3)	(94,037)
Rental and hire expenses	—	(8,790)	(4)	(8,790)	—	(4,811)	(4)	(4,811)
Amortization of intangible assets	(933)	933	(5)	—	(229)	229	(5)	—
Depreciation of property, plant and equipment	(57,230)	(933)	(5)	(58,163)	(19,007)	(229)	(5)	(19,236)
Finance income	730	(730)	(1)	—	277	(277)	(1)	—
Finance costs	(44,389)			(44,389)	(14,688)			(14,688)
Other expenses	(32,351)	8,790	(4)	(23,561)	(19,815)	4,811	(4)	(15,004)
Share of profit from equity accounted investments, net of tax	23,372			23,372	10,417			10,417
Profit before income tax	**37,770**			**37,770**	**8,749**			**8,749**
Income tax benefit/(expense)	12,895			12,895	(59,180)			(59,180)
Profit / (loss) for the year / period	**50,665**			**50,665**	**(50,431)**			**(50,431)**

Summary of the reclassifications and description of nature:

Barminco's statement of profit or loss original line items	Ausdrill's statement of profit or loss line items	Description
(1) Interest income	Revenue	Ausdrill classifies interest income as revenue
(2) Consumable used	Materials expense	Reclassification due to different nomenclature
(3) Employee benefits expense	Labor costs	Reclassification due to different nomenclature
(3) Contractor and consultant expenses	Labor costs	Reclassification due to different nomenclature
(4) Other expenses—Operating lease expenses	Rental and hire expenses	Reclassification due to different nomenclature
(5) Depreciation of property plant and equipment	Depreciation and amortization expense	Reclassification due to different nomenclature
(5) Amortisation of intangible assets	Depreciation and amortization expense	Reclassification due to different nomenclature

3. Consolidation of AUMS

As a result of the business combination, Ausdrill controls 100% of AUMS. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting. The pro forma adjustment gives effect to the consolidation of AUMS from July 1, 2017. The AUMS amounts included in the pro forma condensed statement of profit or loss are derived from AUMS disclosure in note 14 of the historical consolidated financial statements of Ausdrill for the year ended June 30, 2018 or derived from Ausdrill's accounting books and records.

A reclassification adjustment of A$1.9 million has been made to the AUMS Statement of Profit or Loss related to interest income that was previously presented for FY18 as finance costs (net of interest income). This has been reclassified to revenue to conform presentation to that used in Ausdrill's Statement of Profit or Loss.

4. Pro forma adjustments

All pro forma adjustments to the unaudited pro forma condensed combined statement of profit or loss are deemed to have recurring effects. The individual pro forma adjustments are further described in the following footnotes.

Pro forma adjustments are made for events that are (i) directly attributable to the Transaction and the financing thereof, (ii) factually supportable, and (iii) expected to have a continuing impact on the combined results. Adjustments were not made to eliminate non-recurring changes not directly related to the Transaction.

Pro Forma Statement of Profit or Loss Adjustments for the year ended June 30, 2018

(a) Elimination of intersegment sales and related material expenses during FY18 between Ausdrill and AUMS of A$11.6 million and Barminco Holdings and AUMS of A$6.6 million.

(b) Customer related intangibles of A$321.5 million are considered to be amortizing intangible assets and to have a weighted average of useful life of 11 years. This adjustment reflects amortization of customer related intangible assets that were recognized upon acquisition of Barminco Holdings and AUMS. An amortization expense of A$39.8 million has been recognized in the year ended June 30, 2018 as if the business combination had occurred on July 1, 2017.

(c) In conjunction with the acquisition, Ausdrill undertook to repay the 6.875% Guaranteed Senior Unsecured Notes. The repayment was financed by A$250 million in proceeds of the non-renounceable equity offering and a drawdown from a revolving credit facility. The adjustment assumes the repayment of the 6.875% Guaranteed Senior Unsecured Notes occurred on July 1, 2017 thereby eliminating A$29.2 million in interest expense on the 6.875% Guaranteed Senior Unsecured Notes and including pro forma financing costs of A$7.6 million on the revolving credit facility.

(d) Adjustment to eliminate equity method of accounting for Ausdrill and Barminco Holdings' share of income from AUMS as the results of this entity are consolidated within the pro forma statement of profit or loss.

(e) Reversal of Barminco Holdings' A$13.1 million income tax benefit on recognition of previously unrecognized tax losses which are no longer realizable as a result of the Transaction, net of A$5.5 million of tax effect of other pro forma adjustments. This income tax benefit is non-recurring and would not be recognized by Ausdrill.

(f) Pro Forma Combined Ausdrill and Barminco Holdings basic earnings per share was computed by dividing the pro forma profit for the periods by the updated weighted average number of ordinary shares (672.5 million shares). This includes 170.1 million new shares issued and 150.7 million shares issued as consideration both in connection with the Transaction.

(g) Pro Forma Combined Ausdrill and Barminco Holdings diluted earnings per share was computed by dividing the pro forma profit for the periods by the updated weighted average number of ordinary shares on issued during FY18 and the potential shares to be issued by Ausdrill assuming

conversion of 5.9 million options, resulting in an updated weighted average number of ordinary shares of 678.4 million shares. Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

Pro Forma Statement of Profit or Loss Adjustments for the six month period ended December 31, 2018

(h) Elimination of intersegment sales and related material expenses from July 1 and October 31, 2018 between Ausdrill and AUMS of A$2.6 million and Barminco Holdings and AUMS of A$4.7 million.

(i) This adjustment reflects reversal of (i) the step acquisition gain of A$180.2 million on remeasurement of Ausdrill's previously held 50% shares of AUMS to fair value at the acquisition date and (ii) the de-recognition of foreign exchange translation reserves of A$18.2 million, as these do not have a continuing impact on the combined results.

(j) Customer related intangibles of A$321.5 million are considered to be amortizing intangible assets and to have a weighted average of useful life of 11 years. This adjustment reflects amortization of customer related intangible assets that were recognized upon acquisition of Barminco Holdings and AUMS. An additional amortization expense of A$12.8 million has been recognized for the four month period ended October 31, 2018 as if the business combinations had occurred on July 1, 2017.

(k) In conjunction with the acquisition, Ausdrill undertook to repay the 6.875% Guaranteed Senior Unsecured Notes. The repayment was financed by A$250 million in proceeds of the non-renounceable equity offering and a drawdown from a revolving credit facility. The adjustment assumes the repayment of the 6.875% Guaranteed Senior Unsecured Notes occurred on 1 July 2017 thereby eliminating A$14.6 million in interest expense on the 6.875% Guaranteed Senior Unsecured Notes and including pro forma financing costs of A$3.7 million on the revolving credit facility.

(l) The historical business combination transaction costs of A$21.2 million incurred by Ausdrill and Barminco Holdings during the six month period ended December 31, 2018 have been adjusted as this is non-recurring does not have a continuing impact on the combined results.

(m) Adjustment to eliminate the equity method of accounting for Ausdrill and Barminco Holdings' share of income from AUMS as the results of this entity are consolidated within the pro forma statement of profit or loss.

(n) Reversal of Ausdrill's recognition of deferred tax assets of A$53.1 million on previously unrecognized tax losses and Barminco Holdings' derecognition of deferred tax assets of A$60.4 million as a result of the Transaction, net of (A$5.6 million) of tax effect of other pro forma adjustments. The derecognition and recognition of deferred tax assets is non-recurring and would not be recognized by Ausdrill. Based on a statutory corporate tax rate of 30%, pro forma combined income tax expense on the pro forma combined income before tax would be A$7.8 million as compared to the pro forma income tax expense of A$38.0 million reported in the pro forma condensed combined statement of profit or loss. The difference is principally represented by charges accrued in the six month period ended 31 December 2018 by Ausdrill for additional tax that may be due upon repatriation of profits from foreign subsidiaries and provisions for uncertain tax positions. These accruals are not directly attributable to the Transaction and therefore have not been adjusted in presenting the pro forma statements.

(o) Pro forma combined Ausdrill and Barminco Holdings basic earnings per share was computed by dividing the pro forma profit for the periods by the updated weighted average number of ordinary shares (672.5 million shares). This includes 170.1 million new shares issued and 150.7 million shares issued as consideration both in connection with the Transaction.

(p) Pro forma combined Ausdrill and Barminco Holdings diluted earnings per share was computed by dividing the pro forma profit for the periods by the updated weighted average number of ordinary shares on issue during FY18. The impact of potential shares to be issued by Ausdrill in future

assuming conversion of 5.4 million options were antidilutive and therefore were not factored into determining diluted earnings per share.

5. Reconciliation EBITDA to Adjusted EBITDA and Adjusted EBIT (A)

	Year ended June 30,				Six months ended December 31,		
				Pro Forma			Pro Forma
	2016	2017	2018	2018	2017	2018	2018
	(A$ thousands)						
Profit (loss) for the period	20,512	30,951	59,349	83,136	35,269	216,983	(12,047)
Income tax expense/(benefit)	4,581	13,671	14,730	24,235	7,907	(25,126)	37,982
Finance income	(1,632)	(2,384)	(2,983)	(5,587)	(1,198)	(2,333)	(3,075)
Finance costs	33,696	31,381	31,626	58,786	15,913	24,178	29,491
Depreciation and amortization expense	67,894	62,172	74,528	209,544	34,322	70,428	117,835
EBITDA	**125,051**	**135,791**	**177,250**	**370,114**	**92,213**	**284,130**	**170,186**
Foreign exchange gain, net	14,550	(4,747)	(11,249)	(9,518)	(6,328)	(251)	(509)
Claim settlement benefit	—	—	(5,250)	(5,250)	(5,250)	—	—
Transaction costs	—	—	600	600	—	13,916	(141)
Management fees	—	—	—	1,000	—	—	—
AUMS step acquisition gains	—	—	—	—	—	(198,411)	—
EDA non-cash asset impairment	—	—	—	—	—	31,200	31,200
Adjusted EBITDA[(1)]	**139,601**	**131,044**	**161,351**	**356,946**	**80,635**	**130,584**	**200,736**
Depreciation	(67,894)	(62,172)	(74,528)	(168,828)	(34,322)	(63,635)	(97,683)
Adjusted EBIT (A)[(1)]	**71,707**	**68,872**	**86,823**	**188,118**	**46,313**	**66,949**	**103,053**

Note:

(1) Adjusted EBITDA and Adjusted EBIT (A) are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

SELECTED HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA

The following tables set forth selected historical and pro forma financial information for the periods ended and as of the dates indicated.

The selected historical consolidated financial information as of and for each of the years ended June 30, 2018, 2017 and 2016 set forth below has been derived from our audited consolidated financial statements and related notes for those periods, which are included elsewhere in this Offering Memorandum. The selected historical consolidated financial information as of and for each of the six months ended December 31, 2017 and 2018 set forth below has been derived from our unaudited consolidated financial statements and related notes for those periods, which are included elsewhere in this Offering Memorandum. The selected historical consolidated financial and operating data set forth below is not necessarily indicative of future results of operations or financial condition.

The accompanying unaudited pro forma condensed combined statement of profit or loss for the year ended June 30, 2018 gives effect to the acquisition as if it occurred on July 1, 2017 and the unaudited pro forma combined statement of income for the six month period ended December 31, 2018 gives effect to the acquisition as if it occurred on July 1, 2017.

The selected unaudited pro forma condensed combined statement of profit or loss presented in this Offering Memorandum is based in part on certain assumptions regarding the Acquisition. We cannot assure you that our assumptions will prove to be accurate. In addition, the selected historical financial statements of Ausdrill and Barminco Holdings presented in this Offering Memorandum have been prepared in accordance with Australian Accounting Standards. Those financial statements have been prepared using the Australian dollar as the reporting currency for Ausdrill and Barminco Holdings.

The historical, pro forma and other financial information included in this Offering Memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future. Neither the underlying pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with Australian Auditing Standards.

As a result of the Acquisition, the divestments of Diamond Communications, Drilling Tools Australia and Miner's Rest and new segmentation of our businesses, the financial results of FY16, FY17 and FY18 and 1H18 and 1H19 may not be comparable across all periods. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Results."

The selected historical and pro forma financial information should be read in conjunction with the historical financial statements and the notes thereto included elsewhere in this Offering Memorandum, along with "Financial Information Presentation," "Unaudited Pro Forma Condensed Combined Financial Information," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected unaudited pro forma financial information included in this section give effect to the Acquisition but do not give effect to the issuance of the Notes. See "Capitalization" in this Offering Memorandum.

Summary income statement information:

	Year ended June 30,				Six months ended December 31,		
	2016	2017[1]	2018	2018	2017	2018	2018
	Historical			Pro Forma	Historical		Pro Forma
	(A$ in thousands)				(A$ in thousands)		
Revenue from continuing operations	744,635	764,950	890,317	1,751,192	440,928	642,544	974,737
Other income	11,102	12,468	22,345	26,002	14,124	200,932	3,594
Materials expense	(298,972)	(328,099)	(367,543)	(620,811)	(171,201)	(248,504)	(350,293)
Labor costs	(239,895)	(241,577)	(285,090)	(611,767)	(149,621)	(211,079)	(334,337)
Rental and hire expense	(13,994)	(13,779)	(14,778)	(26,560)	(8,171)	(10,493)	(16,437)
Depreciation and amortization expense	(67,894)	(62,172)	(74,528)	(209,544)	(34,322)	(70,428)	(117,835)
Finance costs	(33,696)	(31,381)	(31,626)	(58,786)	(15,913)	(24,178)	(29,491)
Other expenses from ordinary activities	(83,782)	(68,878)	(87,362)	(142,355)	(41,815)	(66,446)	(72,803)
Impairment of available-for-sale financial assets	(1,485)	—	—	—	—	(31,200)	(31,200)
Share of net profit of joint ventures accounted for using the equity method	9,074	13,090	22,344	—	9,167	10,709	—
Profit/(loss) before income tax	**25,093**	**44,622**	**74,079**	**107,371**	**43,176**	**191,857**	**25,935**
Income tax (expense)/benefit	(4,581)	(13,671)	(14,730)	(24,235)	(7,907)	25,126	(37,982)
Profit/(loss) from continuing operations	**20,512**	**30,951**	**59,349**	**83,136**	**35,269**	**216,983**	**(12,047)**
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	37,638	250	1,701	—	—	—	—
Profit/(loss) for the year/half year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**
Profit/(loss) is attributable to:							
Equity holders of Ausdrill Limited	58,150	31,201	61,050	83,136	35,269	216,990	(12,040)
Non-controlling interests	—	—	—	—	—	(7)	(7)
Profit/(loss) for the year/half year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:	CENTS	CENTS	CENTS	CENTS	CENTS	CENTS	CENTS
Basic earnings/(loss) per share	6.6	9.9	16.9	12.4	10.3	41.1	(1.8)
Diluted earnings/(loss) per share	6.4	9.6	16.6	12.3	10.1	40.7	(1.8)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:							
Basic earnings/(loss) per share	18.7	10.0	17.4	12.4	10.3	41.1	(1.8)
Diluted earnings/(loss) per share	18.2	9.7	17.1	12.3	10.1	40.7	(1.8)
Profit/(loss) for the year	**58,150**	**31,201**	**61,050**	**83,136**	**35,269**	**216,983**	**(12,047)**

(1) FY16 income statement information was reclassified to conform with financial statement presentation of FY17 onwards. Amounts reclassified in FY16 to Other expenses from ordinary activities are as follows (A$ in thousands): Realized foreign exchange loss (A$8,427) and Unrealized foreign exchange loss (A$6,123).

Summary balance sheet information:

	As of June 30,			As of December 31,
	2016	2017	2018	2018
	(A$ in thousands)			
ASSETS				
Current assets				
Cash and cash equivalents	181,857	166,710	137,258	198,858
Trade and other receivables	169,810	167,742	230,464	362,851
Inventories	191,374	188,761	212,600	317,332
Available-for-sale financial assets	2,000	—	—	—
Current tax receivables	4,803	3,028	964	1,464
Total current assets	**549,844**	**526,241**	**581,286**	**880,505**
Non-current assets				
Receivables	—	—	3,314	3,159
Joint ventures accounted for using the equity method	69,764	58,884	71,266	—
Financial assets at fair value through other comprehensive income	—	—	—	11,454
Available-for-sale financial assets	3,641	5,189	11,999	—
Property, plant and equipment	489,832	560,464	664,347	897,307
Intangible assets	—	—	—	765,802
Derivative financial instruments	—	—	—	12,221
Deferred tax assets	37,300	36,584	35,549	93,089
Total non-current assets	**600,537**	**661,121**	**786,475**	**1,783,032**
Total assets	**1,150,381**	**1,187,362**	**1,367,761**	**2,663,537**
LIABILITIES				
Current liabilities				
Trade and other payables	82,839	100,396	122,770	221,817
Borrowings	3,521	2,802	3,334	33,818
Current tax liabilities	3,907	4,181	1,196	8,719
Employee benefit obligations	33,814	40,805	39,061	66,367
Total current liabilities	**124,081**	**148,184**	**166,361**	**330,721**
Non-current liabilities				
Borrowings	395,019	385,815	401,216	712,734
Deferred tax liabilities	23,584	22,289	24,947	144,240
Employee benefit obligations	1,101	960	486	2,914
Total non-current liabilities	**419,704**	**409,064**	**426,649**	**859,888**
Total Liabilities	**543,785**	**557,248**	**593,010**	**1,190,609**
Net assets	**606,596**	**630,114**	**774,751**	**1,472,928**
EQUITY				
Contributed equity	526,447	526,447	624,571	1,126,825
Other reserves	(16,028)	(17,777)	(12,459)	(15,210)
Retained earnings	96,177	121,444	162,639	361,000
Capital and reserves attributable to the owners of Ausdrill Limited	**606,596**	**630,114**	**774,751**	**1,472,615**
Non-controlling interests	—	—	—	313
Total Equity	**606,596**	**630,114**	**774,751**	**1,472,928**

Summary cash flow information:

	Year ended June 30,			Six months ended December 31,	
	2016	2017	2018	2017	2018
	(A$ in thousands)				
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)	791,503	802,207	892,394	455,365	697,528
Payments to suppliers and employees (inclusive of goods and services tax)	(668,345)	(670,096)	(802,239)	(393,313)	(604,455)
	123,158	**132,111**	**90,155**	**62,052**	**93,073**
Receipts from finance customers	2,609	—	—	—	—
Interest received	1,655	2,391	2,990	1,198	2,333
Interest and other costs of finance paid	(30,870)	(29,113)	(28,982)	(14,363)	(36,952)
Income taxes (paid)/refunded	(6,434)	(11,782)	(12,312)	(9,123)	(8,075)
Management fee received from joint ventures	888	1,006	742	382	357
Net cash inflow/(outflow) from operating activities	**91,006**	**94,613**	**52,593**	**40,146**	**50,736**
Cash flow from investing activities					
Payments for purchase of equity investments	(3)	—	—	—	—
Payments for property, plant and equipment	(12,416)	(147,418)	(173,280)	(78,144)	(76,587)
Proceeds from sale of property, plant and equipment	11,418	1,780	3,319	4,375	1,962
Payments for available-for-sale financial assets	(3,849)	(3,855)	(9,187)	(3,047)	(650)
Proceeds from sale of available-for-sale financial assets	7,463	3,207	—	—	—
Proceeds from sale of business	49,369	22,213	4,600	—	—
Cash removed on disposal of subsidiary	—	—	(602)	—	—
Distributions received from associates	8,871	22,946	13,633	—	—
Payments for purchase of subsidiaries	—	—	—	—	(17,205)
Cash acquired on acquisition of subsidiary	—	—	—	—	100,544
Minority interest on start-up of joint venture	—	—	—	—	309
Net cash (outflow)/inflow from investing activities	**60,853**	**(101,127)**	**(161,517)**	**(76,816)**	**8,373**
Cash flows from financing activities					
Proceeds from secured borrowings	—	—	—	—	195,116
Repayment of secured borrowings	(38,091)	—	—	—	(470)
Proceeds from issues of shares, net of transaction costs	—	—	97,606	97,813	244,127
Proceeds from hire purchase and lease liabilities	—	—	—	—	13
Repayment of hire purchase and lease liabilities	(8,047)	(471)	—	—	(4,781)
Proceeds from unsecured borrowings	4,340	3,721	3,991	—	3,402
Dividends paid to Company's shareholders	—	(6,246)	(19,855)	(7,188)	(18,629)
Repayment of unsecured borrowings	(5,974)	(3,969)	(3,458)	(1,548)	(419,036)
Net cash inflow/(outflow) from financing activities	**(47,772)**	**(6,965)**	**78,284**	**89,077**	**(258)**
Net (decrease)/increase in cash and cash equivalents	**104,087**	**(13,479)**	**(30,640)**	**52,407**	**58,851**
Cash and cash equivalents at the beginning of the financial year	77,865	181,857	166,710	166,710	137,258
Effects of exchange rate changes on cash and cash equivalents	(95)	(1,668)	1,188	(478)	2,749
Cash and cash equivalents at end of year	**181,857**	**166,710**	**137,258**	**218,639**	**198,858**

Segmental financial information:

	Year ended June 30,		
	2016	2017	2018
	Historical		
	(A$ in thousands)		
External Sales Revenue[1]			
Drilling Services Australia	222,619	215,524	214,926
Equipment Services and Supplies	131,025	130,684	147,661
Contract Mining Services Africa	361,880	404,683	510,899
All Other Segments	27,479	11,675	13,848
Corporate and Finance	—	—	—
Consolidated External Sales Revenues	**743,003**	**762,566**	**887,334**
Segment EBITDA[1]			
Drilling Services Australia	41,085	36,881	37,859
Equipment Services and Supplies	15,757	18,091	26,046
Contract Mining Services Africa[2]	83,760	95,810	118,487
All Other Segments	(1,434)	1,591	8,222
Corporate and Finance	(14,117)	(16,582)	(13,363)
Total EBITDA[1]	**125,051**	**135,791**	**177,250**
Segment EBIT[1]			
Drilling Services Australia	21,137	19,132	23,747
Equipment Services and Supplies	7,483	9,494	17,326
Contract Mining Services Africa[2]	47,997	62,348	69,331
All Other Segments	(5,039)	(521)	5,965
Corporate and Finance	(14,421)	(16,834)	(13,646)
Total EBIT[1]	**57,157**	**73,619**	**102,723**

Notes:

(1) External sales revenue, Segment EBITDA, and Segment EBIT are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

(2) The Segment EBITDA and Segment EBIT for Contract Mining Services Africa includes share of net profit of joint ventures accounted for using the equity method, representing our share of net profit from AUMS. Share of net profit of joint ventures accounted for using the equity method was A$9,074, A$13,090 and A$22,344 in FY16, FY17 and FY18, respectively.

	Year ended June 30,	Six months ended December 31,		
	2018	2017	2018	2018
	Pro Forma	Historical		Pro Forma
		(A$ in thousands)		
External Sales Revenues[1]				
Underground Mining	869,880	—	172,678	506,696
Surface Mining	725,408	348,841	390,339	390,255
Investments	150,317	90,889	77,194	74,711
Corporate & Finance	—	—	—	—
Consolidated External Sales Revenues	**1,745,605**	**439,730**	**640,211**	**971,662**
Segment Adjusted EBITDA[1]				
Underground Mining	217,940	9,167	53,326	123,480
Surface Mining	128,736	62,670	69,299	69,298
Investments	29,233	16,202	16,643	16,643
Corporate & Finance	(18,963)	(7,404)	(8,684)	(8,684)
Total Adjusted EBITDA	**356,946**	**80,635**	**130,584**	**200,736**
Segment Adjusted EBIT (A)[1]				
Underground Mining	123,640	9,167	36,086	72,191
Surface Mining	65,468	34,277	28,692	28,691
Investments	18,256	10,418	11,030	11,030
Corporate & Finance	(19,246)	(7,549)	(8,859)	(8,859)
Total Adjusted EBIT (A)	**188,118**	**46,313**	**66,949**	**103,053**

Notes:

(1) External sales revenue, Segment Adjusted EBITDA, and Segment Adjusted EBIT (A) are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

Other financial information:

	Year ended June 30,				Six months ended December 31,		
	2016	2017	2018	2018	2017[11]	2018	2018
	Historical			Pro Forma	Historical		Pro Forma
	(A$ in thousands)				(A$ in thousands)		
External Sales Revenue[1]	743,003	762,566	887,334	1,745,605	439,730	640,211	971,662
Adjusted EBITDA[1]	139,601	131,044	161,351	356,946	80,635	130,584	200,736
Adjusted EBITDA margin[1]	18.8%	17.2%	18.2%	20.4%	18.3%	20.4%	20.7%
Adjusted EBIT (A)[1]	71,707	68,872	86,823	188,118	46,313	66,949	103,053
Adjusted EBIT (A) margin[1]	9.7%	9.0%	9.8%	10.8%	10.5%	10.5%	10.6%
Total debt	398,540	388,617	404,550		380,341	746,552	746,552
Net debt	216,683	221,907	267,292		161,702	547,694	547,694
Ratio of total debt to Adjusted EBITDA[1]	2.9	3.0	2.5				
Ratio of net debt to Adjusted EBITDA[1]	1.6	1.7	1.7				
Ratio of Adjusted EBITDA to Net interest expense[1]	4.4	4.5	5.6	7.1			
Gearing ratio[1]	26.3%	26.0%	25.7%		17.5%	27.1%	
Capital expenditures[1]	12,416	147,420	173,280		78,144	76,587	

Notes:

(1) External sales revenue, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBIT (A), Adjusted EBIT (A) margin, ratio of total debt to Adjusted EBITDA, ratio of net debt to Adjusted EBITDA, ratio of Adjusted EBITDA to net interest expense and gearing ratio are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures." For a reconciliation of Adjusted EBITDA and Adjusted EBIT (A) to profit or loss for the period, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations of Ausdrill—Adjusted EBITDA and Adjusted EBIT (A)."

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

Prospective investors should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations section together with the "Unaudited Pro Forma Condensed Combined Financial Information," the consolidated financial statements of Ausdrill and related notes and the consolidated financial statements of Barminco Holdings and related notes before making an investment decision. Certain statements in this section are "forward-looking statements" and are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the sections of this Offering Memorandum titled "Forward-Looking Statements" and "Risk Factors" for more information.

Overview

We are a leading provider of contract mining and other services to mines predominantly in the development and production phases in Australia and Africa. Founded in 1987 and listed on the ASX in 1994, we are an ASX 200 constituent with a market capitalization of A$1,124.5 million as of April 26, 2019. In FY18, we had total revenue of A$887.3 million and Adjusted EBITDA of A$161.4 million. Giving effect to the Acquisition as if the Acquisition had occurred on July 1, 2017, we had total pro forma external sales revenue of A$1,745.6 million and Adjusted EBITDA of A$356.9 million in FY18 and total pro forma external sales revenue of $971.6 million and Adjusted EBITDA of $200.7 million for 1H19. As of March 31, 2019, we employed approximately 7,500 people across our operations. Our head office is in Perth in Western Australia.

Our principal activity is providing underground and surface contract mining and production-related services to mining clients across Australia, Africa and India. These services consist of hard-rock specialized services, high speed decline development and production services, earthmoving, drilling and blasting, in-pit grade control and mineral analysis. In addition to our production-related mining services we also offer load and haul and crusher feed services in Africa. We supplement our in-field services with in-house expertise of designing and manufacturing drilling rigs and ancillary equipment. We also provide supply and logistics solutions and mineral analysis and exploration services to our other mining services businesses and external customers, which represent a small percentage of our revenue. We also provide underground diamond drilling services for mineral grade control and orebody definition in Australia and Egypt.

On October 31, 2018, we acquired all of the equity and equity like instruments in Barminco Holdings in exchange for 150.7 million fully-paid ex dividend shares of Ausdrill and A$17.2 million in cash. Barminco is one of the leading providers of underground hard-rock contract mining services in Australia and Africa with the capability and fleet to provide 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 extracting and haulage, primarily in the gold, nickel and zinc sectors. The Acquisition increased our ownership of AUMS joint venture from 50% to 100%. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting. Post-acquisition we are Australia's second largest mining services company by revenue. The Barminco service offerings strengthen our market leading positions in underground hard-rock contracted gold mining in the markets in which we operate. Ausdrill, Barminco and AUMS provide complementary services to mine owners, enabling us to provide new underground mining services for existing surface mining clients and an opportunity to cross-sell Ausdrill's combined service offering. In addition to this, the businesses have a strong cultural alignment having worked together in Africa through the AUMS joint venture for over a decade. Following the Acquisition, the AUMS entities have been fully integrated resulting in clear operational control and streamlined management.

Factors Affecting Our Results of Operations

The following section describes certain factors and trends that have a material impact on our financial condition and results of operations. Our results of operations are impacted by both global and local factors. The key drivers of our results of operations are discussed below.

Number and size of new mining services contracts and contract renewals

Contracts for production related mining services represented 93.8% and 94.4% of our pro forma external sales revenue in FY18 and 1H19, respectively, and our order book as of March 31, 2019 had an aggregate value of A$4.7 billion over the remainder of 2H19 to FY25. Under most of our mining services contracts, the mine operator contracts us to undertake work in accordance with a work schedule. Contract lengths vary, but most of our mining services contracts are for terms between three and five years, typically with an option to extend that is exercisable by the customer. Our customers generally prefer contracts of these durations because the revenue certainty enables us to invest in new or near new equipment, which leads to higher reliability and availability on site, and therefore, higher levels of utilization and productivity. Some smaller contracts, typically exploration, diamond drilling and equipment rental contracts, have shorter terms. Exploration and diamond drilling contracts have varying terms from three months to four years, while equipment rental contracts have varying terms from three months up to two years.

Most of our contracts can be terminated for convenience by the customer at short notice and without penalty with the customer typically paying for all work completed to date, unused material, demobilization from the sites and an early termination fee covering a period of equipment ownership and redundancies. As a result, there can be no assurance that our order book will be realized as revenue in any future period. However, most of the mines at which we operate are long life operations, and the cost and disruption of replacing a mining contractor can be significant. As a result, mine owners have a tendency to renew contracts rather than replace the contractor at the end of the term. This is particularly the case with underground mines, where the accumulated technical knowledge of an incumbent and the smaller pool of qualified alternatives increases the risks of changing contractors. We are selective in the contracts that we enter to allow for options to extend where possible to maximize the contract period and the return on capital.

The diversity of our contract base helps to mitigate the impact of termination of any one contract since people and equipment can generally be redeployed to other activities within the group either in Australia or Africa on a new or existing contract, particularly as we have a standardized fleet of equipment across the countries in which we operate. At producing mines, the fact that our services are essential to continuing production provides a disincentive to terminate our contracts at short notice due to the potential risk of production disruption while transitioning to a new mining services provider or the owner as operator.

Most of our contracts are at risk of termination or nonrenewal when the mine has reached the end of its planned life or the operator ceases production because changes in the underlying commodity price or mining costs have rendered continued production from the mine uneconomic. Contracts are also at risk of termination or nonrenewal as a result of competition if the customer seeks to use an alternative mining services provider to provide the service or if the customer decides to bring the contracted services in house either of which may occur if an alternative provides better economics or if the customer is not satisfied with our performance.

Consequently, our results from operations are affected by the number of new contracts under which we commence work during a period, the number of contracts that are renewed or extended and the number of contracts that expire without renewal or extension or that are otherwise terminated.

We have a strong track record of contract renewal and extensions, which reflects our performance levels under these contracts and illustrates the recurring nature of our revenues. We have obtained contracts with over A$2.8 billion of contract value at award since May 2018. The average length of these new contracts with existing customers is close to three years. Once we are the incumbent operator at a site, we have better technical information to tender for renewals, which is a barrier to being replaced.

Contract wins over the last 12 months since May 2018

New	Renewal	Date	Customer	Existing customer	Project	ISG	Location	Commodity	Contract length
	√	Feb 19	GMC	√	Nsuta	Surface	Ghana	Manganese	2 years
	√	Feb 19	Hindustan Zinc	√	Rampura Agucha	Underground	India	Zinc	3.5 years
√		Jan 19	Regis Resources		Rosemont	Underground	Australia (WA)	Gold	3 years
√		Jan 19	Western Areas	√	Odysseus	Underground	Australia (WA)	Nickel	1.2 years
	√	Jan 19	Consolidated Minerals	√	Woodie Woodie	Surface	Australia (WA)	Manganese	1 year
√		Jan 19	Bellevue Gold	√	Bellevue	Surface	Australia (WA)	Gold	1 year
√		Nov 18	Polaris	√	Koolyanobbing	Surface	Australia (WA)	Iron ore	1.7 years
√		Oct 18	AngloGold Ashanti	√	Obuasi	Underground	Ghana	Gold	5 years
	√	Oct 18	Independence Group	√	Nova	Underground	Australia (WA)	Nickel	4 years
	√	Oct 18	Gold Fields	√	Agnew	Underground	Australia (WA)	Gold	4 years
	√	Sep 18	AngloGold Ashanti	√	Sunrise Dam	Underground	Australia (WA)	Gold	5 years
√	√	Aug 18	Roxgold	√	Yaramoko & Bagassi South	Underground	Burkina Faso	Gold	2.5 years
√		Jul 18	Resolute	√	Tabakoroni	Surface	Mali	Gold	1.9 years
√		Jun 18	Round Oak Minerals		Mt Colin	Underground	Australia (QLD)	Copper	4 years
√		May 18	SEMAFO	√	Siou	Underground	Burkina Faso	Gold	5.8 years

In the last 12 months, we have had two contracts that customers have not chosen to renew upon expiration. In the case of Perseus's Edikan project, which ended in December 2018, we were informed that the tender was awarded to a competitor due to price considerations. In the case of our contract at MMG's Rosebery project, which ended in July 2018, MMG decided to bring production back in-house at the end of the contract term. See also "Risk Factors—Risks Relating to Our Business and Industry—Our revenues and order book are subject to underlying contracts with varying terms which may not be renewed or which may be terminated and which are subject to factors outside of our control.".

There may be circumstances where it is beneficial for us to renegotiate, terminate or let clients terminate contracts, particularly if a project is not profitable or the margins do not meet our expectations. Our agreements typically include clauses that allow renegotiation of contract terms if the mine plan changes significantly after we initially agree. During FY17, Barminco Holdings commenced operations on the Kundana and Rampura Agucha contracts. The margins on these two projects were below Barminco Holdings' initial expectations due to production delays and unforeseen issues resulting in increased expenses. Significant mining plan changes at Kundana led to Barminco Holdings invoking its renegotiation rights. The mine owner of Kundana could not agree to acceptable rates, which resulted in the contract ending on June 30, 2017. In relation to Rampura Agucha, the contract was renegotiated to the satisfaction of all parties, while the Kundana contract was ultimately terminated after a failed attempt to come to terms and operations returned to the mine owner.

For more information regarding our contracts, see "Business—Mining Services Contract Structure and Arrangements," "Business—Material Contracts" and "Risk Factors—Risks Relating to Our Business and

Industry—Our revenues and order book are subject to underlying contracts with varying terms which may not be renewed or which may be terminated and which are subject to factors outside of our control."

Production variability

Production phase mining services (including development and rehabilitation work) contributed approximately 93.8% and 94.4% of our pro forma external sales revenue in FY18 and 1H19, respectively. Under most of our mining services contracts other than short-term exploration contracts or equipment hire contracts, the mine operator contracts us to undertake work in accordance with a work schedule. We earn revenue through a schedule of rates, which includes a fixed component that covers senior management personnel, trucks loaders, drills, fixed charges from explosive suppliers and other subcontractors and support equipment. The remaining revenue under these contracts is earned through a variable component, primarily based on a unit of production agreed to in the contract. For example, the variable component under drilling contracts generally relates to meters drilled and for contract mining services, the volume of material moved. Where we identify risk issues at the tendering stage which may impact productivity, we seek to allocate a higher proportion of costs to the fixed charge component. For a description of other terms, see "Business—Mining Services Contract Structure and Arrangements."

Due to mining production generally being conducted in accordance with a detailed mine plan covering a number of years of future production at any given time, variable contract revenues are, in fact, relatively predictable. However, circumstances can arise that cause production to deviate from the mine plan, which can affect our revenues either positively or negatively. For example, we may encounter different rock types or geological structures than expected or ore grades may be different from expectations. However, if the mine plane deviates beyond certain agreed parameters, we generally have the ability to renegotiate the pricing terms of the contract.

Short-term changes in commodity prices do not usually affect production levels at mines of the scale we service, which are designed to sustain economic production based on long-term assumed prices. However, sustained changes in commodity prices can result in changes in mine plans, particularly as lower ore grades become economic in the case of price rises or uneconomic in the case of price falls. Sustained low prices may result in mine closures, contract termination or lost revenue.

Mix of operating activities

The mix of operating activities that we undertake during a period also impact our results of operations. As we have grown, we have focused our business on our core mining services and mining support service businesses and have divested businesses that did not fit within that scope. In the last three years, we disposed of Diamond Communications (a business that provided services to the communications sector in Australia) in FY18, DT HiLoad (a truck tray manufacturing business) in FY16 and Drilling Tools Australia (a drilling tool manufacturing business) in FY16.

The mix of operating activities we undertake for customers during a period also impacts our results of operations due to the differing margins on our businesses. For example, the Underground ISG provided the highest margins of the business lines of the Ausdrill group for FY18 and 1H19. The Underground ISG's pro forma Adjusted EBITDA margin was 25.1% and 24.4% in FY18 and 1H19 respectively, compared to the pro forma Adjusted EBITDA margin for the Ausdrill group of 20.4% and 20.7%. The activity mix depends in part on customer demand for our existing products and services as well as our ability to offer new products and services that we develop or acquire as part of acquisitions.

Currency fluctuations

Reporting currency translation risk. Broadly speaking, our Australian operations are Australian dollar denominated and our African operations are primarily U.S. dollar denominated but are also exposed to local currencies. Therefore, for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus U.S. dollars and those 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. For FY18 and 1H19, 51.5% and

54.9% of our pro forma consolidated sales revenue, respectively, was denominated in currencies other than the Australian dollar, primarily U.S. dollars and West African francs, which are pegged to the Euro. Fluctuations in foreign currency exchange rates may also make period-to-period comparisons of our results of operations difficult. As our operations in Africa grow, our foreign exchange translation risk may increase.

Unhedged revenue and expense risk. We are also economically exposed to currency exchange rate fluctuations when our sales revenues are derived in one currency and the corresponding expenses are incurred in a different currency. From time to time, we hedge these economic exposures if they are material but the hedges we use may not fully protect us from the exchange rate fluctuations.

Currency exchange transaction risk. Our African operations also are exposed to currency exchange transaction risk. Under most of our contracts in Africa, the payment terms are denominated in U.S. dollars, but we are paid by our customers in West African francs based on a the U.S. dollar to West African franc spot-exchange rate at the time of invoicing. We typically provide for 30 day payment terms and attempt to convert our revenues, less an amount to cover local currency expenses, immediately to U.S. dollars or Australian dollars. We also purchase some of our major capital equipment in U.S. dollars. During the period between invoicing our customers in local currency and exchanging that currency into U.S. dollars or Australian dollars, we are exposed to further exchange rate risk. In addition, we may purchase capital equipment for our business such as dump trucks, excavators and other equipment in currencies other than the Australian dollar, which will affect our costs. When entering into a new contract, we try to price our anticipated foreign exchange exposure into the capital expenditure budget set out in the contract terms.

Exchange controls risk. We operate in many countries and some of the countries in which we operate have or may in the future impose currency exchange controls in the future. For example, Egypt and India have regulations that may restrict our ability to send cash out of the country. As a result, cash in Egypt, India and any other countries with foreign exchange controls may not be available to meet obligations incurred in other countries. Currency exchange controls currently do and may in the future prevent us from being able to freely convert these currencies into currencies of other countries. The increased hold time of these currencies further exposes us to exchange rate risk.

Hedging. From time to time, we may decide to hedge our U.S. dollar denominated trade receivables. As of the date of this Offering Memorandum, we have cross-currency interest rate swaps in place with respect to the Barminco Notes, which we intend to terminate following the satisfaction and discharge of the Barminco Notes. At the time of the termination, we may have a gain or loss depending on the mark-to-market position of such swaps and possibly other termination costs. In respect of other monetary assets and liabilities held in currencies other than the Australian dollars, we aim to ensure that the net exposure is kept to an acceptable level by matching foreign-denominated financial assets with matching financial liabilities and vice versa. We do not engage in any speculative trading activities.

Labor costs and availability

Labor expenses represent a significant portion of our operating expenses. In order to compete for work and to service our customers, we need to be able to continue to attract and retain skilled employees. The number of qualified people is limited, and during certain periods of high activity in the past, competition for skilled workers has been strong and employers have competed for workers by offering higher compensation. Although our overall pro forma employee numbers (including Barminco Holdings and AUMS) at the end of 1H19 represented an increase of 3.0% over the pro forma number of employees at the end of FY18, attracting and retaining skilled employees remained an ongoing issue for us and the entire mining services industry as the demand for skilled employees outpaces the supply of available talent. In particular, we focus on, and are invested in, developing and retaining local talent at our project sites. We have implemented employee development systems and retention policies to support these goals.

Upfront capital expenditures depreciated over time

Our capital expenditure aligns closely with new contracts and revenue-generating activities, which means that we have significant upfront costs related to the implementation and ramp up of new projects. These expenses are then depreciated over time. Our underground mining equipment is depreciated over a

three to seven year period. Our surface mining equipment is depreciated over a seven to ten year period. See "—Capital Expenditures."

Operating expense fluctuations

Variations to consumables and other operating expenses generally do not affect our results as they are largely passed through to the customer through the rise-and-fall mechanisms in our contracts. Typically, rise-and-fall adjustments are made quarterly, biennially or annually and do not usually apply retrospectively. Accordingly, we usually experience a delay between changes in our direct costs and the time those changes are reflected in our revenues.

Carried forward tax losses

On November 1, 2018, Barminco Holdings and its Australian subsidiaries joined the consolidated Ausdrill tax group. It was determined that Barminco Holdings' gross tax losses, which were A$201.4 million as of June 30, 2018, would not have any value to the consolidated Ausdrill tax group. Accordingly, these tax losses were cancelled upon consolidation. Taking the above into account, the estimated carried forward tax losses in 1H19 for the consolidated Ausdrill tax group were A$231.9 million.

Effective tax rates

Our accounting effective company tax rate on our Australian operations was 0.0% in each of FY17 and FY18 (it was 3.0% in FY16). In 1H19, our accounting effective company tax rate was negative. Our accounting effective company tax rate on our global operations was 13.6%, 30.8%, 20.0% and (13.1%) in FY16, FY17, FY18 and 1H19, respectively. The Australian company tax rate is 30.0%, and the average tax rate for other jurisdictions in which we operate is also approximately 30.0%. We have been able to reduce our effective tax rate due to adjusting factors such as the impact of functional currencies, items of income/expenditure which are not assessable/deductible, recognition of previously unrecognized tax losses/tax offsets, the inclusion of equity accounted profits in profit before tax and the Acquisition. Excluding these items, our effective tax rate on our Australian operations would have been 30.0% in FY17, FY18 and 1H19 (30.5% in FY16). Our effective tax rate on our other global operations would have been 29.7%, 33.8%, 30.2% and 30.0% in FY16, FY17, FY18 and 1H19, respectively.

Balance sheet and working capital review

Following the completion of the Acquisition, management commenced a review of our balance sheet and our working capital position. As part of that review, we are reviewing our inventory levels throughout our operations. Although that review is still ongoing and physical stock takes have not yet been commenced, that review may result in a non-cash inventory impairment charge for the year ended June 30, 2019 to the extent excess and obsolete stock are identified, among other factors. As the review is ongoing, we are unable to currently estimate the amount of any impairment although it could be material.

Recent Developments

Acquisition and Integration of Barminco Holdings

On October 31, 2018, we acquired Barminco Holdings, which is, according to Wood Mackenzie, one of the leading providers of underground hard-rock contract mining services in Australia and Africa by materials moved. The Acquisition also increased our ownership of AUMS joint venture from 50% to 100%. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting. Post-acquisition, we are Australia's second largest mining services company by mining services revenue. Ausdrill, Barminco and AUMS provide complementary services to mine owners, enabling us to provide new underground mining services for existing surface mining clients and an opportunity to cross-sell Ausdrill's combined service offering. In addition to this, the businesses have a strong cultural alignment given that we and Barminco Holdings worked together in Africa through the AUMS joint venture for over a decade. Following the Acquisition,

the AUMS entities have been fully integrated resulting in clear operational control and streamlined management.

We acquired 100% of the common shares, redeemable preference shares and shareholder loan notes of Barminco Holdings in exchange for 150.7 million fully-paid ex-dividend ordinary shares of Ausdrill and A$17.2 million in cash. Following completion of the Acquisition, Barminco Holdings' former shareholders owned approximately 22.1% of our Company. We consolidated Barminco Holdings and its subsidiaries, as well as 100% of AUMS commencing November 1, 2018, and so two months of operations of Barminco Holdings and its subsidiaries, as well as 100% of AUMS, are included in our 1H19 results of operations.

The integration of Barminco Holdings into Ausdrill and the rationalization of our corporate functions are substantially complete. We report the Barminco and AUMS businesses together as the Underground Mining ISG with existing management remaining in place. The AUMS business is based on the Barminco business model and uses the same procedures and mining methods. AUMS is also led by a former Barminco employee and employs many former Barminco employees. These factors simplified the integration of Barminco Holdings into Ausdrill. Our Surface Mining ISG consists of the original Ausdrill businesses and did not require any further integration.

We have presented unaudited pro forma condensed combined statements of profit and loss for FY18 and 1H19 that illustrate the impact of the Acquisition on Ausdrill's combined results of operations under the acquisition method of accounting in the "Unaudited Pro Forma Condensed Combined Financial Information" section. The Unaudited Pro Forma Condensed Combined Financial Information contains certain adjustments as described therein. See also "Risk Factors—The historical financial information for Ausdrill and Barminco Holdings and our pro forma financial information may not be representative of our results as a combined company in the future."

Changes to our Capital Structure

Concurrently with the Acquisition announcement, we undertook a non-renounceable entitlement offer to raise A$250.0 million (excluding costs) at a price of $1.47 per new ordinary share of Ausdrill. The proceeds of this equity raising exercise were used to repay Ausdrill's US$300 million 6.875% Guaranteed Senior Unsecured Notes due November 2019.

Factors Affecting Comparability of Results

There are a number of factors affecting the preparation of our financial statements as of and for the periods presented in this section and in this Offering Memorandum, and not all periods presented may be directly comparable, as described below.

The Acquisition and the consolidation of Barminco Holdings and AUMS

Following the Acquisition, we consolidated Barminco Holdings and its subsidiaries, as well as AUMS, for the two-month period ended December 31, 2018. This has resulted in a significant increase in the scope of our operations and significant changes to our financial condition.

The Acquisition increased the Ausdrill group's ownership of AUMS, our joint venture with Barminco Holdings, from 50% to 100%. Prior to the Acquisition, AUMS was overseen by a joint management board that was required to make decisions by consensus due to the equal ownership interests of the joint venture parties. As a result, neither Ausdrill nor Barminco Holdings "controlled" AUMS for accounting purposes, and each of Ausdrill and Barminco Holdings accounted for AUMS using the equity method of accounting. Therefore, AUMS' financial condition and results of operations were not consolidated in the financial information of either Ausdrill or Barminco Holdings in FY16, FY17, FY18 or 1H18, as the case may be. As a result of the Acquisition, Ausdrill ceased equity accounting for AUMS as of October 31, 2018. In our financial results for 1H19, AUMS was equity accounted for the period from July 1, 2018 to October 31, 2018 and fully consolidated for the period from November 1, 2018 to December 31, 2018. See "—Key Income Statement Items—Share of net profit of joint ventures accounted for using the equity method."

The historical financial information for FY16, FY17, FY18 and 1H18 included in this Offering Memorandum is derived from separate consolidated financial statements of Ausdrill, and the historical

financial information for FY16, FY17 and FY18 included in this Offering Memorandum is derived from separate consolidated financial statements of Barminco Holdings, as the case may be, for such periods and does not show the impact of the Acquisition on either entity in those periods.

Operating Segments

Following the Acquisition, we reorganized our operations into three operating segments, which we refer to as ISGs: (1) Underground Mining, comprising the Barminco and AUMS businesses; (2) Surface Mining, comprising the African Mining Services and Ausdrill; and (3) Investments, which includes our other businesses, namely, BTP Parts, BTP Equipment (together with BTP Parts, "BTP Group"), Supply Direct Group, MinAnalytical, Energy Drilling Australia and Well Control Solutions. We are also supported by a fourth supporting segment, Corporate. Prior to the Acquisition, Ausdrill organized its operations into four operating segments, namely (a) Drilling Services Australia, (b) Equipment Services and Supplies, (c) Contract Mining Services Africa and (d) All Other Segments, as well as a supporting segment, Corporate and Finance.

While we have reclassified our segments as of and for 1H18 to be comparable to our new segments as of and for 1H19, we have not reclassified our segments for FY16, FY17 and FY18. Therefore, the segments analysis below presents the historic segments for FY16, FY17 and FY18 and our new segmentation for 1H18 and 1H19.

Discontinued operations

On May 1, 2018, we sold our subsidiary Diamond Communications for a total consideration of A$6.2 million as part of a plan to focus on our core mining services business. As a result, we reported the net financial contributions of Diamond Communications as "discontinued operations" in our financial statements for FY18 and have restated the financial information as of and for FY17 accordingly. We only present this restated financial information as of and for FY17 in this Offering Memorandum. As Diamond Communications was not a material part of our business, we have not restated our financial statements for FY16 to reflect Diamond Communications as discontinued operations, and therefore, such financial statements still present Diamond Communications as a consolidated entity. As a result, the financial information for FY16 presented in this Offering Memorandum is not directly comparable to the financial information presented for FY17 and FY18.

On June 30, 2016, we sold our subsidiary Drilling Tools Australia (a drill bit manufacturing and distribution business) for a total consideration of A$66.0 million paid in FY16 and FY17, and on September 21, 2016, we sold our subsidiary Miner's Rest (a hotel in Kalgoorlie, Australia) for a total consideration of A$2.4 million in FY16. Since both of these businesses were sold in FY16, we have reported the net financial contributions of these businesses as "discontinued operations" in FY16, and such businesses do not affect our results for any subsequent period (other than the receipt of proceeds in FY17).

Key Income Statement Items

Revenue

We primarily generate revenue from providing contract mining services and, to a lesser extent, from the sale of goods, principally mining supplies. Following the Acquisition, sales revenue from contract mining services represents a larger share of our total revenues than prior to the Acquisition. Contracts for production related mining services represented 90.3% and 91.7% of our pro forma external sales revenue in FY18 and 1H19, respectively Sales revenue is the pro forma total sales to external customers and excludes interest revenue earned on bank deposits, foreign exchange gains and other items that totaled A$5.6 million in FY18 and A$3.1 million in 1H19. We earn revenue through a schedule of rates which includes a fixed component that covers senior management personnel, fixed plant charges from explosive suppliers and other subcontractors and support equipment. The remaining revenue under these contracts is earned through a variable component, primarily based on a unit of production agreed to in the contract. For example, the variable component under drilling contracts generally relates to meters drilled and for contract mining services, the volume of material moved. Where we identify risk issues at the tendering stage which may impact productivity, we seek to allocate a higher proportion of costs to the fixed charge component. For

further information on our mining service contracts, see "Business—Mining Services Contract Structure and Arrangements."

Contracts for exploration related mining services represented 6.1% and 5.6% of our pro forma external sales revenue in FY18 and 1H19, respectively Exploration-related mining services are generally undertaken under shorter-term contracts of up to a year and are also able to be terminated by the customer for convenience at short notice. There is no fixed component to exploration-related contracts and revenue is earned under those contracts based on meters drilled.

Revenues for mining services contracts are recognized monthly on the basis of the unit of production agreed in the relevant contract at the contract rate. Any fixed component is recognized monthly based on prior month performance.

Equipment rental contracts represented, approximately 3.0% of our pro forma external sales revenue in FY18 and 2.8% of our pro forma external sales revenue in 1H19. Our rental agreements are mostly structured as "dry hire" fully maintained agreements, that is, the equipment is supplied to the customer without an operator and we are responsible for maintenance and repairs. Equipment rental contract lengths vary from three months up to two years.

Revenue from the sale of goods from our businesses in our Investments ISG is recorded when the goods have been dispatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

Expenses

We classify our major cash expenses as materials expense, labor expense, rental and hire expenses and other expenses.

Materials expenses are the costs of the materials we consume in performing our services. Our materials expense includes repair and maintenance consumables, drill consumables, ground support, steel, explosives and fuel (where not provided by the mine operator) and cost of goods sold for the supply and logistics businesses. Contracts with rise-and-fall provisions enable associated movements in expenses such as parts, consumables and fuel cost (where not provided by the mine operator) to be passed on to customers, after a short delay. We benefit from economies of scale when purchasing materials, such as negotiating for bulk discounts when purchasing replacement parts from original equipment manufacturers.

Labor expense is the cost of compensation we pay our employees, most of whom perform contract work for our customers. Compensation for most of the group's employees working on services contracts consists of a base rate and incentive rates based on production measures that are similar to the measures on which the group earns revenue under its service contracts with customers, thereby aligning the incentive component of labor expense with revenue. Labor costs also include annual and long-service leave and superannuation entitlements for employees and tax and insurance obligations. Contracts with rise-and-fall provisions enable associated labor cost movements, as reflected in the relevant labor indices, to be passed on to customers, and in most cases any labor rate adjustments are made to coincide with the rise-and-fall review period.

Rental and hire expense is the cost of ancillary equipment rental for mining services as well as property.

Other expenses include freight, consultant services, insurance, building maintenance, travel, training and other general corporate overhead expenses.

As we operate a large fleet of capital equipment, depreciation is a significant non-cash component of our total expenses. Depreciation on major earthmoving plant and equipment and components is calculated on machine hours worked over their estimated useful lives. Depreciation on other capital assets, such as loaders, trucks, excavators, loaders, drill rigs and other ancillary mining equipment, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives of between two and ten years. Our amortization expense principally relates to amortization of intangibles including amortization of the values ascribed to customer contracts acquired through acquisitions, including the Acquisition.

Share of net profit of joint ventures accounted for using the equity method

In 2007, we established AUMS as a 50-50 joint venture with Barminco Holdings. As a result of the Acquisition, AUMS became Ausdrill's wholly owned and consolidated subsidiary, which we report as part of our Underground Mining ISG. Prior to the consolidation of AUMS, which took effect from November 1, 2018, AUMS was overseen by a joint management board that was required to make decisions by consensus due to the equal ownership interests of the joint venture parties. As a result, neither Ausdrill nor Barminco Holdings effectively controlled AUMS, and each of Ausdrill and Barminco Holdings accounted for AUMS using the equity method of accounting. Ausdrill and Barminco Holdings' respective share of AUMS' profits or losses was recognized on an equity-accounted basis in their respective income statements in each of Ausdrill's and Barminco Holdings' financial statements for FY16, FY17 and FY18. In Ausdrill's consolidated financial statements for the six months ended December 31, 2018, AUMS' revenue and expenses are consolidated with Ausdrill's financial results from November 1, 2018, and "share of net profit of joint ventures accounted for using the equity method" reflects AUMS' contributions for the period from July 1, 2018 to October 31, 2018 only.

Results of Operations of Ausdrill

This section discusses and analyzes our results of operations for 1H19 compared to 1H18, FY18 compared to FY17 and FY17 compared to FY16. We discuss our results of operations on both a consolidated and a segmental basis.

As a result of the Acquisition, the divestment of Diamond Communications, Drilling Tools Australia and Miner's Rest and new segmentation of our businesses, the financial results of FY16, FY17 and FY18 and 1H18 and 1H19 may not be comparable across all periods. For more information, see "—Factors Affecting Comparability of Results."

As part of this discussion, we employ a number of non-IFRS financial measures that our management uses in order to analyze and assess the performance of our business, including EBIT and EBITDA.

Adjusted EBITDA and Adjusted EBIT (A)

Adjusted EBIT (A) is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, net interest expense, amortization and certain adjustments as set out in the footnotes to the reconciliation table below. We present Adjusted EBIT (A) instead of other metrics of EBIT because it excludes the effects of the amortization of the future value of customer relationships resulting from the Acquisition. Accordingly, we believe that Adjusted EBIT (A) more clearly presents our operating performance. Adjusted EBITDA is defined as profit (loss) (including share of associates net profit after tax from AUMS, but excluding profit from discontinued operations) before income tax, depreciation and amortization expense, net interest expense and certain adjustments as set out in the footnotes to the reconciliation table below. We also use similar metrics in the evaluation of the standalone businesses of Barminco Holdings and AUMS, such as AUMS Adjusted EBITDA, AUMS Adjusted EBIT (A), Barminco Adjusted EBITDA and Barminco Adjusted EBIT (A) (collectively, together with Adjusted EBITDA and Adjusted EBIT (A), the "Non-GAAP Earnings Measures"). See "Financial Information Presentation—Non-GAAP Measures."

Although the Non-GAAP Earnings Measures (A) are not measures of performance that are recognized under Australian Accounting Standards, management believes that they are useful supplemental measures in evaluating the underlying performance of our business 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 the Non-GAAP Earnings Measures are frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present the Non-GAAP Earnings Measures (or similar metrics) when reporting their results.

The Non-GAAP Earnings Measures (A), as calculated by Ausdrill, may differ from similarly titled measures reported by other companies. Non-GAAP Earnings Measures do not purport to represent operating income, net income or cash generated by operating activities and should not be considered in isolation or as a substitute for measures of performance in accordance with Australian Accounting Standards. In addition, because the Non-GAAP Earnings Measures are not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. See "Financial Information Presentation—Non-GAAP measures".

Investors should note that Adjusted EBITDA is calculated differently to EBITDA as used in the indenture relating to the Notes and should not assume that the amounts presented here reflect what EBITDA would have been under the indenture for those periods.

The following table shows our Adjusted EBITDA and Adjusted EBIT (A), together reconciled to profit after income tax and after share of net profit of joint ventures accounted for using the equity method for FY16, FY17 and FY18, and 1H18 and 1H19.

	Year ended June 30,				Six months ended December 31,		
	2016	2017	2018	2018	2017[1]	2018	2018
		Historical		Pro Forma		Historical	Pro Forma
		(A$ in thousands)				(A$ in thousands)	
Profit (loss) for the period	20,512	30,951	59,349	83,136	35,269	216,983	(12,047)
Income tax expense/(benefit)	4,581	13,671	14,730	24,235	7,907	(25,126)	37,982
Finance income	(1,632)	(2,384)	(2,983)	(5,587)	(1,198)	(2,333)	(3,075)
Finance costs	33,696	31,381	31,626	58,786	15,913	24,178	29,491
Depreciation and amortization expense	67,894	62,172	74,528	209,544	34,322	70,428	117,835
EBITDA	**125,051**	**135,791**	**177,250**	**370,114**	**92,213**	**284,130**	**170,186**
Foreign exchange gain, net	14,550	(4,747)	(11,249)	(9,518)	(6,328)	(251)	(509)
Claim settlement benefit[1]	—	—	(5,250)	(5,250)	(5,250)	—	—
Transaction costs[2]	—	—	600	600	—	13,916	(141)
Management fees[3]	—	—	—	1,000	—	—	—
Step acquisition gain on ASL's existing 50% share of AUMS[4]	—	—	—	—	—	(198,411)	—
Impairment of property, plant and equipment[5]	—	—	—	—	—	31,200	31,200
Adjusted EBITDA	**139,601**	**131,044**	**161,351**	**356,946**	**80,635**	**130,584**	**200,736**
Depreciation	(67,894)	(62,172)	(74,528)	(168,828)	(34,322)	(63,635)	(97,683)
Adjusted EBIT (A)	**71,707**	**68,872**	**86,823**	**188,118**	**46,313**	**66,949**	**103,053**

Notes:

(1) Claim settlement benefit relates to the payment received in relation to a contractual claim from prior periods.

(2) Transaction costs represents costs incurred in relation to the Acquisition.

(3) Management fees represent consulting fees paid to Peter Bartlett of A$333,333 per annum and to Gresham Private Equity Limited of A$666,666 per annum, in FY16, FY17 and FY18.

(4) The step acquisition gain on Ausdrill's existing 50% share of AUMS is a one-time gain from the revaluation of our interest in AUMS based on the purchase price of Barminco Holdings attributable to the acquisition of its interest in AUMS.

(5) Impairment of property, plant and equipment relates to the non-cash impairment of the Energy Drilling Australia asset.

The following table shows the Barminco Adjusted EBITDA and Barminco Adjusted EBIT (A), together reconciled to Barminco Holdings' profit / (loss) for the year or period for FY16, FY17, FY18, and 1H19.

	Year ended June 30,			Six months ended December 31,
	2016	2017	2018	2018[1]
	(A$ in thousands)			
Reconciliation				
Profit/(loss) for the year/period	42,457	(93,771)	50,665	(41,208)
Income tax expense/(benefit)	(76,619)	32,198	(12,895)	50,344
Finance costs	113,824	96,071	44,389	21,900
Finance income	(15,784)	(709)	(730)	(376)
Depreciation of property, plant and equipment	48,927	61,988	57,230	28,654
Amortization of intangible assets	730	944	933	1,901
Barminco EBITDA	**113,535**	**96,721**	**139,592**	**61,215**
Share of profit from equity accounted investments, net of tax	(9,983)	(14,398)	(23,372)	(10,417)
Foreign exchange loss/(gain)	56	(194)	141	153
Transaction costs[2]	–	–	–	8,801
Management fees[3]	1,000	1,000	1,000	–
Onerous provision expense/(reversal)	–	3,720	(564)	
Barminco Adjusted EBITDA	**104,608**	**86,849**	**116,797**	**59,752**
Depreciation of property, plant and equipment	(48,927)	(61,988)	(57,230)	(28,654)
Barminco Adjusted EBIT (A)	**55,681**	**24,861**	**59,567**	**31,098**

Note:

(1) The figures for 1HY19 consist of the following four months pre-acquisition amounts (A$ in thousands): Loss for the period (A$50,431), Income tax expense A$59,180, Finance costs A$14,688, Finance income (A$277), Depreciation of property, plant and equipment A$19,007, Amortization of intangible assets A$229, Share of profit from equity accounted investments, net of tax (A$10,417), Foreign exchange loss A$150, Transaction costs A$7,161 and the following two months post-acquisition amounts: Profit for the period A$9,223, Income tax benefit (A$8,836), Finance costs A$7,212, Finance income A$99, Depreciation of property, plant and equipment A$9,647, Amortization of intangible assets A$1,672, Foreign exchange loss A$3 and Transaction costs A$1,640.

(2) Transaction costs represents costs incurred in relation to the Acquisition.

(3) Management fees represent consulting fees paid to Peter Bartlett of A$333,333 per annum and to Gresham Private Equity Limited of A$666,666 per annum, in FY16, FY17 and FY18.

The following table shows the AUMS Adjusted EBITDA and AUMS Adjusted EBIT (A), together reconciled to AUMS's profit/(loss) for FY16, FY17, FY18 and 1H19.

	Year ended June 30,			Six months ended December 31,
	2016	2017	2018	2018[1]
	(A$ in thousands)			
Reconciliation				
Profit/(loss)	18,148	26,180	44,688	5,027
Income tax expense/(benefit)	9,286	11,892	14,762	30,452
Finance costs	2,122	3,874	4,338	2,280
Finance income	(2,150)	(2,374)	(1,874)	(710)
Depreciation expense	16,184	21,940	37,070	22,406
Amortization expense	–	–	–	5,124
AUMS EBITDA	**43,590**	**61,512**	**98,984**	**64,579**
Foreign exchange gain, net	2,345	2,512	1,591	452
AUMS Adjusted EBITDA	**45,935**	**64,024**	**100,575**	**65,031**
Depreciation expense	(16,184)	(21,940)	(37,070)	(22,406)
AUMS Adjusted EBIT (A)	**29,751**	**42,084**	**63,505**	**42,625**

Note:

AUMS

(1) The figures for 1H19 consist of the following four months pre-acquisition amounts (A$ in thousands): Profit A$20,410, Income tax expense A$5,664, Finance costs A$1,559, Finance income (A$465), Depreciation expense A$14,812, Foreign exchange loss A$408, and the following two months post-acquisition amounts: Loss (A$15,383), Income tax expense A$24,788, Finance costs A$721, Finance income (A$245), Depreciation expense A$7,594 and Amortization expense A$5,124.

Industry Sector Groups

In our financial statements for FY16, FY17 and FY18 (prior to the Acquisition), we reported four operating segments, namely (a) Drilling Services Australia, (b) Equipment Services and Supplies, (c) Contract Mining Services Africa and (d) All Other Segments, as well as a supporting segment, Corporate and Finance. Following the Acquisition, we reorganized our business into operating segments which we refer to as ISGs. In this Offering Memorandum, references to ISGs also include references to our operating segments prior to the Acquisition. In our financial statements for 1H19, and for the comparative period of 1H18, we reported three operating segments, namely: (1) Underground Mining; (2) Surface Mining; and (3) Investments. We are also supported by a fourth supporting segment, Corporate. The new segmentation reflects the business lines we expect to maintain following the Acquisition. We have not reclassified our results to reflect our new segmentation for the financial statements for FY16, FY17 and FY18; however, we have reclassified the segmentation for 1H18 to make it comparable to our segmentation for 1H19. For more information, see "—Factors Affecting Comparability of Results."

Our report on these ISGs for our business based on the internal reports reviewed by our Board that are used by our Board to make strategic decisions. Our Board assesses the performance of the ISGs based on Adjusted EBIT (A), Adjusted EBITDA and Return on Average Capital Employed as well as revenue and profit or loss before tax.

We report our results for each ISG in our financial statements. In the period on period discussion below, we primarily focus on "sales to external customers," which represents our revenues from sales outside of our group. However, as part of our business, many of our business lines provide support services to other businesses within our group. For example, our African Mining Services ISG is a customer of our Supply Direct and Logistics Direct business, which helps provide supplies and logistical services to our projects in Africa. These intragroup sales are reported below as "intersegment sales" and are eliminated upon consolidation.

The ISGs identified by the board are based on the nature of the services provided and are designed to ensure a strong customer focused approach to delivery. Our current ISGs are as follows:

- *Underground Mining*—consists of our underground mining services businesses, which currently operate in Australia, Ghana, Burkina Faso, Tanzania, Egypt and India. The businesses operating in this ISG are Barminco and AUMS;
- *Surface Mining*—consists of our surface mining businesses, which currently operate in Australia, Ghana, Burkina Faso, Mali, Senegal and Côte d'Ivoire. The businesses operating in this ISG are AMS, Ausdrill and Logistics Direct;
- *Investments*—comprises various businesses that do not meet the aggregation criteria for the Underground Mining Services and Surface Mining ISGs. This ISG includes businesses undertaking mining equipment hire, mining equipment parts and maintenance and sales, supply and logistics, mineral analysis and oil and gas consumable supply and sales. The businesses operating in this ISG are BTP Group, Supply Direct, MinAnalytical, Energy Drilling Australia and Well Control Solutions.
- *Corporate*—provides group level functions such as information technology, legal, health, safety and environment, quality and training, human resources, and finance and administration.

The following table shows external sales revenue, Segment Adjusted EBITDA and Segment Adjusted EBIT for each ISG for 1H18 and 1H19.

1H19[1]	Surface Mining	Underground Mining[1]	Investments	Corporate & Finance	Inter-segment Eliminations	Consolidated
			(A$ in thousands)			
Segment revenue						
Sales to external customers[2]	390,339	172,678	77,194	—	—	640,211
Intersegment sales	2,322	—	6,490	—	(8,812)	—
Total sales revenue	**392,661**	**172,678**	**83,684**	**—**	**(8,812)**	**640,211**
Interest income						2,333
Total segment revenue						**642,544**
Segment Adjusted EBITDA[2]	**69,299**	**53,326**	**16,643**	**(8,684)**	**—**	**130,584**
Segment Adjusted EBIT[2]	**28,692**	**36,086**	**11,030**	**(8,859)**	**—**	**66,949**

1H18	Surface Mining	Underground Mining	Investments	Corporate & Finance	Inter-segment Eliminations	Consolidated
			(A$ in thousands)			
Segment revenue						
Sales to external customers[2]	348,841	—	90,889	—	—	439,730
Intersegment sales	1,475	—	6,497	—	(7,972)	—
Total sales revenue	**350,316**	**—**	**97,386**	**—**	**(7,972)**	**439,730**
Interest income						1,198
Total segment revenue						**440,928**
Segment Adjusted EBITDA[2]	**62,670**	**9,167**	**16,202**	**(7,404)**	**—**	**80,635**
Segment Adjusted EBIT[2]	**34,277**	**9,167**	**10,418**	**(7,549)**	**—**	**46,313**

Notes:

(1) The financial information for the Underground Mining Segment for 1H19 reflects the consolidated contribution of Barminco Holdings and AUMS following the completion of the Acquisition on October 31, 2018.

(2) External sales revenue, Segment Adjusted EBITDA, and Segment Adjusted EBIT are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

Our historic segmentation (prior to the Acquisition) was as follows:

Drilling Services Australia—consisted of our mining services businesses, including drilling and blasting, in-pit grade control, equipment hire, exploration drilling, water well drilling, energy drilling, and mineral analysis in Australia. The business operating in this ISG was Ausdrill;

Equipment Services and Supplies—consisted of our mining equipment, supplies and logistics businesses, BTP Group and Supply Direct;

Contract Mining Services Africa—consisted of our mining services businesses including AMS and our 50% share of AUMS;

All Other Segments—included all businesses that did not fit within any of the other ISGs, such as MinAnalytical, Energy Drilling Australia, Well Control Solutions and Ausdrill Properties; and

Corporate and Finance—provided group level functions such as information technology, legal, health, safety and environment, quality and training, human resources, and finance and administration.

The following table shows segment revenue, Segment EBITDA and Segment EBIT for each ISG for FY16, FY17 and FY18.

2018	Drilling services Australia	Equipment services & supplies	Contract Mining Services Africa	All Other Segments	Corporate & Finance	Inter-segment Eliminations	Total continuing operations	Discontinued operations	Eliminations	Consolidated
					(A$ in thousands)					
Segment revenue										
Sales to external customers	214,926	147,661	510,899	13,848	—	—	887,334	17,924	—	905,258
Intersegment sales	5,608	16,716	6	—	—	(22,330)	—	—	—	—
Total sales revenue	**220,534**	**164,377**	**510,905**	**13,848**	**—**	**(22,330)**	**887,334**	**17,924**	**—**	**905,258**
Other revenue	60	47	537	8	27,732	(25,401)	2,983	7		2,990
Total segment revenue.....	220,594	164,424	511,442	13,856	27,732	(47,731)	890,317	17,931	—	908,248
Segment EBITDA	**37,859**	**26,046**	**118,487**	**8,222**	**(13,363)**	**127**	**177,378**	**2,564**	**(127)**	**179,815**
Segment EBIT.....	**23,747**	**17,326**	**69,331**	**5,965**	**(13,646)**	**127**	**102,850**	**2,317**	**(127)**	**105,040**

2017	Drilling services Australia	Equipment services & supplies	Contract Mining Services Africa	All Other Segments	Corporate & Finance	Inter-segment Eliminations	Total continuing operations	Discontinued operations	Eliminations	Consolidated
					(A$ in thousands)					
Segment revenue										
Sales to external customers	215,524	130,684	404,683	11,675	—	—	762,566	14,091	—	776,657
Intersegment sales	13,122	48,156	43	—	—	(61,321)	—	61	(61)	
Total sales revenue	**228,646**	**178,840**	**404,726**	**11,675**	**—**	**(61,321)**	**762,566**	**14,152**	**(61)**	**776,657**
Other revenue	501	81	341	7	23,806	(22,352)	2,384	7	—	2,391
Total segment revenue.....	229,147	178,921	405,067	11,682	23,806	(83,673)	764,950	14,159	(61)	779,048
Segment EBITDA	**36,881**	**18,091**	**95,810**	**1,591**	**(16,582)**	**—**	**135,791**	**829**	**—**	**136,620**
Segment EBIT.....	**19,132**	**9,494**	**62,348**	**(521)**	**(16,834)**	**—**	**73,619**	**588**	**—**	**74,207**

2016	Drilling services Australia	Equipment services & supplies	Contract Mining Services Africa	All Other Segments	Corporate & Finance	Inter-segment Eliminations	Total continuing operations	Discontinued operations	Eliminations	Consolidated
					(A$ in thousands)					
Segment revenue										
Sales to external customers	222,619	131,025	361,880	27,479	—	—	743,003	26,978	—	769,981
Intersegment sales	1,526	20,135	144	2	—	(21,807)	—	16,902	(16,902)	—
Total sales revenue	**224,145**	**151,160**	**362,024**	**27,481**	**—**	**(21,807)**	**743,003**	**43,880**	**(16,902)**	**769,981**
Other revenue	326	197	228	25	27,660	(26,804)	1,632	23	—	1,655
Total segment revenue.....	224,471	151,357	362,252	27,506	27,660	(48,611)	744,635	43,903	(16,902)	771,636
Segment EBITDA	**41,085**	**15,757**	**83,760**	**(1,434)**	**(12,632)**	**—**	**125,051**	**38,862**	**—**	**165,398**
Segment EBIT.....	**21,137**	**7,483**	**47,997**	**(5,039)**	**(14,421)**	**—**	**57,157**	**42,379**	**—**	**99,536**

Notes:

(1) External sales revenue, Segment EBITDA, and Segment EBIT are non-GAAP financial measures that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

Ausdrill's results of operations for the six month period ended December 31, 2018, compared with the six month period ended December 31, 2017

Revenue from continuing operations

Revenue from continuing operations was A$642.5 million in 1H19, an increase of A$201.6 million, or 45.7%, compared to A$440.9 million in 1H18. This increase was primarily due to the contribution of A$106.3 million from Barminco and A$68.5 million from consolidating AUMS, in each case, for the two months following the Acquisition. Revenue from the pre-acquisition Ausdrill businesses increased by A$26.8 million, or 6.1%, from A$440.9 million in 1H18 to A$467.8 million in 1H19. The increase in

revenue from the pre-acquisition Ausdrill businesses was primarily driven by the new Tabakaroni project, which started in July 2018.

Other Income

Other income was A$200.9 million in 1H19, an increase of A$186.8 million, compared to A$14.1 million in 1H18. This increase was primarily attributable to the step acquisition gain on our existing 50% share of AUMS of A$180.2 million, which resulted from an increased valuation of this interest following the Acquisition.

Expenses

The following table sets out expenses for 1H18 and 1H19.

	Six months ended December 31,		Percentage change
	2017	2018	
	(A$ in thousands)		(%)
Materials	171.2	248.5	45.2%
Labor	149.6	211.1	41.1%
Rental and hire	8.2	10.5	28.0%
Depreciation and amortization	34.3	70.4	105.2%
Finance costs	15.9	24.2	52.2%
Other expenses from ordinary activities	41.8	66.4	58.9%
Impairment of property plant and equipment	—	31.2	—
Total expenses	**421.0**	**662.3**	**57.3%**

Materials expenses

Materials expenses were A$248.5 million in 1H19, an increase of A$77.3 million, or 45.2%, compared to A$171.2 million in 1H18. This increase was primarily due to the contribution of A$32.2 million from Barminco and A$23.3 million from consolidating AUMS, in each case, for the two months following the Acquisition. Materials expenses for the pre-acquisition Ausdrill businesses increased by A$21.8 million, or 12.7%, from A$171.2 million in 1H18 to A$193.0 million in 1H19. Materials expense generally increased in line with the increase in revenue and was primarily due to the additional requirement for materials in supporting the continued growth of the group as well as inflationary impacts to the underlying cost that were mostly passed through to customers.

Labor expenses

Labor expenses were A$211.1 million in 1H19, an increase of A$61.5 million, or 41.1%, compared to A$149.6 million in 1H18. This increase was primarily due to the contribution of A$47.5 million from Barminco and A$16.2 million from consolidating AUMS, in each case, for the two months following the Acquisition. Labor expenses for the pre-acquisition Ausdrill businesses decreased by A$2.3 million, or 1.5%, from A$149.6 million in 1H18 to A$147.3 million in 1H19 due to the divestment of Diamond Communications that was sold on May 1, 2018, offset by increased expenses associated with project ramp up.

Rental and hire expenses

Rental and hire expenses were A$10.5 million in 1H19, an increase of A$2.3 million, or 28.0%, compared to A$8.2 million in 1H18. This increase was primarily due to the contribution of A$1.0 million from Barminco and A$0.6 million from consolidating AUMS, in each case, for the two months following the Acquisition. Rental and hire expenses for the pre-acquisition Ausdrill businesses increased by A$0.7 million, or 8.8%, from A$8.2 million in 1H18 to A$8.9 million in 1H19.

Depreciation and amortization expense

Depreciation and amortization expense was A$70.4 million in 1H19, an increase of A$36.1 million, or 105.2%, compared to A$34.3 million in 1H18. This increase was primarily due to the contribution of A$11.3 million from Barminco, A$12.7 million from consolidating AUMS and the amortization of the future value of customer relationships resulting from the Acquisition, in each case, for the two months following the Acquisition. Depreciation and amortization expense for the pre-acquisition Ausdrill businesses increased by A$12.3 million, or 35.2%, from A$34.3 million in 1H18 to A$46.4 million in 1H19, due to an increase in the level of capital expenditure to support new contracts.

Finance costs

Finance costs were A$24.2 million in 1H19, an increase of A$8.3 million, or 52.2%, compared to A$15.9 million in 1H18. This increase is primarily due to the contribution of finance costs relating to Barminco's US$350 million 6.625% Senior Secured Notes due 2022 and AUMS asset finance facilities, partially offset by the reduction in Ausdrill's finance costs due to the repayment of Ausdrill's US$300.0 million 6.875% Guaranteed Senior Notes paid in November 2018.

We had total debt of A$746.6 million as of December 31, 2018, compared to A$380.3 million as of December 31, 2017.

Other expenses from ordinary activities

Other expenses from ordinary activities were A$66.4 million in 1H19, an increase of A$24.6 million, or 58.9%, compared to A$41.8 million in 1H18. This increase was primarily due to the contribution of A$7.2 million from Barminco and A$5.6 million from consolidating AUMS, in each case, for the two months following the Acquisition. In addition, Ausdrill's transaction costs totaling A$13.9 million relating to the Acquisition were included in this item.

Impairment of property, plant and equipment

Impairment of property, plant and equipment was A$31.2 million in 1H19, arising as a result of writing-down the Energy Drilling Australia assets to scrap value.

Share of net profit (loss) of joint ventures accounted for using the equity method

Share of net profit (loss) of joint ventures accounted for using the equity method was A$10.7 million in 1H19, an increase of A$1.5 million, or 16.3%, compared to A$9.2 million of 1H18. The share of net profit of joint ventures for 1H19 represented the equity accounted contribution of AUMS for the four months from July 1, 2018 to October 31, 2018, compared to the 1H18 result, which reflected a full six months of equity accounted contribution from AUMS.

Profit before income tax

Profit before income tax was A$191.9 million in 1H19, an increase of A$148.7 million, or 344.2%, compared to A$43.2 million in 1H18. Barminco contributed A$0.4 million and AUMS contributed A$9.4 million of profit before income tax during the two months of our ownership. In addition to the contributions of Barminco and AUMS in 1H19, profit before income tax also increased due to the step acquisition gain on Ausdrill's existing 50% share in AUMS of A$180.2 million and foreign currency translation reserves derecognized on step acquisition of AUMS of A$18.2 million, partly offset by an impairment of property, plant and equipment of $31.2 million and Ausdrill's transaction costs of A$13.9 million. We achieved an increase in profit before tax margin from 9.8% in 1H18 to 29.9% in 1H19.

Income tax benefit/expense

Income tax benefit was A$25.1 million in 1H19, compared to an income tax expense of A$7.9 million in 1H18, primarily due to the recognition of a deferred tax asset as a result of the carry forward tax losses and tax effect of the impairment raised on Energy Drilling Australia. These were partly offset by tax

provisions raised for Africa and the reduction in deferred tax liabilities on repatriated profits and increased tax expenses on normal operations due to increased profits. The group's effective tax rate was -13.1% in 1H19 compared to 18.3% in 1H18. For more information on how these off-setting factors affect our effective income tax rate, see "—Factors Affecting Results of Operations—Effective tax rates."

Profit for the period

Profit for the period was A$217.0 million in 1H19, an increase of A$181.7 million, or 514.7%, compared to A$35.3 million in 1H18. In addition to the contributions of Barminco and AUMS in 1H19, this increase was primarily due to other income with respect to the revaluation of our 50% share in AUMS, higher demand for mining services, the new Underground Mining ISG, partly offset by an impairment of property, plant and equipment and transaction costs for the Acquisition. Profit margin improved from 8.0% in 1H18 to 33.8% in 1H19.

Segmental Analysis

Underground Mining

Segment revenue

External sales revenue for Underground Mining was A$172.7 million in 1H19, which represented the consolidated revenues of Barminco and AUMS from November 1, 2018. Because AUMS was equity accounted prior to the Acquisition, we did not record revenue for our pre-acquisition 50% share. The Barminco and AUMS businesses revenue improved over the comparable period as a result of new work at the Mt. Colin contract, which commenced in July 1, 2018, and at the recently secured Siou projects in Burkina Faso, scope increases for the Sunrise Dam and Dugald River projects in Australia and continued ramp-up of the Subika project in Ghana.

Segment Adjusted EBIT

Segment Adjusted EBIT for Underground Mining was A$36.1 million in 1H19, representing an increase of A$26.9 million, or 291.3%, compared to A$9.2 million in 1H18. This increase primarily reflected the contribution of A$25.9 million of Adjusted EBIT (A) from two months' ownership of Barminco, including the remaining 50% of AUMS. Segment Adjusted EBIT margin for Underground Mining was 20.9% in 1H19, driven by the increased scope and new work at Dugald River, Siou, Bagassi South and Subika projects as detailed above.

Surface Mining

Segment revenue

External sales revenue for Surface Mining was A$390.3 million in 1H19, an increase of A$41.5 million, or 11.9%, compared to A$348.8 million in 1H18. This increase in revenues was primarily driven by the project ramp up for the Tabakaroni and Yanfolila projects in Mali and the Mako project in Senegal and increased equipment hire at the Nsuta project in Ghana. However, this was offset by the cessation of the Siguri contract in Guinea in October 2017.

Segment Adjusted EBIT

Segment Adjusted EBIT for Surface Mining was A$28.7 million in 1H19, representing a decrease of A$5.6 million, or 16.3%, compared to A$34.3 million in 1H18. Segment Adjusted EBIT margin for Surface Mining decreased from 9.8% to 7.4% over the period primarily due to the underperformance at the Boungou project in Burkina Faso and prolonged wet weather that negatively impacted our African exploration business. However, this was offset by increased contribution from the Tabakaroni, Yanfolila and Mako projects, as well as increased equipment hire for the Nsuta contract.

Investments

Segment revenue

External sales revenue for our Investment ISG was A$77.2 million in 1H19, a decrease of A$13.7 million, or 15.1%, compared to A$90.9 million in 1H18, primarily as a result of the divestment of Diamond Communications that was sold on May 1, 2018.

Segment Adjusted EBIT

Segment Adjusted EBIT for Investments was A$11.0 million in 1H19, an increase of A$0.6 million, or 5.9%, compared to A$10.4 million in 1H18. Segment Adjusted EBIT was relatively flat, with the divestment of Diamond Communications being offset by increased margins achieved in the BTP Group business.

Ausdrill's results of operations for the fiscal year ended June 30, 2018, compared with fiscal year ended June 30, 2017

Revenue from continuing operations

Revenue from continuing operations was $890.3 million in FY18, an increase of A$125.3 million, or 16.4%, compared to A$765.0 million in FY17. This increase was primarily due to growth from the Contract Mining Services Africa ISG, where segment external sales revenues increased by 26.2% following the commencement of mining works at three new projects: the Boungou project for SEMAFO in Burkina Faso, the Yanfolila project for Hummingbird Resources in Mali and the Mako project for Toro Gold in Senegal. Segment external sales revenues from the Equipment Services and Supplies ISG also increased by 13.0% due to demand for mining equipment. Revenue from continuing operations did not include Ausdrill's share of revenues of AUMS, which were reported in the period as share of net profit (loss) of joint ventures accounted for using the equity method.

Other Income

Other income was A$22.3 million in FY18, an increase of A$9.9 million, or 79.8%, compared to A$12.4 million in FY17 primarily due to foreign exchange gain - net of A$11.2 million in FY18, an increase of A$6.5 million compared to A$4.7 million in FY17, related to the appreciation of the Australian dollar to the U.S. dollar and the $5.3 million contractual claim settlement in FY18.

Expenses

The following table sets out expenses for FY17 and FY18.

	Year ended June 30,		Percentage change
	2017	2018	
	(A$ in thousands)		(%)
Materials	328.1	367.5	12.0%
Labor	241.6	285.1	18.0%
Rental and hire	13.8	14.8	7.3%
Depreciation and amortization	62.2	74.5	19.8%
Finance costs	31.4	31.6	0.6%
Other expenses from ordinary activities	68.9	87.4	26.8%
Total expenses	746.0	860.9	15.4%

Materials expenses

Materials expenses were A$367.5 million in FY18, an increase of A$39.4 million, or 12.0%, compared to A$328.1 million in FY17. Materials expenses as a percentage of revenue decreased from 42.9% to 41.3% during FY18, but increased in absolute terms driven by major component change-outs and higher

maintenance costs to bring idle gear back to work for new projects, namely Esuajah North, which is part of Edikan, in Ghana and Boungou in Burkina Faso.

Labor expenses

Labor expenses were A$285.1 million in FY18, an increase of A$43.5 million, or 18.0%, compared to A$241.6 million in FY17, which was broadly in line with the increase in sales revenue. This increase was predominantly due to a 15.3% increase in headcount in Africa from 2,791 to 3,216 employed to service the commencement of mining works at new projects in Africa. The number of employees in Australia remained stable in the same period.

Rental and hire expenses

Rental and hire expenses were A$14.8 million in FY18, an increase of A$1.0 million, or 7.2%, compared to A$13.8 million in FY17 primarily due to revenue growth in the Contract Mining Services Africa ISG, which required additional rental equipment to be deployed.

Depreciation and amortization expense

Depreciation and amortization expense was A$74.5 million in FY18, an increase of A$12.3 million, or 19.8%, compared to A$62.2 million in FY17 primarily due to an increase in the level of capital expenditure required to commence new projects in Africa.

Finance costs

Finance costs were A$31.6 million in FY18, an increase of A$0.2 million, or 0.6%, compared to A$31.4 million in FY17. This increase was primarily due to the impact of the U.S. dollar interest payments on our US$300.0 million of 6.875% Guaranteed Senior Notes due 2019.

We had total debt of A$404.6 million as of June 30, 2018, as compared to A$380.3 million as of June 30, 2017.

Other expenses from ordinary activities

Other expenses from ordinary activities were A$87.4 million in FY18, an increase of A$18.5 million, or 26.9%, compared to A$68.9 million in FY17. This increase was largely due to an increase in freight, staffing, safety and training and travel accommodation expenses related to the establishment of new projects in AMS.

Share of net profit (loss) of joint ventures accounted for using the equity method

Share of net profit (loss) of joint ventures accounted for using the equity method was A$22.3 million in FY18, an increase of A$9.2 million, or 70.2%, compared to A$13.1 million of FY17, which represented Ausdrill's 50% portion of AUMS' profit for the year. This increase was primarily due to the commencement of the Subika project in Ghana for Newmont Goldcorp in May 2017 and the expansion of the Geita project in Tanzania for AngloGold Ashanti, as well as the expansion of the Yaramoko project for Roxgold in Burkina Faso.

Profit before income tax

Profit before income tax was A$74.1 million in FY18, an increase of A$29.5 million, or 66.1%, compared to A$44.6 million in FY17. This increase was primarily due to growth in revenues in the Contract Mining Services Africa ISG and Ausdrill's 50% portion of net profits from AUMS. Profit before tax margin also increased from 5.8% in FY17 to 8.3% in FY18.

Income tax expense

Income tax expense was A$14.7 million in FY18, an increase of A$1.0 million, or 7.3%, compared to A$13.7 million in FY17. This increase was due to the higher profit result. However, our taxes were more greatly reduced in FY18 compared to FY17 due to greater off-setting factors in FY16, such as the recognition of deferred tax assets. Ausdrill's effective tax rate was 19.9% in FY18 compared to 30.6% in FY17. For more information on how these off-setting factors affect our effective income tax rate, see "—Factors Affecting Results of Operations—Effective tax rates."

Profit/(loss) from discontinued operations (attributable to equity holders of the Company)

Profit from discontinued operations (attributable to equity holders of the Company) was A$1.7 million in FY18, an increase of A$1.5 million, compared to A$0.3 million in FY17. This was Ausdrill's profits from the Diamond Communications business, which was sold on May 1, 2018.

Profit for the year

Profit for the year was A$61.1 million in FY18, an increase of A$29.9 million, or 95.8%, compared to A$31.2 million in FY17. This increase was primarily due to growth in revenues in the Contract Mining Services Africa ISG and Ausdrill's 50% portion of net profits from AUMS. Profit margins improved from 4.0% in FY17 to 6.9% in FY18.

Segmental Analysis

Drilling Services Australia

Segment revenue

External sales revenue for Drilling Services Australia was A$214.9 million in FY18, a decrease of A$0.6 million, or 0.3%, compared to A$215.5 million in FY17 as operations remained broadly consistent with the prior year. Drill and blast activities in the Drilling Services Australia ISG remained stable, securing new work at Wodgina for Mineral Resources and Tropicana for Macmahon and extending the contract at Mungari for Evolution Mining.

Segment EBIT

Segment EBIT for Drilling Services Australia was A$23.7 million in FY18, representing an increase of A$4.6 million, or 24.1%, compared to A$19.1 million in FY17. Segment EBIT margin for Drilling Services Australia increased from 8.9% to 11.0% over the period due to process improvements and productivity efficiencies made in FY18.

Contract Mining Services Africa

Segment revenue

External sales revenue for Contract Mining Services Africa was A$510.9 million in FY18, an increase of A$106.2 million, or 26.2%, compared to A$404.7 million in FY17 primarily due to the commencement of three new projects in Burkina Faso, Mali and Senegal, as well as increased equipment hire at the Nsuta project in Ghana. However, this was slightly offset by the expiration of the Siguri contract in Guinea in October 2017.

Segment EBIT

Segment EBIT for Contract Mining Services Africa (excluding the contribution of AUMS) was A$47.0 million in FY18, representing a decrease of A$2.3 million, or 4.7%, compared to A$49.3 million in FY17. Segment EBIT margin for Contract Mining Services decreased from 12.2% to 9.2% over the period due to the expenses associated with the mobilization and ramp-up of the three new projects, including A$5.9 million in expense for major repairs to the mobilized equipment.

AUMS

Our share of revenue from joint ventures

Our share of external sales revenue for African Underground Mining Services was A$145.2 million in FY18, an increase of A$55.3 million, or 61.5%, compared to A$89.9 million in FY17. This was primarily due to the commencement of the Subika project in Ghana for Newmont Goldcorp.

Our share of EBIT from joint ventures

Our share of Segment EBIT for African Underground Mining Services was A$31.0 million in FY18, representing an increase of A$11.2 million, or 56.6%, from A$19.8 million in FY17 largely due to increased revenues.

AUMS contributed net profit after tax to Ausdrill of A$22.3 million in FY18, an increase of A$9.2 million, compared to A$13.1 million in FY17 mainly due to the Subika project in Ghana.

Equipment, Services and Supplies

Segment revenue

External sales revenue for equipment, services and supplies was A$147.7 million in FY18, an increase of A$17.0 million, or 13.0%, compared to A$130.7 million in FY17. This increase was largely due to increased demand for equipment rental and maintenance support services from BTP Group, as market conditions and demand for minerals improved. In addition, BTP Group focused on increasing asset utilization to increase revenues and increased its service and maintenance capacity. Intersegment sales revenue for equipment, services and supplies was A$16.7 million in FY18, a decrease of A$31.5 million, or 65.4%, compared to A$48.2 million in FY17, which was mainly driven by one-off internal equipment sales into Africa in FY17.

Segment EBIT

Segment EBIT for equipment, services and supplies was A$17.3 million in FY18, representing an increase of A$7.8 million, or 82.1%, compared to A$9.5 million in FY17. Segment EBIT margin for equipment, services and supplies increased from 7.3% to 11.7% over the period due to increased asset utilization, strong capital allocation disciplines, and ongoing cost-control focus.

All Other Segments

Segment revenue

External sales revenue for All Other Segments was A$13.8 million in FY18, an increase of A$2.1 million, or 17.9%, compared to A$11.7 million in FY17, primarily due to increased activity in oil and gas supply sales.

Segment EBIT

Segment EBIT for All Other Segments was A$6.0 million in FY17, an increase of A$6.5 million, compared to negative Segment EBIT of A$0.5 million in FY16 as a result of a A$5.3 million contractual claim settlement that related to a prior period.

Ausdrill's results of operations for fiscal year ended June 30, 2017, compared with fiscal year ended June 30, 2016

Revenue from continuing operations

Revenue from continuing operations was A$765.0 million in FY17, an increase of A$20.4 million, or 2.7%, compared to A$744.6 million in FY16. This increase was primarily due to the growth of the Contract Mining Services Africa ISG, where revenues increased by 11.8% following the startup of the Esuajah North project. The Equipment, Services and Supplies ISG's revenue from both internal and external sales

increased by 18.3% due to the mobilization for new projects awarded to us in Africa. Drilling Services Australia ISG experienced growth from the ramp-up of a number of contracts; however, this was offset by a reduced number of water well drilling projects. Revenue from continuing operations did not include Ausdrill's share of revenues of AUMS, which were reported as share of net profit (loss) of joint ventures accounted for using the equity method.

Other Income

Other income was A$12.4 million in FY17, an increase of A$1.3 million, or 11.7%, compared to A$11.1 million in FY16. We had foreign exchange gains (net) of A$4.7 million in FY17. In FY16, we had realized foreign exchange losses of A$8.4 million in FY16 and unrealized foreign exchange losses of A$6.1 million, which were reported separately in FY16. See "—Realized foreign exchange gains/(losses) and unrealized foreign exchange gains/(losses)" below. In addition, we experienced a one-time gain of A$3.7 million in FY16 relating to the sale of property, plant and equipment.

Expenses

The following table sets out expenses for FY16 and FY17:

	Year ended June 30,		Percentage change
	2016	2017	
	(A$ in thousands)		(%)
Materials	299.0	328.1	9.7%
Labor	239.9	241.6	0.7%
Rental and hire	14.0	13.8	(1.4)%
Depreciation and amortization	67.9	62.2	(8.4)%
Finance costs	33.7	31.4	(6.8)%
Other expenses from ordinary activities	83.7	68.9	(21.5)%
Total expenses	**738.2**	**746.0**	**1.1%**

Materials expenses

Materials expenses were A$328.1 million in FY17, an increase of A$29.1 million, or 9.7%, compared to A$299.0 million in FY16. Materials expenses increased primarily due to major component charge-outs and higher maintenance costs to bring idle equipment to work in the new projects in Ghana and Burkina Faso.

Labor expenses

Labor expenses were A$241.6 million in FY17, an increase of A$1.7 million, or 0.7%, compared to A$239.9 million in FY16 primarily due to the 30.9% increase in headcount in Africa to service new projects there. However, this was offset by a 14.2% reduction in employee headcount in Australia due to reduced activities in Drilling Services Australia and the discontinuation of the Energy Drilling Australia business.

Rental and hire expenses

Rental and hire expenses were A$13.8 million in FY17, a decrease of A$0.2 million, or 1.4%, compared to A$14.0 million in FY16.

Depreciation and amortization expense

Depreciation and amortization expense was A$62.2 million in FY17, a decrease of A$5.7 million, or 8.4%, compared to A$67.9 million in FY16 primarily due to a reduction of capital assets as a result of impairments in prior years.

Finance costs

Finance costs were A$31.4 million in FY17, a decrease of A$2.3 million, or 6.8%, compared to A$33.7 million in FY16. This decrease was due to the lower cost of asset financing, lower volumes of bank loans and lower Australian dollar cost of borrowing.

We had total debt of A$388.6 million as of June 30, 2017, as compared to A$398.5 million as of June 30, 2016.

Other expenses from ordinary activities

Other expenses from ordinary activities were A$68.9 million in FY17, a decrease of A$14.8 million, or 21.5%, compared to A$83.7 million in FY16. Realized foreign exchange losses were A$8.4 million in FY16 and unrealized foreign exchange losses were A$6.1 million which were included in other expenses from ordinary activities in FY16. In FY17, we had foreign exchange gains of A$4.7 million, which we reported as part of other income. These foreign exchange gains and losses were driven by intercompany loans from our Australia entities to our African operations.

Share of net profit (loss) of joint ventures accounted for using the equity method

Share of net profit (loss) of joint ventures accounted for using the equity method was A$13.1 million in FY17, an increase of A$4.0 million, or 44.0%, compared to A$9.1 million for FY16, which represented Ausdrill's 50% portion of AUMS' profit for the year. This increase was primarily due to the commencement of the Subika project in Ghana for Newmont Goldcorp in May 2017 and the expansion of the Geita project in Tanzania for AngloGold Ashanti, as well as the expansion of the Yaramoko project for Roxgold in Burkina Faso.

Profit before tax

Profit before tax was A$44.6 million in FY17, an increase of A$19.5 million, or 77.7%, compared to A$25.1 million in FY16. This increase was primarily due to growth in the Contract Mining Services Africa ISG, in addition to an increase in profit before tax margin from 3.4% in FY16 to 5.8% in FY17.

Income tax expense

Income tax expense was A$13.7 million in FY17, an increase of A$9.1 million, or 197.8%, compared to A$4.6 million in FY16. This increase was due to the higher profit result. However, our taxes were more greatly reduced in FY16 compared to FY17 due to greater off-setting factors in FY16, such as the recognition of deferred tax assets. The group's effective tax rate was 30.7% in FY17 compared to 18.3% in FY16. For more information on how these off-setting factors affect our effective income tax rate, see "—Factors Affecting Results of Operations—Effective tax rates."

Profit/(loss) from discontinued operations (attributable to equity holders of the Company)

Profit from discontinued operations (attributable to equity holders of the Company) was A$0.3 million in FY17. Profit from discontinued operations (attributable to equity holders of the Company) was A$37.6 million in FY16, which predominantly related to the sale of Drilling Tools Australia, which was sold to in June 2016, the sale of Miner's Rest in September 2016 and the sale of DT-Hiload in March 2016. See "—Factors Affecting Comparability of Results—Discontinued Operations."

Profit for the year

Profit for the year was A$31.2 million in FY17, a decrease of A$27.0 million, or 46.4%, compared to A$58.2 million in FY16. This decrease was primarily due to profits recorded on the sale of Drilling Tools Australia, which was reflected as profit from discontinued operations in FY16.

Segmental Analysis

Drilling Services Australia

Segment revenue

External sales revenue for Drilling Services Australia was A$215.5 million in FY17, a decrease of A$7.1 million, or 3.2%, compared to A$222.6 million in FY16, which was mainly due to the Prominent Hill Mine coming to the end of its mine life. This decrease was partially offset by renewed work at the Kalgoorlie Super Pit and under several new short-term projects.

Segment EBIT

Segment EBIT for Drilling Services Australia was A$19.1 million in FY17, a decrease of A$2.0 million, or 9.5%, compared to A$21.1 million in FY16. Segment EBIT margin for Drilling Services Australia decreased from 9.5% to 8.9% over the period mainly due to the loss-making Telfer project, which we exited from in February 2017.

Contract Mining Services Africa

Segment revenue

External sales revenue for Contract Mining Services Africa was A$404.7 million in FY17, an increase of A$42.8 million, or 11.8%, compared to A$361.9 million in FY16, primarily due to increased mining volumes within Ghana at Nzema and Iduapriem, and the additional contract at Edikan North, Syama in Mali and the commencement of the Boungou project for SEMAFO in Burkina Faso.

Segment EBIT

Segment EBIT for Contract Mining Services Africa (excluding the contribution of AUMS) was A$49.3 million in FY17, an increase of A$10.4 million, or 26.7%, compared to A$38.9 million in FY16. Segment EBIT increased primarily due to operational efficiencies. Segment EBIT margin for Contract Mining Services Africa increased from 10.7% to 12.2% over the period.

AUMS

Our share of revenue from joint ventures

Our share of external sales revenue for African Underground Mining Services was A$89.9 million in FY17, an increase of A$13.3 million, or 17.4%, compared to A$76.6 million in FY17 mainly due to the commencement of the Subika project in Ghana for Newmont Goldcorp, the expansion of the Geita project in Tanzania for AngloGold Ashanti and the expansion of the Yaramoko project for Roxgold in Burkina Faso.

Our share of EBIT from joint venture

Our share of Segment EBIT for African Underground Mining Services was $19.8 million in FY17, an increase of A$1.6 million, or 8.7%, from $18.2 million in FY16. This is largely as a result of the higher revenue in FY17, offset to a lesser extent by start-up costs on the Subika project.

AUMS contributed A$13.1 million in FY17, an increase of A$4.0 million, or 44.3%, compared to A$9.1 million in FY16, primarily due to the commencement of one new project and the expansion of two others.

Equipment Services and Supplies

Segment revenue

External sales revenue for equipment services and supplies was A$130.7 million in FY17, a decrease of A$0.4 million, or 0.3%, compared to A$131.1 million in FY16.

Segment EBIT

Segment EBIT for equipment services and supplies was A$9.5 million in FY17, representing an increase of A$2.0 million, or 26.7%, compared to A$7.5 million in FY16, primarily due to a focus on cost control and efficiencies.

All Other Segments

Segment revenue

External sales revenue for All Other Segments was A$11.7 million in FY17.

Segment EBIT

Segment EBIT for All Other Segments was A$(0.5) million in FY17.

Results of Operations of Barminco Holdings

The following is a brief description of Barminco Holdings' revenue and operating expenses. This section discusses and analyzes Barminco Holdings' results of operations for FY18 compared to FY17 and FY17 compared to FY16.

Factors affecting comparability of Barminco Holding's Results

In FY18, Barminco Holdings changed the classification of certain internal expenses from "other expenses" to an "employee benefits expense," as it believed that this better reflected their nature. For comparative purposes, this reclassification was applied to the financial information for FY17, but no similar reclassification was made to the FY16 financial information presented below.

Barminco Holding's results of operations for fiscal year ended June 30, 2018, compared with fiscal year ended June 30, 2017

Revenue

Revenue was A$586.1 million in FY18, a decrease of A$15.6 million, or 2.6%, compared to A$601.7 million in FY17, primarily because the Kundana contract was concluded in June 2017. For more information on Kundana project, see "—Factors Affecting Results of Operations—Number and size of new mining services contracts and contract renewals." The impact of the concluded contract on the 2018 revenue was largely offset by strong operating performance from current contracts which included a number of scope increases at key sites, namely Sunrise Dam, Dugald River and Nova.

Operating expenses

The following table sets out operating expenses for FY17 and FY18:

	Year ended June 30,		Percentage change
	2017	2018	
	(A$ in thousands)		(%)
Consumables used	199,020	182,877	(8.1)%
Employee benefits expense	233,819	220,726	(5.6)%
Contractor and consultant expenses	45,152	35,980	(20.3)%
Depreciation of property, plant and equipment	61,988	57,230	(7.7)%
Amortization of intangible assets	944	933	(1.2)%
Other expenses	43,005	32,351	(24.8)%
Total	**583,928**	**530,097**	**(9.2)%**

Consumables used

Consumables used was A$182.9 million in FY18, a decrease of A$16.1 million, or 8.1%, from A$199.0 million in FY17, which resulted from the conclusion of the Kundana contract in June 2017 and continued focus on expense management, which was slightly offset by increases in consumables used at other sites due to scope increases.

Employee benefits expense

Employee benefits expense was A$220.7 million in FY18, a decrease of A$13.1 million, or 5.6%, from A$233.8 million in FY17, mainly due to the conclusion of the Kundana contract partially offset by additional employees required for additional scope of work at key mining projects.

Contractor and consultant expenses

Contractor and consultant expenses were A$36.0 million in FY18, a decrease of A$9.2 million, or 20.4%, from A$45.2 million in FY17, predominately due to the conclusion of the Kundana contract.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was A$57.2 million in FY18, a decrease of A$4.8 million, or 7.7%, from A$62.0 million in FY17, predominately due to the conclusion of the Kundana contract. The depreciation percentage, which is a ratio of depreciation to revenue, improved to 9.8% in FY18 from 10.3% in FY17 reflecting the increased utilization and plant productivity.

Amortization of intangible assets

Amortization of intangible assets expense remained consistent at A$0.9 million, which principally relates to the amortization of SAP software capitalized during FY16. This increase was principally due to the amortization of SAP software capitalized during FY16 and amortization of customer relationships.

Other expenses

Other expenses were A$32.4 million in FY18, a decrease of A$10.6 million, or 24.7%, from A$43.0 million in FY17. Expenses in FY17 were higher than in FY18 because of expenses relating to the Rampura Agucha contract and the Kundana contract. The Kundana contract was terminated in June 2017 and the Rampura Agucha contract was subsequently renegotiated on improved terms.

Results from operating activities

As a result of the strong operating performance from the portfolio, scope expansions, efficiency improvements and the conclusion of the Kundana contract, Barminco Holdings' results from operating activities increased from A$19.4 million in FY17 to A$58.1 million in FY18, an increase of 199.5%.

Share of profit from equity accounted investments, net of tax

Prior to the Acquisition, Barminco Holdings accounted for its investment in AUMS under the equity accounting method. Barminco Holdings' share of profit from AUMS' equity accounted investments, net of tax, was A$23.4 million in FY18, an increase of A$9.0 million, or 62.5%, from A$14.4 million in FY17, primarily due to the ramp-up of the Subika project in Ghana for Newmont Goldcorp and the Geita project in Tanzania for AngloGold.

Net financing costs

Net financing costs were A$43.7 million in FY18, a decrease of A$51.7 million, or 54.2%, from A$95.4 million in FY17. In 2017, there was a one-off refinancing cost of A$42.6 million in relation to the early redemption in of Barminco Holdings' 9.00% Senior Notes due 2018. Interest and finance charges on

borrowings also decreased by A$8.2 million, or 18.6%, due to the reduction in coupon rate on the new 6.625% Senior Secured Notes due 2022.

Income tax

Income tax benefit was A$12.9 million in FY18, compared to an income tax expense of A$32.2 million in FY17. Deferred tax assets for unused tax losses and deductible temporary differences have been recognized because it was probable that future taxable profit will be available against which Barminco Holdings can utilize the benefits therefrom. Barminco Holdings' management revised its estimates, resulting in a recognition of an additional deferred tax assets in FY18. These tax assets were subsequently cancelled after the Acquisition. See "—Factors Affecting Results of Operations—Carried forward tax losses."

Profit (loss) for the year

Barminco Holdings generated profits of A$50.7 million in FY18 compared to a loss of A$93.8 million in FY17, principally due to the strong operating performance from the portfolio, scope expansions, efficiency improvements, conclusion of the Kundana contract, reduced interest expense and income tax benefit recognized.

Barminco Holding's results of operations for fiscal year ended June 30, 2017, compared with fiscal year ended June 30, 2016

Revenue

Revenue was A$601.7 million in FY17, an increase of A$93.8 million, or 18.5%, from A$507.9 million in FY16. The revenue increase in FY17 was mainly due to revenue from the Kundana contract, which began in July 2016 and concluded in June 2017, and revenue from the Rampura Agucha contract, a new contract that began in December 2016.

Operating expenses

The following table sets out operating expenses for FY16 and FY17:

	Year ended June 30,		Percentage change
	2016	2017	
	(A$ in thousands)		(%)
Consumables used	156,688	199,020	27.0%
Employee benefits expense	197,265	233,819	18.5%
Contractor and consultant expenses	30,395	45,152	48.6%
Depreciation of property, plant and equipment	48,927	61,988	26.7%
Amortization of intangible assets	730	944	29.3%
Other expenses	21,154	43,005	103.3%
Total	**455,159**	**583,928**	**28.3%**

Note:

(1) In FY18, Barminco Holdings changed the classification of certain internal credits relating to maintenance labor settlement account from "other expenses" to an "employee benefits expense". For comparative purposes to the FY18 financial information, this reclassification was applied to the financial information as of FY17, but no similar reclassification was made to the FY16 financial information presented here.

Consumables used

Consumables used was A$199.0 million in FY17, an increase of A$42.3 million, or 27.0%, from A$156.7 million in FY16, reflecting the increased number of projects in the portfolio and mainly attributable to the Kundana contract.

Employee benefits expense

Employee benefits expense was A$233.8 million in FY17, an increase of A$36.5 million, or 18.5%, from A$197.3 million in FY16, predominately due to the Kundana contract and increased headcount at the Nova Bollinger contract. However, some of this change is due to reclassifications related to maintenance labor settlement account, which decreased employee benefit expenses in FY17. Similar reclassifications have not been made for FY16, and therefore, these numbers are not fully comparable. For more information, see "—Factors affecting comparability of Barminco Holding's Results."

Contractor and consultant expenses

Contractor and consultant expenses were A$45.2 million in FY17, an increase of A$14.8 million, or 48.7%, from A$30.4 million in FY16, predominately due to the commencement of the Kundana contract.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was A$62.0 million in FY17, an increase of A$13.1 million, or 26.8%, from A$48.9 million in FY16. The increase primarily reflects the capital investment in the Kundana, Nova Bollinger and Sunrise contracts, in line with the increased revenue profile.

Amortization of intangible assets

Amortization of intangible assets was A$0.9 million in FY17, an increase of A$0.2 million, or 28.6%, from A$0.7 million in FY16. This increase was principally due to the amortization of SAP software capitalized during FY16 and amortization of customer relationships.

Other expenses

Other expenses were A$43.0 million in FY17, an increase of A$21.8 million, or 102.8%, from A$21.2 million in FY16, primarily due to expenses related to the commencement of Kundana contract and the initial Rampura Agucha contract. Other expenses such as operating lease expense, freight and travel all increased as a result of the commencement of the Kundana and Rampura Agucha contracts. Additionally, there was additional expenditure incurred in Egypt in relation to custom import duty and sales tax on equipment and consumables. These new charges were passed on to the customer. However, some of this change is due to reclassifications related to maintenance labor settlement account, which increased other expenses in FY17. Similar reclassifications have not been made for FY16 and therefore these numbers are not fully comparable. For more information, see "—Factors Affecting Comparability of Results—Factors affecting comparability of Barminco Holding's Results."

Results from operating activities

Results from operating activities was A$19.4 million in FY17, a decrease of A$34.5 million, or 64.0%, from A$53.9 million in FY16, principally due to unfavorable margins in relation to the Kundana and initial Rampura Agucha contracts. The Kundana contract was terminated in June 2017, and the Rampura Agucha contract was subsequently renegotiated on improved terms.

Share of profit from equity accounted investments, net of tax

Barminco Holdings accounted for its investment in AUMS under the equity accounting method. Its share of profit from AUMS' equity-accounted investments, net of tax, was A$14.4 million in FY17, an increase of A$4.4 million, or 44.0%, from A$10.0 million in FY16, primarily due to the ramp-up of a new contract for a Newmont Goldcorp in Ghana and a contract for an AngloGold Ashanti mine in Tanzania, which offset the loss of revenue following the completion of a contract for a Randgold mine in Mali in FY16.

Net financing costs

Net financing costs were A$95.4 million in FY17, a decrease of A$2.6 million, or 2.7%, from A$98.0 million in FY16. In FY17, there was a one-off refinancing cost of A$42.6 million in relation to the early redemption of Barminco Holdings' 9.00% Senior Notes due 2018. In addition, in FY16 interest payable on the redeemable preference shares and shareholder loan notes was A$50.4 million; however, the terms of the preference shares and shareholder loan notes were changed at the end of FY16, and no interest was incurred in FY17.

Income tax

Income tax expense of A$32.2 million in FY17, compared to an income tax benefit of A$76.6 million in FY16. The change was principally due to the partial de-recognition of deferred tax assets mainly in relation to carryforward tax losses in FY17, compared to a full recognition of deferred tax assets including carryforward tax losses and timing differences in FY16.

Profit (loss) for the year

Barminco Holdings incurred a loss of A$93.8 million in FY17 compared to a profit of A$42.5 million in FY16, principally due to unfavorable margins in relation to Kundana and Rampura Agucha contracts, a partial de-recognition of deferred tax assets and refinancing costs incurred in FY17.

Liquidity and Capital Resources of Ausdrill

Overview

We anticipate meeting our future funding requirements through operating cash flow, borrowings from our existing and future bank finance facilities, asset financing arrangements, debt capital markets issuances and equity offerings if required from time to time. Our principal uses of cash are funding our existing operations, including our working capital and capital expenditure requirements and funding acquisitions. We believe that we will have sufficient capital resources from our operations, the net proceeds of this offering and the Revolving Facilities to meet our capital requirements for at least the next 12 months. Subject to restrictions in our existing indebtedness and the Notes, we may incur further indebtedness in connection with the operation of our business, which may result in an increase in our finance expense.

Cash flows

Set out below is a summary of our cash flows for the periods indicated.

	Year ended June 30,			Six months ended December 31,	
	2016	2017	2018	2017	2018
	(A$ in thousands)				
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)	791,503	802,207	892,394	455,365	697,528
Payments to suppliers and employees (inclusive of goods and services tax)	(668,345)	(670,096)	(802,239)	(393,313)	(604,455)
	123,158	**132,111**	**90,155**	**62,052**	**93,073**
Receipts from finance customers	2,609	—	—	—	—
Interest received	1,655	2,391	2,990	1,198	2,333
Interest and other costs of finance paid	(30,870)	(29,113)	(28,982)	(14,363)	(36,952)
Income taxes (paid)/refunded	(6,434)	(11,782)	(12,312)	(9,123)	(8,075)
Management fee received from joint ventures	888	1,006	742	382	357
Net cash inflow/(outflow) from operating activities	**91,006**	**94,613**	**52,593**	**40,146**	**50,736**
Cash flow from investing activities					
Payments for purchase of equity investments	(3)	—	—	—	—
Payments for property, plant and equipment	(12,416)	(147,418)	(173,280)	(78,144)	(76,587)

	Year ended June 30,			Six months ended December 31,	
	2016	2017	2018	2017	2018
	(A$ in thousands)				
Proceeds from sale of property, plant and equipment	11,418	1,780	3,319	4,375	1,962
Payments for available-for-sale financial assets	(3,849)	(3,855)	(9,187)	(3,047)	(650)
Proceeds from sale of available-for-sale financial assets	7,463	3,207	—	—	—
Proceeds from sale of business	49,369	22,213	4,600	—	—
Cash removed on disposal of subsidiary	—	—	(602)	—	—
Distributions received from associates	8,871	22,946	13,633	—	—
Payments for purchase of subsidiaries	—	—	—	—	(17,205)
Cash acquired on acquisition of subsidiary	—	—	—	—	100,544
Minority interest on start-up of joint venture	—	—	—	—	309
Net cash (outflow)/inflow from investing activities	**60,853**	**(101,127)**	**(161,517)**	**(76,816)**	**8,373**
Cash flows from financing activities					
Proceeds from secured borrowings	—	—	—	—	195,116
Repayment of secured borrowings	(38,091)	—	—	—	(470)
Proceeds from issues of shares, net of transaction costs	—	—	97,606	97,813	244,127
Proceeds from hire purchase and lease liabilities	—	—	—	—	13
Repayment of hire purchase and lease liabilities	(8,047)	(471)	—	—	(4,781)
Proceeds from unsecured borrowings	4,340	3,721	3,991	—	3,402
Dividends paid to Company's shareholders	—	(6,246)	(19,855)	(7,188)	(18,629)
Repayment of unsecured borrowings	(5,974)	(3,969)	(3,458)	(1,548)	(419,036)
Net cash inflow/(outflow) from financing activities	**(47,772)**	**(6,965)**	**78,284**	**89,077**	**(258)**
Net (decrease)/increase in cash and cash equivalents	**104,087**	**(13,479)**	**(30,640)**	**52,407**	**58,851**
Cash and cash equivalents at the beginning of the financial year	77,865	181,857	166,710	166,710	137,258
Effects of exchange rate changes on cash and cash equivalents	(95)	(1,668)	1,188	(478)	2,749
Cash and cash equivalents at end of year	**181,857**	**166,710**	**137,258**	**218,639**	**198,858**

Cash flows from operating activities

Our primary source of cash is cash generated from our operating activities. The largest components of cash flows from operating activities are receipts from customers and payments to suppliers and employees. The timing of these payments, which is reflected in movements in our working capital, can significantly affect our operating cash flows.

Net cash inflows from operating activities were A$50.7 million in 1H19, an increase of A$10.6 million, or 26.4%, compared to A$40.1 million 1H18. In 1H19, in addition to the effect of the Acquisition, our operating cash flows were impacted by the receipt of A$45.9 million of delayed payments from debtors owed in FY18, but paid in 1H19.

Net cash inflows from operating activities were A$52.6 million in FY18, a decrease of A$42.0 million, or 44.4%, compared to A$94.6 million in FY17. While we received higher receipts from customers in FY18 than in FY17, our operating cash flows in FY18 were impacted by an increase in payments to suppliers and employees as a result of mobilization costs for three new projects in Africa.

Net cash inflows from operating activities were A$94.6 million in FY17, an increase of A$3.6 million, or 4.0%, compared to A$91.0 million in FY16. Operating cash flow in FY17 benefitted from a cash settlement of prior period rate adjustments on the Siguiri contract in Guinea of US$16.2 million received in August 2016. However, this was partially offset by a buildup in working capital for new projects in Africa (including A$8.3 million in mobilization costs which have been capitalized as prepayments) and higher tax payments for profits generated in Africa.

Cash flows from investing activities

Net cash inflows from investing activities were A$8.4 million in 1H19, compared to net cash outflows from investing activities of A$76.8 million in 1H18, primarily due to additional cash acquired as part of the Acquisition. This was offset by cash payments for purchase of subsidiaries, also in relation to the Acquisition.

Net cash outflows from investing activities were A$161.5 million in FY18, an increase of A$60.4 million, or 59.7%, compared to A$101.1 million in FY17. The increase was primarily due to an increase in payments for property, plant and equipment from A$147.4 million in FY17 to A$173.3 million in FY18, related to capital expenditures for the mobilization of three projects in Africa, an increase in payments for available-for-sale financial assets from A$3.9 million in FY17 to A$9.2 million in FY18 and a decrease in proceeds from sale of business from A$22.2 million in FY17 to A$4.6 million in FY18. The proceeds from sale of business in FY17 were primarily residual proceeds from the sale of Drilling Tools Australia in FY16. The proceeds in FY18 were from the sale of Diamond Communications.

Net cash outflows from investing activities were A$101.1 million in FY17, compared to net cash inflows from investing activities that amounted to A$60.9 million in FY16, primarily due to a large increase in payments for property, plant and equipment from A$12.4 million in FY16 to A$147.4 million in FY17 related to increased capital expenditures from new project mobilizations, a decrease in proceeds from sale of business from A$49.4 million in FY16 to A$22.2 million in FY17 and the receipt of most of the proceeds of the sale of Drilling Tools Australia in FY16, with residual payments being made in FY17.

Cash flows from financing activities

Net cash outflows from financing activities were A$0.3 million in 1H19, compared to net cash inflows from financing activities that amounted to A$89.1 million in 1H18. In 1H19, the main cash outflow for financing activities was the repayment of our US$300.0 million of 6.875% Guaranteed Senior Notes due 2019, which was financed by the proceeds from the issue of shares, net of transaction costs of A$244.1 million with respect to an equity capital raising in 1H19 and the proceeds from secured borrowings of A$195.1 million.

Net cash inflows from financing activities were A$78.3 million in FY18, compared to net cash outflows from financing activities of A$7.0 million in FY17. The cash inflows included net proceeds of A$97.6 million from an equity raising activities in FY18, which were partly offset by A$19.9 million distributed to shareholders by way of dividends in that period.

Net cash outflows from financing activities were A$7.0 million in FY17, a decrease of A$40.8 million, or 85.4%, compared to A$47.8 million in FY16. In FY17, our primary cash outflow was A$6.2 million of dividends paid in FY17, while in FY16 we made efforts to reduce our debt and repaid a significant portion of our outstanding borrowings.

Capital expenditures

Our business requires significant investment in front-ended capital expenditure for mining equipment to service new projects. Whenever we enter new contracts, we need to acquire new capital equipment, particularly mining equipment. Our underground mining equipment is depreciated over a three to seven year period. Our surface mining equipment is depreciated over a seven to ten year period. Consequently, during periods of high or rapid growth, our capital requirements increase. Historically, we have funded capital expenditures by a combination of operating cash flow, debt and equity. Under our underground mining contracts, capital expenditures necessary for a new project is typically equal to approximately 40% of the revenues received under the contract in the first twelve months. Under our surface mining contracts, capital expenditures necessary for a new project is typically equal to approximately 90% of the revenues received under the contract in the first twelve months. Our management estimates that our maintenance capital expenditures in a given year are roughly equal to our depreciation in such year.

The following table shows our capital expenditure for the periods indicated.

	For the year ended June 30,			Six months ended December 31,	
	2016	2017	2018	2017	2018
	(A$ in thousands)				
Payments for property, plant and equipment	12,416	147,418	173,280	78,144	76,587
Proceeds from sales of property, plant and equipment	(11,418)	(1,780)	(3,319)	(4,375)	(1,962)
Net payments for property, plant and equipment	998	145,638	169,961	73,769	74,625
Capital expenditure	12,416	147,418	173,280	78,144	76,587

The following table shows Barminco Holding's capital expenditure for the periods indicated.

	For the year ended June 30,		
	2016	2017	2018
	(A$ in thousands)		
Payments for property, plant and equipment and intangibles	44,739	35,921	57,112
Proceeds from sale of property, plant and equipment	(2,147)	(6,683)	(8,377)
Net payments for property, plant and equipment and intangibles	**42,592**	**29,238**	**48,735**
Capital expenditure	51,939	88,030	64,038

The following table shows Ausdrill's acquisitions of property, plant and equipment funded from all sources (excluding intangibles, but including hire purchase arrangements) by segment for the periods indicated.

	For the year ended June 30,		
	2016	2017	2018
	(A$ in million)		
Drilling Services Australia	(3.8)	(6.9)	(29.9)
Contract Mining Services Africa	(6.8)	(121.1)	(129.2)
Equipment Services & Supplies	(1.5)	(17.2)	(12.0)
Other	(0.2)	(2.3)	(2.2)
Proceeds from asset sales	11.4	1.8	3.3
CAPEX net of asset sales	**(1.0)**	**(145.6)**	**(170.0)**

	For the six months ended December 31,	
	2017	2018
	(A$ in million)	
Underground mining	—	(22.9)
Surface mining	(72.0)	(41.3)
Other	(6.1)	(12.2)
Investments	(0.1)	(0.2)
Proceeds from asset sales	4.4	2.0
CAPEX net of asset sales	**(73.8)**	**(74.6)**

Working capital

The group's working capital comprises current trade and other receivables, inventories and current trade and other payables.

The following table shows the principal elements of our working capital for the periods indicated.

	As of June 30,			As of December 31,
	2016	2017	2018	2018
	(A$ in millions)			
Current trade and other receivables	169.8	167.7	230.5	362.9
Inventories	191.4	188.8	212.6	317.3
Current trade and other payables	(82.8)	(100.4)	(122.8)	(221.8)
Working Capital	278.4	256.1	320.3	458.4
Increase/(decrease) in Working Capital	(5.7)	(22.2)	64.2	138.1

The following table shows Ausdrill's Return on Average Capital Employed for periods indicated.

	As of June 30,			
	2015	2016	2017	2018
	(A$ in thousands)			
Ausdrill Return on Average Capital Employed				
Trade and other receivables	141,784	169,810	167,742	230,464
Inventories	226,869	191,374	188,761	212,600
Trade and other payables	(84,625)	(82,839)	(100,396)	(122,770)
Property, plant and equipment	559,719	489,832	560,464	664,347
Total	**843,747**	**768,177**	**816,571**	**984,641**
Average current year and prior year		805,962	792,374	900,606
Ausdrill Adjusted EBIT (A)[1]		62,633	55,782	64,481
Ausdrill Return on Average Capital Employed[2]		**8%**	**7%**	**7%**

Note:

(1) Adjusted Ausdrill EBIT (A) represents Adjusted EBIT (A) excluding Share of profit from equity accounted investments, net of tax.

(2) Ausdrill Return on Average Capital Employed is a non-GAAP financial measure that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

The following table shows Barminco Working Capital for the periods indicated.

	As of June 30,		
	2016	2017	2018
	(A$ in millions)		
Current trade and other receivables	48.5	79.1	83.5
Inventories	19.7	18.8	20.7
Current trade and other payables	(57.2)	(78.9)	(72.6)
Barminco Working Capital	11.0	19.0	31.6
Increase/(decrease) in Barminco Working Capital	(17.8)	8.0	12.6

The group's year-end working capital balance has grown in line with the overall growth in activity of the group as inventories of spare parts and consumables increase and we generate additional trade receivables. Intra-period working capital movements can be significant due to timing differences between the timing of payment of employees, payments for consumables and other project-related costs and the timing of receipt of contract payments for work performed.

The following table shows Barminco Holding's Return on Average Capital Employed for the periods indicated.

	As of June 30,			
	2015	2016	2017	2018
		(A$ in thousands)		
Barminco Return on Average Capital Employed				
Trade and other receivables	57,473	48,469	79,052	83,472
Inventories	25,292	19,696	18,785	20,700
Trade and other payables	(53,959)	(57,227)	(78,851)	(72,581)
Property, plant and equipment	114,456	116,381	124,342	124,864
Total	**143,262**	**127,319**	**143,328**	**156,455**
Average current year and prior year		135,291	135,324	149,892
Barminco Adjusted EBIT (A)		55,681	24,861	59,567
Barminco Return on Average Capital Employed[(1)]		**41%**	**18%**	**40%**

Note:

(1) Barminco Return on Average Capital Employed is a non-GAAP financial measure that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

The following table shows AUMS's Return on Average Capital Employed for the periods indicated.

	As of June 30,			
	2015	2016	2017	2018
		(A$ in thousands)		
AUMS Return on Average Capital Employed				
Trade and other receivables	61,835	53,273	28,940	48,310
Inventories	44,639	43,252	44,122	50,112
Trade and other payables	(45,075)	(25,703)	(22,766)	(34,277)
Property, plant and equipment	39,225	47,338	57,265	90,587
Total	**100,624**	**118,160**	**107,561**	**154,732**
Average current year and prior year		109,392	112,861	131,147
AUMS Adjusted EBIT (A)		29,751	42,084	63,505
AUMS Return on Average Capital Employed[(1)]		**27%**	**37%**	**48%**

Note:

(1) AUMS Return on Average Capital Employed is a non-GAAP financial measure that we use to assist users of our financial statements to understand the period to period operating performance of our business. For further information on how we calculate these financial measures, see "Financial Information Presentation—Non-GAAP Measures."

Dividends

Our dividend policy is primarily based on the earnings and cash-requirements of our business. Historically, we paid fully franked dividends to our shareholders twice a year, in April and October. In FY16, FY17 and FY18, we paid total cash dividends of nil, A$6.2 million and A$19.9 million, respectively. In 1H19, we paid total cash dividends of A$18.6 million in October 2018.

We have a Dividend Reinvestment Plan ("DRP"), which is available for participation by all shareholders (subject to applicable legal constraints in countries other than Australia). This plan provides shareholders with the option of reinvesting dividends in additional shares, with level of discount and pricing

to be determined by the board of directors. However, our DRP has been suspended since 2013 and all dividends, if any, are currently intended to be paid in cash.

On February 20, 2019, we announced an interim dividend of A$0.035 per share or A$23.9 million in aggregate, which was paid to our shareholders on March 27, 2019.

Indebtedness, gearing and other financing arrangements

At December 31, 2018, we had total borrowings of A$746.6 million including hire purchase liabilities of $50.7 million. At December 31, 2018, we had cash and cash equivalents of A$198.9 million, resulting in net debt of A$547.7 million.

As of December 31, 2018, on a pro forma as adjusted basis giving effect to financial transactions subsequent to December 31, 2018, excluding hire purchase obligations and chattel mortgages totaling A$50.7 million at their balance sheet value, our indebtedness would have matured in accordance with the table below:

(amounts A$ in millions)	≤ 1 year	> 1 year and ≤ 2 years	> 2 years and ≤ 5 years	> 5 years	Total
Total debt (actual)	2,783	198,852	494,239	—	695,874
Total debt (as adjusted)[1]					

Note:

(1) As adjusted to reflect (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facility, (d) the Notes offering and (e) the application of the net proceeds of the Notes offering. See "Capitalization."

The following table shows our net debt and gearing ratios at June 30, 2016, 2017 and 2018 and December 31, 2018 on an actual basis and as of December 31, 2018 on a pro forma as adjusted basis after giving effect to financial transactions subsequent to December 31, 2018, the issuance of the Notes and the use of the net proceeds of the Notes.

	As of June 30,			Six months ended December 31,	
	2016	2017	2018	2018	2018
	Actual	Actual	Actual	Actual	As Adjusted[1]
			(A$ in millions)		
Total debt	398.5	388.6	404.6	746.6	
Cash and cash equivalents	(181.9)	(166.7)	(137.3)	(198.9)	
Net debt	216.7	221.9	267.3	547.7	
Total equity	606.6	630.1	774.8	1,472.9	
Total capital	823.3	852.0	1,042.0	2,020.6	
Gearing ratio	26.3%	26.0%	25.7%	27.1%	

Note:

(1) As adjusted to reflect (a) the drawdown of A$20.0 million under the previous revolving facilities after December 31, 2018, (b) the US$141.0 million and A$20.0 million outstanding under the Revolving Facilities as of the date of this Offering Memorandum, (c) the use of proceeds of the drawdown under the Revolving Facilities to repay the amounts outstanding under previous revolving facility, (d) the Notes offering and (e) the application of the net proceeds of the Notes offering. See "Capitalization."

For a description of our material indebtedness, see "Description of Other Financing Arrangements."

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2018.

	≤ 1 year	> 1 year ≤ 2 years	> 2 years and ≤ 5 years	> 5 years	Less future finance charges	Total
			(A$ in thousands)			
Non-cancelable operating leases	8,743	12,296	3,048	433	—	24,520
Capital commitments	56,366	—	—	—	—	56,366

The above table excludes hire purchase commitments of A$50.7 million and borrowings of A$746.6 million as of December 31, 2018, which are included in total borrowings in the table above this section.

Other than the capital expenditure and commitments disclosed in the above table, we have no significant off-balance sheet contractual obligations or other commitments.

Quantitative and Qualitative Disclosures about Market Risk

Set forth below is a discussion regarding our market risk. For additional information including quantitative information and sensitivity analyses, see Note 11—Financial risk management to our consolidated financial statements for FY18 included elsewhere in this Offering Memorandum.

Our activities expose us to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets, and we seek to minimize potential adverse effects on our financial performance. We use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments. We use different methods to measure different types of risk to which we are exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks, and aging analysis for credit risk.

Our key management personnel report to the audit committee and board of directors regularly on the progress and objectives of the risks and the associated corporate governance policy objectives.

Our financial risk management is carried out by a central treasury department (the "Group Treasury") under policies approved by the Board. The Group Treasury identifies, evaluates and hedges financial risks in close co-operation with our operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect our income or value of our holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimizing the return.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. Our functional currency is the Australian dollar. The currencies in which our transactions primarily are denominated are Australian dollars and U.S. dollars, but also West African francs, Ghana cedis, Euro, Tanzanian shillings South African rand, Indian rupee and Zambian kwachas.

From time to time, the group hedges its U.S. dollar trade receivables that are denominated in a currency that is foreign to its functional currency. The Barminco Notes have been fully hedged using cross currency interest rate swaps which have a fixed principal. These swaps are a combination of fixed interest to fixed interest U.S. dollar-Australian dollar swaps and floating interest to fixed interest U.S. dollar-

Australian dollar swaps. We intend to terminate these swaps on redemption of the Barminco Notes with a portion of the proceeds of this offering.

In respect of other monetary assets and liabilities held in currencies other than the Australian dollars, we aim to ensure that the net exposure is kept to an acceptable level by matching foreign-denominated financial assets with matching financial liabilities and vice versa.

Cash flow and fair value interest rate risk

Our fixed rate borrowings and receivables are carried at amortized cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Our main interest rate risks arise from cash, cash equivalents and long-term borrowings at variable rates. Cash, cash equivalents and borrowings issued at variable rates expose us to cash flow interest rate risk. During FY18 and FY17, our borrowings subject to variable interest rates were denominated in Australian Dollars.

As of December 31, 2018, the US$141.0 million we had drawn under Ausdrill's revolving credit facilities was subject to variable interest rates. The Barminco Notes have been fully hedged using cross currency interest rate swaps which have a fixed principal. These swaps are a combination of fixed interest to fixed interest U.S. dollar-Australian dollar swaps and floating interest to fixed interest U.S. dollar-Australian dollar swaps. We intend to terminate these swaps on redemption of the Barminco Notes with a portion of the proceeds of this offering. As of December 31, 2018, AUMS' variable-rate hire purchase liabilities were US$25.0 million and a variable rate joint venture partner loan to Underground Mining Alliance, a 70/30 joint venture between AUMS and Rocksure International, was US$0.7 million.

Price risk

Our exposure to equity securities price risk arises from investments held by us and classified in the balance sheet as available-for-sale. In FY18, 53% (2017: 80%) of our equity investments were publicly traded on the Australian Securities Exchange, the London Stock Exchange and the Canadian Stock Exchange. The majority of the unlisted shares relate to the investment in HiSeis Pty Ltd, an end to end seismic hard rock exploration service provider acquired in May 2018. As of December 31, 2018, we had equity investments of A$12.0 million.

Credit risk

Credit risk is managed on a group basis. Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our receivables from customers and investment securities. Credit risk also arises from cash and cash equivalents. We limit our exposure to credit risk from cash and cash equivalents by only investing in counterparties that have an acceptable credit rating.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. We manage liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, we aim at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties.

Critical Accounting Estimates and Judgments

Preparing financial statements requires management to make judgments and estimates that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Our accounting policies require us to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are:

- Recognition of revenue;
- Impairment of available-for-sale financial assets;
- Estimated fair value of certain available-for-sale financial assets;
- Estimation of fair value of land and buildings;
- Estimation of useful life of property, plant and equipment;
- Recognition of deferred tax assets for carried forward tax losses; and
- Consolidation decisions and classification of joint arrangements.

For further information see Note 10 to our audited financial statements for FY18 included elsewhere in this Offering Memorandum.

INDUSTRY

We operate within the mining services sector of the resources and mining industry, with a focus on production and production-related development activity. Mining companies can utilize their own equipment and personnel in the mining process or employ the assistance of external parties to perform services on their behalf, forming the basis of the mining services industry. Contract mining for underground and surface mining operations is a core part of the mining services industry.

The demand for underground hard-rock and surface contract mining services depends on two key drivers:

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

The contract mining market is expected to benefit as production levels increase and as mine owners move away from cost-cutting activities seen in recent years and toward hiring more contractors.

The benefits of contract mining

Contract mining enables mine owners to reallocate the operational risk of mineral and resource extraction activities to specialist contractors, allowing them to focus on core capabilities such as managing a mineral asset portfolio, exploration and sales and marketing.

Contract mining also offers mine owners greater flexibility to scale labor and equipment rapidly based on production targets. Contractors are able to provide specialized expertise (for example, high speed decline development) and often have superior safety performance. In some instances, costs are lower compared to an in-house operation, which may be driven by better productivity due to access to the latest mechanized and automated mining advances and procurement scale benefits in relation to purchases of new equipment.

Contract mining is particularly important for small / mid cap mine owners that often lack the necessary capabilities in-house as they transition from exploration to production. Outsourcing operations to contract miners such as Ausdrill provides these mine owners access to global best practice mining techniques. Small/mid cap mine owners may also benefit from the upfront capital investment through outsourcing mining production activity in fleet / equipment.

Underground and surface mining

The contract mining sector broadly consists of underground and surface mining. Both underground and surface mining services can be classified according to geology as either hard-rock mining (the excavation of hard minerals, being ores containing metals such as gold, silver, iron, copper, zinc, nickel and lead) or soft-rock mining (the excavation of commodities such as coal, salt or oil sands). Ausdrill focuses on providing hard-rock mining services.

Underground mining is becoming a larger proportion of total mining activity. This is driven by economic, technological, social and environmental factors. Increasingly operators of surface mines are looking at underground mining options to extend the life of existing mines and new deposits are being found underground and at greater depths. This has been assisted also by advancements in technology, such as hydraulic hoisting or robotics, which has led to underground mining becoming more economic than before. Social and environmental factors such as the visual impact and waste associated with surface mining also supports the transition towards underground mining.

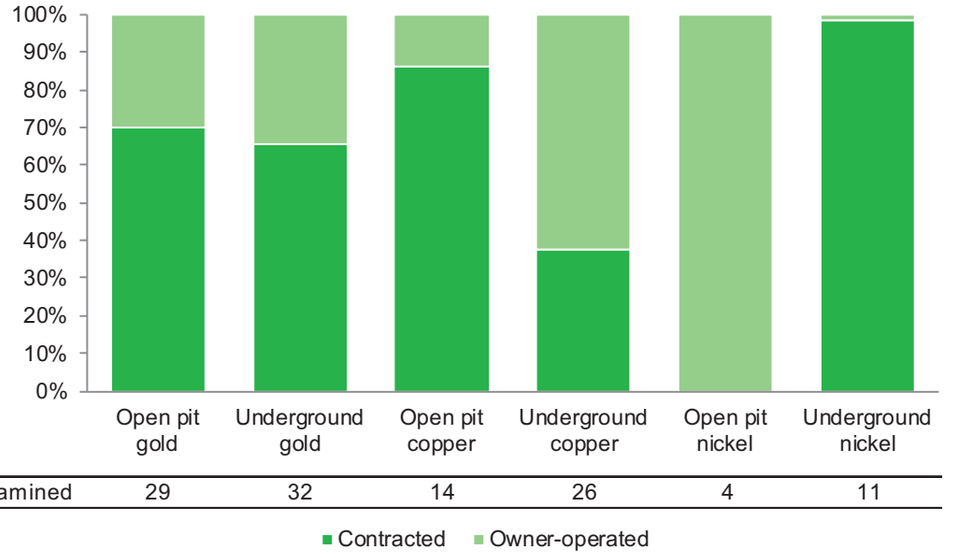
The barriers to entry are considered high for both underground and surface contract mining, as the industry requires contractors to invest a large amount of capital in the form of equipment to perform the work. Scale is also considered beneficial as it allows employees and equipment to be redeployed to new projects. Despite the similarities, underground mining services is relatively less competitive due to the requirements of specialized skills, processes and equipment and therefore underground contract mining margins tend to be higher.

Australia's contract mining industry

Contract miners are prevalent throughout the Australian mining industry being utilized across a range of commodities for mine development and day to day mining operations. Open pit metals mining in Australia actively uses contract mining services, with the exception of the nickel industry, where the four operating open pit mines are owner-operated. In open pit gold and copper mining in Australia, contract miners are typically used in phases that entail large volumes of material movement such as opening new mining areas while some day to day mining activities are undertaken by the asset owner. Wood Mackenzie estimate that for open pit gold production in 2018, contractors account for approximately 70% of total material movement while in copper production such percentage is much higher at approximately 85%.

Contractors also play a significant role in Australian underground gold, copper, and nickel mines. Wood Mackenzie estimate that in the underground gold space contractors have been responsible for 59% of ore movements between 2013 and 2018, and there is a high penetration of contract miners in the underground nickel mining industry in Australia.

Estimated contractor mining size at Australian mines by materials moved (2018)



	Open pit gold	Underground gold	Open pit copper	Underground copper	Open pit nickel	Underground nickel
Mines examined	29	32	14	26	4	11

Source: Wood Mackenzie

Due to the high capital requirements and specialized skills required, there are a small number of key players operating in the Australian contract mining market. We are a market leading player by materials moved in the underground hard-rock contract mining sector of Australia and one of the largest players in surface contract mining. Our main competitors in Australia for underground mines include Byrnecut Pybar, Macmahon and Thiess Mining and for surface mines include MACA, Macmahon and NRW.

Underground mining is expected to increase in the future as mining companies target underground deposits to meet demand in light of declining reserves and ore grades at open cut operations. As the depth of underground mines becomes deeper, and the grade becomes more challenging to process, mining companies are expected to transition from owner-operator to specialist contractors in a bid to reduce per unit costs through increased efficiency and productivity. Our leading market position in the underground mining services market in Australia supports our ability to take advantage of this market growth.

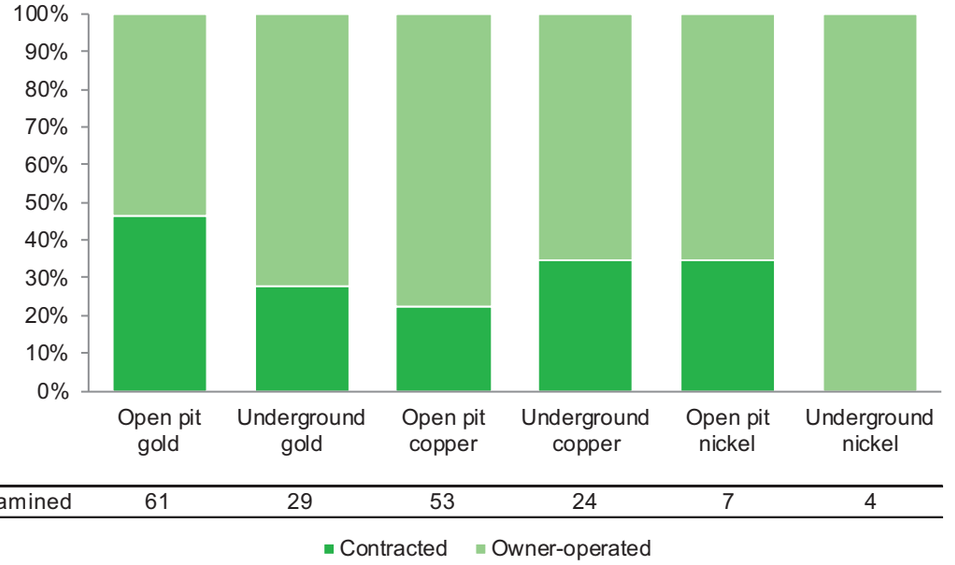
Africa's contract mining industry

Overall, the contract mining industry is less well developed in Africa. This is a result of the scale of operations, where smaller, less well funded, companies prefer to owner-operate, less cost pressure on owner

operators due to cheaper local labor, and legislation geared towards favoring local employment, which limits contractor's ability to mobilize outside workforces.

Open pit mining across gold, copper, and nickel operations is more weighted towards owner-operated models. Wood Mackenzie estimate gold and copper penetration of contractors to be 46% and 22% respectively for open pit and 28% and 35% for underground in 2018. There is therefore significant upside potential for contract mining in Africa which Ausdrill is well placed to benefit from given its long standing 28 year history in Africa.

Estimated contractor mining size at African mines by materials moved (2018)



Source: Wood Mackenzie

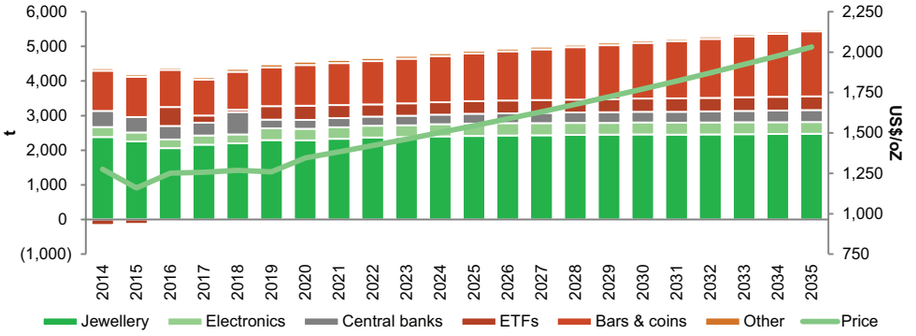
Within the African market, adoption of contract mining services varies from region to region. Mature markets (for example, South Africa) have an established contract mining industry. In these markets, we compete against both contract miners and owner-operators. Some key competitors with African operations include Byrnecut, Moolman, Rocksure, Redpath, Murray & Roberts, PW Mining, BCM, E&P and DTP. Emerging African markets have a limited history of underground contract mining.

Commodity market overview

Gold

Global gold demand was on a declining trend between 2011 and 2015, falling to 4,066 tonnes in 2015. Demand saw a recovery in 2016, increasing to 4,388 tonnes but then falling again in 2017 to 4,109 tonnes. Wood Mackenzie forecast gold demand to increase at a 1.4% CAGR between 2018 and 2035 to reach 5,494 tonnes in 2035 driven by increases in bar and coin, jewelry and exchange-traded fund (ETF) demand.

Total gold demand by sector and price



Source: Wood Mackenzie

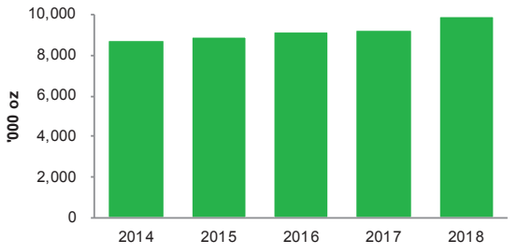
The largest sector of gold demand is jewelry, which made up over 50% of demand in 2018. Jewelry demand has declined in recent years, from a peak of 2,382 tonnes in 2014 to a low of 2,059 tonnes in 2016 before China and India led a recovery to 2,160 tonnes in 2017. Wood Mackenzie expect that demand for gold in jewelry will increase to 2,476 tonnes by 2035 with continued economic growth in major demand countries, including China and India.

The other major form of physical demand for gold is in electronics, where it is used in solid state devices as a highly efficient, reliable conductor. 2017 saw the first year of growth in technology demand since 2010, driven by increased use of gold in smartphones for new generation features such as 3D video. Demand for gold in electronics is expected to increase throughout the forecast to reach 341 tonnes by 2035.

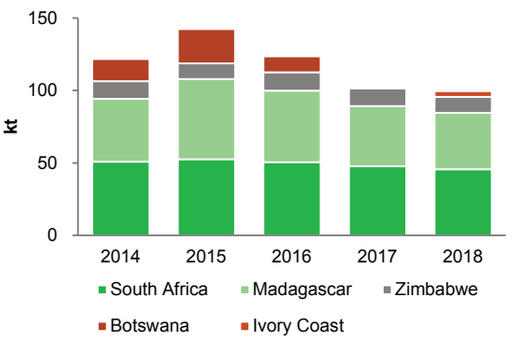
Demand for gold in bar and coin form peaked in 2013, before falling over the next four years to reach 1,039 tonnes in 2017 on the back of a sharp drop in US retail investment. Wood Mackenzie forecast bar and coin demand will increase at 3.2% CAGR between 2018 and 2035 to reach 1,874 tonnes in 2035. This is primarily due to increases in demand in China and India, where economic growth and emergence of a significant middle class will increase spending.

Current gold prices are broadly in line with their five year average of US$1,239 per oz. In the longer term, Wood Mackenzie forecast that gold prices will continue to see a gradual increase in price as an alternate investment class. Any global uncertainties such as economic crisis or political crisis with wider economic impact will have upside risks to the forecast prices.

Historical Australian gold supply



Historical African gold supply by country



Source: Wood Mackenzie

Australia was one of the world's largest gold producers in 2018, producing 9,941 thousand ounces in 2018. Australia has a diverse range of gold producers, with no clear leading producer. Newmont Goldcorp, Newcrest and Gold Fields have consistently accounted for more than almost 10% to 14% Australia's gold output year on year. Other producers such as AngloGold Ashanti, KCGM, Evolution Mining and Northern

Star have historically accounted for 6% to 9% of Australia's gold output year on year, with smaller producers representing a combined 32% to 39% of Australia's gold production from 2014 to 2018.

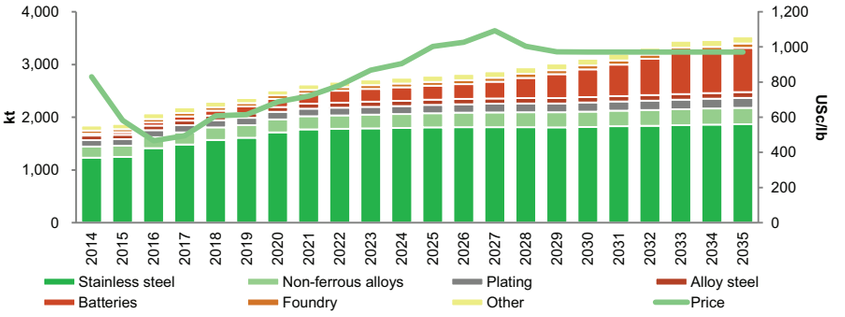
African gold production levels have been relatively flat between 2014 and 2018. South Africa has consistently been the region's leading gold producer, making up 20% of the continent's output in 2018 or 4,126 thousand ounces ("koz"). Ghana is the second largest gold producer in Africa with production decreasing slightly from 3,453 koz in 2014 to 3,224 koz in 2018. It has consistently accounted for 16% to 18% of the region's gold output from 2014 to 2018, attributed to a lack in mine closures or commissions. Only its Ashanti (Obuasi) mine has been affected with a production slowdown in 2015. Congo accounted for 11% of the region's gold output in 2018. Between 2014 to 2018, the Congo has nearly doubled its gold output from 1,286 koz to 2,341 koz, driven by the commissioning of the Namoya mine in 2016, as well as a ramp up in production from existing mines including Twangiza and Kibali (Moto). Mali's overall gold production has been on the rise, increasing from 1,524 koz in 2014 to 2,058 koz in 2018, as a result of new mine opening supporting production from existing mines. Gold output from Tanzania totaled 1,473 koz in 2014, increased to a peak of 1,598 in 2016 before declining to 1,239 koz in 2018, with the country's relative contribution declining from 8% to 6%. Burkina Faso has seen a considerable increase in output from 1,238 koz in 2014 to 1,845 koz in 2018, representing an increase in the region's gold output of 7% to 9%. Overall, gold output from the region totaled 24,474 thousand tonnes ("kt") in 2018 from existing mines.

There are a number of oncoming projects in the gold industry across Africa and Australia, with the discovered resource depths ranging from just below the surface to over 1,000 meters ("m") deep.

Nickel

Global nickel demand has risen steadily driven by the traditional demand sectors, reaching 2,292 kt in 2018. Wood Mackenzie forecasts global nickel demand to rise by 4.4% in 2019, slower than the 7% recorded in 2018. This reflects the expectation that global industrial production growth will ease to 3.0% in 2019 from 3.5% last year due to a tightening of monetary policy as well as the global trade war.

Nickel demand by sector and price



Source: Wood Mackenzie

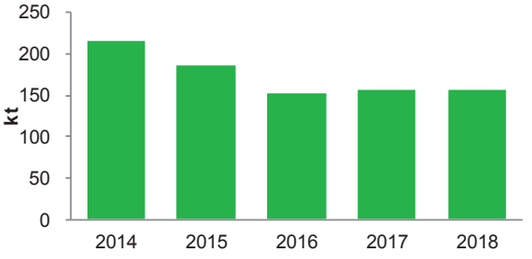
Demand for nickel is chiefly driven by its use in the manufacture of stainless steel which made up 69% of nickel demand in 2018. Other major applications that consume nickel include non-ferrous alloys, where nickel is used to change the properties of non-ferrous metals, and in plating, where a wide range of materials are plated to impart corrosion resistance. These two sectors accounted for 10% and 6% of nickel's demand in 2018 respectively.

A wide range of materials can be plated with nickel to impart corrosion resistance and to enhance visual appeal, as for jewelry. While nickel's demand is expected to continue rising from the traditional sector, new demand drivers such as the batteries sector is expected to drive demand in the long-term. Wood Mackenzie forecasts nickel demand for stainless steel is forecast to rise from 1,571 kt in 2018 to 1,870 kt in 2035 at a 1.0% CAGR over this period. World stainless melt production is forecast to increase by around 16% from 2019 to 2025, reaching 59.9 Mt. Much of that increase will come from China.

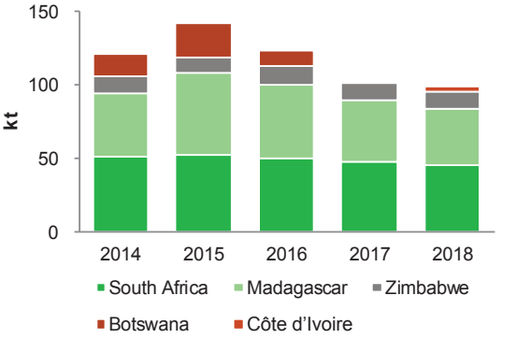
Nickel demand in the long-term is expected to be driven by its application in Electric Vehicle ("EV") Batteries and Energy Storage (ES). Wood Mackenzie forecasts consumption of nickel in EV / ES batteries to increase from 92 kt in 2018 to 265 kt in 2025 to 535 kt in 2030 and 842 kt in 2035. By 2035, EV / ES battery consumption is expected to account for 24% of global nickel demand, compared to 4% in 2018.

With robust demand stemming from the stainless steel and EV/ES sectors, nickel is expected to face a structural deficit which is expected to drive nickel prices up. From 2020 through to 2027 nickel prices are forecast around US$10.03 per pound in 2025 and US$9.71 per pound in 2035.

Historical Australian nickel supply by producer



Historical African nickel supply by country



Source: Wood Mackenzie

Australia is the 6th largest producer of nickel globally, producing 157 kt in 2018 with peak production in 2012 at 243 kt. Since 2012, Australia's production has been declining to its lowest levels in 2016, at 153 kt, as a result of multiple mine closures which had reached depletion or had to be closed from high mining costs in a low price environment. Since 2016, Australia's nickel production has been relatively flat.

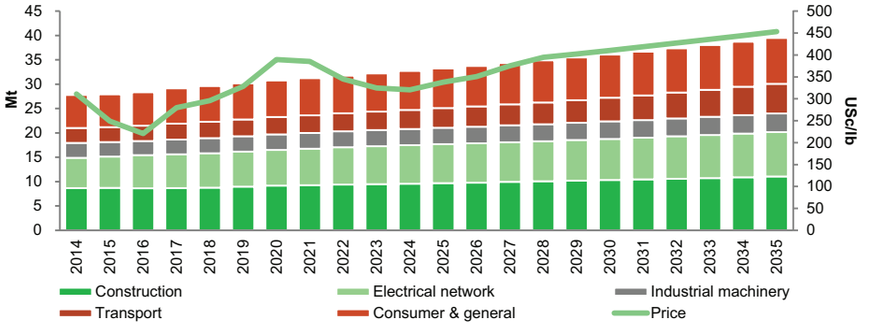
Nickel production is fairly concentrated in Australia, with the top three producers accounting for at least 67% of nickel output since 2014. These key producers are BHP, Glencore and First Quantum Minerals. Other producers have seen their presence diminish over time, with the exception of Independence Group. Producers such as Panoramic Resources, Mincor Resources and Salt Lake Mining have exited the nickel industry since 2016 as a result of mine depletions. However, some of these producers do have plans to re-enter. As of 2018, there were seven operating mines in Australia, largely situated around Western Australia. Of these seven mines, six are pre-existing mines and only one mine recently commenced in 2016.

In Africa, nickel deposits are principally found in South Africa, Madagascar, Zimbabwe and Botswana. Much of the region is still unexplored and has thus received an influx of exploration activity to support the region's output. The nickel industry is fairly small in Africa, with only nine operating mines as of 2018. South Africa and Madagascar have consistently been the highest nickel producing countries in the region, producing 46 kt and 39 kt respectively in 2018, accounting for 85% of the region's nickel output in 2018. Botswana used to be a nickel producer until 2016, when two of its mines, the Phoenix and Selebi-Phikwe, ceased operations due to operating losses. Africa's nickel output is fairly evenly distributed among producers, with no clear leading producer. Producers include Sherritt, Anglo American, Sumitomo, KORES, Impala Platinum and African Rainbow.

Copper

Globally, copper demand has grown from 27.8 megatonnes ("Mt") in 2014 to 29.6 Mt in 2018 (1.6% CAGR), driven primarily by construction and electrification in China. Between 2014 and 2016, prices fell significantly due to capacity overhang resulting in limited investment in exploration in the copper sector for several years while prices remained muted, eventually causing a supply shortfall and price increases. Falling supply between 2014 and 2017 and financing hurdles through most of the last down cycle has affected production levels in both Australia and Africa. Additionally, the demand of copper is also supportive of the economics for gold mining since copper is often a by-product of gold production.

Total copper demand by sector and price

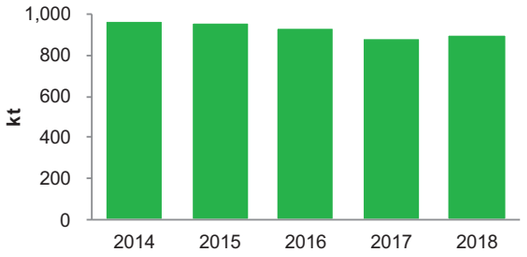


Source: Wood Mackenzie

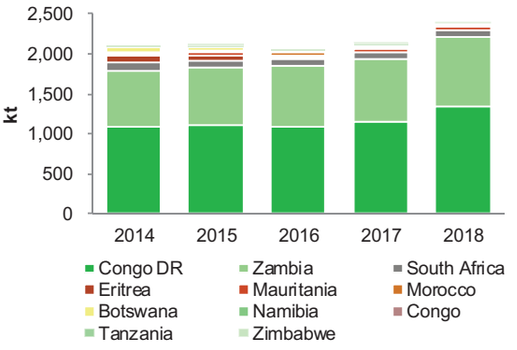
While demand growth in China is expected to slow, Wood Mackenzie forecasts that the requirement for electrification and construction in Southeast Asia and India will support demand growth in the medium term. In the long term, increasing production of electric vehicles, which use up to four times as much copper as their diesel / gasoline counterparts, is expected to boost copper demand in the transport sector. Wood Mackenzie forecasts total copper demand to grow from 29.6 Mt in 2018 to 39.5 Mt in 2035 (1.7% CAGR), allowing for significant growth in global copper output, including from Australia and Africa.

Wood Mackenzie forecasts copper prices to rise until 2020 until new projects ramp up production and the market enters surplus again, causing prices to fall between 2021 and 2024. This downturn poses a risk to the timelines of unsanctioned new mines, as well as mines operating at low margins, and could cause another period of stagnant mine production growth as new projects struggle to secure financing. In the long term, prices are expected to start rising again, supported by increasing demand growth.

Historical Australian copper supply



Historical African copper supply by country



Source: Wood Mackenzie

Australia was the sixth largest producer of copper globally in 2018 as sanctioned projects came into production, producing 907 kt. Copper production in Australia is quite concentrated, with the top eight producers accounting for 82% of production, and the top three producers, Glencore, BHP, and Oz Minerals accounting for more than half. A significant proportion of the very small copper producers are primary gold miners that produce a small amount of copper as byproduct to their gold operations.

Copper mining is a very significant industry in Africa, and output from the Copperbelt (Democratic Republic of Congo and Zambia) accounts for over 10% of global copper mine production, or 2,204 kt in 2018. In contrast to Australia, copper production in Africa is much less concentrated with the top eight producers accounting for less than 65% of production, although the top two producers account for 35% of total production in the region. Production from the top eight producers has increased significantly in the last two years, from 1,200 kt in 2016 to 1,539 in 2018 (13.2% CAGR).

There are a number of oncoming projects in the copper industry across Africa and Australia, with the discovered resource depths range from 250m to 1,000m deep. The projects with the greatest depth are in Australia, including Carrapateena (1,000m) Woodlan Tailings (620m to 700m). In Africa, the two projects are Musonoi Oxide in Congo DR (550m) and Eritrea in Zambia (250m).

BUSINESS

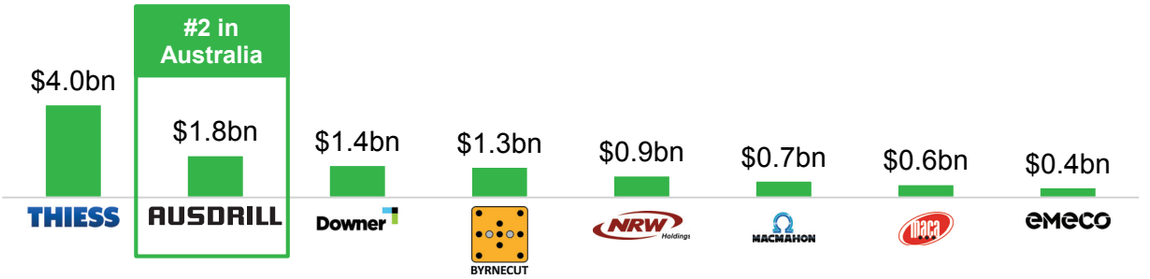
Our Company

We are a leading provider of contract mining and other services to mines predominantly in the development and production phases in Australia and Africa. Founded in 1987 and listed on the Australian Securities Exchange ("ASX") in 1994, we are an ASX 200 constituent with a market capitalization of A$1,124.5 million as of April 30, 2019. In FY18, we had total revenue of A$887.3 million and Adjusted EBITDA of A$161.3 million. Giving effect to the Acquisition as if the Acquisition had occurred on July 1, 2017, we had total pro forma external sales revenue of A$1,745.6 million and Adjusted EBITDA of A$356.9 million in FY18 and total pro forma external sales revenue of $971.6 million and Adjusted EBITDA of $200.7 million for 1H19. As of December 31, 2018, we employed approximately 7,500 people across our operations. Our head office is in Perth in Western Australia.

Our principal activity is providing underground and surface contract mining and exploration, development and production-related services to mining clients across Australia, Africa and India. These services consist of hard-rock specialized services, high speed decline development and production services, load and haul, crusher feed, drilling and blasting, in-pit grade control and mineral analysis. We supplement our in-field services with in-house expertise of designing and manufacturing drilling rigs and ancillary equipment. We also provide supply and logistics solutions and mineral analysis and exploration services to our other mining services businesses and external customers, including fleet rental and parts supply, which represents a small percentage of our revenue. We also provide underground diamond drilling services for mineral grade control and orebody definition in Australia and Egypt.

On October 31, 2018, we acquired all of the equity and equity like instruments in Barminco Holdings in exchange for 150.7 million fully-paid ex dividend shares of Ausdrill and A$17.2 million in cash (the "Acquisition"). Barminco is one of the leading providers of underground hard-rock contract mining services in Australia and Africa with the capability and fleet to provide 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 extracting and haulage, primarily in the gold, nickel and zinc sectors. The Acquisition increased our ownership of the African Underground Mining Services ("AUMS") joint venture from 50% to 100%. AUMS was previously owned 50-50 between Ausdrill and Barminco Holdings, with both companies accounting for their investment using the equity method of accounting. Post-acquisition we are Australia's second largest mining services company by revenue. The Barminco service offerings strengthens our market leading positions in underground hard-rock contracted gold mining in the markets in which we operate. Ausdrill, Barminco and AUMS provide complementary services to mine owners, enabling us to provide new underground mining services for existing surface mining clients and an opportunity to cross-sell Ausdrill's combined service offering. The Acquisition is also expected to deliver a lower capital intensity and higher return business. In addition to this, the businesses have a strong cultural alignment having worked together in Africa through the AUMS joint venture for over a decade. Following the Acquisition, the AUMS entities have been fully integrated resulting in clear operational control and streamlined management.

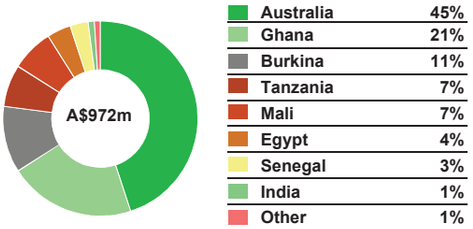
Ausdrill is the #2 largest mining services business in Australia (by revenue) after acquiring Barminco (A$bn)[(a)]



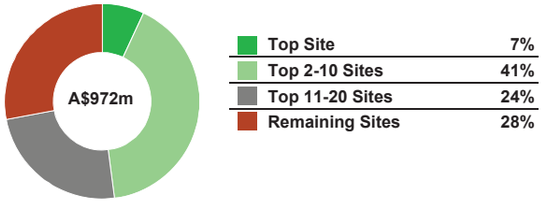
Source: Public company filings, Australian Securities and Investment Commission

Our revenues are primarily derived from operation critical services provided to our customers in the production phase of the mining life cycle, and are diversified through operations across twelve countries, eight commodities, over 50 sites and multiple services. The following charts show Ausdrill's percentage of revenue by commodity, geography, and project sites on a pro forma basis for the six months ended December 31, 2018.

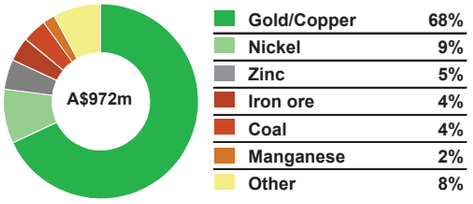
1H19 pro-forma revenue by country



1H19 pro-forma revenue by site



1H19 pro-forma revenue by commodity[1]



[1] "Other" includes approximately A$67m of revenue that is not identifiable by commodity.

The mining projects on which we operate in Australia are primarily based in Western Australia, with a presence in Queensland, South Australia, Northern Territory and New South Wales. In Africa, our customers' mining projects are located in Ghana, Mali, Tanzania, Burkina Faso, Côte d'Ivoire, Zambia, Egypt and Senegal and we have an office in South Africa via our Supply Direct subsidiary. We also have a

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[(a)] By mining services revenue. Ausdrill pro forma FY18 revenue. Thiess based on public filings for twelve months to December 31, 2018 for CIMIC Mining & Mineral Processing segment, which also includes Sedgman. Downer based on public filings for twelve months to December 31, 2018 for Mining segment. Byrnecut based on Australian Securities and Investment Commission filings for Byrnecut Offshore Pty Ltd and Byrnecut Australia Pty Ltd for twelve months to December 31, 2018. NRW and Emeco based on public filings for twelve months to December 31, 2018. Macmahon and MACA based on public filings twelve months to June 30, 2018. Chart excludes other private businesses due to lack of public disclosure of financial information.

presence in India through our contract with Hindustan Zinc and in the United Kingdom via our Supply Direct subsidiary. Our geographies of activity are shown below:

Operating segment locations

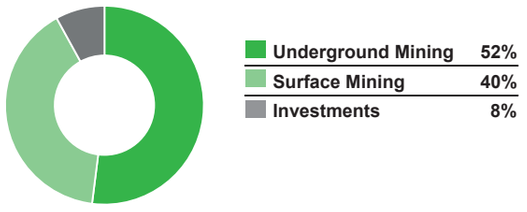
Ausdrill has an extensive operating history in Africa, having operated there since 1991. Ausdrill is a significant employer of local labor in Africa, strengthening our ties and relationships with local governments and making a significant economic contribution to the local economies and communities. We focus on training local managers who can progress to lead and coordinate projects across our African operations. We have built a strong reputation of helping to navigate local regulations and to support international miners operating in a complex and difficult region. We believe our leading brands of AUMS and African Mining Services ("AMS") and long operating track record in Africa give us a significant competitive advantage, especially given the complexities of the African market. When considering commencing operations at new African countries, we undertake thorough diligence, with each new country requiring approval from our Board of Directors. Africa is a highly important region to us, representing 54% and 51% of our pro forma revenues for 1H19 and FY18, respectively. We believe there are future growth opportunities, including several organic growth opportunities in surface and underground mining across a range of commodities in the region.

Operating Segments

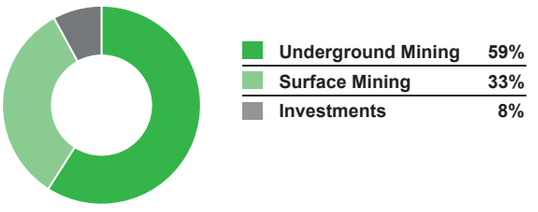
Following the Acquisition, we reorganized our operations into three operating segments, which we refer to as Industry Sector Groups ("ISGs"): Underground Mining, comprising the Barminco and AUMS businesses; Surface Mining, comprising the Ausdrill and AMS businesses; Investments, which includes our other businesses, namely, BTP Group, Supply Direct Group, MinAnalytical, Energy Drilling Australia and Well Control Solutions, which are each supported by our corporate segment.

The following charts show the contribution of pro forma 1H19 revenue and Adjusted EBITDA for each of our Underground Mining ISG, Surface Mining ISG and Investments ISG for 1H19.

1H19 pro forma revenue by segment[(1)]



1H19 pro forma Adjusted EBITDA by segment[(1)]



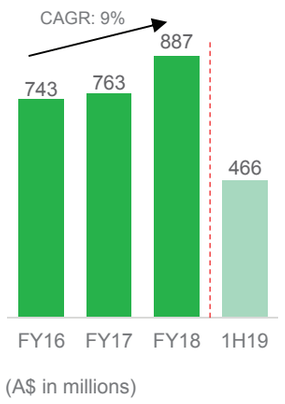
(1) Excludes Corporate

The following charts summarize historical standalone financial information for Ausdrill, Barminco and AUMS. Under the new segmentation of our business adopted following the Acquisition, the Ausdrill

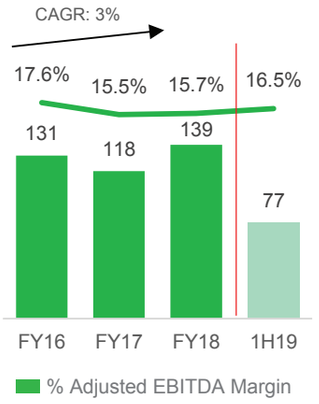
business is reclassified into the surface ISG and the Investment ISG, and the Barminco and AUMS businesses are reclassified into the Undeground ISG. Investors should note that aggregating the results of the three entities would not provide an accurate representation of what the performance of the combined group would have been during these periods because, among other things, these standalone results include transactions between AUMS and each of Ausdrill and Barminco, which would be eliminated on consolidation. In FY18, Ausdrill standalone's margin increased due to operational efficiencies and production scale benefits. In FY18, Barminco Holdings generated profits of A$50.7 million compared to a loss of A$93.8 million in FY17, while Barminco Adjusted EBITDA increased by A$30.0 million, or 34.6%, from A$86.8 million in FY17 to A$116.8 million in FY18 due to strong operating performance across all sites and scope expansions at a number of key sites. Barminco Adjusted Margins also increased after rectification of issues with the Kundana and Rampura Agucha contracts. In FY17, Barminco Holdings incurred a loss of A$93.8 million in FY17 compared to a profit of A$42.5 million in FY16, while Barminco Adjusted EBITDA decreased by A$17.8 million, or 17.0%, from A$104.6 million in FY17 to A$86.8 million in FY16 primarily due to unfavorable margins from Kundana contract and the initial Rampura Agucha contract. The Kundana contract was exited in June 2017 and the Rampura Agucha contract was subsequently renegotiated on improved terms. The strong EBITDA margins of AUMS are reflective of excellent operational delivery for its clients.

Ausdrill financial profile

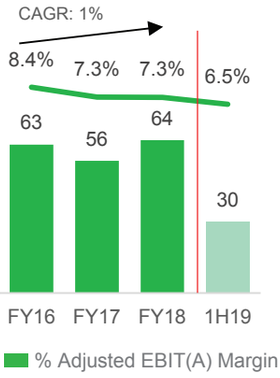
Ausdrill sales revenue[1]



Ausdrill Adjusted EBITDA[1] and Margin



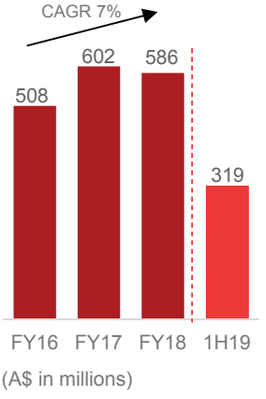
Ausdrill Adjusted EBIT (A)[1] and Margin



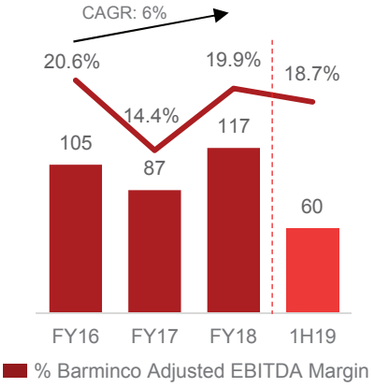
(1) *Excludes Barminco and AUMS share of associated profits*

Barminco Holdings financial profile

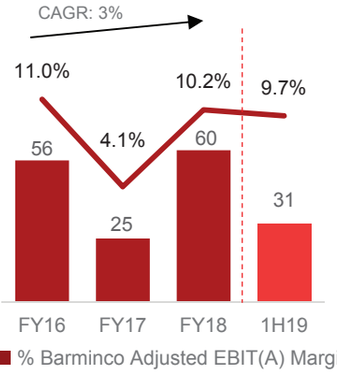
Barminco sales revenue



Barminco Adjusted EBITDA and Margin

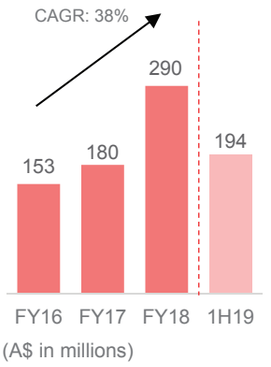


Barminco Adjusted EBIT (A) and Margin

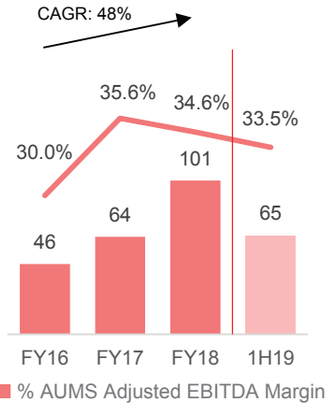


AUMS financial profile

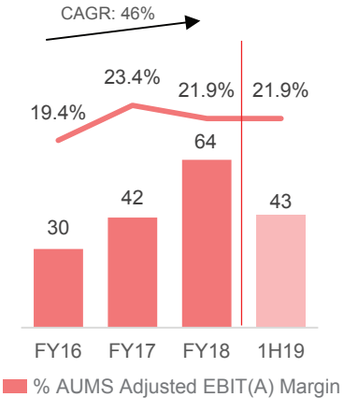
AUMS sales revenue



AUMS Adjusted EBITDA and Margins



AUMS Adjusted EBIT (A) and Margins



Underground Mining. The Underground Mining ISG consists of the Barminco and AUMS businesses, which currently operate in Australia, Ghana, Burkina Faso, Tanzania, Egypt and India. We provide contract mining services, using our own personnel and equipment, primarily in the gold, nickel and zinc sectors as well as cooper. Our mining contracts generally have a fixed component and a variable component based on mining volumes and activity levels. Our underground mining contracts are typically for three to five years. Key customers of this ISG include AngloGold Ashanti, Centamin, Gold Fields, Newmont Goldcorp, Roxgold and Western Areas. In addition to contract mining, we provide underground diamond drilling (core sampling) services for the exploration and definition of ore reserves. Underground Mining is our largest ISG, accounting for 52% of our pro forma revenue in 1H19.

Customer	Project	Location	Commodity
AngloGold Ashanti	Geita - Nyankanga	Tanzania	Gold
AngloGold Ashanti	Geita - Star & Comet	Tanzania	Gold
AngloGold Ashanti	Sunrise Dam	Australia (WA)	Gold
Centamin	Sukari	Egypt	Gold
Gold Fields	Agnew	Australia (WA)	Gold
MMG	Dugald River	Australia (QLD)	Zinc
Newmont Goldcorp	Subika	Ghana	Gold
Independence Group	Nova	Australia (WA)	Nickel
Roxgold	Yaramoko	Burkina Faso	Gold
Western Areas	Spotted Quoll	Australia (WA)	Nickel
Total 1H19 pro forma revenue			A$418 million

Surface Mining. The Surface Mining ISG consists of our Ausdrill, AMS and Logistics Direct surface mining businesses, which currently operate in Australia, Ghana, Burkina Faso, Mali, Senegal and Côte d'Ivoire. We provide open cut mine exploration, development and production mining services under our surface mining contracts, including drill and blast, grade control drilling, load and haul, crusher feed, stock pile re-handle, plant and equipment hire, geotechnical services and mining infrastructure. We provide these services across a wide range of commodities, including gold, nickel, iron ore, copper and coal. Our Surface Mining ISG has a large fleet that includes dump trucks, excavators, loaders, ancillary mining equipment, production blast-hole drills, purpose-built probe drills and reverse circulation grade control and exploration

drills. Our mining contracts generally have a fixed component and a variable component based on mining volumes and activity levels. Our surface mining contracts are typically for three to five years. Key customers of this ISG include AngloGold Ashanti, Hummingbird Resources, Resolute Mining, Nordgold, SEMAFO, GMC, Toro Gold and KCGM (a joint venture between Barrick and Newmont Goldcorp). In addition to contract mining, we provide exploration drilling and resource definition services for prospective mines. Surface Mining is our second largest ISG, accounting for 40% of our pro forma revenue in 1H19.

The following table shows our top 10 surface mining projects for 1H19 based our contributions to pro forma revenue for such period.

Customer	Project	Location	Commodity
AngloGold Ashanti	Iduapriem	Ghana	Gold
GMC	Nsuta	Ghana	Manganese
Gold Fields	St Ives & Granny Smith	Australia (WA)	Gold
Hummingbird Resources	Yanfolila	Mali	Gold
KCGM	Superpit	Australia (WA)	Gold
Macmahon	Tropicana	Australia (WA)	Gold
Nordgold	Bissa	Burkina Faso	Gold
Resolute Mining	Tabakoroni	Mali	Gold
SEMAFO	Boungou	Burkina Faso	Gold
Toro Gold	Mako	Senegal	Gold
Total 1H19 pro forma revenue			A$230 million

Investments. The Investments ISG comprises various businesses that undertake mining equipment hire, mining equipment parts and maintenance and sales, supply and logistics, mineral analysis and oil and gas consumable supply and sales. The businesses operating in this ISG are BTP Group, Supply Direct, MinAnalytical, Energy Drilling Australia and Well Control Solutions. This ISG services mining clients in Australia and Africa. We primarily provide maintenance and repair services, parts, reconditioned and service exchange for major mining equipment components, equipment rebuilds, equipment rental and used equipment sales. Our equipment service rental offering includes a large fleet of excavators, dump trucks, dozers, graders and ancillary equipment, including water carts. We recycle idle equipment from the Surface Mininga ISG through the BTP Group. Key customers of this ISG include Peabody and various other short-term rental contractors. This ISG accounted for 8% of our pro forma revenue in 1H19.

Following a review of our portfolio that we commenced after the Acquisition, on April 10, 2019, we announced the sale of our hydrogeological drilling assets, which historically operated as Connector Drilling, for a cash consideration of A$16 million.

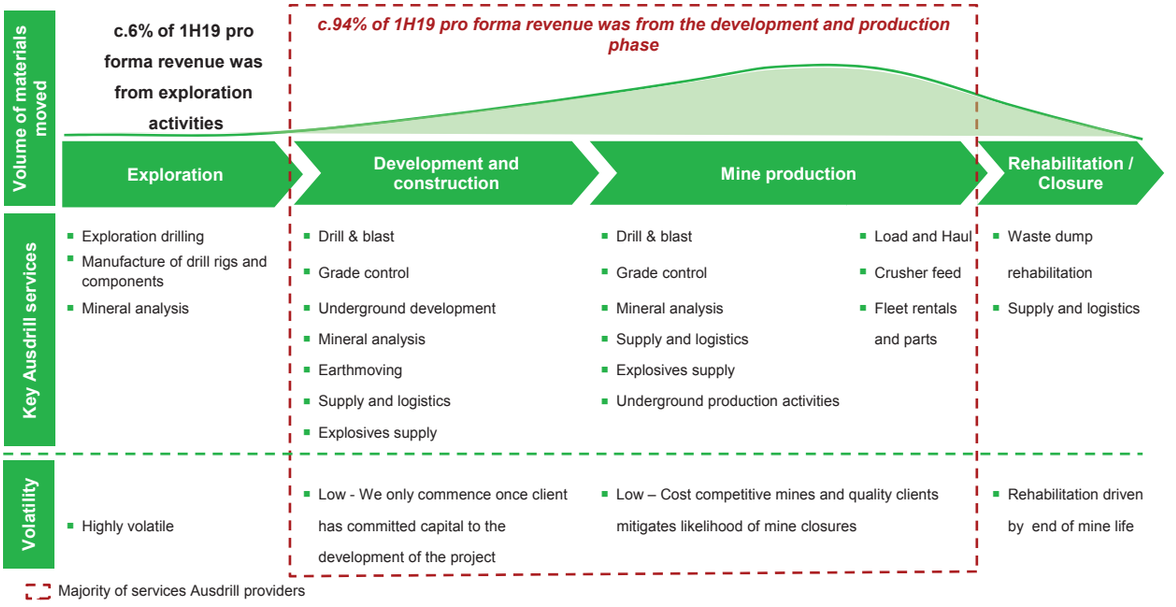
Our Services within the Mining Life Cycle

The life cycle of a mine can be generally broken down into the following phases: exploration, development, production and rehabilitation / closure.

Our core activity is providing development and production-related contract mining services to clients who own the mine site. Drill and blast is our key production-related contract mining service, involving drilling holes into rock formations, charging them with explosives and then detonating. The process is repeated to aid in the removal of ore and waste materials. Grade control, which coincides with drill and blast, optimizes the production process by ensuring the delivery of appropriate quality ore to the mill. Both processes are critical to the development and production stages of a mine. Other services include load and haul, crusher feed, stock pile re-handle, plant and equipment hire, geotechnical services and mining infrastructure.

Our mining services revenues are associated with and more heavily influenced by the long run decision of the mine owner to continue producing and to a lesser extent by short term fluctuations in commodity prices. Our revenues are predominantly in the production cycle and driven by the quantity of materials moved, meters drilled, or meters advanced. We have limited exposure to exploration or resource definition activities. Moreover, we have no material exposure to mining-related infrastructure construction activities. These activities tend to have a greater dependence on underlying commodity prices and therefore experience greater volatility than do our core production-related activities.

The chart below shows the services we provide throughout the mining life cycle as well as what we believe to be the key drivers and degree of volatility for each phase of the mine life cycle.



Customers and Contracts

Ausdrill services some of the largest mining companies as well as emerging producers. Our long-term clients include some of the world's largest resource companies as well as mid-tier companies. Key clients include AngloGold Ashanti, Gold Fields, MMG, Newmont Goldcorp, Independence Group and Western Areas with contracts at the individual mine or operating subsidiary level. Our top ten customers accounted for 62% of our pro forma revenue in 1H19 with several large customers having multiple contracts with Ausdrill across different mine sites, providing a greater level of earnings diversification. Our ability to maintain long-standing customer relationships and high contract renewal rates reflects our strong operational track record of performance. The table below sets out the largest customers based on continuing operations across all our ISGs.

Group	Market capitalization[2]	Length of relationship[3]	Location	Commodity	% of 1H19 revenue	# of current contracts
	US$3.1bn	18 years	Australia (WA)	Gold	7%	5
	US$5.0bn	16 years	Tanzania, Ghana, Australia (WA)	Gold	18%	6
	HK$27.3bn	16 years[3]	Australia (QLD)	Zinc	4%	1
	A$0.6bn	15 years	Australia (WA)	Nickel	5%	3
	US$1.4bn	10 years	Egypt	Gold	4%	1
	A$2.6bn	5 years	Australia (WA)	Nickel	4%	1
	US$0.3bn	4 years	Burkina Faso	Gold	5%	1
	US$25.3bn	2 years	Ghana	Gold	7%	1
	£0.1bn	2 years	Mali	Gold	4%	1
	CA$1.2bn	1 year	Burkina Faso	Gold	4%	2

In addition to our largest customers, we also have long-term relationships with a number of other blue chip customers. The table below sets out selected additional long-term blue chip customer relationships. These relationships contributed an aggregate of approximately 4.1% of our FY18 pro forma revenue.

[2] Data as at April 30, 2019

[3] Represents relationship with either Ausdrill or Barminco Holdings

[4] The length of our relationship with MMG includes prior mine ownership by Oz Minerals, Zinifex and Pasminco

Group	Market capitalization[5]	Length of relationship[6]	Location	Commodity
KCGM	Joint venture	30 years	Australia (WA)	Gold
Ensham Coal	Subsidiary (Idemitsu)	16 years	Australia (QLD)	Coal
BHP	A$185.0bn	16 years	Australia (WA)	Iron Ore
MINCOR RESOURCES NL	A$108.0m	14 years	Australia (WA)	Nickel
Pilbara Manganese	Subsidiary (Consolidated Minerals)	13 years	Australia (WA)	Manganese

As a large scale mining services provider, we are invited to tender for nearly all significant new underground and surface mining opportunities in Australia and West Africa 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 Ausdrill 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, Ausdrill 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.

Safety

We are committed to providing a safe environment for employees, contractors 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 all contract mining tenders, the safety record of the mining services contractor is a significant element of the evaluation criteria in the contract award decision process. Given the critical importance of safety in ensuring the success of our business and welfare of our employees, we devote substantial resources to maintaining our safety systems, including designing and evaluating processes, training, monitoring and analyzing incidents. Total recordable injury frequency rate has steadily declined from above 15 in FY 14[7] to 3.2 in 1H19 amounting to an

[5] Data as at April 30, 2019
[6] Represents relationship with either Ausdrill, Barminco Holdings or AUMS
[7] Relates to Ausdrill pre acquisition of Barminco

approximately 80% reduction in recordable injuries over that period. We have recently rolled out an in-house safety awareness program to drive engagement of Ausdrill's employees in consideration of safety matters. The program is based on employee case studies and provides a holistic view on safety management inclusive of work related, non-work related and health rated injuries. We adhere to the mining safety and/or general occupational health and safety legislation in the countries/jurisdictions in which we operate. A number of Business Units are certified to AS4801—Occupational Health and Safety Management Systems and/or OHSAS 18001—Occupational Health and Safety Management Systems. Our safety performance is a key competitive advantage in being invited to tender for new contracts as well as retaining key operating personnel.

Equipment and suppliers

Ausdrill has strong relationships with its key equipment suppliers across each of its ISGs, including primarily Sandvik for underground mining equipment and Caterpillar for surface mining equipment. Our relationships with these suppliers facilitate our ability to order equipment for our preferred delivery dates, where some of our smaller competitors may face longer lead times. We operate a significant mining fleet, consisting of more than 1,200 pieces of major equipment and thousands of pieces of support equipment, with an aggregate book value of A$839 million as of December 31, 2018. Ausdrill has a formal in-house fleet management program, which tracks maintenance costs and utilization of equipment and projects expected capex requirements on equipment. This in-house program helps us to extend the average life of equipment, contributing to our reliability and our ability to respond to client needs and optimize equipment levels at our sites. The program also allows the efficient allocation of equipment between projects, as well as the redeployment of equipment to different sites as required. Asset utilization is high at approximately 80%, reflecting the efficient way Ausdrill utilizes its equipment, helping to minimize capital expenditure requirements.

Our Competitive Strengths

We are a leader in the provision of hard-rock underground and surface mining services—We have 30 years of experience and are one of the market leaders in the provision of contract drill and blast services and other underground and surface contract mining services. We have a reputation for reliability, efficiency and technical expertise in highly specialized mining operations. We operate one of the largest fleets in Australia and West Africa of drill and blast rigs, with 279 surface drilling rigs and 94 underground drilling rigs as of December 31, 2018. In addition we have 91 dozers, 250 dump trucks, 93 underground service trucks and other auxiliary major plants to support our operations. We also have a highly trained and mobile workforce of over 7,500 employees. We believe that our scale and leadership position provide us with a competitive advantage relative to our peers, with mine owners becoming increasingly sophisticated and risk averse and seeking to contract with larger counterparties that operate with a greater focus on internal and external compliance and governance. Our scale also enhances our ability to provide capital and people to offer a full contract mining capability in Australia and Africa, diversification across ISGs, geography, commodity, and clients, and greater purchasing power with suppliers.

Our market position was strengthened by the Acquisition. The Acquisition provides Ausdrill with a leading position in underground hard-rock contract mining in the Australian and West African markets in which we operate. The Acquisition also enhances future international growth opportunities through scale and rebalanced geographic exposure between Australia and Africa, with Australia accounting for 41% of pro forma FY18 revenue versus 35% of revenue for actual stand-alone FY18 pre-acquisition.

The mining services we offer our customers require a high level of technical expertise and specialization. In particular, underground mining is highly complex, with requirements for specialized equipment and skills that serve as significant barriers to entry. Ausdrill has significant experience in the management and operation of underground mining projects supported by a modern fleet of equipment. Some of our services, such as our drill and blast service, require specialist certification and mine site accreditation with our customers who have high performance and safety standards, which helps create an additional barrier to entry for potential competitors. We also offer specialized and customized equipment to meet our customers' specifications.

Stable revenues derived predominantly from the provision of services essential to mine production— We earn revenues predominantly in the production-phase (including development, construction and mine production) of the mining life cycle. For the six months ended December 31, 2018 and for the twelve months ended June 30, 2018, 92.7% and 93.3%, respectively, of our pro forma revenue was from mining production and production-related development activity. In contrast to the exploration and development phases of a mine, which are volatile and to a significant extent depend on sector sentiment, position within the mining cycle and demand for resources mined, the production phase experiences lower volatility, and production volumes typically remain stable or in line with expectations across the mine's life. We benefit from operating in a relatively stable portion of a mine's life which supports the ability to deliver more consistent financial performance and withstand short term volatility in underlying commodity prices.

In addition, our revenues are predominantly derived from the provision of operational critical services to the mines which are in production. Once Ausdrill is engaged at a mine, demobilization and remobilization costs are generally high for our customers, decreasing the likelihood of termination, with mine owners preferring to ride out short-term commodity price movements. We are typically the exclusive provider of mining services in the mines where we are contracted. Without these services the mines cannot produce, and Ausdrill cannot be easily replaced without possible disruption to mine production. As such, contracts are "sticky", with high cost and high risk to production in replacing the mine contractor.

We have a 'fee for services' business model with contractual protections that provide flexibility and mitigate increases in operating costs, helping to maintain our margins—The majority of our revenue is derived under 'fee for service' arrangements under schedule of rates contracts, with no exposure to fixed contracts. Our mining services contracts generally include fixed and variable components. Fixed charges typically comprise of management services and fixed overheads and, in some instances, fixed ownership charges for equipment. Our variable payments are based on hours, volume of material moved, meters drilled, or meters advanced—primarily covering labor, mining consumables, our margin and the depreciation of our equipment. Our mining services agreements typically have terms of three to five years, which contribute towards greater revenue visibility.

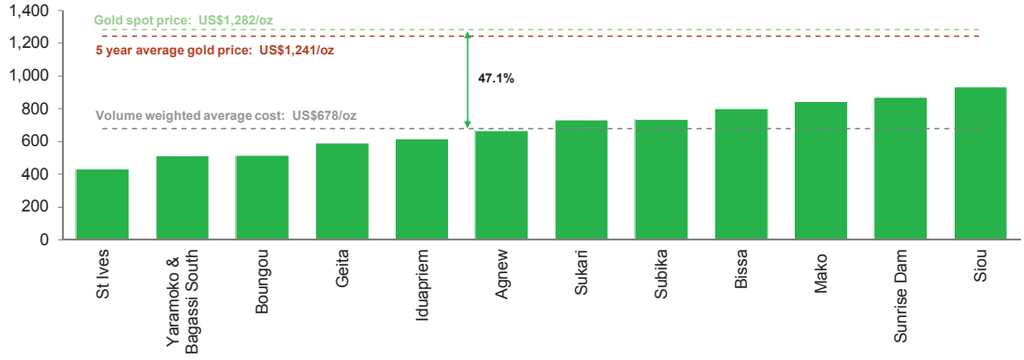
Our mining services contracts generally have "rise-and-fall" provisions, under which the rates we may charge our customers are periodically increased or decreased to reflect changes in our underlying costs such as labor and consumables costs (such as tires and spares). Rise-and-fall provisions help preserve our margin to an extent and help provide us with more stable earnings and greater predictability of cash flow. In addition, we generally embed in our mining services contracts early termination clauses and payments which protect us in the event of a contract termination for convenience, as well as provisions for staff retrenchment without material impact to our operating margins. The early termination payment typically scales down as the contract becomes more seasoned. A customer generally does not have the option to purchase our equipment if the customer terminates the contract. As a result, the customer would need to buy or rent new equipment which could lead to the customer potentially experiencing production disruptions and downtime in the event the customer terminates our contract for convenience. These terms enable us to recover a portion of our capital expenditure costs associated with the project in the event of early termination, and contribute to our stability and favorable contract renewal rate.

Additionally, our extensive tender review, quality assurance, contract performance assessment, and internal review processes help us to protect the robustness of our contract pricing. Senior management is involved in reviewing all significant contract tenders. We typically tender for work to be the sole provider of mining services. Historical operating knowledge and stringent review processes are critical to forecasting costs and provide a robust pricing framework. This is a key advantage when tendering to renew contracts or expand the scope of existing projects.

We selectively pursue opportunities with a focus on cost competitive mines with a long mine life, reducing risks of mine closures due to adverse commodity price movements—Our mining customers typically have strong cash margins on the mines they operate. For our largest commodity exposure, gold,

according to Wood Mackenzie our customers have a C1 cash cost which is a volume weighted average of 47.1% below the current spot price for gold.[8] Further, on a weighted average mine production basis, according to Wood Mackenzie, our customers' mines sit in the 55th, 35th and 26th cost[9] percentile for gold, nickel and zinc respectively, implying that our customers, the operators of such mines, would be relatively resilient in the event of a reduction in commodity prices.

2018 C1 cash costs vs gold spot price per mine ($US/oz)[10]



2018 paid metal (t)	11.3	4.1	2.0	16.9	7.2	7.2	15.7	14.0	5.0	4.2	7.6	5.6
Percentile[11]	17%	29%	30%	40%	45%	53%	65%	66%	77%	84%	86%	91%

Source: Wood Mackenzie

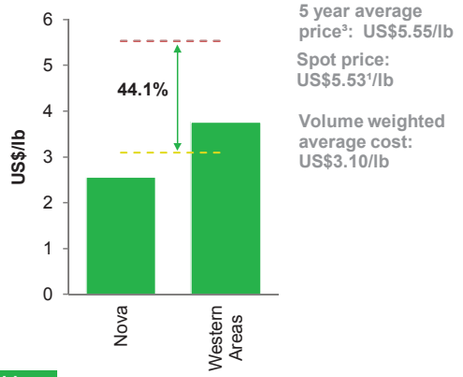
[8] Gold spot price (US$/oz) as at April 30, 2018

[9] Gold, Copper, Nickel: C1 cash costs—the direct cash cost associated with the mining, processing and realisation of the concentrate or marketable product, with an allowance for by-product credits (includes general and administration costs directly related to mine production)

[10] Chart and volume weighted average cost relate only to a subset of gold mines where Ausdrill operates

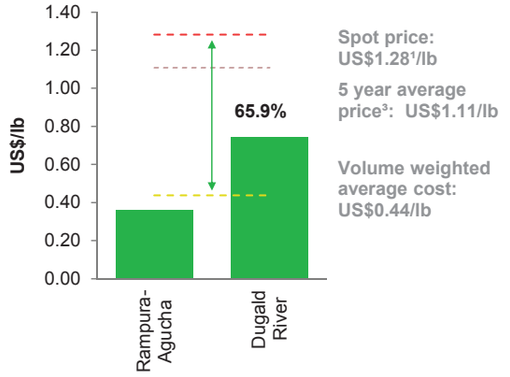
[11] Percentile of global cash cost curve

2018 C1 cash costs vs nickel spot price ($US/lb)



	Nova	Western Areas
2018 paid metal (Mlbs)	58	45
Percentile[2]	22%	48%

2018 C1 cash costs vs zinc spot price ($US/lb)



	Rampura-Agucha	Dugald River
2018 paid metal (Mlbs)	994	242
Percentile[2]	14%	74%

(1) *Nickel and zinc spot price as at April 30, 2019*

(2) *Percentile of global cash cost curve*

(3) *5 year average prices from FactSet*

Source: Wood Mackenzie

As a seasoned contract miner, Ausdrill has operated through several commodity price cycles and our experience and operating structure assist us in managing through commodity price cycles should it be required. Under most of our mining services contracts, approximately 70 to 75% of our revenues are variable, and are driven by production volume, or a metric related to production volume. This means Ausdrill's costs reduce as production volume declines in a downturn, helping to preserve profitability. Our capital expenditure aligns closely with new contracts and revenue-generating activities, which means that we have been able to adapt quickly to changing operational circumstances without bearing significant costs. We can significantly reduce our capital expenditures during a downturn by redeploying equipment from operations experiencing reductions, to active operating sites.

We build and maintain long term relationships with global mining companies—We have long standing relationships with many of our customers. Our long-term clients include some of the world's largest resource companies, as well as mid-tier companies. For ten customers we have a relationship of greater than ten years. These long term relationships provide us with greater certainty of revenues over the medium to long-term and help to reduce the risk of a near-term contract termination materially impacting Ausdrill. We believe that most of our customers view us as a critical partner and regard the mining services that we provide them as essential to their ability to extract resources and generate revenue. Our top ten customers accounted for 62% of our pro forma revenue in the 1H19.

Our strong track record of contract renewals, large order book and tender pipeline provides visibility to earnings and underpins a robust financial outlook—We have a strong track record of contract renewals and extensions, which reflects the recurring nature of the our revenues and our performance levels under these contracts. Our recent positive momentum in both Underground Mining and Surface Mining is reflected in over A$2.8 billion of contract value at award won since May 2018. The average length of these new contracts with existing customers is close to three years. Once we are the incumbent operator at a site, we have better technical information to tender for renewals, which is a barrier to being replaced.

Contract wins over the last 12 months since May 2018

New	Renewal	Date	Customer	Existing customer	Project	ISG	Location	Commodity	Contract length
	√	Feb 19	GMC	√	Nsuta	Surface	Ghana	Manganese	2 years
	√	Feb 19	Hindustan Zinc	√	Rampura Agucha	Underground	India	Zinc	3.5 years
√		Jan 19	Regis Resources		Rosemont	Underground	Australia (WA)	Gold	3 years
√		Jan 19	Western Areas	√	Odysseus	Underground	Australia (WA)	Nickel	1.2 years
	√	Jan 19	Consolidated Minerals	√	Woodie	Surface	Australia (WA)	Manganese	1 year
√		Jan 19	Bellevue Gold	√	Bellevue	Surface	Australia (WA)	Gold	1 year
√		Nov 18	Polaris	√	Koolyanobbing	Surface	Australia (WA)	Iron ore	1.7 years
√		Oct 18	AngloGold Ashanti	√	Obuasi	Underground	Ghana	Gold	5 years
	√	Oct 18	Independence Group	√	Nova	Underground	Australia (WA)	Nickel	4 years
	√	Oct 18	Gold Fields	√	Agnew	Underground	Australia (WA)	Gold	4 years
	√	Sep 18	AngloGold Ashanti	√	Sunrise Dam	Underground	Australia (WA)	Gold	5 years
√	√	Aug 18	Roxgold	√	Yaramoko & Bagassi South	Underground	Burkina Faso	Gold	2.5 years
√		Jul 18	Resolute	√	Tabakoroni	Surface	Mali	Gold	1.9 years
√		Jun 18	Round Oak Minerals		Mt Colin	Underground	Australia (QLD)	Copper	4 years
√		May 18	SEMAFO	√	Siou	Underground	Burkina Faso	Gold	5.8 years

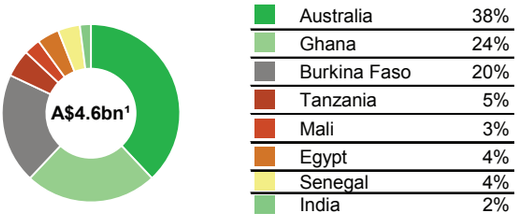
The table below sets forth contracts up for renewal in the twelve months ended March 31, 2020, which have an estimated annual revenue over A$20.0 million:

Upcoming major contract renewals

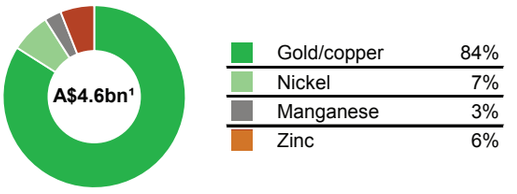
Date	Customer	Project	ISG	Location	Commodity
Mar. 19	Peabody	Various	Investment	Australia (QLD — NSW)	Coal
Jun 19	AngloGold Ashanti	Star and Comet	Underground	Tanzania	Gold
Dec 19	AngloGold Ashanti	Iduapriem	Surface	Ghana	Gold
Jan 20	Gold Fields	St Ives	Surface	Australia (WA)	Gold

In addition to a strong contract renewal rate, our large orderbook provides earnings visibility and we are well positioned to extend our order book through our strong pipeline. Our order book as of March 31, 2019 has an aggregated contracted value of A$4.6 billion over the remainder of 2H19 to FY25. Within our order book, 84% of revenues are expected to come from gold / copper and 7% from nickel, while 38% revenues are expected to come from Australia, 24% from Ghana and 20% from Burkina Faso. In addition to our contracted order book, Ausdrill also generates uncontracted revenues for equipment part sales, supply and logistics and exploration drilling that does not form part of our order book.

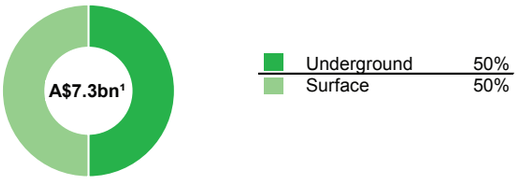
Order book by geography as of March 31, 2019



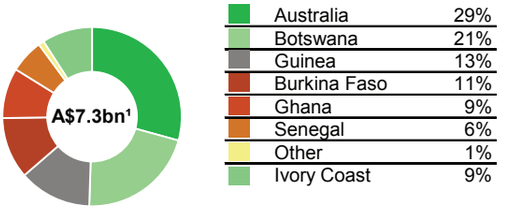
Order book by commodity as of March 31, 2019



Pipeline by ISG



Pipeline by geography



We are continually seeking to increase our order book by tendering for opportunities across diverse geographies. We have identified a pipeline of 32 projects that we anticipate may generate an opportunity to tender for a mining services contract that commences in the next 24-36 months. Our management estimates that if all of these contracts are put out to tender on terms consistent with management's experience, the potential revenue opportunity would be approximately A$7.3 billion based on data made available by mine owners. Ausdrill has existing relationships with approximately 34% of owners of these projects and the projects are predominantly located in jurisdictions where we currently operate, with the exception of Botswana, which would provide further diversification across Africa. The tender pipeline is split approximately 50% / 50% between Surface Mining and Underground Mining. We believe our reliability, efficiency, technical expertise and strong track record of operating performance has resulted in a high rate of contract renewal when approaching contract expiration, which has provided natural replenishment of our order book over time.

The tendering opportunities available to Ausdrill are reflective of the current positive cyclical outlook for the mining sector and the strong industry fundamentals for gold and nickel. Wood Mackenzie expects gold demand to increase at a 1.4% CAGR between 2018 and 2035 driven by increases in bar and coin, jewelry and exchange-traded fund (ETF) demand. Nickel is also supported by strong industry fundamentals, with Wood Mackenzie forecasting demand growth of 4.4% in 2019 and longer-term growth to be driven by its application in electric vehicle batteries and energy storage, which it expects to account for 24% of global nickel demand in 2035, compared to 4% in 2018.

Diversification in projects, commodities, service offering and jurisdictions mitigates potential impacts from specific site disruption—We possess the expertise and capability to provide a full service offering to our customers which provides multiple revenue streams. We are diversified across both surface mining and underground mining, which not only gives us the flexibility to take advantage of growth opportunities in each mining activity but also limits our operational risk and over-exposure to a particular activity. Additionally, our diversified service offering and depth of customer relationships mitigates the risk of loss of any particular contract. Our largest site accounted for 7% of 1H19 pro forma revenue and our second to tenth largest sites collectively accounted for 41% of 1H19 pro forma revenue.

We are agnostic towards any particular commodity or geography. Our Board evaluates projects based on the operating jurisdiction, the quality of our contractual counterparty and the underlying mining project. As of December 31, 2018, we had a presence in twelve countries across four continents.

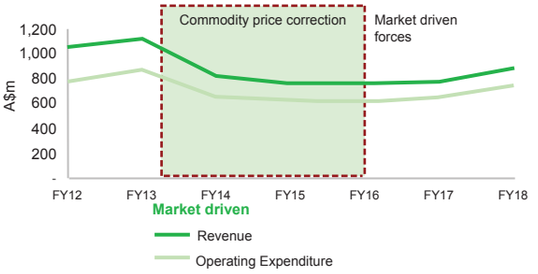
Gold is our largest commodity exposure, which assists in ensuring more stable and consistent historic performance despite troughs in the economic cycle, given its defensive, counter-cyclical nature and lack of

correlation to the economy and to other commodities. Beyond gold, we are exposed to a range of commodities with extensive ongoing and past project experience with copper, iron ore, lithium, manganese, nickel, coal, tin, talc and zinc. Our existing capital fleet can be redeployed across different mining sites and are not specific to any commodity giving us flexibility in managing our operations. As of December 31, 2018, we provided mining services in eight different commodity sectors.

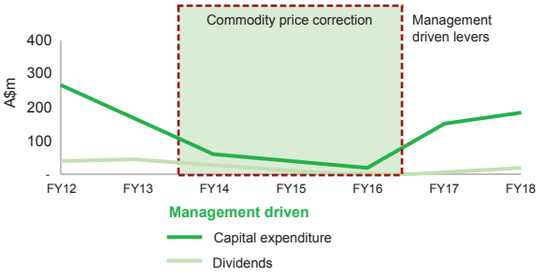
We have a strong track record of prudent financial risk management through the commodity cycle and have multiple levers to sustain cash flow generation in the event of a cyclical downturn—We plan to maintain a prudent capital structure to give us maximum operational and financial flexibility. We believe we conduct our operations within a strong financial framework underpinned by prudent financial risk management, which has allowed us to maintain a strong balance sheet. Our operating costs are linked to production levels, which provides a natural hedge for profitability when activity levels decline. When required, we have the ability to reduce operational and capital expenditure and limit or suspend distributions to shareholders to preserve cash and ensure our long-term financial health. In the last significant commodity price correction experienced between FY14 and FY16, we implemented all these strategies and as a result were able to steadily increase free cash flow and reduce net debt levels from A$391 million in FY14 to A$217 million in FY16. We also used equity to support the Acquisition, conducting a A$250 million entitlement offer to maintain a strong balance sheet, with gearing[12] only increasing modestly from 25.7% as of June 30, 2018 to 27.1% as of December 31, 2018. In addition, the acquisition of Barminco provides further earnings resilience through the cycle with Barminco maintaining relatively stable EBITDA over the last ten years.

Cash flow management through the cycle[13]

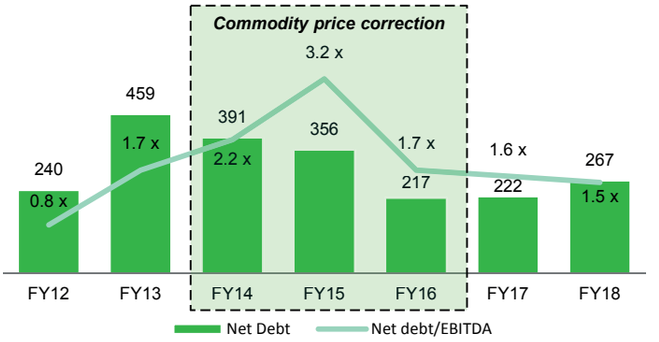
Revenue and variable costs through the cycle



Adaptation of cashflows through the cycle

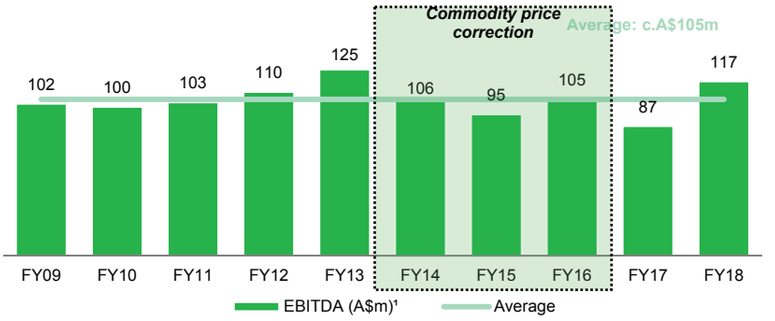


Net debt balance (A$ million) and Net debt/EBITDA evolution[14]



[12] Gearing = net debt / (net debt + total equity)
[13] Relates to Ausdrill standalone business
[14] EBITDA is unadjusted

Barminco Holdings has demonstrated stable Barminco EBITDA generation for a decade



[(1)] *Reported Barminco EBITDA from FY09 – FY15. Barminco Adjusted EBITDA from FY16-FY18*

We are led by a highly experienced management team and seasoned Board of Directors—Our Board comprises a majority of independent non-executive directors with extensive collective experience across a range of industries including mining, legal, engineering and mining services industries. Our management team has substantial international experience across a range of operational disciplines and has successfully delivered strong organic and inorganic growth over the last three years, and navigated the commodity price correction in FY14 to FY16 and reduction in mining activity between FY13 to FY15.

Our Board of Directors and management team adhere to high standards of corporate governance and risk management. Site risks for each contract are reviewed by technical personnel and classified under a "Traffic Light" report. There are minimum Return on Capital Employed requirement across the various business units, with incentives aligned to management compensation. For all tenders, as well as any subsequent material alteration to the business case, scope and pricing, approval levels are set by the Board and all decisions involving operating in new jurisdictions require Board approval. Tender reviews include evaluation of detailed technical information, including with respect to the local geography, political situation, infrastructure and logistics, and we conduct numerous site visits by management, technical, business and legal personnel. This helps us assess key risks and the likely operational costs. We have a clear tender submission and approvals process and adhere to continuous risk management.

Mr. Mark Norwell is the Managing Director and CEO of Ausdrill and has over 20 years' experience in the mining industry throughout Australia, New Zealand, Africa and the Americas. Mark's expertise spans underground, open cut and process engineering operations across a variety of commodities including iron ore, gold, copper, diamonds, nickel and oil sands.

Mr. Peter Bryant is the Chief Financial Officer of Ausdrill and has over 25 years' experience, predominately with ASX listed companies. He was previously CFO of Barminco and a director at AUMS.

Mr. Ian Cochrane was appointed as a non-executive director and Deputy Chairman in November 2015. Subsequently, in December 2017, Ian was appointed Chairman of the Board. Prior to joining Ausdrill, Ian practiced law, specializing in mergers and acquisitions, in national law firms Corrs Chambers Westgarth and Mallesons Stephen Jaques until 2006, when he established the boutique law firm, Cochrane Lishman.

Our Strategies

We have identified five 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. Ausdrill is focused on partnering with Original Equipment Manufacturers ("OEM") who are expected to lead the investment into research and development of new technologies.

Building financial capacity for growth and sustainability through the cycle—We plan to actively manage our portfolio of businesses by divesting non-core operations to ensure that existing businesses add value to the group and fit within the new strategic direction of the business. We intend to maintain a strong balance sheet, expand sources of capital and increase our cash backed profits. We will also focus on continuing to grow our financial and commercial acumen across the group by closely monitoring key financial metrics.

Our History

Set forth below are key milestones in our history:

1987	Ausdrill established in Kalgoorlie, Western Australia
1989	Barminco Ltd established in Coolgardie, Western Australia
1991	Formed Ausdrill Ghana and expanded operations to five west African countries
1994	Listed on the ASX
1994	Formed Supply Direct Group as a specialist operating business
1996	Form African Mining Services, as a 50/50 joint venture with Henry Walker Eltin
1998	Formed Logistics Direct, an international freight forwarder based in Ghana
2005	Acquired remaining 50% of African Mining Services from Henry Walker Eltin
2007	Entered into an alliance with Barminco Holdings to form AUMS, a 50/50 joint venture Formed Drill Rigs, a manufacturer and maintenance service provider for drill rigs, drilling support equipment and ancillary equipment
2010	Entered into the commercial minerals assaying business forming MinAnalytical Laboratory Services Australia

2012 Acquired 100% of Best Tractor Parts group, a supplier of used and reconditioned heavy earthmoving equipment and parts to the surface mining industry

2018 Acquired 100% of Barminco Holdings

Our Industry Sector Groups

We carry on business in three ISGs: (1) Underground Mining, comprising the Barminco and AUMS businesses; (2) Surface Mining, comprising the African Mining Services and Ausdrill businesses; and (3) Investments, which includes our other businesses, namely BTP Group, Supply Direct Group, MinAnalytical, Energy Drilling Australia, Well Control Solutions and Ausdrill Properties. We also have a Corporate group, which includes our back office functions, such as finance, human resources and information technology. The charts below show the pro forma contribution of revenue and pro forma Adjusted EBITDA of each ISG (excluding the Corporate group) for FY18 and 1H19.

Prior to the Acquisition, we organized our operations into (a) Drilling Services Australia; (b) Equipment Services and Supplies; (c) Contract Mining Services Africa; (d) All Other Segments; and (e) Corporate and Finance.

Underground Mining Industry Sector Group

Our Underground Mining ISG provides underground mine development and production, diamond drilling and support services. We are a market leader in the underground hard-rock development and production contract mining sector in Australia. We provide contract mining services, using our own equipment and personnel, 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.

Our Underground Mining ISG operates in Australia, Ghana, Burkina Faso, Mali, Tanzania, Egypt and India. In Australia, we operate at 15 underground mining projects located in the states of Western Australia and Queensland. We have two projects in Egypt, comprising one contract mining project and one diamond drilling project. We have one contract mining project in India. In West Africa, we operate at seven underground mining projects.

Underground Mining is our largest ISG. It had pro forma external sales revenues of A$869.9 million and Adjusted EBITDA of A$217.9 million in FY18 and pro forma external sales revenues of A$506.7 million and Adjusted EBITDA of A$123.5 million in 1H19. This represented a contribution of 49.8% and 52.1% of our pro forma external sales revenues in FY18 and 1H19, respectively, and a contribution of 58.0% and 59.0% of our pro forma Adjusted EBITDA (excluding Corporate) in FY18 and 1H19, respectively. Our pro forma segmental Adjusted EBITDA margin was 25.1% and 24.4% in FY18 and 1H19, respectively. The Underground Mining ISG is characterized by higher margins than our Surface Mining ISG, which we believe is due to high barriers to entry in the form of specialized skills, processes and equipment necessary for underground mining operations.

We expect our Underground Mining ISG will benefit from growth opportunities as underground mining becomes a larger part of total mining activity. Underground mining is becoming a larger proportion of total mining activity. This is driven by economic, technological, social and environmental factors. Increasingly operators of surface mines are looking at underground mining options to extend the life of existing mines and new deposits are being found underground and at greater depths. This growth in underground mining has been assisted also by advancements in technology, such as hydraulic hoisting or robotics, which has led to underground mining becoming more economic than before. Social and environmental factors such as the visual impact and waste associated with surface mining also supports the transition towards underground mining

Barminco

Established in 1989, Barminco Holdings had a long history in underground contract mining under the "Barminco" brand, under which we continue to carry on business in our Underground Mining ISG. According to Wood Mackenzie, in 2018, we, together with Barminco Holdings and AUMS, were the largest underground hard-rock mine contractor in Australia by materials moved. Barminco specializes in highly

mechanized decline access mining and provides both development services and production services to the underground mining industry.

Barminco's clients include some of the world's largest resource companies as well as mid-tier miners. Clients are predominantly miners of gold, nickel and zinc. Key clients include AngloGold Ashanti, Gold Fields, MMG, Centamin, Western Areas and Independence Group. The average length of relationship with these key clients is 12 years. For a discussion of our material contracts, see "—Material Contracts."

Production mining services involve production drilling, charging, blasting, loading and hauling of material to the surface. Development mining services involve the construction of an inclined, declining or horizontal tunnel using hard-rock electric/hydraulic jumbo drills and diesel engine powered equipment to provide ventilation and access for all heavy, mechanized equipment at the various horizontal intervals typically required for the mining process. We have significant experience in the management and operation of jumbo development projects and a modern fleet of equipment, which allow us to deliver high-speed development mining services to our clients, enabling them to gain safe access for mining of underground ore reserves.

The table below summarizes Barminco's equipment fleet as of December 31, 2018.

Equipment	Number
Trucks	58
Loaders	58
Development Drills	26
Production Drills	22

African Underground Mining Services

AUMS was originally formed in Ghana in 2007 as a 50-50 joint venture between Barminco Holdings and us. AUMS provides underground contract mining services and support services, including consulting and feasibility, management, planning and mine development in Ghana, Mali, Burkina Faso and Tanzania.

AUMS has been the fastest growing business within the Ausdrill group in terms of external sales revenue growth in FY18 and 1H19 and also has provided the highest margins and highest return on average capital employed of any of the business lines of the Ausdrill group in FY18 and 1H19. We believe that the key driver for this is our high degree of operational excellence compared to our competitors, which help create consistent value for our customers. The high barriers to entry in the underground mining industry in Africa mean that there are fewer reliable competitors. This has allowed us to maintain margins that reflect the risks of operations in these markets.

AUMS' key customers include AngloGold Ashanti, Roxgold, SEMAFO and Newmont Goldcorp. AUMS has a 70-30 joint venture with Rocksure International, Underground Mining Alliance, which was awarded the Obuasi gold project contact in October 2018. The average length of relationship with these key clients is 9 years. For a discussion of our material contracts, see "—Material Contracts."

The table below summarizes AUMS' equipment as of December 31, 2018.

Equipment	Number
Trucks	35
Loaders	27
Development Drills	19
Production Drills	9

Surface Mining Industry Sector Group

Our Surface Mining ISG provides a full suite of contract mining and exploration drilling services to resource companies in Africa and Australia. Our primary activities consist of providing open cut mine development and production services, including drill and blast, grade control, load and haul, crusher feed, stock pile re-handle, plant and equipment hire, geotechnical services and mining infrastructure. Additionally, we provide exploration drilling and resource definition services for prospective mines. The businesses we operate in this ISG are AMS, which includes Logistics Direct, and Ausdrill.

Our Surface Mining ISG operates in Australia, Ghana, Burkina Faso, Mali and Senegal. In Australia, we operate at 15 surface mining sites located in the states of Western Australia and Queensland. We have two projects in Ghana, two in Burkina Faso, two in Mali and one in Senegal.

The Surface Mining ISG is our second largest business segment. The Surface Mining ISG had pro forma external sales revenues of A$725.4 million and Adjusted EBITDA of A$128.7 million in FY18 and pro forma external sales revenues of A$390.3 million and Adjusted EBITDA of A$69.3 million in 1H19. This represented a contribution of 41.6% and 40.2% of our pro forma external sales revenues in FY18 and 1H19, respectively and a contribution of 34.2% and 33.1% of our pro forma Adjusted EBITDA (excluding the Corporate Segment) in FY18 and 1H19, respectively. Our pro forma segmental Adjusted EBITDA margin was 17.7% and 17.8% in FY18 and 1H19, respectively.

African Mining Services

We have been operating in Africa since 1991 and through AMS since 1996. According to Wood Mackenzie in 2018, we were one of Africa's leading contractors for hard-rock open pit mines by materials moved. AMS provides a wide range of mining services. With an extensive mining fleet that is interchangeable across projects, AMS is adaptable and offers flexibility for its clients. AMS currently operates in Ghana, Mali, Burkina Faso, Senegal and the Côte d'Ivoire.

Our key customers include Resolute Mining, Nordgold, SEMAFO, GMC, Toro Gold and Hummingbird Resources. The average length of relationship with these key clients is 2.5 years. For a discussion of our material contracts, see "—Material Contracts."

The table below summarizes the AMS' equipment fleet as of December 31, 2018.

Equipment	Number
Dump Trucks	207
Service Trucks	6
Hydraulic Excavators	55
Dozers	54
Graders	21
Wheel Loaders	24
Blast Hole Drilling Rigs	63
Grade Control Drilling Rigs	9
RC Drilling Rigs	9
Diamond Drilling Rigs	7
Other Drilling Rigs	11
Ancillary	133

AMS also includes Logistics Direct, which was formed in 1998 and offers logistics services to mine operators in Africa, including import/export air and sea freight, project cargo management, air and sea chartering, freight insurance, packaging, customs brokerage and e-commerce solutions.

Ausdrill

We have been operating in Australia through Ausdrill since 1987. We provide drilling services to open cut mines in Australia, including drill and blast, grade control, explosives supply, exploration and resource definition and mineral analysis services. We provide our services across a wide range of commodities, including gold, nickel, iron ore, copper and coal. Our operations are primarily located in Western Australia, particularly near Perth and Kalgoorlie.

Ausdrill's key clients include KCGM (a joint venture between Barrick and Newmont Goldcorp), Piacentini & Son, Evolution Mining, Macmahon, Link Mining Services, Mineral Resources, Polaris Metals and Downer. The average length of relationship with these key clients is more than 6.5 years. For a discussion of our material contracts, see "—Material Contracts."

The table below summarizes Ausdrill's equipment fleet as of December 31, 2018.

Equipment	Number
Blast Hole Drilling Rigs	41
Small Top Hammer	27
Grade Control Drilling Rigs	19
RC Drilling Rigs	22
Diamond Drilling Rigs	22
Other Drilling Rigs	40

Investments

Our Investments ISG comprises various businesses that provide mining equipment hire, mining equipment parts and maintenance and sales, supply and logistics, mineral analysis and oil and gas consumable supply and sales. The businesses operating in this ISG are the BTP Group, Supply Direct Group, MinAnalytical, Energy Drilling Australia and Well Control Solutions. This ISG services mining clients in Australia and Africa.

The Investments ISG had pro forma external sales revenues of A$150.3 million and Adjusted EBITDA of A$29.2 million in FY18 and pro forma external sales revenues of A$74.7 million and Adjusted EBITDA of A$16.6 million in 1H19. This represented a contribution of 8.6% and 7.7% of our pro forma external sales revenues in FY18 and 1H19, respectively and a contribution of 7.8% and 7.9% of our pro forma Adjusted EBITDA (excluding the Corporate Segment) in FY18 and 1H19, respectively. Our pro forma segmental Adjusted EBITDA margin was 19.4% and 22.3% in FY18 and 1H19, respectively.

BTP Group

BTP Group is one of Australia's largest non-original equipment manufacturer suppliers of heavy earthmoving equipment and services to the mining and construction industries. BTP Group's service offering includes maintenance and repair services, parts, reconditioned and service exchange for major mining equipment components, equipment rebuilds, equipment rental and used equipment sales. BTP Group offers end-to-end mining equipment maintenance and refurbishment services, which we believe helps distinguish it from its competitors in the equipment resale market where equipment supplies are constrained. BTP Group's equipment rental offerings include a large fleet of excavators, dump trucks, dozers, graders and ancillary equipment such as water carts. BTP Group's mining equipment rental fleet also receives end-to-end support and servicing, which ensures that BTP Group's equipment availability and reliability when onsite remains high and capable of meeting customer needs.

The table below summarizes BTP Group's equipment fleet as of December 31, 2018.

Equipment	Number
Dump Trucks	43
Service Trucks	4
Hydraulic Excavators	8
Dozers	37
Graders	15
Wheel Loaders	14
Other Drilling Rigs	7
Ancillary	53

Supply Direct Group

We formed Supply Direct as a specialist operating business in 1994 to support Ausdrill's African operations because of the limited supply of available spare parts and mining consumables in the African market. Supply Direct has been critical in the past in supporting the success of our operations in Africa and in providing AMS with access to spares and parts in a timely manner. Supply Direct now predominantly provides procurement and logistics services to external clients in the mining sector though it continues to provide a significant amount of procurement and logistics services to other Group entities. Supply Direct offers procurement and logistic services worldwide with offices in Perth, the United Kingdom, South Africa and Ghana. It services clients across Africa, Eastern Europe and Asia.

MinAnalytical Laboratory Services

MinAnalytical Laboratory Services is an independent analytical service company that provides a range of geochemical and precious metals analyses to the mineral exploration and mining industry. It is NATA accredited in accordance with ISO17025:2005. The business has also invested in the commercialization of the Chrysos Photon Assay machine, which provides accurate mineral analysis results within shorter time frames than other available mineral analysis tools.

Well Control Solutions

Well Control Solutions provides rental, parts and consumables and maintenance of pressure control and pump products for the oil and gas sector. Well Control Solutions is the exclusive Australian agent for a number of North American oil and gas equipment companies.

Energy Drilling Australia

Energy Drilling Australia was formerly a specialist drilling contractor for the growing Coal Seam Gas ("CSG") sector. In FY18, we wrote down the oil and gas assets of Energy Drilling Australia to scrap value and marked them for sale.

Ausdrill Properties

Ausdrill Properties is a holding company for our real estate assets, which primarily comprises offices, maintenance facilities and workshops that support our historical Ausdrill business.

Corporate Group

The Corporate group provides group level functions such as information technology, legal, health, safety and environment, quality and training, human resources, and finance and administration.

Contractual Bidding Process

We are invited to tender for nearly all of the significant new underground and surface mining opportunities in Australia and West Africa in the markets we operate. When selecting a mining service provider, customers focus on a number of factors, including price, reputation, production track record and health and safety record. Our customers require us to report our safety metrics to them as part of the bidding process.

We have a strong track record of contract renewal and extensions, which reflects the recurring nature of the our revenues and our performance levels under these contracts. We have signed contracts with over A$2.8 billion of contract value at award since May 2018. Of these contracts 88% were with existing customers, including new projects with existing customers. The average length of these new contracts with existing customers is close to three years. Once we are the incumbent operator at a site, we have better technical information to tender for renewals, which is a barrier to being replaced.

While we seek to remain competitive in our tenders, we also strive to maintain margin discipline by competing on our reputation for safety, reliability, efficiency and technical expertise in highly specialized operations, which provide additional value to our customers. Our tender process is designed to ensure that we focus our resources on tendering for projects with the highest probability of success and those which are likely to generate attractive economic returns. During the tender process, we evaluate detailed technical information, including with respect to the local geography, political situation, infrastructure and logistics and 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 rigorous cost and pricing analysis to establish appropriate pricing and margins.

When projects in new countries are being considered, we undertake a thorough due 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 and if available on commercially reasonable terms in order to manage sovereign risk, and the ability to move expat employees with operational expertise freely and safely across the new country. We also evaluate the ability to obtain political risk insurance where appropriate. The Board's close management of this rigorous tendering process is critical to our success in winning contracts that are sustainable and profitable.

Each project's financial and operational performance is monitored and reported to the Board on a monthly basis to ensure that tendered and budgeted margins are being maintained and, where issues are detected, that corrective actions are put in place to maximize profitability. Site managers and general managers are given responsibility to achieve these margins and are incentivized to maintain and exceed these margins.

Our Order Book

Our order book as of March 31, 2019 has an aggregated contracted value of A$4.6 billion over the remainder of 2H19 to FY25. Our order book is well diversified across geography, with 37%, 24%, 20% of our order book coming from Australia, Ghana and Burkina Faso, respectively. The majority of our order book revenue is from gold projects, which accounts for 84%, and nickel projects, which accounts for 7% of order book revenue. In addition to our order book, Ausdrill also generates uncontracted revenues for equipment part sales, supply and logistics and exploration drilling that does not form part of our order book.

As discussed below, most of our mining services contracts can be terminated for convenience. We strive to ensure that the contracts that we enter into allow for options to extend where possible to maximize the contract period and the return on capital. See "Risk Factors—Our revenues and order book are subject to underlying contracts with varying terms which may not be renewed or which may be terminated and which are subject to factors outside of our control."

Mining Services Contract Structure and Arrangements

Contracts for production-related mining services represented 90.3% and 91.7% of our pro forma external sales in FY18 and 1H19, respectively. Under most of our mining services contracts other than short-term exploration contracts or equipment hire contracts, the mine operator contracts us to undertake work in accordance with a work schedule.

We earn revenue through a schedule of rates which includes a fixed component that covers senior management personnel, fixed plant charges from explosive suppliers and other subcontractors and support equipment. The remaining revenue under these contracts is earned through a variable component, primarily based on a unit of production agreed to in the contract. For example, the variable component under drilling contracts generally relates to meters drilled and for contract mining services, the volume of material moved. Where we identify risk issues at the tendering stage which may impact productivity, we seek to allocate a higher proportion of costs to the fixed charge component.

Our mining services contracts generally have rise-and-fall provisions, under which the prices we charge are periodically increased or decreased to reflect changes in prices based on publicly available indices, which in most cases reflect the actual cost to us. In most cases, however, fuel is provided by the mine owner and is not our cost. Where fuel is provided by us, it is subject to rise-and-fall provisions. Typically, rise-and-fall adjustments are made quarterly, biennially or annually and do not usually apply retrospectively. As a result, our revenues from a contract will increase if our variable expenses that are the subject of rise-and-fall-provisions increase, and similarly, our revenues from a contract will fall if our variable expenses decrease. We use rise-and-fall provisions to help preserve our margin at the outset of the contract by mitigating our exposure to changes in operating expenses. While rise-and-fall provisions may result in no upside to us from favorable movements in expenses, they help provide us with more stable earnings and predictability of cash flow. We have no material fixed price contracts in our mining services business.

Contract lengths vary, but most of our mining services contracts are for terms between three and five years, typically with an option to extend that is exercisable by the customer. Most of our contracts can be

terminated for convenience by the customer at short notice and without penalty with the customer typically paying for all work completed to date, unused materials, demobilization from the sites and an early termination fee covering a period of equipment ownership and redundancies. Some smaller contracts, typically exploration, diamond drilling and equipment rental contracts, have shorter terms. Exploration and diamond drilling contracts have varying terms from three months to four years, while equipment rental contracts have varying terms from three months up to two years. There is no fixed component to exploration-related contracts, and revenue is earned under those contracts based on meters drilled.

Certain of our mining contracts include provisions giving customers an option (exercisable on default or on termination for convenience) to purchase from us the equipment used to perform mining services at its operation, at an agreed market price. See "Risk Factors—Certain of our mining contracts give the customer an option to buy the capital equipment used by us in connection with the contract, which could reduce our available fleet of equipment to service other customers."

We recognize the variable portion of our revenues for mining services contracts monthly on the basis of the unit of production agreed to in the relevant contract at the contract rate. Any fixed component is recognized monthly based on prior month's performance.

Our Equipment and Equipment Suppliers

Under our mining services contracts, we typically supply or procure our own equipment. Based on our current cost of capital, we typically prefer to purchase the equipment we need instead of leasing, although we operate a small portion of our equipment under either operating or finance lease. We have a significant mechanical fleet of surface and underground mining equipment, supported by strong relationships with equipment suppliers and extensive in-house expertise in rebuild and fleet maintenance. We utilize a standardized fleet of equipment, and therefore, have the ability to repurpose and interchange our mining fleet across projects, giving us maximum flexibility in servicing our clients.

As a combined group, Ausdrill and Barminco have had a long term relationship with Caterpillar and Sandvik for over 30 years. Our relationships with these suppliers facilitate our ability to order equipment for our preferred delivery dates, where some of our smaller competitors may face longer lead times.

Rebuild and maintenance facilities

We have in-house rebuild and maintenance facilities, which meet a significant part of our maintenance needs. We believe our in-house capabilities provide us with higher quality maintenance at lower cost than we believe third-parties could. These capabilities also increase equipment life with bare frame rebuilds, stringent asset management, rotable componentry and support. In our experience, our maintenance facilities have been able to service our equipment to reach levels of reliability and performance approaching that of new equipment. This has allowed us to minimize capital and operating costs and reduce the need to buy new equipment. We typically perform only one rebuild on a piece of major equipment before the equipment is retired from the fleet. We operate a total of six undercover maintenance, repair and rebuild facilities, which are located in Mt Thorley, Mackay, Canning Vale, Kalgoorlie-Boulder, Newman and Hazelmere, Perth, Western Australia as well one in as Richlands, Queensland.

Our Customers and Customer Contracts

We have long standing relationships with many of our customers. Our customer base includes many of the world's leading resource companies such as AngloGold Ashanti, Gold Fields, Newmont Goldcorp, Roxgold, Western Areas, Independence Group, Centamin, SEMAFO and Hummingbird. For ten customers we have a relationship of greater than ten years. We, including through Barminco Holdings, have had relationships with KCGM and AngloGold Ashanti for longer than 20 years. Our customers are also relatively diverse, with our top ten customers accounting for 62% of our pro forma revenues in 1H19. Our growth in our current markets has been influenced by our long-standing relationships with these customers and our continued engagement with them as they pursue their strategies to develop, own and extract resources from deposits in Australia and Africa, as well as India. Our ability to maintain long-standing customer relationships and high contract renewal rates reflects our strong operational track record of performance. We currently have contracts covering a diverse range of underground and surface mining

services. For more information about our customers in our individual business divisions, please see the "—Our Industry Sector Groups."

We typically commence negotiating contract renewals with our customers between a month to nine-months prior to the expiration of the contract, as determined by the customer.

The charts below shows our material contracts for our underground and surface mining services and investments at March 31, 2019, including the name of the customer, the name and location of the mining site, the underlying commodity, the term of the contract (including the end date), the length of our relationship with the customer and the type of services provided. Customers can generally terminate their contracts with us for convenience.

Underground Mining Services

The table below sets out certain information about our material contracts under the Underground Mining Services ISG:

Customer	Project	Location	Commodity	End	Length of R/ship (years)
AngloGold Ashanti	Geita—Star & Comet	Tanzania	Gold	Jun-19	16
AngloGold Ashanti	Geita—Nyankanga	Tanzania	Gold	Dec-20	16
AngloGold Ashanti	Geita—Geita Hill	Tanzania	Gold	Dec-20	16
AngloGold Ashanti	Sunrise Dam	Australia	Gold	Jun-23	16
AngloGold Ashanti	Obuasi	Ghana	Gold	Jan-24	16
Centamin	Sukari	Egypt	Gold	Nov-21	10
Gold Fields	Agnew	Australia	Gold	Jun-22	18
Hindustan Zinc	Rampura Agucha	India	Zinc	Mar-22	3
Independence Group	Nova	Australia	Nickel	Jun-22	5
MMG	Dugald River	Australia	Zinc	Jun-21	8
Newmont Goldcorp	Subika	Ghana	Gold	Apr-22	2
Regis Resources	Rosemont	Australia	Gold	Feb-22	1
Round Oak Minerals	Mt Colin	Australia	Copper	Apr-22	1
Roxgold	Yaramoko & Bagassi South	Burkina Faso	Gold	Dec-22	4
SEMAFO	Siou	Burkina Faso	Gold	Aug-24	2
Western Areas	Odysseus	Australia	Nickel	Feb-20	15
Western Areas	Flying Fox	Australia	Nickel	Jun-20	15
Western Areas	Spotted Quoll	Australia	Nickel	Jun-20	15

Surface Mining Services

The table below sets out certain information about our material contracts under the Surface Mining Services ISG:

Customer	Project	Location	Commodity	End	Length of R/ship (years)
AngloGold Ashanti	Iduapriem	Ghana	Gold	Dec-19	16
Bellevue Gold	Bellevue Gold	Australia	Gold	Jan-20	2
BHP (MSA)	Various	Australia	Iron Ore	May-20	16
Downer	Mt Karara	Australia	Iron Ore	Jul-19	1
Ensham Coal	Ensham	Australia	Coal	Oct-18	16
Evolution Mining	Mungari	Australia	Gold	Jan-21	5
GMC	Nsuta	Ghana	Manganese	Feb-21	3
Goldfields	St Ives	Australia	Gold	Jan-20	18
Goldfields	Granny Smith	Australia	Gold	Jan-20	18
Hummingbird Resources	Yanfolila	Mali	Gold	Aug-20	2
KCGM	Superpit	Australia	Gold	Mar-22	23
Link Mining Services	Blair Athol	Australia	Coal	Jun-22	2
Macmahon	Tropicana	Australia	Gold	Jan-20	5
Mincor	Mincor—various	Australia	Nickel	Jan-20	14
Nordgold	Bissa	Burkina Faso	Gold	Dec-19	4
Piacentini & Son	Huntley	Australia	Aluminium	Sep-23	9
Pilbara Manganese	Woodie Woodie	Australia	Manganese	Jan-20	13
Polaris Metals	Koolyanobbing	Australia	Iron Ore	Jun-20	1
Resolute Mining	Tabakoroni	Mali	Gold	May-21	1
SEMAFO	Boungou	Burkina Faso	Gold	Apr-22	2
Silver Lake Resources	Mt Monger	Australia	Gold	Dec-18	2
Toro Gold	Mako	Senegal	Gold	Dec-22	3

Investments

The table below sets out certain information about our material contract under Investments:

Customer	Project	Location	Commodity	End	Length of R/ship (years)
Peabody[(1)]	Peabody—various	Australia	Coal	Mar-19	5

Note:

(1) We are continuing to provide services to Peabody pursuant to the terms of the expired agreement while the parties negotiate a new agreement.

Competition

Underground Mining and Surface Mining

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 and for surface mining services include Macmahon, MACA and NRW.

Within the African market, adoption of contract mining services varies from region to region. Overall, the contract mining industry is less well developed in Africa. This is a result of the scale of operations, where smaller, less well funded, companies prefer the owner-operator model. There is less cost pressure on owner operators due to cheaper local labor, and legislation geared towards favoring local employment, which limits a contractor's ability to mobilize outside workforces. Some key competitors with African operations include Shaft Sinkers, Aveng, Byrnecut, Moolman, Rocksure, and EC Mining. African markets have a limited history of underground contract mining. However, competition in Africa is increasing, including from other companies that have not historically specialized in contract mining services, local contractors who may have an advantage through local content measures in those jurisdictions. In addition, other companies that have not historically specialized in contract mining services.

Investments

The businesses comprising our Investment ISG generally provide support services to the mining industry, such as logistics, parts and service and technical expertise. These industries are generally highly fragmented, and a large number of international, regional and local participants also serve the mining industry in a supporting capacity.

Health and Safety

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"). The table below sets out Ausdrill's TRIFR for the periods indicated.

	Year ended June 30,					Six months ended December 31,
	2014	2015	2016	2017	2018	2018
	(injuries per one million hours worked)					
TRIFR	14.4	10.7	6.6	6.0	3.5	3.2

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.

After the Acquisition, we have created a new position of Chief People Officer to supervise our compliance with our legislative and regulatory obligations, codes of practice and the standards to which we adhere. The Chief People Officer is expected to start work at our company in May 2019 and will have overall responsibility for the health and safety. Previously these responsibilities have been assigned to the General Manager for Health, Safety, Environment, Quality and Training for Ausdrill and the Executive General Manager of Safety, People and Innovation for Barminco Holdings.

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.

Environment

Environmental laws in Australia and other overseas justifications that we operate in (for example Ghana, Burkina Faso and others) may impose certain 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, our operations are subject to numerous environmental and regulatory requirements and standards that we are committed to complying. Environmental issues such as noise, emissions, effluent discharges and ecological impact in connection with our operations are regulated by the relevant federal, state and local government authorities. In addition, certain of our mining services contracts make us responsible for risks associated with environmental damage and clean-up and contain indemnities under which we are obligated to compensate the customer for certain losses resulting from environmental incidents for which we are responsible.

We are committed to minimizing the impact of our operations on the environment through educating our employees, compliance with legislative requirements and conforming to any specific environmental requirements of individual sites and clients. We seek to achieve this by:

- promoting environmental awareness among all of our employees, and increasing the understanding within our workforce of environmental issues;
- the sourcing and maintenance, by management, of up-to-date records on government regulations and legislation concerning the environment, particular to each country in which operations are carried out, and informing staff of these requirements, and any changes to regulations and legislation, as they are promulgated;
- complying with environmental policies of the clients for whom we work;
- conducting operations in a manner that gives the required consideration to the environment; and
- implementing rehabilitation practices that limit the potential for erosion and land degradation.

The environment and community are important priorities for us, and we actively manage our responsibilities under relevant regulatory and other standards. Our commitment to environmental management is supported by the environmental management systems we have in place.

Insurance

We maintain customary levels of insurance coverage taking into account the size and scope of our operations. We, in conjunction with our insurance brokers, annually review the appropriateness of our insurance coverage and amend our policies to suit any change in circumstances. Where the group operates in countries that the Board considers may carry political risk, we may take out political risk insurance to protect the assets of the group if available on commercially reasonable terms. As of the date of this Offering Memorandum, we have political risk insurance in some overseas jurisdictions where we operate. These policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment and loss due to riot, terrorism or war. We have not suffered a material loss or made a claim in relation to a political risk event in the last five years. In addition, we take out, trade creditor insurance when the exposure of the group is considered high enough that non-payment would have a material impact.

Our Employees

As of December 31, 2018, we had 7,502 employees, calculated on a full-time equivalent basis. The table below outlines the number of total employees by year.

	As of June					As of December 31,
	2014	2015	2016	2017	2018	2018
Number of Employees	4,578	4,080	3,841	4,582	5,278	7,502

The table below outlines employees as of December 31, 2018 by ISG and location.

	As of December 31, 2018
By ISG:	
Underground Mining ISG	4,007
Surface Mining ISG	3,066
Investments ISG	319
Corporate	110
By Location:	
Australia	2,411
Africa and other geographies	5,091

The majority of our workforce consists of permanent employees. We also predominantly rely on local employees. Although we occasionally employ contractors and casual employees when required, they do not represent a large or regular component of our workforce.

Remuneration for shift work employees in our Underground Mining and Surface Mining ISGs 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. Remuneration for employees in our Investments ISGs varies according to the typical industry practice for companies operating in each respective industry.

We believe our ability to recruit and retain our employees is in part due to our employee programs, which include high-quality training and opportunities for advancement and career experience. Supplementing our recruitment of experienced personnel, we also develop and expand the skills of our workforce through apprenticeships and extensive driller training programs in both Australia and Africa. We are particularly determined to support local communities through generating employment in the regions in which we operate and by offering training abroad, tertiary correspondence and apprenticeship programs. Such initiatives have helped us recruit talented personnel and have been particularly successful in gaining the support of local communities in Africa for our operations. In addition, in certain jurisdictions we are required to maintain a certain numbers of local employees to satisfy regulatory or licensing requirements. See “Risk Factors—We

may be unable to hire sufficient qualified labor to perform our mining services, which could reduce our revenue or operating margins."

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 Surface Australia ISG, five enterprise agreements govern employment terms and conditions. These enterprise agreements covers, approximately 75% of the workforce. The remaining workforce is covered by individual common law contracts. Within the Investments ISG, two enterprise agreements govern employment covering approximately 65% of the workforce. The remaining workforce is covered by individual common law contracts. Within the Underground ISG, 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 ISG management team, certain administrative employees and our expatriate employees, amongst others, have individual contracts of employment.

In Mali, Senegal and Burkina Faso, we do not employ our workforce directly but source our workers through local labor hire companies which deal with all labor-related issues. In Ghana, our workforce is unionized and wage negotiations typically take place annually. We typically negotiate collective bargaining agreements with our Ghanaian unions every three years. However, our operations have not been affected by significant work stoppages or other industrial actions. 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.

Legal Proceedings

From time to time, we are involved in various matters of litigation, claims and disputes that arise in the ordinary course of our business. As of the date of this Offering Memorandum, there are no pending material legal proceedings to which we are a party or to which our property is subject.

MANAGEMENT

Board of Directors

The directors of Ausdrill are:

Name	Age	Position(s)
Mark Norwell	43	Managing Director and Chief Executive Officer
Ian Cochrane	65	Non-Executive Chairman
Terrence Strapp	75	Non-Executive Director
Mark Hine	60	Non-Executive Director
Robert Cole	56	Non-Executive Director
Alexandra Atkins	51	Non-Executive Director
Keith Gordon	55	Non-Executive Director

Mark Norwell—Managing Director and Chief Executive Officer. Mr. Mark Norwell was appointed as Managing Director and Chief Executive Officer on September 17, 2018. 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.

Mr. Norwell holds a Bachelor of Civil Engineering (Hons) degree from the University of Western Australia and an MBA from the University of New South Wales. Mr. Norwell is a member of the Australian Institute of Company Directors.

Ian Cochrane—Non-Executive Chairman. Mr. Ian Howard Cochrane was appointed as a non-executive director and Deputy Chairman on November 23, 2015. Subsequently, on December 5, 2017, Mr. Cochrane was appointed as Chairman of the Board. He also has been a non-executive director of Dacian Gold Ltd since 2016.

Mr. Cochrane holds a Bachelor of Commerce degree and a Bachelor of Laws (Cum Laude) degree from the University of Natal. Mr. Cochrane was educated in South Africa and emigrated to Australia in 1986. Mr. Cochrane practiced law, specializing in Mergers and Acquisitions, in national law firms Corrs Chambers Westgarth and Mallesons Stephen Jaques until 2006 when he established (with Mr. Michael Lishman) the boutique law firm, Cochrane Lishman, which was eventually acquired by the global law firm Clifford Chance in early 2011.

Mr. Cochrane has had a long association with Ausdrill having provided legal services when Ausdrill was listed on the ASX in 1994. He was regularly voted by his peers as being one of the leading M&A lawyers in Australia until he retired from the practice of law in December 2013. Mr. Cochrane has not provided legal services to Ausdrill or any other entities since then.

Terrence Strapp—Non-Executive Director. Mr. Terry Strapp was appointed as a non-executive director on July 21, 2005. Mr. Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for over 40 years. He also was a non-executive director of GR Engineering Ltd since 2011 until November 2018.

Mr. Strapp holds an accounting and finance degree from the West Australian Institute of Technology (later subsumed into Curtin University when it opened and the degree became a Bachelor of Commerce degree). He is also a Certified Practicing Accountant (CPA), a Senior Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Mark Hine—Non-Executive Director. Mr. Mark Hine was appointed as a non-executive director on February 24, 2015. Mr. Hine is a Mining Engineer. Mr. Hine graduated from the Western Australia School of Mines and is a member of the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy. Mr. Hine has extensive mining experience with over 25 years in senior management roles in both surface and underground mining operations.

Mr. Hine has held a number of senior positions in the mining industry including Chief Operating Officer at Griffin Mining Ltd, Chief Operating Officer at Focus Minerals Ltd, Chief Operating Officer at Golden West Resources Ltd, Executive General Manager Mining at Macmahon Contractors Pty Ltd, Chief

Executive Officer at Queensland Industrial Minerals Ltd, General Manager at Consolidated Rutile Ltd and General Manager Pasminco, Broken Hill / Elura Mines.

Robert Cole—Non-Executive Director. Mr. Robert Cole was appointed as a non-executive director on July 14, 2018. Mr. Cole has over 30 years' experience in the energy and resources industries. Mr. Cole is a former executive director of Woodside Petroleum Limited and former managing director of Beach Energy Limited. Mr. Cole is also a former Chairman of the Australian Petroleum Production and Exploration Association. Prior to joining the oil and gas industry, Mr. Cole was a partner in the law firm now known as King & Wood Mallesons. Mr. Cole is currently Chairman of Synergy, Chairman of Southern Ports Authority, Chairman of GLX Holdings Ltd and a non-executive director of Iluka Resources Limited. Mr. Cole holds Bachelor of Science and Bachelor of Laws degrees from the Australian National University in Canberra and is also a graduate of the Harvard Business School Advanced Management Program.

Alexandra Atkins—Non-Executive Director. Ms. Alexandra Atkins was appointed as a non-executive director on July 14, 2018. Ms. Atkins has over 25 years' experience in the mining industry, including as a Geologist for Australian Consolidated Minerals, Mining Engineer for Mt Isa Mines Ltd, Underground/Airleg Miner for Plutonic Resources, Geotechnical Engineer for Placer Dome, Mining Engineer for Murchison United, Construction Project Engineer at Cairns Regional Council, Senior Mining Engineer for AMC Consultants, a District Inspector of Mines for the WA Department of Mines & Petroleum, Principal Mining Consultant for Optiro, Chief Advisor at Sustainability and Chief Operating Officer at PETRA Data Science. Ms. Atkins is the founder of her own consultancy firm, Alex Atkins & Associates, which is focused on conformance (board assurance of technical and operational risk, mine approvals and compliance) and performance (digital transformation of mining).

Ms. Atkins holds two Bachelor of Engineering Degrees, from the University of Queensland and WA School of Mines, qualifying her as a Mining Engineer, Geotechnical Engineer and Geologist. She holds First Class Mine Manager's Certificates for Western Australia and Queensland, has an MBA (Finance) from the Australian Institute of Business, is a graduate of AICD and Chartered Professional Fellow of The AusIMM. Ms. Atkins was one of 2018's 100 Global Influential Women In Mining (WIMUK) and was inducted into the Western Australia Women's Hall of Fame in 2019.

Keith Gordon—Non-Executive Director. Mr. Keith Gordon was appointed as a non-executive director on November 1, 2018. Prior to this, Mr. Gordon served as the Director and the Chairman of Barminco Holdings from September 2015 to the completion of the Acquisition. Mr. Gordon has over 25 years' of professional experience in large global organizations, including as Chairman of GMA Garnet Group, Chairman of EDGE Employment Solutions, Director of Hay Group Asia Pacific and a Managing Director of CSBP. He is currently a Director of Wright Prospecting and a Director of Red Emu Advisory. Mr. Gordon was previously the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers.

Executive Officers

The executive officers who are not directors, as well as the key managers of Ausdrill as of the date of this Offering Memorandum are as follows:

Name	Age	Position(s)
Mark Norwell	43	Managing Director and Chief Executive Officer
Paul Muller	43	Chief Executive Officer—Underground
Peter Bryant	52	Chief Financial Officer
Donald James	46	Chief Operating Officer—Investments
Robert Chatterton	44	Chief Technology Officer
Efstratios Gregoriadis	55	Group General Counsel/Company Secretary

As of the date of this Offering Memorandum, we have undertaken searches for a Chief Executive Officer—Surface Mining and a Chief Development Officer. We expect that a new Chief People Officer will begin work in the fourth quarter of FY19.

Mark Norwell—Managing Director and Chief Executive Officer. See above under Board of Directors for a description of Mark's experience and qualifications.

Paul Muller—Chief Executive Officer—Underground. Mr. Paul Muller was appointed as Chief Executive Officer of Barminco in November 2017 and remained in this role following the Acquisition. Mr. Muller holds a Bachelor of Engineering (Hons) degree from the University of Western Australia with over 20 years' 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. He is also a Fellow of the Australasian Institute of Mining and Metallurgy and a graduate of the Australian Institute of Company Directors.

Peter Bryant—Chief Financial Officer. Mr. Peter Bryant has been our Chief Financial Officer since February 28, 2019. Prior to serving in this role, Mr. Bryant was our Head of Integration and, prior to the Acquisition, served as Barminco Holdings' Chief Financial Officer beginning in April 2013. Mr. Bryant has also served in various roles in different companies other than ours and Barminco Holdings, 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. 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 holds a Business degree from Edith Cowan University. He is also a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a member of the Australian Institute of Company Directors.

Donald James—Chief Operations Officer—Investments. Mr. Donald James has occupied his current position since December 1, 2018 and prior to this appointment, was Executive General Manager, Equipment Services & Supplies at Ausdrill. Prior to joining Ausdrill, Mr. James most recently worked in executive roles in NRW Holdings Limited and Seven Group Holdings Limited. At Seven Group Holdings, Mr. James was Chief Operating Officer, WesTrac (WA) and before that, Group Chief Financial Officer, WesTrac. At NRW Holdings, Mr. James was responsible to the Ausdrill group CEO for business turnaround. Mr. James was also a manager within PricewaterhouseCoopers business assurance division, specializing in energy and mining clients. Mr. James is a Fellow of the Institute of Chartered Accountants ANZ, a graduate of the Institute of Company Directors, an Associate of the Governance Institute Australia and holds a Commerce Degree from the University of Western Australia.

Robert Chatterton—Chief Technology Officer. Mr. Chatterton assumed the role of Chief Technology Officer of Ausdrill in March 2019. He has been with Ausdrill since 2016, and he most recently held the role of the General Manager-Finance. Mr. Chatterton has over 20 years of experience in the mining services and construction industries, holding senior finance roles at Fulton Hogan, Ertech and Boral.

He holds a Bachelor of Commerce/Accounting degree from Curtin University, an MBA from the University of New South Wales. He is also a Certified Practising Accountant.

Efstratios Gregoriadis—Company Secretary. Mr. Efstratios Gregoriadis joined us in February 2011 in the position of Group General Counsel / Company Secretary. Prior to joining us, Mr. Gregoriadis held the role of Group General Counsel / Company Secretary at Macmahon Holdings Limited, and has held various other positions as a lawyer in private legal practice.

Mr. Gregoriadis holds a Bachelor of Laws (LLB) degree from the University of Witwatersrand and an MBA from the University of New England. He was admitted as a legal practitioner in Western Australia in April 1997, worked in private practice for a few years and then moved to in-house legal counsel roles in the mining industry in 2002. He was the Ausdrill group General Counsel / Company Secretary of Macmahon Holdings Limited until 2011, and he was appointed as Ausdrill's Group General Counsel / Company Secretary in February 2011.

Board Practices

The governing body of Ausdrill is the board of directors (the "Board"). The Board's responsibility is to oversee our operations and ensure that we carry out our business in the best interests of all shareholders and with proper regard to the interests of other key stakeholders.

The responsibilities of the Board include:

- overseeing the Ausdrill group, including its control and accountability systems;
- appointing and remove the Managing Director and conduct his or her performance assessment;
- appointing and remove the Company Secretary;
- ratifying the appointment and/or removal of members of the senior management team;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- providing strategic guidance to the Ausdrill group including contributing to the development of and approving the corporate strategy;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- assessing progress in relation to the company's diversity objectives and compliance with its diversity policy;
- monitoring senior executives' performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring organizational performance and the achievement of the Ausdrill group's strategic goals and objectives and the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- with the assistance of the Audit and Risk Committee, approving and monitoring financial and other reporting, including approval of the annual and half-year financial reports and liaise with the Ausdrill group's external auditors; and oversee and manage company risks;
- ensuring there are effective management processes in place and approve major corporate initiatives;
- enhancing and protecting the reputation of the Ausdrill group;
- establishing and regularly reviewing an appropriate remuneration policy; and
- considering and reviewing (in lieu of the establishment of a nomination committee):
- the necessary and desirable competencies of directors;
- Board succession plans;
- the process for evaluation of the performance of the Board, its committees and directors; and
- the appointment and re-election of directors.

Matters reserved to the Board include determining whether the Ausdrill group should commence business in a new industry or jurisdiction, entering into arrangements that create a significant commitment for the Ausdrill group, the capital structure of the Ausdrill group including the increase or decrease of shares on issue, and approving business plans and budgets. Day to day management of the Ausdrill group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed as required.

Under the Board Charter:

- the Board should comprise between three and seven directors;
- a majority of the Board should be independent directors;
- the Chairman should be an independent director;
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director;

- the Ausdrill group is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience; and
- the role of Chairman and Managing Director should not be exercised by the same individual.

As of the date of this Offering Memorandum, the Board is comprised of five non-executive directors, one non-executive chairman, and a managing director. The Board does not currently intend to invite any other Company executives to join the board. The Board regularly reviews the independence of directors and has determined that all directors are independent, with the exception of Mr. Keith Gordon, as he was appointed as a representative of certain Barminco vendors, and Mr. Mark Norwell, Managing Director, as he also is the Chief Executive Officer.

The Board meets at regular intervals, as deemed necessary, to appropriately discharge its duties and fulfil its responsibilities and held 15 meetings during FY18. When necessary, additional meetings are convened to deal with specific issues that require attention before the next scheduled meeting.

Performance Assessment

The Chairman evaluates the Board, Board committees, and individual directors. The Board evaluates the Managing Director. The evaluations are conducted through a series of discussions held throughout the year. These discussions include consideration of the Company's financial position, strategies, operations and the risks it faces. During these discussions the Chairman obtains confidential feedback from the directors on their view of the dynamics between the Board members and the quality of the Board's decision making. During the reporting period the Chairman evaluated the performance of all directors in accordance with the above process.

The monitoring of senior executives' performance and implementation of strategy is the responsibility of the Board. The Managing Director conducts annual performance reviews of the senior executives to evaluate their performance against relevant performance measures and reports to the Board on the outcome of this review. A review of senior executives' performance has not yet been conducted in 2019.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Audit and Risk Committees. Each is comprised entirely of non-executive directors. The Board regularly reviews committee structure and membership.

Each committee has its own written charter setting out its role and objectives, responsibilities, composition, structure, membership requirements, and the manner in which the committee is to operate. Each of these charters is reviewed on a regular basis and is available in the Corporate Governance section on the Ausdrill group's website. All matters determined by committees are submitted to the full Board as recommendations for Board determination. Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

The full Board performs the functions that would otherwise be fulfilled by a nomination committee. In this regard, the Ausdrill group has not complied with ASX Recommendation 2.1. ASX Recommendation 2.1 recommends that the board of a listed entity should have a nomination committee or, if it does not have a nomination committee, to disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. These processes are disclosed below.

The Board notes the commentary in the ASX Guidelines that:

- having a separate nomination committee can be an efficient and effective mechanism to bring transparency, focus and independent judgement needed on decisions regarding the composition of the Board; and
- the boards of some listed entities may decide that they are able to deal efficiently and effectively with board composition and succession issues without establishing a separate nomination committee.

The Board views the role of Board composition and succession planning as integral to the proper functioning of the Board. The Board Charter sets out the Board's policy for the nomination and appointment of directors. This states that it is the responsibility of the Board (in lieu of the establishment of a nomination committee) to consider and review:

- the necessary and desirable competencies of directors;
- Board succession plans;
- the process for evaluation of the performance of the Board, its committees and individual directors; and
- the appointment and re-election of directors.

The Board assesses the skills required to competently discharge the Board's duties with regard to the Ausdrill group's performance, financial position and strategic direction. As and when it considers it appropriate, and when a non-executive director retires, the Board assesses the skills represented on the Board by the non-executive directors and determines whether those skills meet the identified required skills. With regard to the skills required and the skills already represented on the Board, the Board will implement a process to identify suitable candidates for potential appointment as a non-executive director and will (where sufficient candidates meet the required criteria) consider a diverse range of candidates for the position. The process for identifying suitable candidates may include a search undertaken by an appropriately qualified independent third party acting on a brief prepared by the Board which identifies the skills sought. The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Ausdrill group.

The Board's recommendation in respect of the re-election of existing directors is not automatic and is contingent on their past performance, contribution to the Ausdrill group, and the current and future needs of the Board and the Ausdrill group. The Board is also aware of the advantages of Board renewal and succession planning. Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

Remuneration Committee

The Remuneration Committee consists of Messrs. Hine (Chairman), Cochrane and Cole and Ms. Atkins The Remuneration Committee operates in accordance with its charter which is available in the Corporate Governance section of the Ausdrill group's website. The Remuneration Committee's objectives and responsibilities are to review and make recommendations to the Board on:

- remuneration, recruitment, retention and termination policies and procedures for senior executives and directors;
- senior executives' remuneration and incentives;
- superannuation arrangements; and
- the remuneration framework for directors.

The Remuneration Committee Charter states that the Remuneration Committee shall have access to appropriate internal and external resources to enable it to fulfill its functions appropriately. The Remuneration Committee is authorized to seek advice from external consultants or specialists to assist with its functions.

The Ausdrill group's remuneration policies are aimed at motivating senior executives to pursue the long-term growth and success of the Ausdrill group, and demonstrating a clear relationship between senior executives' performance and remuneration. No individual is directly involved in deciding his or her own remuneration. The structure of remuneration for non-executive directors is clearly distinguished from that of executive directors and senior executives. Non-executive directors are not entitled to any retirement benefits other than those required pursuant to the Superannuation Guarantee Legislation. Non-executive directors do not receive bonus payments. The Ausdrill group's Securities Trading Policy provides that key management personnel (being persons having authority and responsibility for planning, directing and controlling the activities of the Ausdrill group, directly or indirectly, including an director (whether executive or otherwise)

of the Ausdrill group or its controlled entities) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

Audit and Risk Committee

The Audit and Risk Committee is comprised of three non-executive directors, being Messrs. Strapp (Chairman), Cochrane and Gordon. The Audit and Risk Committee members are financially literate and have an appropriate understanding of the industries in which the Ausdrill group operates. Mr. Strapp is a qualified accountant and a finance professional with experience in financial and accounting matters.

A copy of the Audit and Risk Committee Charter is available in the Corporate Governance section on the Ausdrill group's website. The Audit and Risk Committee's responsibilities are to:

- assist the Board to discharge its responsibilities in relation to the Ausdrill group's:
  - reporting of financial information;
  - application of accounting policies;
  - financial management;
  - internal control systems;
  - risk management systems;
  - business policies and practices;
  - protection of the Ausdrill group's assets; and
  - compliance with applicable laws, regulations, standards and best practice guidelines;
- improve the credibility and objectivity of the accountability process, including financial reporting;
- provide a formal forum for communication between the Board and senior financial management;
- improve the effectiveness of the external audit function and be a forum for improving communications between the Board and the external auditors;
- facilitate the maintenance of the independence of the external auditor;
- review the Ausdrill group's financing arrangements and hedging strategies;
- improve the quality of internal and external reporting of financial and non-financial information;
- oversee the establishment and implementation of the risk management and internal control system of the Ausdrill group; and
- review the effectiveness of the Ausdrill group's risk management and internal control system.

The Audit and Risk Committee obtains regular reports from management, the external auditors and any project teams under its charter. The Audit and Risk Committee has full and open access to all of the Ausdrill group's books and records and to management, staff and the external auditors of the Ausdrill group. The Audit and Risk Committee is entitled to consult independent experts and institute special investigations if it considers it necessary in order to fulfill its responsibilities.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Committee and reviewed by the full Board.

The Audit and Risk Committee is responsible for ensuring there are adequate policies in place relating to risk management, compliance and internal control systems. The Audit and Risk Committee monitors the Ausdrill group's risk management by overseeing management's actions in the evaluation, management, monitoring, and reporting of material operational, financial, compliance, and strategic risks. In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Ausdrill group is willing to accept, the management of risk and the processes for auditing and evaluating the Ausdrill group's risk management system;
- reviews Group-wide objectives in the context of the above mentioned categories of corporate risk;

- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Ausdrill group's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities as and when deemed necessary; and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Ausdrill group's risk management and internal control system and has to report to the Audit and Risk Committee on the effectiveness of:

- the risk management and internal control system during the year; and
- the Ausdrill group's management of its material business risks.

We place considerable importance on maintaining a strong control environment. There is an organization structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity. A corporate strategy workshop, attended by senior management and Board members who are available to attend, is held annually over several days. The purpose of the workshop is to review the Ausdrill group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Ausdrill group from achieving its objectives.

Risk and Opportunity Management Committee

The Ausdrill group has established a Risk and Opportunity Management Policy, a copy of which is available in the Corporate Governance section of the Ausdrill group's website.

The objective of this policy is to seek to ensure that:

- risk and opportunity management is embedded in our critical business activities, practices and processes;
- risk and opportunity management is systematic, structured and timely and is undertaken using the best available information;
- risks and opportunities are identified, analyzed and ranked using a consistent methodology;
- foreseeable risks and opportunities are identified proactively;
- the nature and impact of those foreseeable risks and opportunities are understood so far as is reasonably practicable;
- risk and opportunity management informs operational and strategic decision making;
- appropriate resources are allocated for risk and opportunity management;
- responsibilities and accountabilities for risk and opportunity management are allocated at all levels of the organization, from frontline employees to the board level;
- Ausdrill employees are trained in risk and opportunity management in accordance with their risk and opportunity management responsibilities;
- risk and opportunity management activities are monitored, reviewed and reported on at all levels of the organization;
- risk and opportunity management is an ongoing process, and as such, risks and opportunities will be reviewed and updated; and
- the overall Group Risk and Opportunity Management policy, standard and associated procedures are evaluated and reviewed.

Code of Conduct

We seek to conduct our business in a manner that recognizes and adheres to all relevant laws and regulations and meets high standards with respect to honesty and integrity. In order to meet this commitment, the Board has adopted a code of conduct for directors to promote responsible decision making

and ethical behavior ("Directors' Code"). The Director's Code is set out in the Company's Board Charter. The Board considers that the Directors' Code reflects the practices necessary and appropriate to maintain confidence in the Ausdrill group's integrity and to take into account the directors' legal obligations and the expectations of the Ausdrill group's stakeholders.

The Board has also adopted a Conflicts of Interest Protocol, which sets out the procedures to be adopted in circumstances where a director has or where there is a real and sensible possibility that the director may have a conflict or perceived conflict of interest or duty in considering a matter that is to be brought before a meeting of the board. The Conflicts of Interest Protocol is set out within the Board Charter. It includes provisions:

- for determining whether such circumstances exist;
- specifying the information to be withheld or provided from the director;
- requiring the director to be requested to withdraw from any part of a Board (or Board committee) meeting for the duration of any discussion on the relevant matter; and
- providing avenues of appeal for the director.

In addition to the Directors' Code, the Ausdrill group has adopted a code of conduct for all directors and employees ("Employees' Code"). The Employees' Code is available in the Corporate Governance section on the Ausdrill group's website. The Employees' Code is reviewed every two years and updated as necessary to seek to ensure it reflects the highest standards of behavior and professionalism and the practices necessary to maintain confidence in the Ausdrill group's integrity and to take into account legal obligations and the reasonable expectations of all stakeholders.

The key principles set out in the Employees' Code require all employees and directors to act with the utmost integrity and professionalism, to be scrupulous in the proper use of company information, funds, equipment and facilities, to exercise objectivity, fairness, equality, proper courtesy, consideration, and sensitivity in dealing with customers, Employees and other stakeholders, to avoid conflicts of interest and to comply with the letter and the spirit of the law. Given that Ausdrill also operates outside of Australia, the Employees' Code contains detailed provisions dealing with bribery of foreign officials, and Ausdrill also has an Anti-Bribery and Corruption Policy and standards that apply across all our operations worldwide. The Employees' Code also details the responsibility and accountability of individuals for reporting and investigating breaches of the code. The Ausdrill group has established a "Whistleblower and Whistleblower Protection" Policy which outlines the process for any director, manager, employee, consultant, or contractor of the Ausdrill group to make a report in connection with certain conduct if required, whether anonymously or not.

The Ausdrill group has also established a Securities Trading Policy which outlines the restrictions, closed periods, and processes required when directors, the Managing Director, and key management personnel trade company securities. The policies discussed in this paragraph are available in the Corporate Governance section on the Ausdrill group's website.

Management Compensation

	FY16	FY17	FY18	1H19
	(A$ in thousands)			
Key management personnel compensation				
Short-term employee benefits	3,470	3,595	4,026	4,854
Post-employment benefits	202	192	169	191
Long-term benefits	6	31	108	32
Share-based payments	53	83	65	17
Total	**3,731**	**3,902**	**4,367**	**5,094**

As announced to the ASX on February 27, 2019, the Board of Ausdrill has established a new Incentive Rights Plan and has offered 2,638,530 performance rights and 939,824 retention rights to ten eligible executives. Among those offered incentive rights, Ausdrill's Managing Director, Mr. Mark Norwell, has been offered 649,087 performance rights, subject to the receipt of shareholder approval for the purposes of the ASX Listing Rules. As announced to the ASX on March 29, 2019, the Board of Ausdrill made a further issue of 500,000 options under the Deferred Issue Executive Share Option Plan to rectify an administrative oversight in relation to the 2015 Executive Share Option Plan.

PRINCIPAL SHAREHOLDERS

As of April 26, 2019, the following shareholders held 5% or more of our voting shares (excluding nominee record holders holding shares on behalf of multiple beneficial owners):

Beneficial Owner	Number of Shares	Interest%
Gresham Investments Pty Ltd	61,787,133	9.0
FMR LLC	50,362,316	7.3
IOOF Holdings Limited	47,233,138	6.9
Norges Bank	36,155,256	5.3
Dimensional Fund Advisors LP	34,356,811	5.0

The directors and executive officers of Ausdrill held an aggregate of 2,512,343 shares in Ausdrill as of April 26, 2019, which represented 0.4% of the total shares then outstanding.

RELATED PARTY TRANSACTIONS

We enter into related party transactions from time to time. In the last three fiscal years, we entered into the related party transactions set forth below, which include the transactions with our previous joint venture, the AUMS joint venture. For additional information, please refer to the Ausdrill financial statements included elsewhere in this Offering Memorandum.

	FY16	FY17	FY18	1H19
	(A$ in thousands)			
Transactions with other related parties				
Sales of goods and services				
Joint Ventures	12,264	11,507	11,606	2,568
Entities related to key management personnel	1,811	8,365	42,676	1,536
Management fee received/receivable				
Joint Ventures	888	670	651	231
Purchase of goods				
Rental office buildings	358	358	90	-
Total	**15,321**	**20,900**	**55,022**	**4,334**

Ausdrill acquired the following goods and services from entities that are controlled by members of Ausdrill's key management personnel:

- Ausdrill rented an office building until September 2017 from Mr. Sayers, our former managing director;
- one of our former directors, Mr. Connelly is also a director of B2Gold Corp and non-executive chairman of Cardinal Resources and West African Resources, with whom we have exploration drilling contracts;
- Mr. Connelly is also a non-executive chairman of Toro Gold and West African Resources and Cardinal Resources, with which we have mining services contracts with us;
- one of our directors, Mr. Cochrane, is also a non-executive director of Dacian Gold Limited, to which we have been providing mineral analysis services to; and
- one of our directors, Mr. Cole is also (a) the Chairman of Synergy, which provides services to us, and (b) a non-executive director of Iluka Resources Limited, to which we have been providing drilling services.

Barminco continues to be a party to certain contracts and arrangements that it entered into with entities associated with Mr. Peter Bartlett, director of Bremerton Pty Ltd (an entity controlled by Mr. Bartlett), at a time when Mr. Bartlett owned approximately 30% of Barminco Holding's shares and served as a director of Barminco Holdings. These include a lease over Barminco's head office and principal maintenance facility. In addition, Barminco continues to obtain electrical services from Hahn Electrical Contracting Pty Ltd, in which Mr. Bartlett holds a 49% interest. We have no reason to believe that these arrangements are not on arm's length commercial terms, and while as a result of the Acquisition, Mr. Bartlett owns 3.6% of our outstanding shares, he does not exercise a significant influence on our company.

	FY16	FY17	FY18	1H19
	(A$ in thousands)			
Outstanding balances arising from sales/purchases of goods and services				
Current receivables (sales of goods and services)				
Joint Ventures	1,593	18,491	6,561	—
Entities related to key management personnel	572	1,955	10,787	181
Total	**2,164**	**20,446**	**17,347**	**181**

	FY16	FY17	FY18	1H19
	(A$ in thousands)			
Loans to/from related parties				
Loans to key management personnel				
Beginning of period	150	—	—	—
Loans on the Acquisition	—	—	—	401
Loan repayments made	-150	—	—	0
Interest charged	4	—	—	1
Interest received	-4	—	—	-1
End of period	**—**	**—**	**—**	**400**

There were no loans to/from equity accounted associates during the above periods presented.

Terms and conditions of related party transactions

All related party transactions were made on normal commercial terms and conditions and at market rates excluding the interest free component of loans to key management personnel in 1H19. The loans to key management personnel were repayable in full within six months during FY16. The loans on the Acquisition in HY19 are repayable by 22 October 2022. Interest was payable at the rate of 8% per annum in FY16 and 5.20% in HY19 on the interest bearing portion of the loans advanced. Outstanding balances are unsecured and are repayable in cash.

DESCRIPTION OF OTHER FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing our indebtedness that will remain outstanding after the issue of the Notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Revolving Facilities of Ausdrill

On April 18, 2019, we entered into separate bilateral revolving credit facilities with Caterpillar Financial Australia Limited, Deutsche Bank AG, Sydney Branch, Goldman Sachs Australia Financial Services Pty Ltd, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, Standard Chartered Bank, Australia Branch and Nedbank Limited, London Branch (each a "Lender"). We have been provided with Australian dollar denominated revolving loan facilities totaling A$270 million ("Tranche A1 Facilities") and Australian dollar denominated revolving loan and contingent instrument facilities totaling A$30 million ("Tranche A2 Facilities") (together with the Tranche A1 Facilities, the "Revolving Facilities").

Ausdrill Finance Pty Ltd and Ausdrill International Pty Ltd are the borrowers under the Revolving Facilities. The Revolving Facilities are guaranteed by certain of our subsidiaries, each guaranteeing, subject to certain limitations, each other borrower's and guarantor's obligations.

As of the date of this Offering Memorandum, US$141.0 million and A$20.0 million was drawn under the Revolving Facilities.

Structure

Tranche A1 Facilities provide for Australian dollar and US dollar denominated revolving loans in an aggregate amount equal to A$270 million. Tranche A2 Facilities provide for Australian dollar and US dollar denominated revolving loans and contingent instruments in an aggregate amount equal to A$30 million. The Revolving Facilities expire on July 1, 2023, however the Revolving Facilities have an "evergreen" so the Revolving Facilities provided by a Lender can be extended for one year periods at the request of Ausdrill Limited with the agreement of that Lender (under that Lender's bilateral facility agreement) in its sole discretion. A request for an extension must be made on or before the date that is 60 days before the then applicable Termination Date. A maximum of seven Tranche A1 loans and seven Tranche A2 loans or contingent instruments (where available under the applicable bilateral facility agreement) may be outstanding under the Revolving Facilities provided by each Lender.

Amounts borrowed under the Revolving Facilities may be used to fund the general corporate purposes of the Ausdrill Group and to refinance our previously existing secured revolving credit facilities.

Repayment, Prepayment and Cancellation

Subject to minimum quantitative thresholds, we may, at any time (by giving appropriate notice) cancel and/or prepay the whole or any part of the available aggregate facility at that time. Upon such cancellation or prepayment, no premium, fee or penalty will be payable (other than break costs arising if repayments occur within an interest period).

Interest and Costs

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of:

(a) in respect of Australian dollar denominated loans, a "Margin" over a base rate of BBSY is charged; and

(b) in respect of US dollar denominated loan a "Margin" over a base rate of LIBOR is charged.

We must pay a commitment fee equal to a percentage of the Margin, calculated on the basis of the daily available lending commitment during each quarterly period and payable on the last day of each such period. Commitment Fees are non-refundable.

We must also pay an establishment fee equal to a percentage of the total commitment. This establishment fee was paid on financial close.

Guarantee and Security

Each guarantor irrevocably and unconditionally jointly and severally guarantees the payment obligations of each other borrower and guarantor under the Revolving Facilities and associated finance documents. The guarantors under the Revolving Facilities will also be guarantors of the Notes.

The Revolving Facilities are secured by Ausdrill's Australian assets comprising real property mortgages and all present and after acquired property general security agreement over the remainder of Ausdrill's Australian assets. The security arrangement provided ensures that at the financial close of the Revolving Facilities, the lenders benefit from asset collateral exceeding 100% of the senior secured debt. The securities are granted in favor of CBA Corporate Services (NSW) Pty Limited as security trustee and are held by it pursuant to the terms of the Security Trust Deed dated October 5, 2012.

Covenants and Undertakings

The Revolving Facilities contain particular covenants and undertakings. These include the following financial undertakings, tested every six months:

(a) ratio of EBITDA for the preceding 12 month period to net interest expense must be greater than 3.0 times;

(b) the ratio of net senior secured debt to EBITDA for the preceding 12 month period must be less than 2.25 times;

(c) the ratio of net debt to net debt plus equity must be no more than 50%;

(d) the ratio of secured assets to senior secured debt must be greater than 1.35 times;

(e) the aggregate of all senior secured debt must not exceed A$400 million; and

(f) the guarantors must comprise no less than 90% of Australian EBITDA and 90% of the Australian total assets of the Ausdrill Group, no less than 70% of rest of world EBITDA and 70% of rest of world total assets and any Australian subsidiary comprising more than 5% of EBITDA and/or total assets will be a guarantor ("Guarantor Coverage Test").

In relation to the Guarantor Coverage Test, EBITDA and total assets are Australian if they are attributable or held by members of the group whose primary business is operated in Australia. EBITDA and total assets are rest of world if they are attributable or held by members of the group whose primary business is operated outside of Australia.

We note that despite the Guarantor Coverage Test, we are not required to accede a non-Australian guarantor to the Revolving Facilities if:

(a) we have been unable to obtain all required authorizations or has not been able to complete any filings, register notations and registrations required by law in connection with the accession of such entity as a guarantor provided that we have used our reasonable endeavors for a period of no less than 12 months to obtain all required authorizations and complete any filings, register notations and registrations required by law in connection with such accession; or

(b) after acting reasonably and after having made due and proper enquiry we determine that it is not economically or financially viable (whether due to stamp duty, registration, other similar taxes or otherwise) for that entity to become a guarantor.

Other general undertakings we have provided include undertakings in relation to the provision of information, limitations on the disposal of assets, security, priority indebtedness, capitalization of excluded subsidiaries, acquisitions, changes in business operations and hedging. Further restrictions apply following the occurrence of an event of default.

Events of Default and Review Events

Events of default under the Revolving Facilities include non-payment, breach of financial undertakings, non-compliance with obligations, insolvency, misrepresentation, cross default, cessation of business, and occurrence of material adverse events.

If there is a change of control, or if our shares are delisted or suspended from trading on ASX for more than 10 consecutive business days, this will also trigger a review event under the Revolving Facilities.

Asset Finance Arrangements

As of December 31, 2018, we had A$15.2 million in asset finance arrangements (principally hire purchase agreements) in Australia and A$35.5 million in asset finance arrangements (principally chattel mortgages) in Africa. We currently expect that reliance upon asset finance moving forward will be limited to situational specific financing, and the significant majority of our assets will be used to underpin our corporate platform. Future asset finance will be limited under the negative pledge through the permitted security interest and prior ranking indebtedness restrictions.

Barminco Senior Secured Notes due 2022

We intend to satisfy and discharge all of the U$350 million 6.25% Senior Secured Notes due 2022 of Barminco Holdings upon consummation of this Offering and redeem the outstanding notes using a portion of the proceeds of this Offering.

INDEPENDENT AUDITORS

The consolidated financial statements of Ausdrill Limited and its subsidiaries as of and for each of the fiscal years ended June 30, 2016, 2017 and 2018, included in this Offering Memorandum have been audited by PricewaterhouseCoopers, independent auditors, as stated in their reports appearing herein. With respect to the unaudited consolidated interim financial information of Ausdrill Limited and its subsidiaries as of and for the six-months ended December 31, 2017 and 2018, included in this Offering Memorandum, PricewaterhouseCoopers reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated February 20, 2019 appearing herein, states that they did not audit and they do not express an opinion on that unaudited consolidated interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The consolidated financial statements of Barminco Holdings Pty Limited and its subsidiaries as of and for each of the fiscal years ended June 30, 2017 and 2018, included in this Offering Memorandum have been audited by KPMG, independent auditors, as stated in their reports appearing herein.

LIMITATION OF LIABILITY OF INDEPENDENT AUDITORS

The liability of PricewaterhouseCoopers, an Australian partnership ("PwC Australia"), with respect to claims arising out of its respective audit reports is subject to the limitations set forth in the Chartered Accountants Australia and New Zealand Professional Standards Scheme (WA) approved by the Western Australia Professional Standards Council (the "WA Accountants Scheme") or such other applicable scheme approved pursuant to the Professional Standards Act 1997 (WA) (the "WA Professional Standards Act"). The WA Professional Standards Act and the WA Accountants Scheme limit PwC Australia's civil liability arising in tort, contract or otherwise directly or vicariously from anything done or omitted by PwC Australia in the performance of its professional services to Ausdrill including, without limitation, audits of Ausdrill's financial statements. The limit does not apply to liability for breach of trust or fraud or dishonesty. The WA Professional Standards Act and the WA Accountants Scheme have not been subject to judicial consideration and therefore how the limitation will be applied by the courts and the effect of limitations on the enforcement of foreign judgments are untested. The current WA Accountants Scheme limits the liability of participating members of the Chartered Accountants Australia and New Zealand arising from services provided on or after October 8, 2014 (with previous liability capping schemes continuing to apply to services provided from October 8, 2007 up to this date).

The WA Accountants Scheme limits the liability of participating members for damages arising from a claim to the extent to which the liability results in damages exceeding A$2 million. Such liability for damages is limited to a monetary ceiling determined by reference to: (a) the category in which the relevant service falls under the WA Accountants Scheme; and (b) the fee charged in respect of the service. The maximum monetary ceiling under the WA Accountants Scheme is A$75 million, which applies to Category 1 services (including financial statement audits) in respect of which the fee is A$2.5 million or more. In order for a monetary ceiling to apply to a claim, the participating member must have an insurance policy under which the amount payable in respect of the claim is not less than the monetary ceiling applicable to the claim and/or business assets the market value of which is not less than that amount. The WA Accountants Scheme is scheduled to expire on October 8, 2019.

In addition, there is equivalent professional standards legislation in place in each state and territory in Australia and amendments have been made to a number of Australian federal statutes to limit liability under those statutes to the same extent as liability is limited under state and territory laws by professional standards legislation. Pursuant to such professional standards legislation, each state and territory in Australia (except Tasmania, where its introduction has been deferred) has implemented similar schemes to the WA Accountants Scheme. As with the WA Accountants Scheme, all of these similar schemes are scheduled to expire on October 8, 2019.

In addition, amendments have been made to the Competition and Consumer Act 2010 (Cth) (the "Competition and Consumer Act 2010") to limit liability of participating members of The Institute of Chartered Accountants in Australia under the WA Accountant Scheme for misleading and deceptive conduct arising under the Competition and Consumer Act 2010 to the same extent as liability is limited under the WA Accountants Scheme.

The liability of KPMG in relation to the performance of their professional services provided to Barminco Holdings including, without limitation, KPMG's audits of Barminco Holdings' consolidated financial statements described above, is limited under the Institute of Chartered Accountants in Australia (NSW) Scheme approved by the New South Wales Professional Standards Council or such other applicable scheme approved pursuant to the Professional Standards Act 1994 (NSW) (the "Professional Standards Act"), including the Treasury Legislation Amendment (Professional Standards) Act (the "Accountants Scheme"). Specifically, the Accountants Scheme limits liability to a maximum amount of A$75 million. The Accountants Scheme does not limit liability for breach of trust, fraud or dishonesty. The Professional Standards Act and the Accountants Scheme have not been subject to relevant judicial consideration and, therefore, how the limitations will be applied by courts and the effect of the limitations on the enforcement of foreign judgments is untested.

ANNEX A—LIST OF SUBSIDIARY GUARANTORS

Subsidiary Guarantor	Jurisdiction of Organization
Ausdrill Limited	Australia
Ausdrill Finance Pty Ltd	Australia
Ausdrill International Pty Limited	Australia
BTP Equipment Pty Limited	Australia
Ausdrill Northwest Pty Limited	Australia
Ausdrill Properties Pty Limited	Australia
Ausdrill International & Management Services Pty Ltd	Australia
MinAnalytical Holdings Pty Ltd	Australia
Connector Drilling Pty Limited	Australia
Drill Rigs Australia Pty Limited	Australia
Synegex Holdings Pty Limited	Australia
ACN 103 534 087 Pty Ltd	Australia
Golden Plains Pty Limited	Australia
Supply Direct Pty Limited	Australia
Energy Drilling Australia Pty Limited	Australia
African Mining Services (Ghana) Pty Ltd	Australia
Ausdrill Utilities Pty Limited	Australia
Supply Direct South Africa Pty Ltd	Australia
BTP Parts Pty Ltd	Australia
Barminco Holdings Pty Limited	Australia
Barminco Finance Pty Limited	Australia
Barminco Limited	Australia
Barminco AUMS Holdings Pty Limited	Australia
Barminco India Investments Pty Limited	Australia
Barminco India Holdings Pty Limited	Australia
Barholdco (EIS) Pty Limited	Australia
SLR Australia Pty Limited	Australia
African Mining Services Burkina Faso SARL	Burkina Faso
African Mining Services Mali SARL	Mali
Logistics Direct Limited,	Ghana

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AUSDRILL—SIX MONTHS ENDED DECEMBER 31, 2018 AND 2017

Ausdrill Limited
Consolidated statement of profit or loss
For the half-year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	4	**642,544**	440,928
Other income	6(a)	**200,932**	14,124
Materials expense		**(248,504)**	(171,201)
Labour costs		**(211,079)**	(149,621)
Rental and hire expense		**(10,493)**	(8,171)
Depreciation and amortisation expense	6(b)	**(70,428)**	(34,322)
Finance costs	6(b)	**(24,178)**	(15,913)
Other expenses from ordinary activities	6(b)	**(66,446)**	(41,815)
Impairment of property, plant and equipment	5	**(31,200)**	-
Share of net profits of joint ventures accounted for using the equity method		**10,709**	9,167
Profit before income tax		**191,857**	43,176
Income tax benefit/(expense)	7	**25,126**	(7,907)
Profit for the half year		**216,983**	35,269
Profit is attributable to:			
Equity holders of Ausdrill Limited		**216,990**	35,269
Non-controlling interests		**(7)**	-
		216,983	35,269
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**41.12**	10.31
Diluted earnings per share		**40.70**	10.08

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Ausdrill Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Profit for the half-year		**216,983**	35,269
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of joint ventures accounted for using the equity method		**2,141**	676
Exchange (losses)/gains on translation of foreign operations		**9,654**	3,760
Effective portion of changes in the fair value of cash flow hedges		**3,738**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**(18,163)**	-
Items that will not be reclassified to profit or loss			
Gain/(loss) on revaluation of land and buildings, net of tax		**510**	(113)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax		**(836)**	(642)
Other comprehensive (loss)/income for the half-year, net of tax		**(2,956)**	3,681
Total comprehensive income for the half-year		**214,027**	38,950
Total comprehensive income/(loss) for the half-year is attributable to:			
Equity holders of Ausdrill Limited		**214,023**	38,950
Non-controlling interests		**4**	-
		214,027	38,950

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

Ausdrill Limited
Consolidated statement of financial position
As at 31 December 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**198,858**	137,258
Trade and other receivables		**362,851**	230,464
Inventories		**317,332**	212,600
Current tax receivables		**1,464**	964
Total current assets		**880,505**	581,286
Non-current assets			
Receivables		**3,159**	3,314
Joint ventures accounted for using the equity method	10, 14	**-**	71,266
Financial assets at fair value through other comprehensive income	2	**11,454**	11,999
Property, plant and equipment		**897,307**	664,347
Intangible assets	10	**765,802**	-
Derivative financial instruments	2	**12,221**	-
Deferred tax assets		**93,089**	35,549
Total non-current assets		**1,783,032**	786,475
TOTAL ASSETS		**2,663,537**	1,367,761
LIABILITIES			
Current liabilities			
Trade and other payables		**221,817**	122,770
Borrowings	8	**33,818**	3,334
Current tax liabilities		**8,719**	1,196
Employee benefit obligations		**66,367**	39,061
Total current liabilities		**330,721**	166,361
Non-current liabilities			
Borrowings	8	**712,734**	401,216
Deferred tax liabilities	13	**144,240**	24,947
Employee benefit obligations		**2,914**	486
Total non-current liabilities		**859,888**	426,649
TOTAL LIABILITIES		**1,190,609**	593,010
NET ASSETS		**1,472,928**	774,751
EQUITY			
Contributed equity	11	**1,126,825**	624,571
Other reserves		**(15,210)**	(12,459)
Retained earnings		**361,000**	162,639
Capital and reserves attributable to the owners of Ausdrill Limited		**1,472,615**	774,751
Non-controlling interests		**313**	-
TOTAL EQUITY		**1,472,928**	774,751

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

Ausdrill Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

	Notes	Attributable to owners of Ausdrill Limited					
		Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017		**526,447**	**(17,777)**	**121,444**	**630,114**	**-**	**630,114**
Profit for the half-year		-	-	35,269	35,269	-	35,269
Other comprehensive income/(loss)		-	3,681	-	3,681	-	3,681
Total comprehensive income/(loss) for the half-year		**-**	**3,681**	**35,269**	**38,950**	**-**	**38,950**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		97,730	-	-	97,730	-	97,730
Shares issued on conversion of employee share options		480	(397)	-	83	-	83
Dividends paid	9	-	-	(7,188)	(7,188)	-	(7,188)
Employee share options - value of employee services		-	459	-	459	-	459
		98,210	62	(7,188)	91,084	-	91,084
Balance at 31 December 2017		**624,657**	**(14,034)**	**149,525**	**760,148**	**-**	**760,148**
Balance at 1 July 2018		**624,571**	**(12,459)**	**162,639**	**774,751**	**-**	**774,751**
Profit for the half-year		-	-	216,990	216,990	(7)	216,983
Other comprehensive income/(loss)		-	(2,967)	-	(2,967)	11	(2,956)
Total comprehensive income/(loss) for the half-year		**-**	**(2,967)**	**216,990**	**214,023**	**4**	**214,027**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	11	243,829	-	-	243,829	-	243,829
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	10	258,393	-	-	258,393	-	258,393
Shares issued on conversion of employee share options	11	32	(26)	-	6	-	6
Non-controlling interests on acquisition of subsidiary	14	-	-	-	-	309	309
Dividends paid	9	-	-	(18,629)	(18,629)	-	(18,629)
Employee share options - value of employee services		-	242	-	242	-	242
		502,254	216	(18,629)	483,841	309	484,150
Balance at 31 December 2018		**1,126,825**	**(15,210)**	**361,000**	**1,472,615**	**313**	**1,472,928**

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

Ausdrill Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**697,528**	455,365
Payments to suppliers and employees (inclusive of goods and services tax)		**(604,455)**	(393,313)
		93,073	62,052
Interest received		**2,333**	1,198
Interest and other costs of finance paid		**(36,952)**	(14,363)
Income taxes paid		**(8,075)**	(9,123)
Management fee received from joint ventures		**357**	382
Net cash inflow from operating activities	15	**50,736**	40,146
Cash flows from investing activities			
Payments for purchase of subsidiaries	10	**(17,205)**	-
Payments for property, plant and equipment		**(76,587)**	(78,144)
Proceeds from sale of property, plant and equipment		**1,962**	4,375
Payments for assets at fair value through other comprehensive income/available-for-sale financial assets		**(650)**	(3,047)
Cash acquired on acquisition of subsidiary	10	**100,544**	-
Minority interest on start-up of joint venture	14	**309**	-
Net cash inflow/(outflow) from investing activities		**8,373**	(76,816)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**244,127**	97,813
Proceeds from secured borrowings		**195,116**	-
Repayment of secured borrowings		**(470)**	-
Proceeds from unsecured borrowings		**3,402**	-
Repayment of unsecured borrowings		**(419,036)**	(1,548)
Proceeds from hire purchase and lease liabilities		**13**	-
Repayment of hire purchase and lease liabilities		**(4,781)**	-
Dividends paid to Company's shareholders	9	**(18,629)**	(7,188)
Net cash (outflow)/inflow from financing activities		**(258)**	89,077
Net increase in cash and cash equivalents		**58,851**	52,407
Cash and cash equivalents at the beginning of the financial year		**137,258**	166,710
Effects of exchange rate changes on cash and cash equivalents		**2,749**	(478)
Cash and cash equivalents at the end of the half-year		**198,858**	218,639

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

1 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 200*1.

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 and any public announcements made by Ausdrill Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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.

Recoverable amounts for goodwill and other non-current assets

The recoverable amount of the Kalgoorlie/Synegex and Contract Mining Services Africa CGU's were estimated having regard to value in use (VIU). The VIU calculation was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU's assets. Please refer to note 5 for further information.

In the event that management's future earnings and growth assumptions are not achieved, impairment of non-current assets allocated to CGU's may occur in future periods.

(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 impairment model for financial assets. AASB 9 also amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies (continued)

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.

As disclosed in note 2, the Group holds equity securities which represent investments that the Group intends to hold for the long term for strategic purposes which were previously classified as available-for-sale. As permitted by AASB 9, the Group has designated these investments as measured at fair value through other comprehensive income (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit and loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

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

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 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

(i) 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.

1 Basis of preparation of half-year report (continued)

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

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 $24,519,768. The Group estimates that approximately 10.7% 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 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.

2 Fair value measurements

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 30 June 2018 on a recurring basis:

At 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Cross currency interest rate swap derivatives [(i)]	-	12,221	-	12,221
Financial assets at fair value through other comprehensive income				
Australian listed equity securities	4,848	-	-	4,848
Australian unlisted securities	-	-	5,910	5,910
CAD listed equity securities	234	-	-	234
GBP listed equity securities	462	-	-	462
Total financial assets	5,544	12,221	5,910	23,675

At 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through other comprehensive income *				
Australian listed equity securities	5,093	-	-	5,093
Australian unlisted equity securities	-	-	5,663	5,663
CAD listed equity securities	514	-	-	514
GBP listed equity securities	729	-	-	729
Total financial assets	6,336	-	5,663	11,999

* These investments were classified as available-for-sale financial assets as at 30 June 2018.

Other than mentioned in (c) below, there has been no other transfers between levels in the current or prior period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Cross currency interest rate swap derivatives
Barminco entered into cross currency interest rate swaps in April 2017 for a notional principal of US$350 million maturing on 15 May 2022, refer note 8. Barminco entered into four separate cross currency interest rate swaps with two different financial institutions to fully hedge the debt using cross currency interest rate swaps (CCIRS). CCIRS are a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar.

2 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

All remaining valuation techniques (level 3) are explained in (c) (i) below.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2018 for recurring fair value measurements:

	Unlisted equity securities $'000	Total $'000
Opening balance 01 July 2018	**5,663**	**5,663**
Reclassification between levels	**247**	**247**
Closing balance 31 December 2018	**5,910**	**5,910**

Coolgardie Minerals Limited was listed on the Australian Securities Exchange in August 2018. Securities for this company previously included in Level 3 has been reclassified to Level 1 in the current period. Securities for Awati Resources Limited previously included in Level 1 has been reclassified as Level 3 in the current period.

(i) Valuation inputs and relationships to fair value

The fair value of the unlisted equity securities has been determined as its acquisition cost due to the acquisition proximity to 31 December 2018 and nothing has come to our attention that would impact this value. Opening balances have also been determined as their acquisition cost and nothing has come to our attention that would impact this value.

3 Segment information

(a) Description of segments

Management has determined the operating segments based on the internal reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue, EBIT and profit or loss before tax.

The operating segments are identified by the Board based on the nature of the services provided. The Board considers the business from a geographic perspective, similarity of the services provided and the nature of risks and returns associated with each business.

Reportable segments are:

Surface Mining:
The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling, earthmoving and hydrological well drilling in Australia and Africa.

Underground Mining:
The provision of underground mining services in Australia, Africa, Egypt and India.

Other Investments:
Operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of mining supplies, products and services including equipment hire, equipment parts and sales, the provision of energy drilling, mineral analysis and property holding services.

Corporate and Finance:
This segment includes Group central functions including treasury, accounting, human resources, financing and administration.

Intersegment Eliminations:
Represents transactions which are eliminated on consolidation.

Restatement of prior year comparable:
The Company undertook an internal reorganisation of it businesses with effect from 1 November 2018.

With effect from that date, Drilling Services Australia and Contract Mining Services Africa were combined to form Surface Mining. Equipment Services & Supplies and All Other Segments were combined to form Other Investments. A branch has also been included in the Other Investments segment (previously included in the Surface Mining segment). A new segment was also created for Underground Mining.

The new definition has been applied to the half year ended 31 December 2017 as if the changes in structure had been effective from 1 July 2017. This has been done to facilitate comparability over multiple reporting periods.

3 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2018	Surface Mining	Underground Mining	Other Investments	Corporate & Finance	Inter-segment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue						
Sales to external customers	390,339	172,678	77,194	-	-	640,211
Intersegment sales	2,322	-	6,490	-	(8,812)	-
Total sales revenue	**392,661**	**172,678**	**83,684**	**-**	**(8,812)**	**640,211**
Timing of revenue recognition						
- At a point in time	4,551	-	11,366	-	-	15,917
- Overtime	388,110	172,678	72,318	-	(8,812)	624,294
	392,661	172,678	83,684	-	(8,812)	640,211
Interest income						2,333
Total segment revenue						**642,544**
Underlying segment EBIT	**28,539**	**35,966**	**10,826**	**(8,204)**	**-**	**67,127**
Transaction and restructuring costs	(309)	(1,640)	-	(11,967)	-	(13,916)
Amortisation expense - customer relationship intangibles	-	(6,720)	-	-	-	(6,720)
Impairment of property, plant and equipment	-	-	(31,200)	-	-	(31,200)
Fair value gain on AUMS	-	180,248	-	-	-	180,248
Foreign currency translation reserve derecognition on AUMS	-	18,163	-	-	-	18,163
Reported segment EBIT	**28,230**	**226,017**	**(20,374)**	**(20,171)**	**-**	**213,702**
Interest income						2,333
Interest expense						(24,178)
Profit before tax						**191,857**
Income tax (expense)/benefit						25,126
Profit/(loss) for the period						**216,983**
Segment assets	**1,805,514**	**1,337,214**	**234,836**	**735,057**	**(1,449,084)**	**2,663,537**
Segment liabilities	**359,819**	**807,797**	**23,985**	**963,314**	**(964,306)**	**1,190,609**
Other segment information						
Share of net profits from joint ventures	-	10,709	-	-	-	10,709
Depreciation and amortisation expenses	(40,608)	(24,034)	(5,613)	(173)	-	(70,428)
Acquisition of property, plant and equipment, intangibles and other non-current assets	41,307	22,856	12,184	890	-	77,237

3 Segment information (continued)

(b) Segment information provided to the Board (continued)

Half-year ended 31 December 2017 (restated)	Surface Mining	Underground Mining	Other Investments	Corporate & Finance	Inter-segment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue						
Sales to external customers	348,841	-	90,889	-	-	439,730
Intersegment sales	1,475	-	6,497	-	(7,972)	-
Total sales revenue	**350,316**	**-**	**97,386**	**-**	**(7,972)**	**439,730**
Timing of revenue recognition						
- At a point in time	2,108	-	13,409	-	-	15,517
- Overtime	348,208	-	83,977	-	(7,972)	424,213
	350,316	-	97,386	-	(7,972)	439,730
Interest income						1,198
Total segment revenue						**440,928**
Underlying segment EBIT	**35,820**	**9,167**	**10,071**	**(2,417)**	**-**	**52,641**
Settlement of claim	-	-	5,250	-	-	5,250
Reported segment EBIT	**35,820**	**9,167**	**15,321**	**(2,417)**	**-**	**57,891**
Interest income						1,198
Interest expense						(15,913)
Profit before tax						**43,176**
Income tax (expense)/benefit						(7,907)
Profit/(loss) for the period						**35,269**
Segment assets	**1,394,221**	**68,869**	**265,434**	**761,916**	**(1,182,250)**	**1,308,190**
Segment liabilities	**411,204**	**-**	**210,366**	**994,555**	**(1,068,082)**	**548,043**
Other segment information						
Investments in joint ventures	-	68,869	-	-	-	68,869
Share of net profits from joint ventures	-	9,167	-	-	-	9,167
Depreciation and amortisation expenses	(28,393)	-	(5,784)	(145)	-	(34,322)
Acquisition of property, plant and equipment, intangibles and other non-current assets	72,023	-	6,055	3,113	-	81,191

3 Segment information (continued)

(c) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss.

Total revenue by geographical location is as follows:

	31 December 2018			31 December 2017		
	Total segment revenue $'000	**Inter-segment revenue $'000**	**Revenue from external customers $'000**	Total segment revenue $'000	Inter-segment revenue $'000	Revenue from external customers $'000
Surface Mining						
- Australia	**107,557**	**(2,194)**	**105,363**	105,284	(1,471)	103,813
- Ghana	**133,576**	**-**	**133,576**	120,657	(4)	120,653
- Burkina Faso	**46,930**	**-**	**46,930**	32,422	-	32,422
- Mali	**73,335**	**-**	**73,335**	50,956	-	50,956
- Senegal	**25,594**	**-**	**25,594**	12,416	-	12,416
- Other foreign countries	**5,669**	**(128)**	**5,541**	28,581	-	28,581
Underground Mining						
- Australia	**86,598**	**-**	**86,598**	-	-	-
- Ghana	**22,324**	**-**	**22,324**	-	-	-
- Burkina Faso	**23,696**	**-**	**23,696**	-	-	-
- Tanzania	**22,379**	**-**	**22,379**	-	-	-
- India	**3,966**	**-**	**3,966**	-	-	-
- Egypt	**13,715**	**-**	**13,715**	-	-	-
Other Investments						
- Australia	**71,715**	**(1,056)**	**70,659**	84,989	(2,748)	82,241
- Africa	**9,538**	**(3,697)**	**5,841**	9,505	(1,407)	8,098
- Other foreign countries	**2,431**	**(1,737)**	**694**	2,892	(2,342)	550
Interest income	**2,333**	**-**	**2,333**	1,198	-	1,198
Total segment revenue	**651,356**	**(8,812)**	**642,544**	448,900	(7,972)	440,928

4 Revenue

	31 December 2018 $'000	31 December 2017 $'000
From continuing operations		
Sales revenue		
Sale of goods	**15,917**	15,517
Services	**624,294**	424,213
	640,211	439,730
Other revenue		
Interest	**2,333**	1,198
	642,544	440,928

5 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.

	Note	**31 December 2018 $'000**	31 December 2017 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	10	**180,248**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**18,163**	-
Impairment of property, plant and equipment		**(31,200)**	-
Income tax net benefit - transactional and other		**25,886**	-

(a) Impairment of non-current assets

According to AASB 136 Impairment of Assets, impairment testing is required at the end of each reporting period or where there is an indication of possible impairment. For the half-year ended 31 December 2018, the Company assessed whether there were any indicators of impairment. In doing this management considered the profitability of the Cash Generating Units (**CGU's**) against their budgets. Where a business was performing significantly below its budget and forecast and had high under utilisation of property, plant and equipment, management considered that there was an impairment indicator and performed an impairment assessment for those CGUs. This was the case for the Kalgoorlie/Synegex CGU, Contract Mining Services Africa CGU, Ausdrill Northwest/Connector CGU and Energy Drilling Australia CGU. For these CGUs, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment or reversal of previous impairment in relation to its carrying value. Determining a CGU's recoverable amount was completed via the following methods:

(i) assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;
(ii) for certain CGUs the recoverability of its assets is completed via a fair value less costs of disposal calculation (**FVLCD**); and
(iii) for certain CGUs the recoverability of its assets is completed via a value in use methodology (**VIU**).

5 Individually significant items (continued)

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation along with its own internal valuation where a FVLCD has been used. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved business plan, and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. This methodology is consistently applied in reporting periods.

For the Kalgoorlie/Synegex and Contract Mining Services Africa CGUs, which had impairment triggers at 31 December 2018, a VIU methodology was adopted. Based on the testing of indicators of impairment performed, no impairment expense has been recognised at the CGU level.

For the Ausdrill Northwest/Connector and Energy Drilling Australia CGUs, which had impairment triggers at 31 December 2018, a valuation approach was adopted. The valuation approach, was a combination of Level 1, Level 2 and predominantly Level 3 inputs in the fair value hierarchy. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As Energy Drilling Australia assets have been in care and maintenance for a number of years with no prospective buyers, a valuation this year was undertaken on the basis of 'fire sale' and 'scrap value'. As a result, an impairment expense of $31.2 million has been recognised at the Energy Drilling Australia CGU level. No impairment expense has been recognised at the Ausdrill Northwest/Connector CGU level.

Key assumptions used for value in use calculations

For certain CGUs the recoverability of its assets is completed via a VIU methodology. The calculation of VIU for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins
(b) Capital expenditure
(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

Capital expenditure

Capital expenditure with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Growth rate estimates and discount rates

Future cash flows are extrapolated by applying conservative growth rates for each segment, terminal rates not exceeding 3% and appropriate discount rates to the CGU. This methodology is consistently applied in reporting periods.

6 Other income and expense items

(a) Other income

	Notes	31 December 2018 $'000	31 December 2017 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	10	**180,248**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**18,163**	-
Other items [(i)]		**1,853**	6,525
Foreign exchange gain (net)		**251**	6,328
Management fee received from joint ventures		**357**	382
Insurance proceeds		**60**	889
		200,932	14,124

(i) The Group settled a claim and received $5.3 million net of GST during the prior period.

(b) Breakdown of expenses by nature

Depreciation and amortisation expense		
Buildings depreciation	**936**	797
Plant and equipment depreciation	**62,699**	33,525
Customer relationships intangibles amortisation	**6,720**	-
Software amortisation	**73**	-
Total depreciation and amortisation expense	**70,428**	34,322
Finance costs		
Hire purchase interest	**6,730**	29
Interest paid	**13,863**	14,333
Amortised borrowing cost	**3,384**	1,551
Fair value hedge ineffectiveness	**33**	-
Lease contracts interest	**168**	-
Total finance costs	**24,178**	15,913
Other expenses from ordinary activities		
Consultants	**12,650**	7,553
Freight	**8,081**	10,813
Staffing, safety and training	**9,494**	6,208
Travel and accommodation	**7,989**	4,627
IT and communications	**6,036**	3,097
Insurance	**5,083**	3,155
Other property related expenses	**4,510**	3,683
Inventory adjustments	**2,053**	1,070
Duties and taxes	**1,651**	1,360
Trade receivable provisions and bad debts	**104**	(100)
All other expenses	**8,795**	349
Total other expenses from ordinary activities	**66,446**	41,815
Impairment of financial assets		
Impairment of property, plant and equipment	**31,200**	-

7 Income tax benefit/(expense)

Effective tax rates for the half-year ended 31 December 2018 for Australian and global operations in terms of the Board of Taxation's Voluntary Tax Transparency Code:

(i) Australian operations

The accounting effective company tax rate for the half-year ended 31 December 2018 is (47.5%) (30 June 2018: 0.0%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income/expenditure which are not assessable/deductible, recognition of previously unrecognised tax losses/tax offsets, the inclusion of equity accounted profits in profit before tax and the acquisition of the Barminco Group. The effective tax rate excluding the impact of these items is 30.0% (30 June 2018: 30.0%).

(ii) Global operations

The accounting effective company tax rate for the half-year ended 31 December 2018 is (13.1%) (30 June 2018: 20.0%). This effective tax rate is lower than the Australian company tax rate due to the impact of different company tax rates in other countries, functional currencies, items of income/expenditure which are not assessable/deductible, recognition of previously unrecognised tax losses/tax offsets, the acquisition of the Barminco Group, step acquisition of AUMS and the provision for tax liabilities resulting from tax audits in Africa. The effective tax rate excluding the impact of these items is 30.0% (30 June 2018: 30.2%).

8 Borrowings

	31 December 2018			30 June 2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Secured						
USD notes	**-**	**493,281**	**493,281**	-	-	-
Bank loans	**-**	**200,217**	**200,217**	-	-	-
Prepaid borrowing costs	**-**	**(1,364)**	**(1,364)**	-	(1,235)	(1,235)
Hire purchase liabilities	**31,035**	**19,642**	**50,677**	-	-	-
Total secured borrowings	**31,035**	**711,776**	**742,811**	-	(1,235)	(1,235)
Unsecured						
USD notes	**-**	**-**	**-**	-	404,998	404,998
Joint venture partner loan	**-**	**958**	**958**	-	-	-
Prepaid borrowing costs	**-**	**-**	**-**	-	(2,547)	(2,547)
Insurance premium funding	**2,783**	**-**	**2,783**	3,334	-	3,334
Total unsecured borrowings	**2,783**	**958**	**3,741**	3,334	402,451	405,785
Total borrowings	**33,818**	**712,734**	**746,552**	3,334	401,216	404,550

	31 December 2018	30 June 2018
	$'000	$'000
Total unutilised facilities - bank loans, hire purchase and lease facilities	**176,483**	199,433

8 Borrowings (continued)

Bank loans

In November 2018, Ausdrill Limited increased its revolving credit facility from A$200 million to A$300 million. The facility is a 3-year, dual currency, syndicated facility, maturing on 1 July 2020 and has been provided by a number of leading lending institutions in the Australian banking market. As at 31 December 2018, approximately two thirds of this facility was drawn down.

Effective 1 November 2018, following a review of the future liquidity requirements of Barminco and to reduce holding costs, Barminco negotiated a reduction in the their revolving debt facility from A$75 million to A$45 million. Barminco's revolving debt facility was agreed on 24 April 2017 for a term of three and half years. In addition to the A$45 million draw down facility available under the Barminco revolving debt facility, the terms of the agreement allow Barminco to draw up to an additional A$34.8 million in finance leasing from approved third party finance lease providers for plant and equipment purchases.

USD notes - secured

On 26 April 2017 Barminco issued 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US$350 million principal amount. The 6.625% Senior Secured Notes due in May 2022 have been fully hedged using Cross Currency Interest Rate Swaps (CCIRS). The 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.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.

USD notes - unsecured

In September 2018, Ausdrill completed the A$250 million equity raising facilitating the repayment of the 6.875% Guaranteed Senior Unsecured Notes due November 2019, to maintain prudent leverage across the group.

Hire purchase and lease facilities

Hire purchase and lease facilities are secured by the specific assets financed.

Joint venture partner loan - unsecured

The joint venture partner loan relates to Underground Mining Alliance Limited, refer note 14.

Covenants on financing facilities

The Group’s financing facilities contain undertakings including an obligation to comply at all times with certain financial covenants which require the Group to operate within certain financing ratio threshold levels as well as ensuring that subsidiaries that contribute minimum threshold amounts of Group EBITDA and Group Total Tangible Assets are guarantors under various facilities.

All banking covenants have been complied with at reporting date.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to renegotiate with existing and new financers to extend the maturity date of those facilities. The Group’s earnings profile, credit rating, state of the economy, conditions in financial markets and other factors may influence the outcome of those negotiations.

Credit ratings

The Group currently has a credit rating of Ba2 (Outlook Stable) from Moody's and a credit rating of BB (Outlook Stable) from Standard & Poor's. Where a credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Banks and other lending institutions may demand more stringent terms (including increased pricing) on debt facilities to reflect the higher credit risk profile.

8 Borrowings (continued)

Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	31 December 2018			30 June 2018		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	Carrying amount $'000	Fair value $'000	Discount rate %
On-balance sheet						
Non-traded financial liabilities						
USD note - secured	**493,281**	**484,696**	**7.49**	**-**	**-**	**-**
USD note - unsecured	**-**	**-**	**-**	**404,998**	**411,468**	**6.22**

The fair values of non-current borrowings are based on discounted cash flows using the rates disclosed in the table above.

9 Dividends

(a) Ordinary shares

	31 December 2018 $'000	31 December 2017 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2018 and 2017 were as follows:		
Final ordinary fully franked dividend for the year ended 30 June 2018 of 1.5 cents (2017: 2.0 cents) per fully paid ordinary share and a special dividend of 2.0 cents (2017: nil) per fully paid ordinary share paid on 18 October 2018	**18,629**	7,188

(b) Dividends not recognised at the end of the reporting period

	31 December 2018 $'000	31 December 2017 $'000
In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 3.5 cents per fully paid ordinary share (2017 - 3.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 March 2019 out of retained earnings at 31 December 2018 but not recognised as a liability at the end of the half-year, is as follows:	**23,907**	12,629

10 Business combination

(a) Current period

Summary of acquisition of Barminco

On 31 October 2018 Ausdrill Limited acquired Barminco Holdings Pty Limited ("Barminco"), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa, Egypt and India. The acquisition of Barminco increased the Group's ownership of the AUMS entities from 50% to 100%. Ausdrill acquired all of the equity and equity-like instruments in Barminco in exchange for 150.7 million fully paid ordinary ex-dividend shares and $17.2 million in cash. All of the consideration shares issued are escrowed until the release of Ausdrill's FY19 results in late August 2019. However, if after the release of Ausdrill's December 2018 interim results, the Ausdrill share price trades on the ASX for any five consecutive days at a volume weighted average price of at least $2.04 (representing a 25% premium to the theoretical ex-rights price (TERP)), this escrow will cease to apply with respect to one third of the shares issued.

Details of the purchase consideration and the net assets and liabilities acquired on acquisition are as follows:

	$'000
Purchase consideration	
Ordinary shares issued	258,393
Cash paid	17,205
Total purchase consideration	275,598

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	61,391
Receivables	91,970
Inventories	22,893
Current tax asset	364
Property plant and equipment	140,797
Intangible assets	1,349
Investment in AUMS	84,116
Deferred tax asset (net)	9,221
Other non-current assets	1,353
Payables	(82,934)
Employee benefit liabilities	(28,857)
Borrowings	(505,422)
Other fair value adjustments to liabilities	(15,185)
Net identifiable assets (liabilities) acquired	(218,944)
Goodwill on acquisition (Barminco and 50% AUMS)	351,006
Customer related intangibles (Barminco and 50% AUMS)	205,051
Deferred tax liability on customer related intangibles	(61,515)
Net assets acquired	275,598

10 Business combination (continued)

(a) Current period (continued)

The acquisition of the Barminco Group occurred on 31 October 2018. In accordance with AASB 3 *Business Combinations*, the initial accounting determined above is provisional due to ongoing work finalising asset valuations and tax related matters. The provisional accounting for the acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

The goodwill is attributable to Barminco's strong position and performance as a specialist underground hard-rock mining contractor, Barminco's 50% share of the AUMS entities and synergies that are expected to arise. It has been allocated to the Underground Mining segment. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the Barminco and 50% share of the AUMS customer related intangibles on acquisition is provisional pending the final valuations of those assets. It has been allocated to the Underground Mining segment. Deferred tax of $59,753,040 has been provided in relation to these fair value adjustments.

(i) Acquired receivables

The fair value of receivables is $91,970,000. This includes trade receivables with a fair value of $25,166,000. The gross contractual amount for trade receivables due is $25,166,000 of which $Nil is expected to be uncollectable. Receivables also include accrued revenue of $55,274,000 and other receivables of $11,530,000.

(ii) Acquisition related costs

Acquisition related costs of $14,057,483 are included in the consolidated statement of profit or loss, in other expenses from ordinary activities and finance costs.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $104,279,000 and net profit of $12,854,000 to the group from the period for 1 November 2018 to 31 December 2018.

If the acquisition had occurred on 1 July 2018, consolidated revenue and consolidated profit for the acquired group for the half year ended 31 December 2018 would have been $312,641,000 and $18,679,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for any transaction costs.

(iv) Step acquisition of Ausdrill Limited's existing 50% share of AUMS

As a result of the acquisition of Barminco, Ausdrill increased it's investment in the Africa Underground Mining Services (AUMS) entities (refer note 14) from 50% to 100%. As at 31 October 2018 the Group ceased equity accounting and has fully consolidated the AUMS entities.

	$'000
Acquisition date fair value of previously held equity interest	264,364
Less investment in AUMS	(84,116)
Step acquisition gain on Ausdrill Limited's existing 50% share of AUMS	180,248
Foreign currency translation reserves derecognised on step acquisition of AUMS	18,163
Total gain	198,411

Goodwill on acquisition	98,720
Customer related intangibles	116,469
Deferred tax liability on customer related intangibles	(34,941)
Step acquisition gain on Ausdrill Limited's existing 50% share of AUMS	180,248

The gain on the step acquisition of AUMS has been recorded in other income in the statement of comprehensive income.

10 Business combination (continued)

(a) Current period (continued)

(iv) Step acquisition of Ausdrill Limited's existing 50% share of AUMS (continued)

The assets and liabilities recognised as a result of the step acquisition are as follows:

Cash and cash equivalents	39,153
Receivables	58,898
Inventories	56,858
Property plant and equipment	96,255
Deferred tax asset	4,409
Payables	(46,116)
Current tax liabilities	(1,899)
Borrowings	(37,344)
Employee benefit liabilities	(1,982)
Net identifiable assets (liabilities) acquired	168,232

The goodwill is attributable to AUMS's strong position and performance as a specialist underground hard-rock mining contractor and synergies that are expected to arise. It has been allocated to the Underground Mining segment. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of the AUMS customer related intangibles on acquisition is provisional pending the final valuations of those assets. It has been allocated to the Underground Mining segment. Deferred tax has been provided in relation to these fair value adjustments.

11 Contributed equity

(a) Share capital

	31 December 2018 Shares	30 June 2018 Shares	**31 December 2018 $'000**	30 June 2018 $'000
Ordinary shares				
Fully paid ordinary shares	**683,050,876**	362,197,492	**1,126,825**	624,571

(b) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$'000**
Opening balance 1 July 2018		362,197,492	624,571
Contributions of equity, net of transaction costs and tax		170,048,778	243,829
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	10	150,666,463	258,393
Exercise of options issued under the Employee Option Plan		138,143	32
Balance 31 December 2018		683,050,876	1,126,825

(c) Ordinary shares

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.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends be paid in cash.

12 Events occurring after the balance sheet date

On 20 February 2019, the directors declared the payment of an interim dividend of 3.5 cents (fully franked) per fully paid share to be paid on 27 March 2019 out of retained earnings at 31 December 2018. See note 9(b) for further information.

The financial effect of the above transaction has not been brought to account at 31 December 2018.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

13 Deferred tax liabilities

The deferred tax liability of $144.2 million includes an amount of $42.2 million (30 June 2018: nil) relating to the provision for tax liabilities resulting from tax audits in Africa.

14 Investments in joint ventures

Summarised financial information of joint ventures

		Ownership interest	
	Place of business/ Country of incorporation	**31 December 2018**	31 December 2017
		%	%
African Underground Mining Services Limited[(i)]	Ghana	100	50
African Underground Mining Services Mali Sarl[(i)]	Mali	100	50
African Underground Mining Services Burkina Faso Sarl[(i)]	Burkina Faso	100	50
AUMS (T) Limited[(i)]	Tanzania	100	50
Underground Mining Alliance Limited[(ii)]	Ghana	70	-

(i) Refer to note 10(a)(iv) for information about the Group's step acquisition of African Underground Mining Services (AUMS).
(ii) Underground Mining Alliance Limited (UMA) is a 70/30 joint venture between AUMS and Rocksure International, a Ghanaian mining contractor.

15 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Profit for the half year		**216,983**	35,269
Adjusted for			
Depreciation and amortisation expense	6(b)	**70,428**	34,322
Impairment of property, plant and equipment	5	**31,200**	-
(Gain)/loss on sale of non-current assets		**(55)**	366
Net exchange differences		**1,837**	6,025
Trade receivable provisions and bad debts		**104**	(100)
Share of profits of joint ventures		**(10,709)**	(9,167)
Non-cash employee benefits expense - share-based payments		**242**	459
Borrowing costs		**3,014**	-
Step acquisition gain on ASL's existing 50% share of AUMS	10	**(180,248)**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	10	**(18,163)**	-
Derivatives ineffectiveness		**33**	-
Change in operating assets and liabilities:			
(Increase)/decrease in trade debtors		**28,959**	(9,746)
(Increase)/decrease in inventories		**(18,806)**	(1,086)
(Increase)/decrease in deferred tax assets		**(48,067)**	(1,780)
(Increase)/decrease in other operating assets		**(138)**	(4,233)
(Decrease)/increase in trade creditors		**(37,924)**	(6,696)
(Decrease)/increase in provision for income taxes payable		**5,341**	(411)
(Decrease)/increase in deferred tax liabilities		**8,853**	975
(Decrease)/increase in other provisions		**(2,148)**	(4,051)
Net cash inflow from operating activities		**50,736**	40,146

(b) Non-cash investing and financing activities

	31 December 2018 $'000	31 December 2017 $'000
Issue of shares for Barminco acquisition	**(258,393)**	-
Acquisition of plant and equipment by means of finance leases or hire purchases	**13**	-
Total non-cash investing activities	**(258,380)**	-

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 39 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards including AASB 134 *Interim Financial reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date,

(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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

Mark Norwell
Managing Director

Perth
20 February 2019

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Independent auditor's review report to the members of Ausdrill Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ausdrill Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Ausdrill Limited. The Group comprises the Company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ausdrill Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ausdrill Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2 complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
20 February 2019

AUSDRILL—YEARS ENDED JUNE 30, 2018 AND 2017

Consolidated statement of profit or loss

	NOTES	18 $'000	17 $'000
Revenue from continuing operations	2	**890,317**	764,950
Other income	4(a)	**22,345**	12,468
Materials expense		**(367,543)**	(328,099)
Labour costs		**(285,090)**	(241,577)
Rental and hire expense		**(14,778)**	(13,779)
Depreciation and amortisation expense	4(b)	**(74,528)**	(62,172)
Finance costs	4(b)	**(31,626)**	(31,381)
Other expenses from ordinary activities	4(b)	**(87,362)**	(68,878)
Share of net profit of joint ventures accounted for using the equity method	14(b)	**22,344**	13,090
Profit/(loss) before income tax		**74,079**	44,622
Income tax (expense)/benefit	5	**(14,730)**	(13,671)
Profit/(loss) from continuing operations		**59,349**	30,951
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	13	**1,701**	250
Profit/(loss) for the year		**61,050**	31,201
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		**61,050**	31,201
Profit/(loss) for the year		**61,050**	31,201
		CENTS	**CENTS**
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	**16.9**	9.9
Diluted earnings/(loss) per share	21	**16.6**	9.6
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	**17.4**	10.0
Diluted earnings/(loss) per share	21	**17.1**	9.7

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	NOTES	18 $'000	17 $'000
Profit/(loss) for the year		**61,050**	31,201
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange (losses)/gains on translation of foreign operations	8(b)	**(1,371)**	882
Exchange gains/(losses) on translation of joint ventures accounted for using the equity method	8(b)	**3,671**	(1,024)
Items that will not be reclassified to profit or loss			
Gain/(loss) on revaluation of land and buildings, net of tax	8(b)	**4,443**	(421)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	8(b)	**(1,664)**	(1,424)
Other comprehensive income/(loss) for the year, net of tax		**5,079**	(1,987)
Total comprehensive income/(loss) for the year		**66,129**	29,214
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Ausdrill Limited		**66,129**	29,214
Total comprehensive income/(loss) for the year		**66,129**	29,214
Total comprehensive income/(loss) for the period attributable to owners of Ausdrill Limited arises from:			
Continuing operations		**64,428**	28,964
Discontinued operations		**1,701**	250
		66,129	29,214

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

Consolidated statement of financial position

	NOTES	18 $'000	17 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**137,258**	166,710
Trade and other receivables	6(b)	**230,464**	167,742
Inventories	7(a)	**212,600**	188,761
Current tax receivables		**964**	3,028
Total current assets		**581,286**	526,241
Non-current assets			
Receivables	6(b)	**3,314**	-
Joint ventures accounted for using the equity method	14(b)	**71,266**	58,884
Available-for-sale financial assets	6(c)	**11,999**	5,189
Property, plant and equipment	7(b)	**664,347**	560,464
Deferred tax assets	7(c)	**35,549**	36,584
Total non-current assets		**786,475**	661,121
Total assets		**1,367,761**	1,187,362
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	**122,770**	100,396
Borrowings	6(e)	**3,334**	2,802
Current tax liabilities		**1,196**	4,181
Employee benefit obligations	7(d)	**39,061**	40,805
Total current liabilities		**166,361**	148,184
Non-current liabilities			
Borrowings	6(e)	**401,216**	385,815
Deferred tax liabilities	7(c)	**24,947**	22,289
Employee benefit obligations	7(d)	**486**	960
Total non-current liabilities		**426,649**	409,064
Total liabilities		**593,010**	557,248
Net assets		**774,751**	630,114
EQUITY			
Contributed equity	8(a)	**624,571**	526,447
Other reserves	8(b)	**(12,459)**	(17,777)
Retained earnings	8(c)	**162,639**	121,444
Capital and reserves attributable to owners of Ausdrill Limited		**774,751**	630,114
Total equity		**774,751**	630,114

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

Consolidated statement of changes in equity

	NOTES	ATTRIBUTABLE TO OWNERS OF AUSDRILL LIMITED			
		CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2016		**526,447**	**(16,028)**	**96,177**	**606,596**
Profit for the year		-	-	31,201	31,201
Other comprehensive income/(loss)		-	(1,987)	312	(1,675)
Total comprehensive income/(loss) for the period		**-**	**(1,987)**	**31,513**	**29,526**
Transactions with owners in their capacity as owners:					
Dividends paid	12(b)	-	-	(6,246)	(6,246)
Employee share options - value of employee services	8(b)	-	238	-	238
		-	238	(6,246)	(6,008)
Balance at 30 June 2017		**526,447**	**(17,777)**	**121,444**	**630,114**
Profit for the year		-	-	61,050	61,050
Other comprehensive income/(loss)		-	5,079	-	5,079
Total comprehensive income/(loss) for the period		**-**	**5,079**	**61,050**	**66,129**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	8(a)	97,516	-	-	97,516
Shares issued on conversion of employee share options	8(a)	608	(517)	-	91
Dividends paid	12(b)	-	-	(19,855)	(19,855)
Employee share options - value of employee services	8(b)	-	756	-	756
		98,124	239	(19,855)	78,508
Balance at 30 June 2018		**624,571**	**(12,459)**	**162,639**	**774,751**

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

Consolidated statement of cash flows

	NOTES	18 $'000	17 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		892,394	802,207
Payments to suppliers and employees (inclusive of goods and services tax)		(802,239)	(670,096)
		90,155	132,111
Interest received		2,990	2,391
Interest and other costs of finance paid		(28,982)	(29,113)
Income taxes (paid)/refunded		(12,312)	(11,782)
Management fee received from joint ventures		742	1,006
Net cash inflow/(outflow) from operating activities	9(a)	52,593	94,613
Cash flows from investing activities			
Payments for property, plant and equipment		(173,280)	(147,418)
Proceeds from sale of property, plant and equipment		3,319	1,780
Payments for available-for-sale financial assets		(9,187)	(3,855)
Proceeds from sale of available-for-sale financial assets		-	3,207
Proceeds from sale of business	13	4,600	22,213
Cash removed on disposal of subsidiary		(602)	-
Distributions received from associates		13,633	22,946
Net cash (outflow)/inflow from investing activities		(161,517)	(101,127)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		97,606	-
Repayment of hire purchase and lease liabilities		-	(471)
Proceeds from unsecured borrowings		3,991	3,721
Dividends paid to Company's shareholders	12(b)	(19,855)	(6,246)
Repayment of unsecured borrowings		(3,458)	(3,969)
Net cash inflow/(outflow) from financing activities		78,284	(6,965)
Net (decrease)/increase in cash and cash equivalents		(30,640)	(13,479)
Cash and cash equivalents at the beginning of the financial year		166,710	181,857
Effects of exchange rate changes on cash and cash equivalents		1,188	(1,668)
Cash and cash equivalents at end of year	6(a)	137,258	166,710

Non-cash investing and financing activities (refer note 9(b))

Cash flows from discontinued operations (refer note 13)

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

Notes to the consolidated financial statements

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How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and sub-totals, including segment information

(c) information about estimates and judgements made in relation to particular items.

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Notes to the consolidated financial statements

1 Segment information

(a) Description of segments

Management has determined the operating segments based on the internal reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue, EBIT, EBITDA and profit or loss before tax.

The operating segments are identified by the Board based on the nature of the services provided. The Board considers the business from a geographic perspective, similarity of the services provided and the nature of risks and returns associated with each business.

Reportable segments are:

Drilling Services Australia:

The provision of drilling services and drilling equipment including drilling and blasting, in-pit grade control, exploration drilling and water well drilling in Australia.

Equipment Services and Supplies:

The provision of mining supplies, products and services including equipment hire, equipment parts and sales throughout the world.

Contract Mining Services Africa:

The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa.

All Other Segments:

Australian operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of energy drilling and equipment hire, mineral analysis and property holding services.

Corporate and Finance:

This segment includes Group central functions including treasury, accounting, human resources and administration.

In the prior year, the Group embarked on a centralisation of accounts payable, accounts receivable and payroll for its Australian operations. These costs are not distributed amongst the other segments.

Intersegment eliminations:

Represents transactions which are eliminated on consolidation.

Discontinued operations:

This segment includes the discontinued operations of the Diamond Communications business (2017: The Miners Rest Motel). Information about discontinued businesses can be found in note 13.

1 Segment information (continued)

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2018 is as follows:

2018	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'000	ALL OTHER SEGMENTS $'000	CORPORATE & FINANCE $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue										
Sales to external customers	214,926	147,661	510,899	13,848	-	-	887,334	17,924	-	905,258
Intersegment sales	5,608	16,716	6	-	-	(22,330)	-	-	-	-
Total sales revenue	**220,534**	**164,377**	**510,905**	**13,848**	**-**	**(22,330)**	**887,334**	**17,924**	**-**	**905,258**
Other revenue	60	47	537	8	27,732	(25,401)	2,983	7	-	2,990
Total segment revenue	220,594	164,424	511,442	13,856	27,732	(47,731)	890,317	17,931	-	908,248
Segment EBITDA	**37,859**	**26,046**	**118,487**	**8,222**	**(13,363)**	**127**	**177,378**	**2,564**	**(127)**	**179,815**
Depreciation and amortisation expenses	(14,112)	(8,720)	(49,156)	(2,257)	(283)	-	(74,528)	(247)	-	(74,775)
Segment EBIT	**23,747**	**17,326**	**69,331**	**5,965**	**(13,646)**	**127**	**102,850**	**2,317**	**(127)**	**105,040**
Interest income	60	47	537	8	27,731	(25,401)	2,982	8	-	2,990
Interest expense	(3,229)	(4,206)	(11,552)	(6,342)	(31,698)	25,274	(31,753)	(127)	127	(31,753)
Segment result	**20,578**	**13,167**	**58,316**	**(369)**	**(17,613)**	**-**	**74,079**	**2,198**	**-**	**76,277**
Income tax (expense)/benefit							(14,730)	(497)		(15,227)
Profit/(loss) for the year							**59,349**	**1,701**		**61,050**
Segment assets	**808,474**	**172,687**	**762,383**	**81,945**	**730,019**	**(1,187,747)**	**1,367,761**	**-**	**-**	**1,367,761**
Segment liabilities	**85,605**	**78,835**	**253,553**	**3,060**	**1,000,818**	**(828,861)**	**593,010**	**-**	**-**	**593,010**
Other segment information										
Investments in joint ventures	-	-	71,266	-	-	-	71,266	-	-	71,266
Share of net profits from joint ventures	-	-	22,344	-	-	-	22,344	-	-	22,344
Acquisition of property, plant and equipment, intangibles and other non-current assets	29,942	11,956	129,184	1,284	9,363	-	181,729	738	-	182,467

1 Segment information (continued)

(b) Segment information provided to the Board (continued)

The segment information provided to the Board for the reportable segments for the year ended 30 June 2017 is as follows:

2017	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'000	ALL OTHER SEGMENTS $'000	CORPORATE & FINANCE $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue										
Sales to external customers	215,524	130,684	404,683	11,675	-	-	762,566	14,091	-	776,657
Intersegment sales	13,122	48,156	43	-	-	(61,321)	-	61	(61)	-
Total sales revenue	**228,646**	**178,840**	**404,726**	**11,675**	**-**	**(61,321)**	**762,566**	**14,152**	**(61)**	**776,657**
Other revenue	501	81	341	7	23,806	(22,352)	2,384	7	-	2,391
Total segment revenue	229,147	178,921	405,067	11,682	23,806	(83,673)	764,950	14,159	(61)	779,048
Segment EBITDA	**36,881**	**18,091**	**95,810**	**1,591**	**(16,582)**	**-**	**135,791**	**829**	**-**	**136,620**
Depreciation and amortisation expenses	(17,749)	(8,597)	(33,462)	(2,112)	(252)	-	(62,172)	(241)	-	(62,413)
Segment EBIT	**19,132**	**9,494**	**62,348**	**(521)**	**(16,834)**	**-**	**73,619**	**588**	**-**	**74,207**
Interest income	501	81	341	7	23,806	(22,352)	2,384	7	-	2,391
Interest expense	(3,332)	(4,761)	(7,730)	(6,419)	(31,491)	22,352	(31,381)	(131)	-	(31,512)
Segment result	**16,301**	**4,814**	**54,959**	**(6,933)**	**(24,519)**	**-**	**44,622**	**464**	**-**	**45,086**
Income tax (expense)/benefit							(13,671)	(214)		(13,885)
Profit/(loss) for the year							**30,951**	**250**		**31,201**
Segment assets	**709,196**	**174,635**	**591,998**	**89,094**	**683,361**	**(1,060,922)**	**1,187,362**	**-**	**-**	**1,187,362**
Segment liabilities	**86,773**	**83,844**	**288,045**	**4,958**	**908,469**	**(814,841)**	**557,248**	**-**	**-**	**557,248**
Other segment information										
Investments in joint ventures	-	-	58,884	-	-	-	58,884	-	-	58,884
Share of net profits from joint ventures	-	-	13,090	-	-	-	13,090	-	-	13,090
Acquisition of property, plant and equipment, intangibles and other non-current assets	6,870	17,192	121,075	1,909	4,227	-	151,273	-	-	151,273

Notes to the consolidated financial statements

1 Segment information (continued)

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Total revenue from continuing operations by geographical location is as follows:

	CONSOLIDATED ENTITY					
	2018			2017		
	TOTAL SEGMENT REVENUE $'000	INTER-SEGMENT REVENUE $'000	REVENUE FROM EXTERNAL CUSTOMERS $'000	TOTAL SEGMENT REVENUE $'000	INTER-SEGMENT REVENUE $'000	REVENUE FROM EXTERNAL CUSTOMERS $'000
Drilling Services Australia						
- Australia	220,594	(5,608)	214,986	229,147	(13,122)	216,025
Equipment Services & Supplies						
- Australia	139,604	(8,076)	131,528	155,005	(35,694)	119,311
- Other foreign countries	24,820	(8,640)	16,180	23,916	(12,462)	11,454
Contract Mining Services Africa						
- Ghana	248,229	-	248,229	220,353	-	220,353
- Burkina Faso	72,935	-	72,935	35,988	-	35,988
- Mali	118,258	-	118,258	62,421	-	62,421
- Senegal	38,716	-	38,716	957	-	957
- Guinea	24,501	-	24,501	75,777	-	75,777
- Other foreign countries	8,803	(6)	8,797	9,571	(43)	9,528
All Other Segments						
- Australia	13,856	-	13,856	11,682	-	11,682
Corporate & Finance						
- Australia	27,732	(25,401)	2,331	23,806	(22,352)	1,454
Total segment revenue	938,048	(47,731)	890,317	848,623	(83,673)	764,950

Notes to the consolidated financial statements

(d) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Total of non-current assets other than deferred tax assets, broken down by location of the assets, is shown in the table below.

	18 NON-CURRENT SEGMENT ASSETS $'000	17 NON-CURRENT SEGMENT ASSETS $'000
Drilling Services Australia		
- Australia	115,845	103,228
Equipment Services & Supplies		
- Australia	71,723	75,324
- Other foreign countries	75	27
Contract Mining Services Africa		
- Ghana	191,724	174,796
- Burkina Faso	112,966	65,743
- Mali	99,033	75,846
- Senegal	54,940	41,832
- Guinea	819	6,003
- Other foreign countries	16,476	5,367
All Other Segments		
- Australia	70,222	70,521
Corporate & Finance		
- Australia	17,103	5,850
Total non-current segment assets	750,926	624,537

2 Revenue

	18 $'000	17 $'000
From continuing operations		
Sales revenue		
Sale of goods	32,902	25,396
Services	854,432	737,170
	887,334	762,566
Other revenue		
Interest	2,983	2,384
	890,317	764,950

(a) Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below.

(i) Contract services

Sales are recognised monthly on the basis of units of production at agreed contract rates.

(ii) Mining supplies and manufactured goods

Sales are recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

(iii) Other revenue

See note 25(e) for the recognition and measurement of other revenue.

Notes to the consolidated financial statements

3 Individually significant items

(a) Impairment of non-current assets

For the year ended 30 June 2018, the Company assessed whether there were any indicators of impairment. The Company's market capitalisation throughout the year was above its net assets, however, as at 30 June 2018 it was below its net assets. Based on the thorough and systematic impairment analysis conducted, management remains of the view that the recoverable amounts of the Company's non-current assets are not sensitive to this factor. Rather, management considered the profitability of the Cash Generating Units (CGUs) against their budgets. Where a business was performing below its forecast and had high underutilisation of PPE, management considered that there was an impairment indicator and performed an impairment assessment for those CGUs. This was the case for the Ausdrill Northwest, Energy Drilling Australia, Kalgoorlie / Synegex and Contract Mining Services Africa CGUs. For these CGUs, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment or reversal of previous impairment in relation to its carrying value. Determining a CGUs recoverable amount was completed via the following methods:

(a) assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;

(b) for certain CGUs, the recoverability of its assets is completed via a fair value less costs of disposal methodology (FVLCD); and

(c) for certain CGUs, the recoverability of its assets is completed via a value in use methodology (VIU).

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation along with its own internal valuation where a fair value less costs of disposal has been used. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using budgeted EBITDA, changes in working capital and capital expenditure to determine a "free cash flow" estimate. These projections are based on actual operating results, a Board approved business plan and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. This methodology is consistently applied in reporting periods.

For the CGUs which had impairment triggers at 30 June 2018, some were assessed by a FVLCD method and some were assessed via the VIU method and resulted in no impairment charge or reversal of previous impairment being recorded. For the year ended 30 June 2017 some of the CGUs were assessed by a FVLCD method and some were assessed via the VIU method and resulted in no impairment charge being booked in the prior year. Please see the table below for the information on which method was applied to each CGU and a comparison between 30 June 2018 and 30 June 2017.

Summary of the impairment taken, and method used to assess the impairment

A summary of the Company's assessment of any indicators of impairment testing for material CGUs, the valuation method used and impairment expense/(reversal) is as follows.

	TRIGGER FOR IMPAIRMENT TESTING		VALUATION METHOD USED		IMPAIRMENT EXPENSE/(REVERSAL) OF PPE	
CGU	**18**	17	**18**	17	**18**	17
Kalgoorlie / Synegex CGU	**Y**	Y	**VIU**	VIU	**-**	-
Ausdrill Northwest (ANW) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-
BTP Equipment (BTPE) CGU	**N**	N	**-**	-	**-**	-
Contract Mining Services Africa (CMSA) CGU	**Y**	Y	**VIU**	VIU	**-**	-
Energy Drilling Australia (EDA) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-

Key assumptions used for value in use calculations

For certain CGUs the recoverability of its assets is completed via a VIU methodology. The calculation of VIU for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins

(b) Capital expenditure

(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

Notes to the consolidated financial statements

3 Individually significant items (continued)

(a) Impairment of non-current assets (continued)

Capital expenditure

Capital expenditure with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Growth rate estimates and discount rates

Future cash flows are extrapolated by applying conservative growth rates for each segment, terminal rates not exceeding 3% and appropriate discount rates to the CGU. This methodology is consistently applied in reporting periods.

Kalgoorlie / Synegex CGU

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2018, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2018. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense was recognised at the CGU level at 30 June 2017.

Contract Mining Services Africa (CMSA) CGU

This CGU is included in the Contract Mining Services Africa operating segment. At 30 June 2018, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2018. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2017.

Key assumptions used for Fair Value less Costs of Disposal

Energy Drilling Australia (EDA) CGU

This CGU is included in the Other operating segment. At 30 June 2018, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2, and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2017.

ANW CGU (previously ANW and Connector CGU)

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2018, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2 and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2017.

Notes to the consolidated financial statements

4 Other income and expense items

This note provides a breakdown of the items included in "other income" and an analysis of expenses by nature.

(a) Other income

	18 $'000	17 $'000
Insurance proceeds	1,544	2,209
Management fee received	1,047	1,240
Foreign exchange gain (net)	11,249	4,747
Gain on sale of available-for-sale financial assets	-	934
Impairment reversal - trade receivables	425	347
Other[(i)]	8,080	2,991
	22,345	12,468

(i) The Group settled a claim and received $5.3 million net of GST during the current period.

(b) Breakdown of expenses by nature

	18 $'000	17 $'000
Depreciation expense		
Buildings	1,703	1,629
Plant and equipment	72,825	60,543
Total depreciation expense	74,528	62,172
Rental expense relating to operating leases	6,264	6,511
Finance costs		
Hire purchase interest	-	68
Interest paid	28,856	28,914
Amortised borrowing cost	2,770	2,399
Total finance costs	31,626	31,381
Other expenses from ordinary activities		
Freight	18,737	15,816
Consultants	15,802	12,004
Staffing, safety and training	11,376	9,869
Travel and accommodation	9,581	7,023
IT and communications	6,927	5,900
Other property related expenses	6,734	6,419
Insurance	6,645	5,028
Net loss on disposal of property, plant and equipment	1,635	3,713
All other expenses	9,925	3,106
Total other expenses from ordinary activities	87,362	68,878

Notes to the consolidated financial statements

5 Income tax expense/(benefit)

This note provides an analysis of the Group's income tax expense, shows what tax amounts are recognised directly in equity and how the tax expense/(benefit) is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense/(benefit)

	NOTES	18 $'000	17 $'000
Current tax on profits for the year		10,823	13,077
Deferred tax		3,547	(991)
Adjustments for current tax of prior periods		857	1,799
		15,227	13,885
Income tax expense/(benefit) is attributable to:			
Profit/(loss) from continuing operations		14,730	13,671
Profit/(loss) from discontinued operations		497	214
Aggregate income tax expense		15,227	13,885
Deferred income tax expense/(benefit) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	7(c)(i)	3,962	4,189
Increase/(decrease) in deferred tax liabilities	7(c)(ii)	(415)	(5,180)
		3,547	(991)

(b) Numerical reconciliation of accounting profit to income tax expense/(benefit)

	NOTES	18 $'000	17 $'000
Profit/(loss) from continuing operations before income tax expense		74,079	44,622
Profit/(loss) from discontinuing operations before income tax expense		2,198	464
		76,277	45,086
Tax at the Australian tax rate of 30% (2017 - 30%)		22,883	13,526
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Share of net (profit) of joint ventures		(6,703)	(3,927)
Share-based payments		227	-
Other foreign permanent differences		(192)	(734)
Withholding tax		1,233	2,488
Other non-assessable/(non-deductible) items		1,121	1,169
		18,569	12,522
Difference in overseas tax rates		3,004	1,499
Under/(over) provision in prior years		857	1,799
Current year tax losses not recognised		2,566	1,882
Deferred tax assets not recognised / (now recognised)		(7,378)	(5,833)
Effect of currency translation on tax base		(2,935)	2,030
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		544	(14)
		(3,342)	1,363
Income tax expense/(benefit)		15,227	13,885

Notes to the consolidated financial statements

5 Income tax expense/(benefit) (continued)

	18 $'000	17 $'000
(c) 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:		
Deferred tax - debited/(credited) directly to equity	146	(412)
(d) Unrecognised temporary differences		
(i) Temporary differences for which deferred tax assets have not been recognised:		
Unused tax losses for which no deferred tax asset has been recognised	134,640	119,902
Other temporary differences	16,837	41,431
	151,477	161,333
Unrecognised deferred tax assets relating to the above temporary differences	45,443	48,400
(ii) Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Undistributed earnings	61,059	116,070
Unrecognised deferred tax liabilities relating to the above temporary differences	5,804	9,159

Ausdrill Limited has undistributed earnings of $61,059,261 (2017: $116,069,507) which, if paid out as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from the subsidiary and is not expected to distribute these profits in the foreseeable future.

(e) 2018 accounting effective company tax rates for Australian and global operations in terms of the Board of Taxations' Voluntary Tax Transparency Code

(i) Australian operations

The accounting effective company tax rate for the year ended 30 June 2018 is 0% (30 June 2017: 0%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income and expenditure which are not assessable or deductible, the inclusion of equity accounted profits in profit before tax and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 30.0% (30 June 2017: 30.0%).

(ii) Global operations

The accounting effective company tax rate for the year ended 30 June 2018 is 20.0% (30 June 2017: 30.8%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income which are not assessable, capital gains, not recognising a portion of deferred tax assets and the impact of differences in overseas tax rates. The effective tax rate excluding the impact of these items is 30.2% (30 June 2017: 33.8%).

Notes to the consolidated financial statements

6 Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

	NOTES	ASSETS AT FVTOCI** $'000	FINANCIAL ASSETS AT AMORTISED COST $'000	TOTAL $'000
Financial assets				
2018				
Cash and cash equivalents	6(a)	-	137,258	137,258
Trade and other receivables*	6(b)	-	213,727	213,727
Available-for-sale financial assets	6(c)	11,999	-	11,999
		11,999	350,985	362,984
2017				
Cash and cash equivalents	6(a)	-	166,710	166,710
Trade and other receivables*	6(b)	-	151,969	151,969
Available-for-sale financial assets	6(c)	5,189	-	5,189
		5,189	318,679	323,868

* Excluding prepayments.
** Fair value through other comprehensive income

	NOTES	LIABILITIES AT AMORTISED COST $'000	TOTAL $'000
Financial liabilities			
2018			
Trade and other payables	6(d)	122,770	122,770
Borrowings	6(e)	404,550	404,550
		527,320	527,320
2017			
Trade and other payables	6(d)	100,396	100,396
Borrowings	6(e)	388,617	388,617
		489,013	489,013

The Group's exposure to various risks associated with financial instruments is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

(a) Cash and cash equivalents

	18 $'000	17 $'000
Current assets		
Cash at bank and in hand	137,258	166,710
(i) Reconciliation to cash at the end of the year		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Balance as above	137,258	166,710
Balances per consolidated statement of cash flows	137,258	166,710

(b) Trade and other receivables

	2018			2017		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Trade receivables	141,917	-	141,917	122,746	-	122,746
Provision for impairment of receivables (see note 11(b))	(11,421)	-	(11,421)	(14,361)	-	(14,361)
	130,496	-	130,496	108,385	-	108,385
Accrued revenue	50,973	-	50,973	34,104	-	34,104
Net GST / VAT receivables	12,654	-	12,654	5,242	-	5,242
Other receivables (ii)	16,290	3,314	19,604	4,238	-	4,238
Prepayments	20,051	-	20,051	15,773	-	15,773
	230,464	3,314	233,778	167,742	-	167,742

Further information relating to loans to related parties and key management personnel is set out in note 18.

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement not more than 90 days from the date of recognition and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11(b) and 25(k) respectively.

(ii) Other receivables

This amount includes mobilisation costs, operating expense rebates and other receivables. If collection of other receivables is expected in one year or less they are classified as current assets.

(iii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 11.

(iv) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(v) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11(a) and 11(b).

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

	18 $'000	17 $'000
Non-current assets		
Listed securities		
Equity securities	6,336	4,151
Unlisted securities		
Equity securities	5,663	1,038
	11,999	5,189

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 25(m) for further details about the Group's impairment policies for financial assets.

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following (losses)/gains were recognised in other comprehensive income.

	NOTES	18 $'000	17 $'000
(Losses)/gains recognised in other comprehensive income	8(b)	(2,377)	(2,034)

(iv) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(v) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 6(f) below. None of the available-for-sale financial assets are either past due or impaired.

On 18 April 2018, the Group, as part of a group of senior industry executives and other professional investors, together purchased the majority of shares in mining services company HiSeis Pty Ltd ("HiSeis"), an end to end seismic hard rock exploration service provider. The Company paid $3.9 million and has 19.9% of shares in HiSeis.

During the year, the Group purchased 29,305,516 shares in Golden Rim Resources totalling $1.0 million. The Group has a 9.2% interest in Golden Rim Resources.

In 2017, the Group agreed with Azumah Resources Limited to the redemption and settlement of its $2.0 million convertible note through the payment by Azumah of $1.0 million cash and the issue of 22,727,273 shares at a price of $0.044 each.

All available-for-sale financial assets are denominated in either Australian Dollars, Great British Pound or Canadian Dollars. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 11(a).

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

d) Trade and other payables

	18 $'000	17 $'000
Current liabilities		
Trade payables	59,957	62,762
Accrued expenses	46,481	25,786
Payroll accruals	10,619	6,589
Net GST / VAT payables	3,979	4,591
Other creditors and accruals	1,734	668
	122,770	100,396

Trade payables are unsecured and are usually paid within 45 to 60 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(e) Borrowings

	2018			2017		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Unsecured						
USD notes	-	404,998	404,998	-	390,505	390,505
Prepaid borrowing costs	-	(3,782)	(3,782)	-	(4,690)	(4,690)
Insurance premium funding	3,334	-	3,334	2,802	-	2,802
Total unsecured borrowings	3,334	401,216	404,550	2,802	385,815	388,617

(i) Secured liabilities

At 30 June 2018, the Group had the following facilities that were not drawn at balance date:

	18 $'000	17 $'000
Total unutilised facilities - bank loans	199,433	124,776

Bank loans

In August 2017, Ausdrill Limited refinanced and increased its revolving debt facility from A$125 million to A$200 million. The facility is a 3-year, dual currency, syndicated facility, maturing on 1 July 2020 and has been provided by a number of leading lending institutions in the Australian banking market. As at 30 June 2018, this facility remains largely undrawn.

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

(e) Borrowings (continued)

(ii) Unsecured liabilities

USD notes

On 12 November 2012, Ausdrill completed an offering of US$300 million in aggregate principal amount of 6.875% Guaranteed Senior Unsecured Notes due November 2019 in an offering to qualified institutional buyers in the United States pursuant to Rule 144A under the United States Securities Act of 1993, and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Covenants on financing facilities

The Group's financing facilities contain undertakings including an obligation to comply at all times with certain financial covenants which require the Group to operate within certain financing ratio threshold levels as well as ensuring that subsidiaries that contribute minimum threshold amounts of Group EBITDA and Group Total Tangible Assets are guarantors under various facilities.

All banking covenants have been complied with at reporting date.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to renegotiate with existing and new financers to extend the maturity date of those facilities. The Group's earnings profile, credit rating, state of the economy, conditions in financial markets and other factors may influence the outcome of those negotiations.

Credit ratings

The Group currently has a credit rating of Ba3 (Outlook Stable) from Moody's and a credit rating of BB- (Outlook Stable) from Standard & Poor's. Where a credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Banks and other lending institutions may demand more stringent terms (including increased pricing) on debt facilities to reflect the higher credit risk profile.

(iii) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2018			2017		
	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %
On-balance sheet						
Non-traded financial liabilities						
USD notes	404,998	411,468	6.22	390,505	402,412	5.86

The fair values of non-current borrowings are based on discounted cash flows using the rates disclosed in the table above.

(iv) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 11.

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

(f) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below.

At 30 June 2018	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	5,093	-	-	5,093
Australian unlisted equity securities	-	-	5,663	5,663
CAD listed equity securities	514	-	-	514
GBP listed equity securities	729	-	-	729
Total financial assets	6,336	-	5,663	11,999

At 30 June 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	2,777	-	-	2,777
Australian unlisted equity securities	-	-	1,038	1,038
GBP listed equity securities	1,374	-	-	1,374
Total financial assets	4,151	-	1,038	5,189

There were no transfers between any levels in the current or prior year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments

Notes to the consolidated financial statements

6 Financial assets and financial liabilities (continued)

(f) Recognised fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2018:

Consolidated entity	UNLISTED EQUITY SECURITIES $'000	TOTAL $'000
Opening balance 1 July 2017	1,038	1,038
Acquisitions	4,625	4,625
Closing balance 30 June 2018	5,663	5,663

(iv) Valuation inputs and relationships to fair value

The fair value of the unlisted equity securities has been determined as its acquisition cost due to the acquisition proximity to 30 June 2018 and nothing has come to our attention that would impact this value. Opening balances have also been determined as their acquisition cost and nothing has come to our attention that would impact this value.

7 Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - inventories (note 7(a))
  - property, plant and equipment (note 7(b))
  - deferred tax balances (note 7(c))
  - employee benefit obligations (note 7(d))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Inventories

	18 $'000	17 $'000
Work in progress	12,558	14,903
Finished goods	9,208	16,421
Consumables and store items	190,834	157,437
	212,600	188,761

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 25(l) for the Group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to $2,095,740 (2017: $2,003,328). These were recognised as an expense during the year ended 30 June 2018 and included in materials expense in the consolidated statement of profit or loss.

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PLANT AND EQUIPMENT UNDER FINANCE $'000	TOTAL $'000
Non-current				
At 1 July 2016				
Cost or fair value	59,221	1,145,675	4,725	1,209,621
Accumulated depreciation	(1,801)	(715,520)	(2,468)	(719,789)
Net book amount	57,420	430,155	2,257	489,832
Year ended 30 June 2017				
Opening net book amount	57,420	430,155	2,257	489,832
Exchange differences	(503)	(3,856)	(7)	(4,366)
Additions	970	146,447	-	147,417
Transfers to inventory	-	(2,119)	-	(2,119)
Depreciation charge	(1,629)	(60,603)	(181)	(62,413)
Disposals	(2,374)	(5,513)	-	(7,887)
Transfers between classes	-	2,069	(2,069)	-
Closing net book amount	53,884	506,580	-	560,464
At 30 June 2017				
Cost or fair value	56,717	1,229,684	-	1,286,401
Accumulated depreciation	(2,833)	(723,104)	-	(725,937)
Net book amount	53,884	506,580	-	560,464
Year ended 30 June 2018				
Opening net book amount	**53,884**	**506,580**	**-**	**560,464**
Exchange differences	**739**	**12,406**	**-**	**13,145**
Revaluation of land and buildings	**5,717**	**-**	**-**	**5,717**
Additions	**17**	**173,264**	**-**	**173,281**
Disposal of subsidiary	**-**	**(1,476)**	**-**	**(1,476)**
Transfers to inventory	**-**	**(7,064)**	**-**	**(7,064)**
Depreciation charge	**(1,703)**	**(73,072)**	**-**	**(74,775)**
Disposals	**-**	**(4,945)**	**-**	**(4,945)**
Transfers between classes	**(46)**	**46**	**-**	**-**
Closing net book amount	**58,608**	**605,739**	**-**	**664,347**
At 30 June 2018				
Cost or fair value	**61,489**	**1,353,925**	**-**	**1,415,414**
Accumulated depreciation	**(2,881)**	**(748,186)**	**-**	**(751,067)**
Net book amount	**58,608**	**605,739**	**-**	**664,347**

(i) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(b) Property, plant and equipment (continued)

(ii) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	18 **$'000**	17 **$'000**
Buildings		
Cost	**40,566**	41,234
Accumulated depreciation	**(14,734)**	(13,220)
Net book amount	**25,832**	28,014

(iii) Revaluation, depreciation methods and useful lives

Land is not depreciated. Depreciation on major plant and equipment and components is calculated on machine hours worked over their estimated useful life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 5 - 25 years
- Plant and equipment 2 - 10 years
- Power station assets 3 - 20 years

See note 25(n) for the other accounting policies relevant to property, plant and equipment.

(iv) Impairment loss

Refer to note 3 for details.

(v) Significant estimates - valuations of land and buildings

Information about the valuation of land and buildings is provided in note 7(e) below.

(vi) Change in accounting estimates

In May 2017, an independent expert was commissioned to review the condition of Energy Drilling Australia's ("EDA") assets and the longer term processes around asset management in relation to EDA's equipment following being placed in care and maintenance.

Due to the assets' extended life, management decided to extend the useful life of straight line depreciated assets by three years from July 2016. This resulted in a reduction in depreciation charge for the year ended 30 June 2017 of $342,000.

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(c) Deferred tax balances

(i) Deferred tax assets

	NOTES	18 $'000	17 $'000
The balance comprises temporary differences attributable to:			
Employee benefits		11,352	12,677
Foreign tax credits		-	110
Accruals		1,339	825
Provision for obsolete stock		2,837	2,593
Doubtful debts		3,658	4,591
Depreciation		3,909	7,194
		23,095	27,990
Other			
Borrowing and business expenses		1,089	108
Current year tax losses recognised		1,361	407
Available-for-sale financial assets		1,772	1,059
Aggregate income tax expense		4,222	1,574
Total deferred tax assets		27,317	29,564
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(ii)	8,232	7,020
Net deferred tax assets		35,549	36,584
Deferred tax assets expected to be recovered within 12 months		21,394	22,375
Deferred tax assets expected to be recovered after more than 12 months		5,923	7,189
		27,317	29,564

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	ACCRUALS $'000	DOUBTFUL DEBTS $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	10,988	10,995	811	4,696	6,514	**34,004**
(Charged)/credited to profit or loss	1,689	(3,801)	14	(105)	(1,986)	**(4,189)**
(Charged)/credited directly to equity	-	-	-	-	(251)	**(251)**
At 30 June 2017	12,677	7,194	825	4,591	4,277	**29,564**
(Charged)/credited to profit or loss	(1,325)	(3,285)	514	(933)	1,067	(3,962)
(Charged)/credited directly to equity	-	-	-	-	1,715	1,715
At 30 June 2018	11,352	3,909	1,339	3,658	7,059	27,317

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(c) Deferred tax balances (continued)

(ii) Deferred tax liabilities offsetting within tax consolidated group

	NOTES	18 $'000	17 $'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		9,191	9,735
Inventories		(2,395)	(2,461)
Revaluation of land and buildings		9,330	7,469
		16,126	14,743
Other			
Receivables		437	223
Unrealised foreign exchange		43	212
Prepayments		109	91
		589	526
Total deferred tax liabilities		16,715	15,269
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(i)	8,232	7,020
Net deferred tax liabilities		24,947	22,289
Deferred tax liabilities expected to be settled within 12 months		(1,807)	(1,935)
Deferred tax liabilities expected to be settled after more than 12 months		18,522	17,204
		16,715	15,269

	FOREIGN ENTITIES DISTRIBUTABLE PROFITS $'000	INVENTORIES $'000	REVALUATION OF LAND & BUILDINGS $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	9,743	2,117	7,884	544	**20,288**
(Credited)/charged to profit or loss	(8)	(4,578)	(576)	(18)	**(5,180)**
Charged/(credited) directly to equity	-	-	161	-	**161**
At 30 June 2017	9,735	(2,461)	7,469	526	**15,269**
(Credited)/charged to profit or loss	**(544)**	**66**	**-**	**63**	**(415)**
Charged/(credited) directly to equity	**-**	**-**	**1,861**	**-**	**1,861**
At 30 June 2018	**9,191**	**(2,395)**	**9,330**	**589**	**16,715**

(d) Employee benefit obligations

	2018			2017		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Leave obligations	39,061	486	39,547	40,805	960	41,765

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(d) Employee benefit obligations (continued)

(i) Leave obligations

The leave obligations include the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The total current provision of $39,061,000 (2017: $40,805,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	18 $'000	17 $'000
Current leave obligations expected to be settled after 12 months	23,379	21,305

(e) Recognised fair value measurements

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 6(f) and 7(e)(ii)-(v).

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 30 June 2018				
Assets				
Land and buildings				
Office buildings	-	-	7,695	7,695
Industrial sites	-	-	50,912	50,912
Total non-financial assets	-	-	58,607	58,607
At 30 June 2017				
Assets				
Land and buildings				
Office buildings	-	-	8,366	8,366
Industrial sites	-	-	45,518	45,518
Total non-financial assets	-	-	53,884	53,884

There were no transfers between any levels for recurring fair value measurements during the current or prior period.

(ii) Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its freehold land and buildings (classified within property, plant and equipment) at least every three years, see note 7(e)(v) for details.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.
- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(e) Recognised fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2017 and 30 June 2018 for recurring fair value measurements:

Consolidated entity	OFFICE BUILDINGS $'000	INDUSTRIAL SITES $'000	TOTAL $'000
Opening balance 1 July 2016	9,194	48,226	57,420
Acquisitions	-	971	971
Depreciation and impairment	(634)	(995)	(1,629)
Disposals	-	(2,374)	(2,374)
(Losses)/gains recognised in other comprehensive income	(194)	(310)	(504)
Closing balance 30 June 2017	8,366	45,518	53,884
Acquisitions	**-**	**17**	**17**
Depreciation and impairment	**(660)**	**(928)**	**(1,588)**
Revaluation	**(320)**	**6,037**	**5,717**
Transfers between classes	**-**	**(46)**	**(46)**
Gains/(losses) recognised in other comprehensive income	**309**	**314**	**623**
Closing balance 30 June 2018	**7,695**	**50,912**	**58,607**

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

DESCRIPTION	FAIR VALUE AT 30 JUNE 2018 $'000	FAIR VALUE AT 30 JUNE 2017 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS*	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2018	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2017	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Industrial Sites -Australia	**38,140**	37,080	Income capitalisation	Capitalisation rate	**7.25-11.75% (7.77%)**	7.75-17.5% (8.99%)	The higher the capitalisation rate, the lower the fair value
				Market rental value per (m^2)	**$18-104 per m^2 ($48)**	$33-81 per m^2 ($53)	The higher the market rate, the higher the fair value
Industrial Sites -Ghana	**12,772**	8,438	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$24-1,284 per m^2 ($335)**	$37-1,158 per m^2 ($339)	The higher the rate per square metre, the higher the fair value
Office Buildings -Ghana	**7,695**	8,366	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$1,850 per m^2 ($1,850)**	$2,256 per m^2 ($2,256)	The higher the rate per square metre, the higher the fair value

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Notes to the consolidated financial statements

7 Non-financial assets and liabilities (continued)

(e) Recognised fair value measurements (continued)

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings every three years. As at 30 June 2018, the fair values of the industrial sites properties have been determined by members of the Australian Property Institute, and the Ghana Institute of Surveyors.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Industrial sites - discount rates, terminal yields, expected vacancy rates and values per square metre are estimated by members of the Australian Property Institute, and the Ghana Institute of Surveyors based on comparable transactions and industry data;
- Historical cost for recently completed buildings.

8 Equity

(a) Contributed equity

	18 SHARES	17 SHARES	**18 $'000**	17 $'000
Fully paid ordinary shares	**362,197,492**	312,277,224	**624,571**	526,447

(i) Movements in ordinary share capital:

	NUMBER OF SHARES	**TOTAL $'000**
Opening balance 1 July 2017	312,277,224	526,447
Contribution of equity, net of transaction costs and tax	46,841,000	97,516
Excercise of options under the Employee Option Plan	3,079,268	608
Balance 30 June 2018	**362,197,492**	**624,571**

(ii) Ordinary shares

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.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(iii) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends, if any, be paid in cash.

(iv) Options

Information relating to the Ausdrill Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 19.

Notes to the consolidated financial statements

8 Equity (continued)

(b) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below.

CONSOLIDATED ENTITY	NOTES	REVALUATION SURPLUS $'000	AVAILABLE-FOR-SALE FINANCIAL ASSETS $'000	SHARE-BASED PAYMENTS $'000	TRANSACTIONS WITH NCI $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
Balance at 1 July 2016		19,939	(7)	5,969	(2,664)	(39,265)	(16,028)
Revaluation - gross	7(b), 6(c)	(515)	(2,034)	-	-	-	(2,549)
Deferred tax	7(c)	94	610	-	-	(292)	412
Currency translation differences		-	-	-	-	1,174	1,174
Currency translation joint ventures		-	-	-	-	(1,024)	(1,024)
Other comprehensive income		(421)	(1,424)	-	-	(142)	(1,987)
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	238	-	-	238
At 30 June 2017		19,518	(1,431)	6,207	(2,664)	(39,407)	(17,777)
Balance at 1 July 2017		**19,518**	**(1,431)**	**6,207**	**(2,664)**	**(39,407)**	**(17,777)**
Revaluation - gross	7(b), 6(c)	**5,717**	**(2,377)**	**-**	**-**	**-**	**3,340**
Deferred tax	7(c)	**(1,524)**	**713**	**-**	**-**	**(195)**	**(1,006)**
Currency translation differences		**250**	**-**	**-**	**-**	**(1,176)**	**(926)**
Currency translation joint ventures		**-**	**-**	**-**	**-**	**3,671**	**3,671**
Other comprehensive income		**4,443**	**(1,664)**	**-**	**-**	**2,300**	**5,079**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	**-**	**-**	**756**	**-**	**-**	**756**
Shares issued on conversion of employee share options		**-**	**-**	**(517)**	**-**	**-**	**(517)**
At 30 June 2018		**23,961**	**(3,095)**	**6,446**	**(2,664)**	**(37,107)**	**(12,459)**

(i) Nature and purpose of other reserves

Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy note 25(n) for details.

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 25(m) for details.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees that are expensed in the statement of comprehensive income each year and conversion of options.

Notes to the consolidated financial statements

8 Equity (continued)

(b) Other reserves (continued)

(i) Nature and purpose of other reserves (continued)

Transactions with non-controlling interests (NCI)

This reserve is used to record the differences described in note 25(b)(iv) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The Group's share of exchange differences arising on translation of foreign joint ventures are recognised in other comprehensive income and are accumulated in this reserve.

(c) Retained earnings

Movements in retained profits were as follows:

	NOTES	18 $'000	17 $'000
Balance 1 July			
Net profit/(loss) for the year		121,444	96,177
Dividends paid	12(b)	61,050	31,201
Transfer from reserves		(19,855)	(6,246)
		-	312
Balance 30 June		162,639	121,444

9 Cash flow information

(a) Reconciliation of profit or loss after income tax to net cash inflow from operating activities

	18 $'000	17 $'000
Profit/(loss) for the year	61,050	31,201
Depreciation and amortisation expense	74,775	62,413
Loss/(gain) on sale of non-current assets	1,626	3,630
Net (gain)/loss on sale of businesses	(390)	64
(Gain)/loss on sale of available-for-sale financial assets	-	(934)
Net exchange differences	(11,718)	2,634
Bad debts and provision for doubtful debts	(588)	(184)
Share of profits of joint ventures	(22,344)	(13,090)
Non-cash employee benefits expense - share-based payments	756	238
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(53,540)	(10,025)
(Increase)/decrease in inventories	(20,074)	878
(Increase)/decrease in deferred tax assets	2,065	31
(Increase)/decrease in other operating assets	(6,883)	(8,111)
(Decrease)/increase in trade creditors	30,972	16,393
(Decrease)/increase in provision for income taxes payable	(1,108)	2,027
(Decrease)/increase in deferred tax liabilities	883	45
(Decrease)/increase in other provisions	(2,889)	7,403
Net cash inflow from operating activities	52,593	94,613

Notes to the consolidated financial statements

9 Cash flow information (continued)

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year (2017: nil).

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt.

Net debt	18 $'000	17 $'000
Cash and cash equivalents	137,258	166,710
Borrowings - repayable within one year	(831)	(559)
Borrowings - repayable after one year	(403,719)	(388,058)
Net debt	(267,292)	(221,907)
Cash and cash equivalents	137,258	166,710
Gross debt - fixed interest rates	(404,550)	(388,617)
Net debt	(267,292)	(221,907)

	CASH $'000	BORROWINGS DUE WITHIN 1 YEAR $'000	BORROWINGS DUE AFTER 1 YEAR $'000	TOTAL $'000
Net debt as at 1 July 2017	**166,710**	**(559)**	**(388,058)**	**(221,907)**
Cash flows	(30,640)	(2,319)	-	(32,959)
Foreign exchange adjustments	1,188	(34)	(14,617)	(13,463)
Other non-cash movements	-	2,081	(1,044)	1,037
Net debt as at 30 June 2018	**137,258**	**(831)**	**(403,719)**	**(267,292)**

Notes to the consolidated financial statements

Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

10	Critical accounting estimates and judgements	81
11	Financial risk management	81
12	Capital management	88

Notes to the consolidated financial statements

10 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in notes 1 to 14 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

- Recognition of revenue - note 2
- Impairment of available-for-sale financial assets - note 6(c)
- Estimated fair value of certain available-for-sale financial assets - note 6(c)
- Estimation of fair values of land and buildings - note 7(b)
- Estimation of useful life of property, plant and equipment - note 7(b)
- Recognition of deferred tax asset for carried forward tax losses - note 7(c)
- Consolidation decisions and classification of joint arrangements - note 14

Estimates and judgements are continually evaluated. They 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.

(b) Critical judgements in applying accounting policies

There have been no critical judgements used in preparing the Group's financial statements for the year ended 30 June 2018 (30 June 2017: none).

11 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk - security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments and available-for-sale debt instruments	Aging analysis Credit rating	Credit limits, retention of title over goods sold, letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's key management personnel report to the Audit and Risk Committee and Board regularly on the progress and objectives of the risks and the associated corporate governance policy objectives.

The Group's financial risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the consolidated financial statements

11 Financial risk management (continued)

(a) Market risk

The Group hedges large capital expenditure items acquired in foreign currency. There are no hedges currently in place.

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 matching foreign denominated financial assets with matching financial liabilities and vice versa.

(i) Foreign exchange risk

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 JUNE 2018							
	USD $'000	**GHS $'000**	**GBP $'000**	**EUR $'000**	**TZS $'000**	**ZMW $'000**	**ZAR $'000**	**XOF $'000**
Cash	4,203	262	1	382	9	1	-	-
Trade and other assets	10,802	44	-	45,289	2	-	-	19
Available-for-sale financial assets	-	-	729	-	-	-	514	-
Trade payables	(13,339)	(5,487)	(72)	(11,080)	-	(71)	-	(83)
Borrowings	(3,721)	-	-	(31,301)	-	-	-	-

	30 JUNE 2017							
	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	XOF $'000
Cash	5,898	2,854	-	1,559	10	-	-	-
Trade and other assets	10,958	-	-	48,488	-	1,061	-	-
Available-for-sale financial assets	-	-	137	-	-	-	-	-
Trade payables	(12,931)	(8,963)	(76)	(3,788)	-	(65)	-	(221)
Borrowings	-	-	-	(71,836)	-	-	-	-

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign exchange related amounts were recognised in profit or loss and other comprehensive income:

	18 $'000	17 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	11,249	4,747
Total net foreign exchange gain/(loss) recognised in profit or loss before income tax for the year	11,249	4,747
Net gain/(loss) recognised in other comprehensive income (note 8(b))		
Translation of foreign currency denominated operations	2,745	150

Notes to the consolidated financial statements

11 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	PROFIT OR (LOSS) A$'000
30 June 2018	
USD	186
GHS	471
GBP	(59)
EUR	(299)
TZS	(2)
ZAR	6
CAD	(47)
XOF	99
	356
30 June 2017	
USD	(432)
GHS	552
GBP	(6)
EUR	2,325
TZS	(2)
ZAR	(116)
XOF	20
	2,341

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The Group's exposure to other foreign exchange movements is not material.

(ii) Cash flow and fair value interest rate risk

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2018 and 2017, the Group's borrowings subject to variable interest rates were denominated in Australian Dollars.

Refer to note 11(c) Liquidity risk for cash, cash equivalents and variable rate exposure.

As at the end of the reporting period, the Group had no variable interest rate borrowings.

Notes to the consolidated financial statements

11 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as available-for-sale.

53% (2017: 80%) of the Group's equity securities are publicly traded on the Australian Securities Exchange, the London Stock Exchange and the Canadian Stock Exchange. The majority of the unlisted shares relate to the investment in HiSeis Pty Ltd, an end to end seismic hard rock exploration service provider acquired in May 2018.

Sensitivity analysis

The table below summarises the impact of an increase/(decrease) of the available-for-sale financial assets on the Group's equity for the year after tax. The analysis is based on the assumption that the available-for-sale financial assets had increased by 10% or decreased by 10% with all other variables held constant.

	IMPACT ON OTHER COMPONENTS OF EQUITY	
	18	17
CONSOLIDATED ENTITY	$'000	$'000
Available-for-sale assets - increase 10%	840	363
Available-for-sale assets - decrease 10%	(840)	(363)

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. As the fair value of the publicly traded available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the respective share price of the shares held.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in other comprehensive income in relation to the various investments held by the Group are disclosed in note 6(c).

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. 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 investment securities. Credit risk also arises from cash and cash equivalents. The Group limits its exposure to credit risk from cash and cash equivalents by only investing in counterparties that have an acceptable credit rating.

Notes to the consolidated financial statements

11 Financial risk management (continued)

(b) Credit risk

(ii) Credit quality (continued)

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

(AUD)	**18** $'000	17 $'000
Australia	**73,902**	79,248
Africa	**139,392**	72,489
Asia	**263**	229
Europe	**170**	3
	213,727	151,969
Trade and other receivables		
Counterparties with external credit rating (Moody's)		
A2	**212**	2,729
A3	**11,941**	7,499
Ba1	**77**	6,807
Ba3	**7,773**	-
Baa2	**9,502**	3,868
Baa3	**2,377**	17,797
B1	**-**	6
B3	**331**	-
	32,213	38,706
*Counterparties without external credit rating **		
Group 1	**13,893**	537
Group 2	**167,621**	112,726
Group 3	**-**	-
	181,514	113,263
Total trade and other receivables	**213,727**	151,969

The Group's maximum exposure to credit risk for cash at bank and short term deposits was:

Cash at bank and short-term bank deposits		
(AUD)		
AA	**100**	124
AA-	**107,149**	120,107
A+	**1,114**	904
A	**4**	945
BBB+	**1,474**	2,314
BBB-	**874**	-
B	**26,422**	42,235
Other	**121**	81
	137,258	166,710

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Notes to the consolidated financial statements

11 Financial risk management (continued)

(b) Credit risk (continued)

(iii) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 90 days overdue).

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

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 3 for information about how impairment losses are calculated.

As at 30 June 2018, current trade receivables of the Group with a nominal value of $13,247,935 (2017: $14,474,644) were impaired. The amount of the provision for impaired receivables was $11,420,595 (2017: $14,361,469). The Group expects that a portion of the receivables is to be recovered.

The aging of these receivables is as follows:

	18 $'000	17 $'000
3 to 6 months	**422**	61
Over 6 months	**12,826**	14,414
	13,248	14,475
Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:		
At 1 July	**14,361**	14,726
Provision for impairment (reversed)/recognised during the year	**(2,901)**	(295)
Receivables written off during the year as uncollectible	**43**	2
Discontinued operations removed	**(163)**	-
Unused amounts reversed (including currency impact)	**81**	(72)
At 30 June	**11,421**	14,361

The creation and release of the provision for impaired receivables has been included in other expenses in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(iv) Past due but not impaired

As at 30 June 2018, trade receivables of $56,670,523 (2017: $29,039,368) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	18 $'000	17 $'000
Up to 2 months	**54,846**	28,143
Over 2 months	**1,825**	896
	56,671	29,039

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Notes to the consolidated financial statements

11 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties.

(i) Financing arrangements

The Group had access to the following undrawn debt facilities at the end of the reporting period:

	18 $'000	17 $'000
Floating rate		
- Bank loans	199,433	124,776
	199,433	124,776

In August 2017, Ausdrill Limited refinanced and up-sized its revolving debt facility from A$125 million to A$200 million. Refer note 6(e).

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	LESS THAN 6 MONTHS $'000	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT LIABILITIES $'000
Group - at 30 June 2018							
Trade payables	122,770	-	-	-	-	122,770	122,770
Fixed rate	15,037	13,685	417,640	-	-	446,362	404,550
Total	137,807	13,685	417,640	-	-	569,132	527,320
Group - at 30 June 2017							
Trade payables	100,396	-	-	-	-	100,396	100,396
Fixed rate	14,000	13,443	24,399	403,929	-	455,771	388,617
Total	114,396	13,443	24,399	403,929	-	556,167	489,013

Details about financial guarantee contracts are provided in note 24. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called. The parent entity does not expect these payments to eventuate.

Notes to the consolidated financial statements

12 Capital management

(a) Risk management

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

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

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	18 $'000	17 $'000
Total borrowings	**404,550**	388,617
Less: cash and cash equivalents	**(137,258)**	(166,710)
Net debt	**267,292**	221,907
Total equity	**774,751**	630,114
Total capital	**1,042,043**	852,021
Gearing ratio	**26%**	26%

See note 6(e) for information on financial covenants on borrowings.

b) Dividends

(i) Ordinary shares

	18 $'000	17 $'000
Final ordinary fully franked dividend for the year ended 30 June 2017 of 2.0 cents (2016: nil) per fully paid share paid on 18 October 2017	**7,188**	-
Interim ordinary fully franked dividend for the year ended 30 June 2018 of 3.5 cents (2017: 2.0 cents) per fully paid share paid on 30 March 2018 (31 March 2017)	**12,667**	6,246
Total dividends provided for or paid	**19,855**	6,246
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2018 and 2017 were as follows:	**19,855**	6,246

(ii) Dividends not recognised at the end of the reporting period

	18 $'000	17 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 1.5 cents per fully paid ordinary share and a special dividend of 2.0 cents per fully paid ordinary share (2017: 2.0 cents). The aggregate amount of the proposed dividend expected to be paid on 18 October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at year end, is	**12,677**	7,188

(iii) Franked dividends

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017 - 30%)	**26,501**	34,985

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

Notes to the consolidated financial statements

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of discontinued operations;
- transactions with non-controlling interests; and
- interests in joint operations.

A list of significant subsidiaries is provided in note 14. This note also discloses details about the Group's equity accounted investments.

13	Discontinued operations	90
14	Interests in other entities	93

Notes to the consolidated financial statements

13 Discontinued operations

(a) Diamond Communications

(i) Description

The Group entered into a sale agreement to sell the Diamond Communications business for $6.2 million which was completed on 1 May 2018. The sale includes all of the operational assets of the Diamond Communications business. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2018 and 30 June 2017.

	18 **$'000**	17 **$'000**
Revenue	**17,931**	13,770
Expenses	**(16,123)**	(13,064)
Profit before income tax	**1,808**	706
Income tax (expense)/benefit	**(497)**	(214)
Profit after income tax of discontinued operation	**1,311**	492
Gain on sale of the subsidiary after income tax	**390**	-
Profit from discontinued operation	**1,701**	492
Other comprehensive income/(loss) from discontinued operation	**1,701**	492
Net cash inflow/(outflow) from operating activities	**524**	(105)
Net cash (outflow)/inflow from investing activities	**(746)**	(436)
Net cash (outflow)/inflow from financing activities	**(805)**	436
Net (decrease)/increase in cash generated by the subsidiary	**(1,027)**	(105)

(iii) Details of the sale of the subsidiary

	18 **$'000**
Consideration received or receivable:	
Cash	**4,600**
Deferred consideration *	**1,565**
Carrying amount of net assets sold	**(5,775)**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**(390)**
Income tax expense on gain	**(117)**
Capital losses applied	**-**
Tax losses applied	**117**
Gain on sale after income tax	**390**

* An amount of $1,565,000 remains outstanding and is due for settlement no later than 1 May 2019.

Notes to the consolidated financial statements

13 Discontinued operations (continued)

(a) Diamond Communications (continued)

The carrying amounts of assets and liabilities as at the date of sale, 1 May 2018, were:

	18 $'000
Property, plant and equipment	1,899
Cash	602
Trade and other receivables	4,811
Inventories	164
Deferred tax asset	-
Total assets	7,476
Trade and other creditors	1,140
Employee benefits obligations	561
Total liabilities	1,701
Net assets	5,775

(b) The Miners Rest Motel

(i) Description

The Group entered into a sale agreement to sell The Miners Rest Motel business for $2.5 million which was completed on 21 September 2016. The sale included the land and buildings and all of the operational assets of The Miners Rest Motel business. A fair value reduction of $0.9 million was made to the value of the land and buildings and was brought to account as at 30 June 2016. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2018 and 30 June 2017.

	18 $'000	17 $'000
Revenue	-	329
Expenses	-	(507)
(Loss) before income tax	-	(178)
Income tax (expense)/benefit	-	-
(Loss) after income tax of discontinued operation	-	(178)
(Loss) on sale of the subsidiary after income tax	-	(64)
(Loss) from discontinued operation	-	(242)
Other comprehensive (loss)/income from discontinued operation	-	(242)
Net cash (outflow)/inflow from operating activities	-	(181)
Net cash inflow/(outflow) from investing activities	-	2,408
Net cash (outflow)/inflow from financing activities	-	(2,341)
Net (decrease)/increase in cash generated by the subsidiary	-	(114)

Notes to the consolidated financial statements

13 Discontinued operations (continued)

(b) The Miners Rest Motel (continued)

(iii) Details of the sale of the subsidiary

	17 $'000
Consideration received or receivable:	
Cash	2,413
Carrying amount of net assets sold	(2,477)
(Loss) on sale before income tax and reclassification of foreign currency translation reserve	(64)
Income tax expense on gain	-
Capital losses applied	-
Tax losses applied	-
(Loss) on sale after income tax	(64)

The carrying amounts of assets and liabilities as at the date of sale, 21 September 2016, were:

	17 $'000
Property, plant and equipment	2,477
Trade receivables	-
Inventories	-
Total assets	2,477
Trade creditors	-
Employee benefits obligations	-
Total liabilities	-
Net assets	2,477

(c) Drilling Tools Australia Pty Ltd

(i) Description

On 19 May 2016, the Company announced that it had agreed to sell the Drilling Tools Australia (DTA) business to Finnish manufacturer the Robit Plc Group. Completion of that sale occurred on 30 June 2016.

(ii) Financial performance and cash flow information

The outstanding proceeds from the sale of DTA totalling $19,800,000 as at 30 June 2016 were received during the prior financial year.

Notes to the consolidated financial statements

14 Interests in other entities

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 25(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING ** 18 %	17 %
ACN 103534087 Pty Ltd *	Australia	Ordinary	100	100
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	100	100
African Mining Services (Ghana) Pty Ltd *	Australia	Ordinary	100	100
African Mining Services Mali Sarl	Mali	Ordinary	100	100
African Mining Services Guinee Sarl	Guinea	Ordinary	100	100
African Mining Services Senegal Suarl	Senegal	Ordinary	100	100
AMCG Ltd	Ghana	Ordinary	100	100
Ausdrill Finance Pty Ltd *	Australia	Ordinary	100	100
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	100	100
Ausdrill International & Management Services Pty Ltd *	Australia	Ordinary	100	100
Ausdrill International Pty Ltd *	Australia	Ordinary	100	100
Ausdrill Northwest Pty Ltd *	Australia	Ordinary	100	100
Ausdrill Properties Pty Ltd *	Australia	Ordinary	100	100
Ausdrill Tanzania Limited	Tanzania	Ordinary	100	100
Ausdrill Utilities Pty Ltd *	Australia	Ordinary	100	100
Ausdrill Underground Mining Services Australia Pty Ltd [1]	Australia	Ordinary	-	100
BTP Equipment Pty Ltd *	Australia	Ordinary	100	100
BTP Parts Pty Ltd *	Australia	Ordinary	100	100
Connector Drilling Pty Ltd *	Australia	Ordinary	100	100
Diamond Communications Pty Ltd *	Australia	Ordinary	-	100
Drill Rigs Australia Pty Ltd *	Australia	Ordinary	100	100
Energy Drilling Australia Pty Ltd *	Australia	Ordinary	100	100
Golden Plains Pty Ltd *	Australia	Ordinary	100	100
Logistics Direct Ltd	Ghana	Ordinary	100	100
MinAnalytical Holdings Pty Ltd *	Australia	Ordinary	100	100
MinAnalytical Laboratory Services Australia Pty Ltd *	Australia	Ordinary	100	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	100	100
Power Solutions Africa Suarl	Senegal	Ordinary	100	100
Supply Direct Pty Ltd *	Australia	Ordinary	100	100
Supply Direct South Africa Pty Ltd *	Australia	Ordinary	100	100
Synegex Holdings Pty Ltd *	Australia	Ordinary	100	100
West African Mining Services Ltd	Ghana	Ordinary	100	100

[1] Deregistered by ASIC on 12 December 2017.

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC instrument 2016/785. For further information refer to note 23.

** All controlled entities are directly controlled by Ausdrill Limited with the exception of:

African Mining Services Mali Sarl, African Mining Services (Ghana) Pty Ltd, West African Mining Services Limited, Ausdrill Tanzania Limited, Energy Drilling Australia Pty Ltd, Synegex Holdings Pty Ltd and AMCG Ltd are 100% owned by Ausdrill International Pty Ltd.

African Mining Services Burkina Faso Sarl, African Mining Services Guinee Sarl, African Mining Services Senegal Suarl and Power Solutions Africa Suarl are 100% owned by African Mining Services (Ghana) Pty Ltd.

Notes to the consolidated financial statements

14 Interests in other entities (continued)

(a) Material subsidiaries (continued)

Mining Technology and Supplies Limited which is 100% owned by West African Mining Services Limited.

Supply Direct Pty Ltd which is 100% owned by Golden Plains Pty Ltd.

Supply Direct South Africa Pty Ltd and Logistics Direct Limited are 100% owned by Supply Direct Pty Ltd.

MinAnalytical Laboratory Services Australia Pty Ltd is 100% owned by MinAnalytical Holdings Pty Ltd.

BTP Equipment Pty Ltd is 75% owned by Ausdrill Finance Pty Ltd and 25% owned by Ausdrill International Pty Ltd.

BTP Parts Pty Ltd is 100% owned by BTP Equipment Pty Ltd.

Ausdrill Limited carries on business in Australia.

African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana.

Ausdrill Tanzania Limited carries on business in Tanzania. Ausdrill Utilities Pty Ltd has a branch which carries on business in Zambia.

African Mining Services Mali Sarl carries on business in Mali.

African Mining Services Burkina Faso Sarl carries on business in Burkina Faso.

African Mining Services Guinee Sarl carries on business in Guinea.

Supply Direct South Africa Pty Ltd carries on business in South Africa.

Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

African Mining Services Senegal Suarl and Power Solutions Africa Suarl carry on business in Senegal.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited and Mining Technology and Supplies Ltd.

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2018 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

NAME OF ENTITY	PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST		NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT	
		18	17			**18**	17
		%	%			**$'000**	$'000
African Underground Mining Services	Ghana, Mali, Burkina Faso and Tanzania	**50**	50	Joint ventures	Equity method	**71,266**	58,884

African Underground Mining Services is not a consolidated entity of Ausdrill Limited because Ausdrill Limited is not able to govern the activities of this entity so as to obtain benefits from it.

(i) Commitments and contingent liabilities in respect of joint ventures

	18	17
	$'000	**$'000**
Commitments - joint ventures		
Share of African Underground Mining Services capital commitments	**9,604**	19,672

Contingent liabilities - joint ventures

African Underground Mining Services did not have any contingent liabilities as at 30 June 2018 (30 June 2017: nil).

Notes to the consolidated financial statements

14 Interests in other entities (continued)

(b) Interests in joint ventures (continued)

(ii) Summarised financial information for joint ventures

Financial information for those joint ventures that are material to the Group is provided below. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Ausdrill Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	AFRICAN UNDERGROUND MINING SERVICES	
	18	17
SUMMARISED BALANCE SHEET	**$'000**	$'000
Current assets		
Cash and other cash equivalents	**33,272**	25,058
Other current assets	**98,420**	73,062
Total current assets	**131,692**	98,120
Non-current assets	**90,588**	57,266
Current liabilities		
Financial liabilities (excluding trade payables)	**17,992**	5,318
Other current liabilities	**40,440**	29,314
Total current liabilities	**58,432**	34,632
Non-current liabilities	**21,316**	2,986
Net assets	**142,532**	117,768
Reconciliation to carrying amounts:		
Opening net assets 1 July	**117,768**	139,528
Profit for the year	**44,688**	26,180
Other comprehensive income/(loss)	**7,342**	(2,048)
Dividends paid	**(27,266)**	(45,892)
Closing net assets at 30 June	**142,532**	117,768
Group share in %	**50.0%**	50.0%
Group share in $	**71,266**	58,884
Carrying amount	**71,266**	58,884

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**290,434**	179,724
Interest income	**1,874**	2,374
Depreciation and amortisation expense	**(37,070)**	(21,940)
Interest expense	**(4,338)**	(3,874)
Income tax expense	**(14,762)**	(11,892)
Profit from continuing operations	**44,688**	26,180
Profit for the year	**44,688**	26,180
Other comprehensive income/(loss)	**7,342**	(2,048)
Total comprehensive income	**52,030**	24,132

Notes to the consolidated financial statements

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) Unrecognised tax amounts – see note 5

(b) Non-cash investing and financing transactions – see note 9(b).

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16	Commitments	97
17	Events since the end of the financial year	97

Notes to the consolidated financial statements

15 Contingencies

(a) Contingent liabilities

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.

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 24.

(b) Contingent assets

The Group lodged a claim in relation to a matter which at the date of this report is unresolved and is subject to litigation. The directors are confident that a favourable outcome will be achieved. However, the contingent asset has not been recognised as a receivable at 30 June 2018 as receipt of this amount is dependent on the outcome of the litigation.

16 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	18 $'000	17 $'000
Property, plant and equipment		
Payable:		
Within one year	**10,393**	16,111

The capital commitments are to be funded from cash and available finance facilities.

(b) Non-cancellable operating leases

The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	18 $'000	17 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,476**	2,638
Later than one year but not later than five years	**2,642**	799
Later than five years	**15**	-
	6,133	3,437

17 Events since the end of the financial year

On 15 August 2018, the directors declared the payment of a final ordinary dividend of $12,676,912 (1.5 cents per fully paid share dividend in line with a 40% payout ratio on underlying profit and a special dividend of 2.0 cents per fully paid share to align with a payout ratio 40% of reported profit, for a total dividend per fully paid share of 3.5 cents) to be paid on 18 October 2018 out of retained profits at 30 June 2018. The financial effect of this transaction has not been brought to account at 30 June 2018.

On 15 August 2018, Ausdrill Limited (Ausdrill) entered into a binding agreement to acquire Barminco Holdings Pty Ltd ("Barminco"), a specialist underground mining contractor with operations predominately in Australia as well as in Africa (through African Underground Mining Services (AUMS)), Egypt and India. Barminco is one of Australia's leading underground hard-rock mining contractors and is the Group's long standing joint-venture partner in AUMS. Ausdrill will acquire all of the equity and equity-like instruments in Barminco in exchange for 150.7 million fully paid ordinary ex-dividend Ausdrill shares and $25.4 million in cash. This is equivalent to an equity acquisition price of $271.5 million and an enterprise value of $697.0 million.

In order to reduce pro-forma gearing, the Group will undertake a fully underwritten accelerated non-renounceable entitlement offer to raise approximately $250 million.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

Notes to the consolidated financial statements

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other

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Notes to the consolidated financial statements

18 Related party transactions

(a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 14(a).

(c) Key management personnel compensation

	18 $'000	17 $'000
Short-term employee benefits	4,025,797	3,595,364
Post-employment benefits	168,791	192,496
Long-term benefits	108,070	30,549
Share-based payments	64,797	83,319
	4,367,455	3,901,728

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 42.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	18 $'000	17 $'000
Sales of goods and services		
Joint ventures	11,606,354	11,507,028
Entities related to key management personnel	42,675,518	8,365,112
Management fee received / receivable		
Joint ventures	651,001	669,932
Purchase of goods		
Rental office buildings	89,508	358,032

(i) Purchases from entities controlled by key management personnel

The Group acquired the following goods and services from entities that are controlled by members of the Group key management personnel:

- rental of an office building
- provision of exploration drilling services
- mining services

For detailed disclosures please refer to the remuneration report on pages 40 and 41.

Notes to the consolidated financial statements

18 Related party transactions (continued)

(e) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	18 $'000	17 $'000
Current receivables (sales of goods and services)		
Joint ventures	6,560,666	18,491,227
Entities related to key management personnel	10,786,785	1,954,906

(f) Loans to/from related parties

There were no loans to/from key management personnel during the year (2017: nil).

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

19 Share-based payments

(a) Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers (excluding executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on Ausdrill Limited's total shareholders return (TSR), including share price growth, dividends and capital returns, ranking with a peer group of selected companies that are listed on the ASX over a period of time. Once vested, the options remain exercisable for a period of between 3.6 years and 5 years from their issue date. Options are granted under the plan for nil consideration.

Options granted for nil consideration and settled in shares under the plan carry no dividend or voting rights.

Set out below are summaries of options granted under the plan:

	18 AVERAGE EXERCISE PRICE PER SHARE OPTION	18 NUMBER OF OPTIONS	17 AVERAGE EXERCISE PRICE PER SHARE OPTION	17 NUMBER OF OPTIONS
As at 1 July	$0.66	13,833,346	$0.85	16,100,015
Granted during the year	$1.37	800,000	$0.00	-
Exercised during the year	$1.09	(5,733,329)	$0.00	-
Forfeited during the year	$0.85	(1,133,335)	$1.11	(2,266,669)
As at 30 June	$0.39	7,766,682	$0.66	13,833,346
Vested and exercisable at 30 June	$0.52	899,999	$1.70	1,966,654

No options expired during the periods covered by the above tables.

Notes to the consolidated financial statements

19 Share-based payments (continued)

(a) Employee Option Plan (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE OPTIONS 30 JUNE 2018	SHARE OPTIONS 30 JUNE 2017
07/10/2013	07/10/2018	$1.70	**66,666**	1,966,654
07/10/2013	07/10/2018	$1.70	**100,002**	1,966,692
23/12/2015	23/12/2020	$0.25	**733,331**	3,299,982
23/12/2015	23/12/2020	$0.25	**3,033,317**	3,299,982
23/12/2015	23/12/2020	$0.25	**3,033,366**	3,300,036
20/04/2018	21/11/2021	$1.26	**133,333**	-
20/04/2018	21/11/2021	$1.26	**133,333**	-
20/04/2018	21/11/2021	$1.26	**133,334**	-
20/04/2018	22/05/2022	$1.33	**66,666**	-
20/04/2018	22/05/2022	$1.33	**66,666**	-
20/04/2018	22/05/2022	$1.33	**66,668**	-
20/04/2018	12/06/2022	$1.62	**66,666**	-
20/04/2018	12/06/2022	$1.62	**66,666**	-
20/04/2018	12/06/2022	$1.62	**66,668**	-
			7,766,682	13,833,346
Weighted average remaining contractual life of options outstanding at end of period			**2.56 years**	2.86 years

(i) Fair value of options granted

There were 800,000 options granted during the year ended 30 June 2018 (2017: nil).

The fair value at grant date is independently determined using either a Monte Carlo simulation or an amended Black Scholes Merton methodology valuation.

The model inputs for options granted during the year ended 30 June 2018 included:

(a) Options are granted for no consideration and vest based on Ausdrill's TSR rating with a peer group of selected companies for the vesting periods below:

(b)	vesting period - tranche 1 - 1/3 of options	215 days	397 days	418 days
(c)	vesting period - tranche 2 - 1/3 of options	580 days	763 days	784 days
(d)	vesting period - tranche 3 - 1/3 of options	946 days	1,128 days	1,149 days
(e)	exercise price	$1.26	$1.33	$1.62
(f)	grant date	20 April 2018	20 April 2018	20 April 2018
(g)	expiry date	21 November 2021	22 May 2022	12 June 2022
(h)	share price at grant date	$2.82	$2.82	$2.82
(i)	expected price volatility of company shares	37.48%	37.48%	37.48%
(j)	expected dividend yield	1.94%	1.94%	1.94%
(k)	risk free interest rate	2.21%	2.21%	2.21%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Ausdrill Limited for the amount recognised as expense in relation to these options.

Notes to the consolidated financial statements

19 Share-based payments (continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	18 $'000	17 $'000
Options issued under employee option plan	756	238

20 Remuneration of auditors

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

(a) PricewaterhouseCoopers Australia

	18 $	17 $
(i) Audit and other assurance services		
Audit and review of financial statements	449,286	471,412
(ii) Taxation services		
Tax compliance services	64,229	111,569
(iii) Other services		
Advisory and accounting consulting services	198,401	10,000
Total remuneration of PricewaterhouseCoopers Australia	711,916	592,981
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and other assurance services	257,582	312,542
(ii) Taxation services		
Tax compliance services	55,625	140,461
(iii) Other services		
Advisory and accounting consulting services	19,854	32,373
Total remuneration of network firms of PricewaterhouseCoopers Australia	333,061	485,376
(c) Non PricewaterhouseCoopers audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	46,677	45,403
Total remuneration for audit and other assurance services	46,677	45,403
Total auditors' remuneration	1,091,654	1,123,760

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Notes to the consolidated financial statements

21 Earnings per share

(a) Basic earnings/(loss) per share

	18 CENTS	17 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	16.9	9.9
From discontinued operations	0.5	0.1
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the company	17.4	10.0

(b) Diluted earnings/(loss) per share

	18 CENTS	17 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	16.6	9.6
From discontinued operations	0.5	0.1
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the company	17.1	9.7

(c) Reconciliation of earnings used in calculating earnings per share

	18 $'000	17 $'000
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	59,349	30,951
From discontinued operations	1,701	250
	61,050	31,201

(d) Weighted average number of shares used as denominator

	18 NUMBER	17 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	351,782,137	312,277,224
Adjustments for calculation of diluted earnings per share: Effect of share options on issue	5,932,674	7,978,121
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	357,714,811	320,255,345

(e) Information on the classification of securities

(i) Options

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 19.

Notes to the consolidated financial statements

22 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	18 $'000	17 $'000
Current		
Floating charge		
Cash and cash equivalents	**133,294**	165,321
Receivables	**204,448**	158,889
Inventory	**198,440**	183,179
Total current assets pledged as security	**536,182**	507,389
Non-current		
Floating charge		
Plant and equipment	**544,807**	468,128
Freehold land and buildings	**58,607**	53,884
Receivables	**3,314**	-
Investment	**83,265**	64,073
Total non-current assets pledged as security	**689,993**	586,085
Total assets pledged as security	**1,226,175**	1,093,474

Notes to the consolidated financial statements

23 Deed of cross guarantee

Ausdrill Limited and the entities noted below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and a directors' report under Australian Securities and Investments Commission Instrument 2016/785 (as amended).

The closed group consists of Ausdrill Limited and the following entities:

ACN 103534087 Pty Ltd;
African Mining Services (Ghana) Pty Ltd;
Ausdrill International Pty Ltd;
Ausdrill International & Management Services Pty Ltd;
Ausdrill Finance Pty Ltd;
Ausdrill Northwest Pty Ltd;
Ausdrill Properties Pty Ltd;
Ausdrill Utilities Pty Ltd;
BTP Parts Pty Ltd;
BTP Equipment Pty Ltd;
Connector Drilling Pty Ltd;
Diamond Communications Pty Ltd;
Drill Rigs Australia Pty Ltd;
Energy Drilling Australia Pty Ltd;
Golden Plains Pty Ltd;
MinAnalytical Holdings Pty Ltd;
MinAnalytical Laboratory Services Australia Pty Ltd;
Supply Direct Pty Ltd;
Supply Direct South Africa Pty Ltd; and
Synegex Holdings Pty Ltd.

(a) Consolidated statement of profit or loss, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Ausdrill Limited, they also represent the 'extended closed group'.

Set out over page is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group.

Notes to the consolidated financial statements

23 Deed of cross guarantee (continued)

(a) Consolidated statement of profit or loss, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	18 **$'000**	17 $'000
Consolidated statement of profit or loss		
Revenue from continuing operations	**641,603**	606,368
Other income	**20,463**	13,922
Materials	**(290,441)**	(289,465)
Labour	**(200,111)**	(172,679)
Rental and hire	**(12,587)**	(12,278)
Depreciation and amortisation expense	**(49,222)**	(52,239)
Management fee income/(expense)	**5,473**	(3,173)
Finance costs	**(31,724)**	(31,555)
Other expenses from ordinary activities	**(47,166)**	(44,038)
Share of net profits of joint ventures accounted for using the equity method	**22,344**	13,090
Profit from discontinued operations	**1,701**	-
Profit/(loss) before income tax	**60,333**	27,953
Income tax (expense)/benefit	**(6,919)**	(10,206)
Profit/(loss) for the year	**53,414**	17,747
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	**53,414**	17,747
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**4,404**	528
Items that will not be reclassified to profit or loss		
Gain/(loss) on revaluation of land and buildings	**4,443**	(421)
(Loss)/gain on revaluation of available-for-sale assets	**(1,664)**	(1,424)
Other comprehensive income/(loss) for the year, net of tax	**7,183**	(1,317)
Total comprehensive income/(loss) for the year	**60,597**	16,430
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**39,124**	18,880
Profit/(loss) for the year	**53,414**	17,747
Retained earnings transfer	**-**	312
Dividends paid	**(19,855)**	(6,246)
Retained earnings at the end of the financial year	**72,683**	30,693

Notes to the consolidated financial statements

23 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position

Set out below is the consolidated statement of financial position as at 30 June of the closed group.

	18 **$'000**	17 $'000
Current assets		
Cash and cash equivalents	**113,000**	143,145
Trade and other receivables	**164,846**	122,295
Inventories	**153,868**	142,575
Current tax assets	**186**	3,155
Total current assets	**431,900**	411,170
Non-current assets		
Receivables	**31,202**	98,250
Investments accounted for using the equity method	**296,208**	112,624
Available-for-sale financial assets	**11,999**	5,189
Property, plant and equipment	**430,175**	407,308
Deferred tax assets	**49,928**	42,085
Total non-current assets	**819,512**	665,456
Total assets	**1,251,412**	1,076,626
Current liabilities		
Trade and other payables	**91,426**	83,825
Borrowings	**3,334**	-
Current tax liabilities	**228**	2,194
Employee benefit obligations	**31,564**	25,509
Total current liabilities	**126,552**	111,528
Non-current liabilities		
Borrowings	**403,770**	391,022
Deferred tax liabilities	**35,820**	31,813
Employee benefit obligations	**486**	742
Total non-current liabilities	**440,076**	423,577
Total liabilities	**566,628**	535,105
Net assets	**684,784**	541,521
Equity		
Contributed equity	**624,571**	526,447
Reserves	**(12,470)**	(15,619)
Retained earnings	**72,683**	30,693
Total equity	**684,784**	541,521

Notes to the consolidated financial statements

24 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	18 $'000	17 $'000
Balance sheet		
Current assets	**65,511**	57,726
Non-current assets	**465,422**	485,340
Total assets	**530,933**	543,066
Current liabilities	**26,072**	23,474
Non-current liabilities	**6,392**	6,957
Total liabilities	**32,464**	30,431
Shareholders' equity		
Issued capital	**624,571**	526,447
Reserves		
Asset revaluation reserve	**909**	704
Share-based payments reserve	**6,446**	6,206
Pre-2015 reserve	**104,904**	104,904
Accumulated losses - 2015 reserve	**(183,177)**	(183,177)
Retained earnings	**(55,184)**	57,551
Total equity	**498,469**	512,635
(Loss)/profit for the period	**(92,879)**	(60,723)
Total comprehensive (loss)/income	**(92,674)**	(60,723)

The financial information for the parent entity has been prepared in accordance with note 25(aa).

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees (2017: nil).

However, there are cross guarantees given by Ausdrill Limited as described in note 23. Deficiencies exist in some of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the parent entity, please see (b) above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2018, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $4,828,712 (30 June 2017: nil). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(e) Pre-2015 Reserve

Each reserve of the parent entity has the same nature and purpose as described for the consolidated Group (in note 8(b)). In addition, the parent entity on 30 June 2016 and 30 June 2015 established separate reserves for the purpose of paying future dividends. The reserves are referred to as the "Pre-2015 reserve" and the "Accumulated losses - 2015 reserve". On the date of establishment, the "Pre-2015 reserve" had an amount of $114,273,000 transferred to it from retained earnings and the "Accumulated losses - 2015 reserve" had an amount of ($183,177,000) transferred to it from retained earnings.

Notes to the consolidated financial statements

25 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Ausdrill Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Ausdrill Limited and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 2017-2 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2014 - 2016 cycle
- AASB 107 Amendments to Australian Accounting Standards - Narrow scope amendments to statement of cash flows, and
- AASB 112 Amendments to Australian Accounting Standards - Narrow scope amendments to income taxes.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 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 9 Financial Instruments*

  AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  The Group's equity instruments that are currently classified as available-for-sale will satisfy the conditions for classification as, at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

  Accordingly, the Group does not expect the new guidance to affect the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2018 financial year, A$Nil (2017: A$933,674) of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as, at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

  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. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade debtors by approximately 1.0%.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  The Group does not intend to adopt AASB 9 before its mandatory date of 1 July 2018. The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted (continued)

- *AASB 15 Revenue from Contracts with Customers*

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following from the review:

  Ausdrill currently has both contracts for services (contract mining, both underground and surface mining, drill and blast, exploration drilling, rental of equipment and mineral assays and analysis) and contracts for sale of goods (predominantly BTP equipment and BTP Parts). In the 30 June 2018 financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

  Management have considered whether a contract exists, whether the party to the contract is a customer, what the performance obligations are, what the transactions price payable by the customer is, how the contract price is split across the performance obligations, and whether the contract means performance over time or at a point in time.

  The application of AASB 15 may result in the accounting for certain costs incurred in fulfilling a contract which did not qualify for recognition as an asset under any of the other accounting standards. If the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, they will therefore be eligible for capitalisation under AASB15 and recognised as a contract asset as of 1 July 2018 (2018: nil).

  The application of AASB 15 will also require additional disclosure requirements from 1 July 2018 including separate presentation of contract assets in the balance sheet and costs to obtain or fulfil a contract.

  Management has assessed the effect of applying the new standard on the Group's financial statements and does not expect that there will be an impact on its consolidated financial statements for revenue recognition.

  Mandatory for financial years commencing on or after 1 January 2018, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. The new standard will only be applied to contracts that remain in force at the transition date.

- *AASB 16 Leases*

  IFRS 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 $6,133,000, see note 16. The Group estimates that approximately 38.4% 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-of-use assets and 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.

(iv) Historical cost convention

These financial statements have been prepared on a historical cost basis except for the following:

- revaluation of land and buildings, and
- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations by the Group (refer to note 25(h)). 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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Ausdrill Limited has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in 25(i).

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ausdrill Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced, but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(d) Foreign currency translation

(i) 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 consolidated financial statements are presented in Australian dollars ($), which is Ausdrill Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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 end of the reporting period
- income and expenses for each income statement and statement of comprehensive income 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 in other comprehensive income.

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 recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the Group's main types of revenue are explained in note 2. Revenue for other business activities is recognised on the following basis:

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 25(m).

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(f) 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's 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.

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

Ausdrill Limited 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 these entities are set-off in the consolidated financial statements.

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.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(g) 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 (note 7(b)). Finance leases are capitalised at lease inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current and non-current payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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 4(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurements are recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting period.

(j) Cash and cash equivalents

For the purpose 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 amounts 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.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. See note 6(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(l) Inventories

(i) Consumables and store items, work in progress and finished goods

Consumables and store items, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost 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 the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 6 for details about each type of financial asset.

(i) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6(b)).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets - recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 6(f).

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 11(b).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(n) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 7(b). All other plant and equipment is 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. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The depreciation methods and periods used by the Group are disclosed in note 7(b).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 25(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 25(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 1).

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

(iii) Designs and drawings

Designs and drawings acquired as part of a business combination are recognised separately from goodwill. The designs and drawings are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

Amortisation is calculated based on the projected technical life of the design and drawings, which is expected to be five years.

(p) 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 45 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 other income and other expenses.

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 period.

(r) Borrowing costs

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

(s) Provisions

Provisions for legal claims 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 not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position 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.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Ausdrill Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 19.

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value at grant date is independently determined using a Monte Carlo simulation valuation or an amended Black Scholes Merton methodology valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 25(n).

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the consolidated financial statements

25 Summary of significant accounting policies (continued)

(y) 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.

(z) Rounding of amounts

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

(aa) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Ausdrill Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of those guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Directors' declaration

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 46 to 119 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ian Howard Cochrane
Director

Sydney
15 August 2018

Independent auditor's report to the members

pwc

Independent auditor's report

To the members of Ausdrill Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ausdrill 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 2018 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 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows 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* (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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Independent auditor's report to the members

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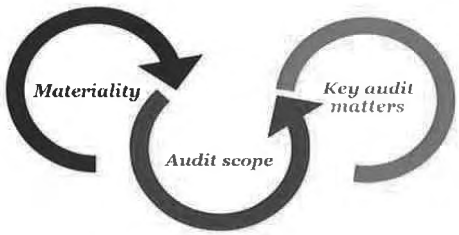
Our audit approach

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 $3,612,000, which represents approximately 5% of the Group's profit before tax from continuing operations.
- 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 also adjusted for discontinued operations as they are unusual or infrequently occurring items impacting profit and loss.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Independent auditor's report to the members

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the group engagement team and by component auditors in Africa operating under instruction. We structured our audit as follows:
  - The group engagement team performed audit procedures on the financial information of the Ausdrill Limited, Ausdrill Finance, Ausdrill International Management Services, Ausdrill Northwest, Ausdrill Properties, BTP Parts, BTP Equipment and Energy Drilling Australia businesses because these were financially significant or contained financially significant balances.
  - Component auditors performed audit procedures on the financial information of AMS Burkina Faso, AMS Ghana, AMS Guinee, AMS Mali, AMS Senegal, and the joint venture with Barminco Limited for AUMS Burkina Faso and AUMS Tanzania businesses because these were financially significant or contained financially significant balances.

The Group engagement team and component auditors had active dialogue throughout the year through discussions, written instructions and reporting.

Independent auditor's report to the members

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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Assessment of impairment for non-current assets *(Refer to note 3) [$Nil]* At 30 June 2018 the Group recognised $664.3 million of property, plant and equipment. Due to varying levels of profitability during the year, the Group considered whether there were any indicators of impairment for each of its cash generating units (CGUs). Where a CGU was performing below its forecast cash flows and had high underutilisation of property, plant and equipment, the Group considered that there was an impairment indicator and performed an impairment assessment. Indicators of possible impairment were identified by the Group in the Ausdrill Kalgoorlie and Synegex, Ausdrill Northwest, Contract Mining Services Africa and Energy Drilling Australia CGUs. Following the identification of possible impairment of assets, the Group used either a Value in use (VIU) or a Fair value less cost of disposal (FVLCoD) methodology to assess the recoverable amount. VIU models were prepared by the Group and where a FVLCoD methodology was undertaken, the Group engaged an independent valuer to assist in assessing the recoverable amount of these assets. The Group concluded no impairment charge was required in these four CGUs. The Group also assessed whether any reversal of prior period impairment charges was necessary for 30 June 2018 and concluded it was not.	We assessed the Group's identification of impairment indicators which is undertaken by a comparison of cash flow forecasts and estimated utilisation rates for 2018 with the actual results achieved in 2018 for all CGUs. We found that actual 2018 performance was consistent with the forecast cash flow performance and utilisation rates except for the Ausdrill Kalgoorlie and Synegex, Ausdrill Northwest, Contract Mining Services Africa, and Energy Drilling Australia CGUs. For Ausdrill Kalgoorlie and Synegex and Contract Mining Services Africa CGUs a VIU methodology was adopted and we therefore: • considered if the discounted cash flow models used to estimate the recoverable amount of these CGUs on a VIU basis (the impairment models) were consistent with Australian Accounting Standards • compared the forecast cash flows used in the impairment models to the most recent budgets and business plans approved by the Board • considered whether the forecast cash flows in the impairment models were reasonable and based upon supportable assumptions, by: o comparing future revenue growth and contract growth to independent expectations and known contract wins and losses o comparing the forecast cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting

Independent auditor's report to the members

Key audit matter	*How our audit addressed the key audit matter*
This was a key audit matter because of the significant judgement involved in considering the existence of impairment indicators, estimating the recoverable amount of the assets and the potentially material impact on the financial report.	○ comparing inflation rate assumptions in the impairment models to independent economic forecasts, and ○ assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital. • performed sensitivity analysis on the key assumptions used in the impairment models • performed tests of the mathematical accuracy of the impairment model's calculations • considered whether the impairment models indicated a reversal of a previously booked impairment charge, and • considered the adequacy of the disclosures made in note 3 of the financial statements, including key assumptions, in light of the requirements of Australian Accounting Standards. For Ausdrill Northwest and Energy Drilling Australia CGUs, a FVLCoD methodology was adopted and we therefore: • examined the external valuation reports obtained by the Group to determine if the valuations supported asset carrying values • assessed the competency of the valuers which included considering their experience and qualifications in assessing similar types of assets • agreed the listings of all assets included in the valuations to the underlying assets included in the CGUs to test completeness of the valuations • utilised PwC valuation experts to consider the methodologies and key assumptions adopted in the valuations obtained • tested a selection of asset sales which were made from these two CGUs during the period to identify if any assets were sold for amounts materially below their book values and whether this indicated potential impairment in other assets, and

Independent auditor's report to the members

Key audit matter	*How our audit addressed the key audit matter*
	• Considered the adequacy of the disclosures made in note 3 of the financial statements, including key assumptions, in light of the requirements of Australian Accounting Standards.
Recoverability of deferred tax assets in Australia *(Refer to note 7) [$35.5m]* The Group recognised $35.5 million of deferred tax assets at 30 June 2018. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter, as it was for the prior year, because of the size of the balances and because significant judgement was required by the Group to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets, in the context of the increased profit from continuing operations for the year.	We assessed the Group's ability to utilise the deferred tax assets by: • obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast • comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's approach to budgeting • challenging the Group's key assumptions in the cash flow budget and taxable income forecasts • evaluating whether the cash flows in the taxable income forecasts had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, to taxable profits • recalculating deferred tax asset balances which comprise a combination of timing differences between tax and accounting values and tax losses, and • assessing whether deferred tax assets had been appropriately recognised in the financial report as at 30 June 2018 based on the extent to which they can be recovered by forecast taxable profits.

Independent auditor's report to the members

Key audit matter	*How our audit addressed the key audit matter*
Inventory existence *(Refer to note 7) [$212.6m]* The Group recognised inventory of $212.6 million at 30 June 2018. Inventory is held by 22 entities across the Group in various countries including Australia, Burkina Faso, Ghana, Guinee, Mali, Tanzania, Senegal, South Africa, Zambia and the United Kingdom. Within each country, inventory is stored in warehouses, sheds, containers and yards, attached to drill rigs and at mine sites, often situated in very remote locations due to the nature of the mining services industry. This was a key audit matter, as it was for the prior year, because of the: • significance of the inventory balance to the statement of financial position, and • complexity involved in determining inventory quantities on hand due to the number, location and diversity of inventory storage locations. The Group has a similar number of inventory locations and the mix of inventory held has not substantially changed from the prior year. In addition, the Group has a new subsidiary in Senegal, while the sale of Diamond Communications in the current year has removed the inventory associated with that business.	We attended inventory counts at locations, which we selected based on financial significance and risk. For locations attended in Australia, Burkina Faso, Ghana, Guinee, Mali, Senegal and Tanzania, we performed the following procedures at each site: • Selected a sample of inventory items and compared the quantities we counted to the quantities recorded • Observed a sample of management's inventory count procedures to assess compliance with Group policy, and • Made enquiries regarding obsolete inventory items and inspected the condition of items counted. We have also evaluated a selection of controls over inventory existence across the Group.

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 2018, including the Chairman's letter to shareholders, Operating and financial review, Director's report, Corporate Governance Statement, Shareholder information and Financials table, 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.

Independent auditor's report to the members

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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, 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 *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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 31 to 42 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Ausdrill Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Independent auditor's report to the members

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

Justin Carroll
Partner

Perth
15 August 2018

AUSDRILL—YEARS ENDED JUNE 30, 2017 AND 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	17 $'000	16 $'000
Revenue from continuing operations	2	**778,719**	744,635
Other income	4(a)	**7,206**	11,102
Materials expense		**(329,383)**	(298,972)
Labour costs		**(251,151)**	(239,895)
Rental and hire expense		**(14,311)**	(13,994)
Depreciation and amortisation expense	4(b)	**(62,385)**	(67,894)
Finance costs	4(b)	**(31,512)**	(33,696)
Realised foreign exchange gains/(losses)	4(b)	**719**	(8,427)
Unrealised foreign exchange gains/(losses)	4(b)	**4,028**	(6,123)
Other expenses from ordinary activities		**(69,692)**	(69,232)
Impairment of available-for-sale financial assets	4(b)	**-**	(1,485)
Share of net profit of joint ventures accounted for using the equity method	14(b)	**13,090**	9,074
Profit/(loss) before income tax		**45,328**	25,093
Income tax (expense)/benefit	5	**(13,885)**	(4,581)
Profit/(loss) from continuing operations		**31,443**	20,512
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	13	**(242)**	37,638
Profit/(loss) for the year		**31,201**	58,150
Profit/(loss) is attributable to:			
Equity holders of Ausdrill Limited		**31,201**	58,150
Profit/(loss) for the year		**31,201**	58,150
		CENTS	**CENTS**
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	**10.1**	6.6
Diluted earnings/(loss) per share	21	**9.8**	6.4
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	21	**10.0**	18.7
Diluted earnings/(loss) per share	21	**9.7**	18.2

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	17 $'000	16 $'000
Profit/(loss) for the year		**31,201**	58,150
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange (losses)/gains on translation of foreign operations	8(b)	**882**	(6,828)
Share of other comprehensive income of joint ventures accounted for using the equity method		**(1,024)**	1,960
Items that will not be reclassified to profit or loss			
(Loss)/gains on revaluation of land and buildings, net of tax	8(b)	**(421)**	(1,341)
(Loss)/gain on revaluation of available-for-sale financial assets, net of tax	8(b)	**(1,424)**	1,178
Other comprehensive (loss)/income for the year, net of tax		**(1,987)**	(5,031)
Total comprehensive income/(loss) for the year		**29,214**	53,119
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Ausdrill Limited		**29,214**	53,119
Total comprehensive income/(loss) for the year		**29,214**	53,119
Total comprehensive income/(loss) for the period attributable to owners of Ausdrill Limited arises from:			
Continuing operations		**29,456**	15,481
Discontinued operations		**(242)**	37,638
		29,214	53,119

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	17 $'000	16 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**166,710**	181,857
Trade and other receivables	6(b)	**167,742**	169,810
Inventories	7(a)	**188,761**	191,374
Available-for-sale financial assets	6(c)	**-**	2,000
Current tax receivables		**3,028**	4,803
Total current assets		**526,241**	549,844
Non-current assets			
Joint ventures accounted for using the equity method	14(b)	**58,884**	69,764
Available-for-sale financial assets	6(c)	**5,189**	3,641
Property, plant and equipment	7(b)	**560,464**	489,832
Deferred tax assets	7(c)	**36,372**	37,300
Total non-current assets		**660,909**	600,537
Total assets		**1,187,150**	1,150,381
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	**100,396**	82,839
Borrowings	6(e)	**2,802**	3,521
Current tax liabilities		**4,181**	3,907
Employee benefit obligations	7(d)	**40,805**	33,814
Total current liabilities		**148,184**	124,081
Non-current liabilities			
Borrowings	6(e)	**385,815**	395,019
Deferred tax liabilities	7(c)	**22,077**	23,584
Employee benefit obligations	7(d)	**960**	1,101
Total non-current liabilities		**408,852**	419,704
Total liabilities		**557,036**	543,785
Net assets		**630,114**	606,596
EQUITY			
Contributed equity	8(a)	**526,447**	526,447
Other reserves	8(b)	**(17,777)**	(16,028)
Retained earnings	8(c)	**121,444**	96,177
Capital and reserves attributable to owners of Ausdrill Limited		**630,114**	606,596
Total equity		**630,114**	606,596

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTES	ATTRIBUTABLE TO OWNERS OF AUSDRILL LIMITED			
		CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 July 2015		**526,447**	**(11,181)**	**38,027**	**553,293**
Profit for the year		-	-	58,150	58,150
Other comprehensive (loss)/income		-	(5,031)	-	(5,031)
Total comprehensive (loss)/income for the period		**-**	**(5,031)**	**58,150**	**53,119**
Transactions with owners in their capacity as owners:					
Employee share options - value of employee services	8(b)	-	184	-	184
Balance at 30 June 2016		**526,447**	**(16,028)**	**96,177**	**606,596**
Profit for the year		-	-	31,201	31,201
Other comprehensive (loss)/income		-	(1,987)	312	(1,675)
Total comprehensive (loss)/income for the period		**-**	**(1,987)**	**31,513**	**29,526**
Transactions with owners in their capacity as owners:					
Dividends paid	12(b)	-	-	(6,246)	(6,246)
Employee share options - value of employee services	8(b)	-	238	-	238
		-	238	(6,246)	(6,008)
Balance at 30 June 2017		**526,447**	**(17,777)**	**121,444**	**630,114**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	17 $'000	16 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**802,207**	791,503
Payments to suppliers and employees (inclusive of goods and services tax)		**(670,096)**	(668,345)
		132,111	123,158
Receipts from finance customers		**-**	2,609
Interest received		**2,391**	1,655
Interest and other costs of finance paid		**(29,113)**	(30,870)
Income taxes (paid)/refunded		**(11,782)**	(6,434)
Management fee received from joint ventures		**1,006**	888
Net cash inflow/(outflow) from operating activities	9(a)	**94,613**	91,006
Cash flows from investing activities			
Payments for purchase of equity investments		**-**	(3)
Payments for property, plant and equipment		**(147,418)**	(12,416)
Proceeds from sale of property, plant and equipment		**1,780**	11,418
Payments for available-for-sale financial assets		**(3,855)**	(3,849)
Proceeds from sale of available-for-sale financial assets		**3,207**	7,463
Proceeds from sale of business	13	**22,213**	49,369
Distributions received from associates		**22,946**	8,871
Net cash (outflow)/inflow from investing activities		**(101,127)**	60,853
Cash flows from financing activities			
Repayment of secured borrowings		**-**	(38,091)
Repayment of hire purchase and lease liabilities		**(471)**	(8,047)
Proceeds from unsecured borrowings		**3,721**	4,340
Dividends paid to Company's shareholders	12(b)	**(6,246)**	-
Repayment of unsecured borrowings		**(3,969)**	(5,974)
Net cash (outflow)/inflow from financing activities		**(6,965)**	(47,772)
Net (decrease)/increase in cash and cash equivalents		**(13,479)**	104,087
Cash and cash equivalents at the beginning of the financial year		**181,857**	77,865
Effects of exchange rate changes on cash and cash equivalents		**(1,668)**	(95)
Cash and cash equivalents at end of year	6(a)	**166,710**	181,857
Non-cash investing and financing activities		**-**	-

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

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HOW NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and sub-totals, including segment information

(c) information about estimates and judgements made in relation to particular items.

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1 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the internal reports reviewed by the Board that are used to make strategic decisions. The Board assesses the performance of the operating segments based on revenue, EBIT, EBITDA and profit or loss before tax.

The operating segments are identified by the Board based on the nature of the services provided. The Board considers the business from a geographic perspective, similarity of the services provided and the nature of risks and returns associated with each business.

Reportable segments are:

Drilling Services Australia:

The provision of drilling services and drilling equipment including drilling and blasting, in-pit grade control, exploration drilling and water well drilling in Australia.

Equipment Services and Supplies:

The provision of mining supplies, products and services including equipment hire, equipment parts and sales throughout the world.

Contract Mining Services Africa:

The provision of mining services including drilling and blasting, in-pit grade control, exploration drilling and earthmoving in Africa.

All Other Segments:

Australian operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of energy drilling and equipment hire, mineral analysis, property holding services and services to the telecommunications and utility sector.

Corporate and Finance:

This segment includes Group central functions including treasury, accounting, human resources and administration.

During the year, the Group embarked on a centralisation of accounts payable, accounts receivable and payroll for its Australian operations. These costs are not distributed amongst the other segments.

Intersegment Eliminations:

Represents transactions which are eliminated on consolidation.

Discontinued operations:

This segment includes the discontinued operations of The Miners Rest Motel (2016: Drilling Tools Australia Pty Ltd and DT HiLoad Pty Ltd). Information about discontinued businesses can be found in note 13.

1 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2017 is as follows:

2017	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'000	ALL OTHER SEGMENTS $'000	CORPORATE & FINANCE $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue										
Sales to external customers	215,524	130,684	404,683	25,437	-	-	776,328	329	-	776,657
Intersegment sales	13,122	48,156	43	-	-	(61,321)	-	61	(61)	-
Total sales revenue	**228,646**	**178,840**	**404,726**	**25,437**	**-**	**(61,321)**	**776,328**	**390**	**(61)**	**776,657**
Other revenue	501	81	341	14	23,806	(22,352)	2,391	-	-	2,391
Total segment revenue	229,147	178,921	405,067	25,451	23,806	(83,673)	778,719	390	(61)	779,048
Segment EBITDA	**36,881**	**18,091**	**95,810**	**2,634**	**(16,582)**	**-**	**136,834**	**(214)**	**-**	**136,620**
Depreciation and amortisation expenses	(17,749)	(8,597)	(33,462)	(2,325)	(252)	-	(62,385)	(28)	-	(62,413)
Segment EBIT	**19,132**	**9,494**	**62,348**	**309**	**(16,834)**	**-**	**74,449**	**(242)**	**-**	**74,207**
Interest income	501	81	341	14	23,806	(22,352)	2,391	-	-	2,391
Interest expense	(3,332)	(4,761)	(7,730)	(6,550)	(31,491)	22,352	(31,512)	-	-	(31,512)
Segment result	**16,301**	**4,814**	**54,959**	**(6,227)**	**(24,519)**	**-**	**45,328**	**(242)**	**-**	**45,086**
Income tax (expense)/benefit							(13,885)	-		(13,885)
Profit/(loss) for the year							**31,443**	**(242)**		**31,201**
Segment assets	**709,196**	**174,423**	**591,998**	**89,094**	**683,361**	**(1,060,922)**	**1,187,150**	**-**	**-**	**1,187,150**
Segment liabilities	**86,773**	**83,632**	**288,045**	**4,958**	**908,469**	**(814,841)**	**557,036**	**-**	**-**	**557,036**
Other segment information										
Investments in joint ventures	-	-	58,884	-	-	-	58,884	-	-	58,884
Share of net profits from joint ventures	-	-	13,090	-	-	-	13,090	-	-	13,090
Acquisition of property, plant and equipment, intangibles and other non-current assets	6,870	17,192	121,075	1,909	4,227	-	151,273	-	-	151,273

1 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Board (continued)

The segment information provided to the Board for the reportable segments for the year ended 30 June 2016 is as follows:

2016	DRILLING SERVICES AUSTRALIA $'000	EQUIPMENT SERVICES & SUPPLIES $'000	CONTRACT MINING SERVICES AFRICA $'000	ALL OTHER SEGMENTS $'000	CORPORATE & FINANCE $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue										
Sales to external customers	222,619	131,025	361,880	27,479	-	-	743,003	26,978	-	769,981
Intersegment sales	1,526	20,135	144	2	-	(21,807)	-	16,902	(16,902)	-
Total sales revenue	**224,145**	**151,160**	**362,024**	**27,481**	**-**	**(21,807)**	**743,003**	**43,880**	**(16,902)**	**769,981**
Other revenue	326	197	228	25	27,660	(26,804)	1,632	23	-	1,655
Total segment revenue	224,471	151,357	362,252	27,506	27,660	(48,611)	744,635	43,903	(16,902)	771,636
Segment EBITDA	**41,085**	**15,757**	**83,760**	**(1,434)**	**(12,632)**	**-**	**126,536**	**38,862**	**-**	**165,398**
Depreciation and amortisation expenses	(19,948)	(8,274)	(35,763)	(3,605)	(304)	-	(67,894)	(2,616)	-	(70,510)
Reversal of impairment of available-for-sale assets	-	-	-	-	-	-	-	6,133	-	6,133
Impairment of available-for-sale assets	-	-	-	-	(1,485)	-	(1,485)	-	-	(1,485)
Segment EBIT	**21,137**	**7,483**	**47,997**	**(5,039)**	**(14,421)**	**-**	**57,157**	**42,379**	**-**	**99,536**
Interest income	326	197	228	25	27,660	(26,804)	1,632	23	-	1,655
Interest expense	(4,383)	(6,460)	(10,383)	(6,487)	(32,787)	26,804	(33,696)	(3)	-	(33,699)
Segment result	**17,080**	**1,220**	**37,842**	**(11,501)**	**(19,548)**	**-**	**25,093**	**42,399**	**-**	**67,492**
Income tax (expense)/benefit							(4,581)	(4,761)		(9,342)
Profit/(loss) for the year							**20,512**	**37,638**		**58,150**
Segment assets	**692,760**	**187,665**	**492,617**	**90,976**	**630,698**	**(944,335)**	**1,150,381**	**-**	**-**	**1,150,381**
Segment liabilities	**68,936**	**93,864**	**219,958**	**3,294**	**875,256**	**(717,523)**	**543,785**	**-**	**-**	**543,785**
Other segment information										
Investments in joint ventures	-	-	69,764	-	-	-	69,764	-	-	69,764
Share of net profits from joint ventures	-	-	9,074	-	-	-	9,074	-	-	9,074
Acquisition of property, plant and equipment, intangibles and other non-current assets	3,801	1,535	6,817	133	3,868	-	16,154	111	-	16,265

1 SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	17 $'000	16 $'000
Total segment revenue	**776,328**	743,003
Interest revenue	**2,391**	1,632
Total revenue from continuing operations (note 2)	**778,719**	744,635

2 REVENUE

	17 $'000	16 $'000
From continuing operations		
Sales revenue		
Sale of goods	**25,396**	32,117
Services	**750,932**	710,886
	776,328	743,003
Other revenue		
Interest	**2,391**	1,632
	778,719	744,635

(a) Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below.

(i) Contract services

Sales are recognised monthly on the basis of units of production at agreed contract rates.

(ii) Mining supplies and manufactured goods

Sales are recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

(iii) Other revenue

See note 25(e) for the recognition and measurement of other revenue.

3 INDIVIDUALLY SIGNIFICANT 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.

	NOTES	17 $'000	16 $'000
Gain/(loss) on sale of discontinued operation	13	**(64)**	34,709
Reversal of impairment/(impairment) of assets Plant and equipment - Drilling Tools Australia	13(b)	**-**	6,133
Total material items from discontinued operations		**-**	6,133
Total		**-**	**6,133**

(a) Impairment of non-current assets

For the year ended 30 June 2017, the Company assessed whether there were any indicators of impairment. In doing this, management considered the profitability of the Cash Generating Units (CGU's) against their budgets. Where a business was performing below its forecast and had high underutilisation of property, plant and equipment, management considered that there was an impairment indicator and performed an impairment assessment for those CGU's. This was the case for the Ausdrill Northwest, Energy Drilling Australia, Kalgoorlie / Synegex and Contract Mining Services Africa CGU's. For these CGU's, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment in relation to its carrying value. Determining a CGU's recoverable amount was completed via the following methods:

(a) assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;

(b) for certain CGU's, the recoverability of its assets is completed via a fair value less costs of disposal methodology (FVLCD); and

(c) for certain CGU's, the recoverability of its assets is completed via a value in use methodology (VIU).

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation along with its own internal valuation where a fair value less costs of disposal has been used. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to determine a "free cash flow" estimate. These projections are based on actual operating results, a Board approved business plan and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. This methodology is consistently applied in reporting periods.

For the CGU's which had impairment triggers at 30 June 2017, some were assessed by a FVLCD method and some were via the VIU method and resulted in no impairment charge being recorded. For the year ended 30 June 2016 the CGU's were assessed by a FVLCD method and resulted in no impairment charge being booked in the prior period. Please see the table below for the information on which method was applied to each CGU and a comparison between 30 June 2017 and 30 June 2016.

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

(a) Impairment of non-current assets (continued)

Summary of the impairment assessment

A summary of the Company's assessment of any indication of impairment, the valuation method used and impairment expense/(reversal) follows.

CGU	TRIGGER FOR IMPAIRMENT TESTING		VALUATION METHOD USED		IMPAIRMENT EXPENSE/(REVERSAL) OF PPE	
	17	16	**17**	16	**17**	16
Kalgoorlie / Synegex CGU	**Y**	N	**VIU**	-	**-**	-
Ausdrill Northwest (ANW) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-
BTP Equipment (BTPE) CGU	**N**	N	**-**	-	**-**	-
Contract Mining Services Africa (CMSA) CGU	**Y**	N	**VIU**	-	**-**	-
MinAnalytical CGU	**N**	N	**-**	-	**-**	-
Energy Drilling Australia (EDA) CGU	**Y**	Y	**FVLCD**	FVLCD	**-**	-
Manufacturing CGU	**-**	-	**-**	-	**-**	(6,133)
Total					**-**	(6,133)

Key assumptions used for value in use calculations

For certain CGUs the recoverability of its assets is completed via a VIU methodology. The calculation of VIU for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins

(b) Capital expenditure

(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

Capital expenditure

Capital expenditure with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Growth rate estimates and discount rates

Future cash flows are extrapolated by applying conservative growth rates for each segment, terminal rates not exceeding 3% and appropriate discount rates to the CGU. This methodology is consistently applied in reporting periods.

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

(a) Impairment of non-current assets (continued)

Kalgoorlie / Synegex CGU

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2017. At 30 June 2016, there were no triggers for impairment requiring testing for this CGU.

Contract Mining Services Africa (CMSA) CGU

This CGU is included in the Contract Mining Services Africa operating segment. At 30 June 2017, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, no impairment expense has been recognised at the CGU level at 30 June 2017. At 30 June 2016, there were no triggers for impairment requiring testing for this CGU.

Key assumptions used for Fair Value less Costs of Disposal

Energy Drilling Australia (EDA) CGU

This CGU is included in the Other operating segment. At 30 June 2017, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2 and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2016.

ANW CGU (previously ANW and Connector CGU)

This CGU is included in the Drilling Services Australia operating segment. At 30 June 2017, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the Company engaged an independent external valuer to undertake a fair market valuation. The valuation approach, a combination of Level 1, Level 2 and predominately Level 3 inputs in the fair value hierarchy, was employed for this fair value valuation. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. As a result, no impairment charge was made as the fair value valuation supported the carrying value. During the prior year, this CGU exhibited triggers for impairment testing and the Company engaged an independent external valuer to undertake a fair market valuation (the same as that described above) resulting in no impairment charge during the period ending 30 June 2016.

Discontinued operations

Manufacturing CGU

As at 30 June 2016, the operations comprising the Manufacturing CGU were discontinued. Please refer to note 13 for further information on the discontinued operations.

As a result of the sale of the Drilling Tools Australia Pty Ltd (DTA) business, the Company has reversed $6,133,000 of the previously taken impairment of property, plant and equipment. The total value realised for the business was $66,000,000 and as this was greater than the carrying value of DTA, the Company reversed a portion of the $8,200,000 previously taken impairment on DTA's property, plant and equipment.

4 OTHER INCOME AND EXPENSE ITEMS

This note provides a breakdown of the items included in "other income" and an analysis of expenses by nature.

(a) Other income

	17 $'000	16 $'000
Gain on sale of property, plant and equipment	-	3,666
Insurance proceeds	2,209	1,370
Management fee received	1,006	888
Gain on sale of available-for-sale financial assets	934	2,044
Other	3,057	3,134
	7,206	11,102

(b) Breakdown of expenses by nature

Depreciation		
Buildings	1,629	1,801
Plant and equipment	60,756	66,093
Total depreciation	62,385	67,894
Finance costs		
Hire purchase interest	68	379
Interest paid	29,045	30,489
Amortised borrowing cost	2,399	2,828
Finance cost expensed	31,512	33,696
Net loss on disposal of property, plant and equipment	3,630	-
Rental expense relating to operating leases	6,987	6,258
Impairment losses - financial assets		
Trade receivables provisions	(192)	919
Impairment of other assets		
Available-for-sale assets	-	1,485
Net foreign exchange (gains)/losses	(4,747)	14,550

5 INCOME TAX EXPENSE/(BENEFIT)

This note provides an analysis of the Group's income tax expense, shows what tax amounts are recognised directly in equity and how the tax expense/(benefit) is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense/(benefit)

	NOTES	17 $'000	16 $'000
Current tax on profits for the year		**13,084**	8,083
Deferred tax		**(998)**	2,170
Adjustments for current tax of prior periods		**1,799**	(911)
		13,885	9,342
Income tax expense/(benefit) is attributable to:			
Profit/(loss) from continuing operations		**13,885**	4,581
Profit/(loss) from discontinued operations		**-**	4,761
Aggregate income tax expense		**13,885**	9,342
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	7(c)(i)	**4,400**	582
Increase/(decrease) in deferred tax liabilities	7(c)(ii)	**(5,398)**	1,588
		(998)	2,170

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

Profit/(loss) from continuing operations before income tax expense		**45,328**	25,093
Profit/(loss) from discontinued operations before income tax expense		**(242)**	42,399
		45,086	67,492
Tax at the Australian tax rate of 30% (2016 - 30%)		**13,526**	20,248
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Share of net (profit) of joint ventures		**(3,927)**	(2,722)
Other foreign permanent differences		**(734)**	(3,737)
Withholding tax		**2,488**	747
Gain on sale of investments		**-**	(4,109)
Other non-assessable/(non-deductible) items		**1,169**	1,081
		12,522	11,508
Difference in overseas tax rates		**1,499**	(429)
Under/(over) provision in prior years		**1,799**	(911)
Current year tax losses not recognised		**1,882**	10,678
Deferred tax assets not recognised / (now recognised)		**(5,833)**	(11,973)
Effect of currency translation on tax base		**2,030**	(2,155)
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		**(14)**	2,624
		1,363	(2,166)
Income tax expense/(benefit)		**13,885**	9,342

5 INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

	17 $'000	16 $'000
(c) 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:		
Deferred tax - credited directly to equity	**(412)**	(402)
(d) Unrecognised temporary differences		
(i) Temporary differences for which deferred tax assets have not been recognised:		
Unused tax losses for which no deferred tax asset has been recognised	**119,902**	106,888
Other temporary differences	**41,431**	60,875
	161,333	167,763
Unrecognised deferred tax assets relating to the above temporary differences	**48,400**	50,329
(ii) Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Undistributed earnings	**116,070**	95,164
Unrecognised deferred tax liabilities relating to the above temporary differences	**9,159**	7,417

Ausdrill Limited has undistributed earnings of $116,069,507 (2016: $95,164,000) which, if paid out as dividends, would be unfranked and therefore subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from the subsidiary and is not expected to distribute these profits in the foreseeable future.

(e) 2017 accounting effective company tax rates for Australian and global operations in terms of the Board of Taxations' Voluntary Tax Transparency Code

(i) Australian operations

The accounting effective company tax rate for the year ended 30 June 2017 is 0% (30 June 2016: 3%). This effective tax rate is lower than the Australian company tax rate due to the impact of functional currencies, items of income and expenditure which are not assessable or deductible, previously unrecognised capital losses recognised in the current period, the inclusion of equity accounted profits in profit before tax and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 30.0% (30 June 2016: 30.5%).

(ii) Global operations

The accounting effective company tax rate for the year ended 30 June 2017 is 30.8% (30 June 2016: 13.6%). This effective tax rate is different to the Australian company tax rate due to the impact of different company tax rates in other countries, functional currencies, items of income which are not assessable, capital gains and not recognising a portion of deferred tax assets. The effective tax rate excluding the impact of these items is 33.8% (30 June 2016: 29.7%).

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group holds the following financial instruments:

	NOTES	ASSETS AT FVTOCI** $'000	FINANCIAL ASSETS AT AMORTISED COST $'000	TOTAL $'000
Financial assets				
2017				
Cash and cash equivalents	6(a)	**-**	**166,710**	**166,710**
Trade and other receivables*	6(b)	**-**	**151,969**	**151,969**
Available-for-sale financial assets	6(c)	**5,189**	**-**	**5,189**
		5,189	**318,679**	**323,868**
2016				
Cash and cash equivalents	6(a)	-	181,857	181,857
Trade and other receivables*	6(b)	-	162,206	162,206
Available-for-sale financial assets	6(c)	5,641	-	5,641
		5,641	344,063	349,704

* Excluding prepayments.
** Fair value through other comprehensive income

	NOTES	LIABILITIES AT AMORTISED COST $'000	TOTAL $'000
Financial liabilities			
2017			
Trade and other payables	6(d)	**100,396**	**100,396**
Borrowings	6(e)	**388,617**	**388,617**
		489,013	**489,013**
2016			
Trade and other payables	6(d)	82,839	82,839
Borrowings	6(e)	398,540	398,540
		481,379	481,379

The Group's exposure to various risks associated with financial instruments is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(a) Cash and cash equivalents

	17 $'000	16 $'000
Current assets		
Cash at bank and in hand	**166,710**	181,857
(i) Reconciliation to cash at the end of the year The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Balance as above	**166,710**	181,857
Balances per consolidated statement of cash flows	**166,710**	181,857

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables

	17			16		
	CURRENT $'000	**NON-CURRENT $'000**	**TOTAL $'000**	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Trade receivables	**122,746**	**-**	**122,746**	134,616	-	134,616
Provision for impairment of receivables (see note 11(b))	**(14,361)**	**-**	**(14,361)**	(14,726)	-	(14,726)
	108,385	**-**	**108,385**	119,890	-	119,890
Other receivables (ii)	**43,584**	**-**	**43,584**	42,316	-	42,316
Prepayments	**15,773**	**-**	**15,773**	7,604	-	7,604
	167,742	**-**	**167,742**	169,810	-	169,810

Further information relating to loans to related parties and key management personnel is set out in note 18.

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement not more than 90 days from the date of recognition and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11(b) and 25(k) respectively.

(ii) Other receivables

This amount includes operating expense rebates and accrued revenue. The 2016 amount included an amount recoverable from a third party for damages sustained in a fire and the remaining outstanding amount payable by the Robit Plc Group of $19,800,000, in relation to the sale of Drilling Tools Australia. Both of the amounts were received during the current year.

(iii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 11.

(iv) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(v) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11(a).

(c) Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

	17	16
	$'000	$'000
Current assets		
Convertible note	**-**	2,000
	-	2,000
Non-current assets		
Equity securities	**5,189**	3,641
	5,189	5,641

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Available-for-sale financial assets (continued)

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 25(m) for further details about the Group's impairment policies for financial assets.

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following (losses)/gains were recognised in other comprehensive income.

	NOTES	17 $'000	16 $'000
(Losses)/gains recognised in other comprehensive income	8(b)	**(2,034)**	1,683

(iv) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

(v) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 6(f) below. None of the available-for-sale financial assets are either past due or impaired.

On 1 August 2016, the Company agreed with Azumah Resources Limited to the redemption and settlement of its $2.0 million converting note through the payment by Azumah of $1.0 million cash and the issue of 22,727,273 shares at a price of $0.044 each.

All available-for-sale financial assets are denominated in Australian Dollars and Great British Pound currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 11(a).

(d) Trade and other payables

	17 $'000	16 $'000
Current liabilities		
Trade payables	**62,762**	48,621
Other creditors and accruals	**37,634**	34,218
	100,396	82,839

Trade payables are unsecured and are usually paid within 45 to 60 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings

	17			16		
	CURRENT $'000	**NON-CURRENT $'000**	**TOTAL $'000**	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Secured						
Hire purchase liabilities	**-**	**-**	**-**	471	-	471
Total secured borrowings	**-**	**-**	**-**	471	-	471
Unsecured						
USD notes	**-**	**390,505**	**390,505**	-	402,253	402,253
Prepaid borrowing costs	**-**	**(4,690)**	**(4,690)**	-	(7,234)	(7,234)
Insurance premium funding	**2,802**	**-**	**2,802**	3,050	-	3,050
Total unsecured borrowings	**2,802**	**385,815**	**388,617**	3,050	395,019	398,069
Total borrowings	**2,802**	**385,815**	**388,617**	3,521	395,019	398,540

(i) Secured liabilities and assets pledged as security

At 30 June 2017, the Group had the following facilities that were not drawn at balance date:

	17 $'000	16 $'000
Total unutilised facilities - bank loans	**124,776**	123,909

Bank loans

On 15 December 2014, Ausdrill Limited refinanced its senior bank facilities, and secured a new dual currency $125,000,000 syndicated debt facility. The debt facility, which matures in March 2018, is financed by a number of leading lending institutions in the Australian banking market. As at 30 June 2017, this facility remains largely undrawn.

In addition, bank loans include asset financing arrangements with a range of banks and financiers which were secured by the specific assets financed.

USD notes

On 12 November 2012, Ausdrill completed an offering of US$300 million in aggregate principal amount of 6.875% Guaranteed Senior Unsecured Notes due 2019 in an offering to qualified institutional buyers in the United States pursuant to Rule 144A under the United States Securities Act of 1993, and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Hire purchase and lease facilities

Hire purchase facilities are secured by the specific assets financed.

Covenants on financing facilities

The Group's financing facilities contain undertakings including an obligation to comply at all times with certain financial covenants which require the Group to operate within certain financing ratio threshold levels as well as ensuring that subsidiaries that contribute minimum threshold amounts of Group EBITDA and Group Total Tangible Assets are guarantors under various facilities.

All banking covenants have been complied with at reporting date.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to renegotiate with existing and new financers to extend the maturity date of those facilities. The Group's earnings profile, credit rating, state of the economy, conditions in financial markets and other factors may influence the outcome of those negotiations.

Credit ratings

The Group currently has a credit rating of B1 (Outlook Positive) from Moody's and a credit rating of B+ (Outlook Stable) from Standard & Poor's. Where a credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Banks and other lending institutions may demand more stringent terms (including increased pricing) on debt facilities to reflect the higher credit risk profile.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings (continued)

(ii) Hire purchase liabilities

	17 $'000	16 $'000
Within one year	-	481
Future finance charges	-	(10)
	-	471
Hire purchase liabilities:		
Current	-	471

(iii) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	17			16		
	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %	CARRYING AMOUNT $'000	FAIR VALUE $'000	DISCOUNT RATE %
On-balance sheet						
Non-traded financial liabilities						
USD notes	**390,505**	**402,412**	**5.86**	402,253	352,535	10.18

The fair values of non-current borrowings are based on discounted cash flows using the rates disclosed in the table above.

(iv) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 11.

(f) Recognised fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below.

AT 30 JUNE 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Available-for-sale financial assets				
Australian unlisted equity securities	**-**	**-**	**1,038**	**1,038**
Australian listed equity securities	**2,777**	**-**	**-**	**2,777**
GBP listed equity securities	**1,374**	**-**	**-**	**1,374**
Total financial assets	**4,151**	**-**	**1,038**	**5,189**

AT 30 JUNE 2016	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	1,543	-	-	1,543
GBP listed equity securities	2,098	-	-	2,098
Total financial assets	3,641	-	-	3,641

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2017:

CONSOLIDATED ENTITY	UNLISTED EQUITY SECURITIES $'000	TOTAL $'000
Opening balance 1 July 2016	-	-
Acquisitions	1,038	1,038
Closing balance 30 June 2017	**1,038**	**1,038**

(iv) Valuation inputs and relationships to fair value

The fair value of the unlisted equity security has been determined as its acquisition cost due to the acquisition proximity to 30 June 2017.

7 NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - inventories (note 7(a))
  - property, plant and equipment (note 7(b))
  - deferred tax balances (note 7(c))
  - employee benefit obligations (note 7(d))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Inventories

	17 $'000	16 $'000
Work in progress	**14,903**	11,951
Finished goods	**16,421**	15,808
Consumables and store items	**157,437**	163,615
	188,761	191,374

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Inventories (continued)

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 25(l) for the Group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to $2,003,328 (2016: $2,043,588). These were recognised as an expense during the year ended 30 June 2017 and included in materials expense in the consolidated statement of profit or loss.

(b) Property, plant and equipment

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PLANT AND EQUIPMENT UNDER FINANCE $'000	TOTAL $'000
Non-current				
At 1 July 2015				
Cost or fair value	59,476	1,064,073	201,667	1,325,216
Accumulated depreciation	-	(654,135)	(111,362)	(765,497)
Net book amount	59,476	409,938	90,305	559,719
Year ended 30 June 2016				
Opening net book amount	59,476	409,938	90,305	559,719
Exchange differences	554	6,671	19	7,244
Revaluation of land and buildings	(930)	-	-	(930)
Disposal of subsidiaries	-	(14,094)	-	(14,094)
Additions	121	11,375	920	12,416
Impairment reversal on disposal of subsidiary	-	4,645	1,488	6,133
Transfers to inventory	-	(2,468)	-	(2,468)
Depreciation charge	(1,801)	(57,275)	(11,434)	(70,510)
Disposals	-	(7,174)	(504)	(7,678)
Transfers between classes	-	78,537	(78,537)	-
Closing net book amount	57,420	430,155	2,257	489,832
At 30 June 2016				
Cost or fair value	59,221	1,145,675	4,725	1,209,621
Accumulated depreciation	(1,801)	(715,520)	(2,468)	(719,789)
Net book amount	57,420	430,155	2,257	489,832
Year ended 30 June 2017				
Opening net book amount	**57,420**	**430,155**	**2,257**	**489,832**
Exchange differences	**(503)**	**(3,856)**	**(7)**	**(4,366)**
Additions	**970**	**146,447**	**-**	**147,417**
Transfers to inventory	**-**	**(2,119)**	**-**	**(2,119)**
Depreciation charge	**(1,629)**	**(60,603)**	**(181)**	**(62,413)**
Disposals	**(2,374)**	**(5,513)**	**-**	**(7,887)**
Transfers between classes	**-**	**2,069**	**(2,069)**	**-**
Closing net book amount	**53,884**	**506,580**	**-**	**560,464**
At 30 June 2017				
Cost or fair value	**56,717**	**1,229,684**	**-**	**1,286,401**
Accumulated depreciation	**(2,833)**	**(723,104)**	**-**	**(725,937)**
Net book amount	**53,884**	**506,580**	**-**	**560,464**

(i) Non-current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the Group.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment (continued)

(ii) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	17 $'000	16 $'000
Buildings		
Cost	**41,234**	43,755
Accumulated depreciation	**(13,220)**	(12,464)
Net book amount	**28,014**	31,291

(iii) Revaluation, depreciation methods and useful lives

Land is not depreciated. Depreciation on major plant and equipment and components is calculated on machine hours worked over their estimated useful life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 5 - 25 years
- Plant and equipment 2 - 10 years

See note 25(n) for the other accounting policies relevant to property, plant and equipment.

(iv) Impairment loss

Refer to note 3 for details.

(v) Significant estimates - valuations of land and buildings

Information about the valuation of land and buildings is provided in note 7(e) below.

In 2016, the Group entered into a sale agreement to sell its Miners Rest Motel business for $2.5 million which completed in September 2016. The sale included the land and buildings and all of the operational assets of the Miners Rest Motel business. A fair value reduction of $0.9 million was made to the value of the land and buildings and was brought to account as at 30 June 2016.

(vi) Change in accounting estimates

In May 2017, an independent expert was commissioned to review the condition of Energy Drilling Australia's ("EDA") assets and the longer term processes around asset management in relation to EDA's equipment following being placed in care and maintenance.

Due to the assets' extended life, management decided to extend the useful life of straight line depreciated assets by three years from July 2016. This resulted in a reduction in depreciation charge for the year ended 30 June 2017 of $342,000.

(c) Deferred tax balances

(i) Deferred tax assets

	17 $'000	16 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**12,677**	10,988
Foreign tax credits	**110**	110
Accruals	**825**	811
Provision for obsolete stock	**2,593**	2,327
Doubtful debts	**4,591**	4,696
Depreciation	**7,194**	10,995
	27,990	29,927

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

	NOTES	17 $'000	16 $'000
Other			
Borrowing and business expenses		**108**	337
Unrealised foreign exchange		**(212)**	2,203
Current year tax losses recognised		**407**	1,088
Available-for-sale financial assets		**1,059**	449
		1,362	4,077
Total deferred tax assets		**29,352**	34,004
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(ii)	**7,020**	3,296
Net deferred tax assets		**36,372**	37,300
Deferred tax assets expected to be recovered within 12 months		**22,163**	24,159
Deferred tax assets expected to be recovered after more than 12 months		**7,189**	9,845
		29,352	34,004

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	ACCRUALS $'000	DOUBTFUL DEBTS $'000	OTHER $'000	TOTAL $'000
At 1 July 2015	11,072	14,911	1,312	4,524	2,480	**34,299**
(Charged)/credited to profit or loss	(84)	(3,916)	(501)	172	3,747	**(582)**
(Charged)/credited directly to equity	-	-	-	-	287	**287**
At 30 June 2016	10,988	10,995	811	4,696	6,514	**34,004**
(Charged)/credited to profit or loss	**1,689**	**(3,801)**	**14**	**(105)**	**(2,198)**	**(4,401)**
(Charged)/credited directly to equity	**-**	**-**	**-**	**-**	**(251)**	**(251)**
At 30 June 2017	**12,677**	**7,194**	**825**	**4,591**	**4,065**	**29,352**

(ii) Deferred tax liabilities offsetting within tax consolidated group

	NOTES	17 $'000	16 $'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		**9,735**	9,743
Inventories		**(2,461)**	2,117
Revaluation of land and buildings		**7,469**	7,884
		14,743	19,744
Other			
Receivables		**223**	426
Prepayments		**91**	118
		314	544
Total deferred tax liabilities		**15,057**	20,288
Adjustment of deferred tax liabilities pursuant to set-off provisions	7(c)(i)	**7,020**	3,296
Net deferred tax liabilities		**22,077**	23,584
Deferred tax liabilities expected to be settled within 12 months		**(2,147)**	2,661
Deferred tax liabilities expected to be settled after more than 12 months		**17,204**	17,627
		15,057	20,288

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Deferred tax balances (continued)

(ii) Deferred tax liabilities offsetting within tax consolidated group (continued)

	FOREIGN ENTITIES DISTRIBUTABLE PROFITS $'000	INVENTORIES $'000	REVALUATION OF LAND & BUILDINGS $'000	OTHER $'000	TOTAL $'000
At 1 July 2015	7,119	3,248	7,195	449	18,011
Charged/(credited) - profit or loss	2,624	(1,131)	-	95	1,588
Charged/(credited) - directly to equity	-	-	689	-	689
At 30 June 2016	9,743	2,117	7,884	544	20,288
Charged/(credited) - profit or loss	**(8)**	**(4,578)**	**(576)**	**(230)**	**(5,392)**
Charged/(credited) - directly to equity	**-**	**-**	**161**	**-**	**161**
At 30 June 2017	**9,735**	**(2,461)**	**7,469**	**314**	**15,057**

(d) Employee benefit obligations

	2017			2016		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Leave obligations	**40,805**	**960**	**41,765**	33,814	1,101	34,915

The leave obligations include the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the current provision of $40,805,000 (2016: $33,814,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(e) Recognised fair value measurements

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 6(f).

AT 30 JUNE 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Land and buildings				
Office buildings	**-**	**-**	**7,055**	**7,055**
Industrial sites	**-**	**-**	**46,829**	**46,829**
Total non-financial assets	**-**	**-**	**53,884**	**53,884**
AT 30 JUNE 2016				
Assets				
Land and buildings				
Office buildings	-	-	8,048	8,048
Industrial sites	-	-	49,372	49,372
Total non-financial assets	-	-	57,420	57,420

There were no transfers between any levels for recurring fair value measurements during the period.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Recognised fair value measurements (continued)

(ii) Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its freehold land and buildings (classified within property, plant and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.
- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2016 and 30 June 2017 for recurring fair value measurements:

	OFFICE BUILDINGS $'000	INDUSTRIAL SITES $'000	TOTAL $'000
Opening balance 1 July 2015	9,383	50,093	59,476
Acquisitions	93	28	121
Depreciation and impairment	(912)	(890)	(1,802)
Revaluation	-	(930)	(930)
Gains recognised in other comprehensive income	555	-	555
Closing balance 30 June 2016	9,119	48,301	57,420
Acquisitions	**328**	**643**	**971**
Disposals	**-**	**(2,374)**	**(2,374)**
Depreciation and impairment	**(817)**	**(812)**	**(1,629)**
Losses recognised in other comprehensive income	**(504)**	**-**	**(504)**
Closing balance 30 June 2017	**8,126**	**45,758**	**53,884**

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Recognised fair value measurements (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

DESCRIPTION	FAIR VALUE AT 30 JUNE 2017 $'000	FAIR VALUE AT 30 JUNE 2016 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS*	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2017	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2016	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Industrial Sites -Australia	**37,080**	39,624	Income capitalisation	Capitalisation rate	**7.75-17.5% (8.99%)**	7.75-17.5% (8.99%)	The higher the capitalisation rate, the lower the fair value
				Market rental value per (m^2)	**$35-81 per m^2 ($53)**	$33-81 per m^2 ($53)	The higher the market rate, the higher the fair value
Industrial Sites -Ghana	**8,438**	8,603	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$37-1,158 per m^2 ($339)**	$37-1,158 per m^2 ($339)	The higher the rate per square metre , the higher the fair value
Office Sites -Ghana	**8,366**	9,194	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**$2,256 per m^2 ($2,256)**	$2,256 per m^2 ($2,256)	The higher the rate per square metre , the higher the fair value

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings every three years. As at 30 June 2015, the fair values of the industrial sites properties have been determined by members of the Australian Property Institute, and the Ghana Institute of Surveyors.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Industrial sites - discount rates, terminal yields, expected vacancy rates and values per square metre are estimated by members of the Australian Property Institute, and the Ghana Institute of Surveyors based on comparable transactions and industry data.
- Historical cost for recently completed buildings

In 2016, a fair value reduction of $0.9 million was made to the carrying value of the land and building following the entering into of a sale agreement for the sale of the Miners Rest Motel business.

8 EQUITY

(a) Contributed equity

	17 SHARES	16 SHARES	17 $'000	16 $'000
Fully paid ordinary shares	**312,277,224**	312,277,224	**526,447**	526,447

(i) Ordinary shares

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.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(ii) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends, if any, be paid in cash.

(iii) Options

Information relating to the Ausdrill Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 19.

(b) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below.

CONSOLIDATED ENTITY	NOTES	REVALUATION SURPLUS $'000	AVAILABLE-FOR-SALE FINANCIAL ASSETS $'000	SHARE-BASED PAYMENTS $'000	TRANSACTIONS WITH NCI $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
Balance at 1 July 2015		21,280	(1,185)	5,785	(2,664)	(34,397)	(11,181)
Revaluation - gross	7(b), 6(c)	(923)	1,683	-	-	-	760
Deferred tax	7(c)	(418)	(505)	-	-	-	(923)
Currency translation differences		-	-	-	-	(6,828)	(6,828)
Currency translation joint ventures		-	-	-	-	1,960	1,960
Other comprehensive income		**(1,341)**	**1,178**	**-**	**-**	**(4,868)**	**(5,031)**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	184	-	-	184
At 30 June 2016		**19,939**	**(7)**	**5,969**	**(2,664)**	**(39,265)**	**(16,028)**
Balance at 1 July 2016		19,939	(7)	5,969	(2,664)	(39,265)	(16,028)
Revaluation - gross	7(b), 6(c)	(515)	(2,034)	-	-	-	(2,549)
Deferred tax	7(c)	94	610	-	-	(292)	412
Currency translation differences		-	-	-	-	1,174	1,174
Currency translation joint ventures		-	-	-	-	(1,024)	(1,024)
Other comprehensive income		**(421)**	**(1,424)**	**-**	**-**	**(142)**	**(1,987)**
Transactions with owners in their capacity as owners							
Share-based payment expense	19	-	-	238	-	-	238
At 30 June 2017		**19,518**	**(1,431)**	**6,207**	**(2,664)**	**(39,407)**	**(17,777)**

8 EQUITY (CONTINUED)

(b) Other reserves (continued)

(i) Nature and purpose of other reserves

Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy note 25(n) for details.

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 25(m) for details.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees that are expensed in the statement of comprehensive income each year.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The Group's share of exchange differences arising on translation of foreign joint ventures are recognised in other comprehensive income and are accumulated in this reserve.

Transactions with non-controlling interests (NCI)

This reserve is used to record the differences described in note 25(b)(iv) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(c) Retained earnings

Movements in retained profits were as follows:

	NOTE	**17** **$'000**	16 $'000
Balance 1 July		**96,177**	38,027
Net profit/(loss) for the year		**31,201**	58,150
Dividends paid	12(b)	**(6,246)**	-
Transfer from reserves		**312**	-
Balance 30 June		**121,444**	96,177

9 CASH FLOW INFORMATION

(a) Reconciliation of profit or loss after income tax to net cash inflow from operating activities

	17 $'000	16 $'000
Profit/(loss) for the year	**31,201**	58,150
Depreciation and amortisation expense	**62,413**	70,510
Impairment (reversal)/charge of property, plant and equipment	**-**	(6,133)
Impairment of available-for-sale assets	**-**	1,485
Loss/(gain) on sale of non-current assets	**3,630**	(3,740)
Net loss/(gain) on sale of businesses	**64**	(35,344)
(Gain)/loss on sale of available-for-sale financial assets	**(934)**	(2,044)
Net exchange differences	**2,634**	(5,015)
Bad debts and provision for doubtful debts	**(184)**	919
Share of profits of joint ventures	**(13,090)**	(9,074)
Non-cash employee benefits expense - share-based payments	**238**	184
Change in operating assets and liabilities:		
(Increase) in trade debtors	**(10,025)**	(21,373)
Decrease in inventories	**878**	13,509
Decrease in deferred tax assets	**31**	3,645
(Increase)/decrease in other operating assets	**(8,111)**	4,414
Increase in trade creditors	**16,393**	20,500
Increase in provision for income taxes payable	**2,027**	3,545
Increase/(decrease) in deferred tax liabilities	**45**	(4,281)
Increase in other provisions	**7,403**	1,149
Net cash inflow from operating activities	**94,613**	91,006

(b) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases or hire purchases	**-**	-
Issue of shares under company dividend reinvestment plan	**-**	-
	-	-

RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

10	Critical accounting estimates and judgements	77
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10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in notes 1 to 10 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

- Recognition of revenue - note 2
- Impairment of available-for-sale financial assets - note 6(c)
- Estimated fair value of certain available-for-sale financial assets - note 6(c)
- Estimation of fair values of land and buildings - note 7(b)
- Estimation of useful life of property, plant and equipment - note 7(b)
- Recognition of deferred tax asset for carried forward tax losses - note 7(c)
- Consolidation decisions and classification of joint arrangements - note 14

Estimates and judgements are continually evaluated. They 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.

(b) Critical judgements in applying accounting policies

There have been no critical judgements used in preparing the Group's financial statements for the year ended 30 June 2017.

11 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk - security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments and available-for-sale debt instruments	Aging analysis Credit rating	Credit limits, retention of title over goods sold, letters of credit
Borrowings and other liabilities	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's key management personnel report to the Audit and Risk Committee and Board regularly on the progress and objectives of the risks and the associated corporate governance policy objectives.

The Group's financial risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

The Group hedges large capital expenditure items acquired in foreign currency. There are no hedges currently in place.

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 matching foreign denominated financial assets with matching financial liabilities and vice versa.

(i) Foreign exchange risk

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 JUNE 2017							
	USD $'000	**GHS $'000**	**GBP $'000**	**EUR $'000**	**TZS $'000**	**ZMW $'000**	**ZAR $'000**	**XOF $'000**
Cash	**5,898**	**2,854**	**-**	**1,559**	**10**	**-**	**-**	**-**
Trade receivables	**10,958**	**-**	**-**	**48,488**	**-**	**-**	**1,061**	**-**
Available-for-sale financial assets	**-**	**-**	**137**	**-**	**-**	**-**	**-**	**-**
Trade payables	**(12,931)**	**(8,963)**	**(76)**	**(3,788)**	**-**	**-**	**(65)**	**(221)**
Borrowings	**-**	**-**	**-**	**(71,836)**	**-**	**-**	**-**	**-**

	30 JUNE 2016							
	USD $'000	GHS $'000	GBP $'000	EUR $'000	TZS $'000	ZMW $'000	ZAR $'000	XOF $'000
Cash	2,611	982	-	13,242	396	5	-	-
Trade receivables	30,081	-	-	21,408	-	-	1,232	-
Available-for-sale financial assets	-	-	2,103	-	-	-	-	-
Trade payables	(34,144)	(4,580)	(25)	(2,926)	-	-	-	(3,553)
Borrowings	(21,453)	-	-	(19,696)	-	-	-	-

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign exchange related amounts were recognised in profit or loss and other comprehensive income:

	17 $'000	16 $'000
Amounts recognised in profit or loss		
Net foreign exchange (loss)/gain included in other income/other expenses	**4,747**	(14,550)
Total net foreign exchange (losses)/gains recognised in profit or loss before income tax for the period	**4,747**	(14,550)
Net gain/(loss) recognised in other comprehensive income (note 8(b))		
Translation of foreign currency denominated operations	**(142)**	(4,868)

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Foreign exchange risk (continued)*

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	PROFIT OR (LOSS) A$'000
30 June 2017	
USD	**(432)**
GHS	**552**
GBP	**(6)**
EUR	**2,325**
TZS	**(2)**
ZAR	**(116)**
XOF	**20**
	2,341
30 June 2016	
USD	1,912
GHS	323
GBP	(189)
EUR	(131)
TZS	(72)
ZMW	(1)
ZAR	(113)
XOF	323
	2,052

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The Group's exposure to other foreign exchange movements is not material.

(ii) *Cash flow and fair value interest rate risk*

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, the Group's borrowings subject to variable interest rates were denominated in Australian Dollars.

Refer to note 11(c) Liquidity risk for cash, cash equivalents and variable rate exposure.

As at the end of the reporting period, the Group had no variable interest rate borrowings.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as available-for-sale.

The majority of the Group's equity securities are publicly traded on the Australian Securities Exchange and the London Stock Exchange.

Sensitivity analysis

The table below summarises the impact of an increase/(decrease) of the available-for-sale financial assets on the Group's equity for the year. The analysis is based on the assumption that the available-for-sale financial assets had increased by 10% or decreased by 10% with all other variables held constant.

	IMPACT ON OTHER COMPONENTS OF EQUITY	
	17	16
CONSOLIDATED ENTITY	**$'000**	$'000
Available-for-sale assets - increase 10%	**363**	395
Available-for-sale assets - decrease 10%	**(223)**	(255)

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. As the fair value of the available-for-sale financial assets would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the respective share price of the shares held.

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in other comprehensive income in relation to the various investments held by the Group are disclosed in note 6(c).

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. 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 investment securities. Credit risk also arises from cash and cash equivalents. The Group limits its exposure to credit risk from cash and cash equivalents by only investing in counterparties that have an acceptable credit rating.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality

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

	17 $'000	16 $'000
(AUD)		
Australia	**79,248**	81,244
Africa	**72,489**	80,340
Asia	**229**	583
Europe	**3**	39
	151,969	162,206
Trade receivables		
Counterparties with external credit rating (Moody's)		
A2	**2,729**	4
A3	**7,499**	6,794
Ba1	**6,807**	3,332
Baa1	**-**	71
Ba3	**-**	968
Baa2	**3,868**	3,702
Baa3	**17,797**	8,954
B1	**6**	-
	38,706	23,825
*Counterparties without external credit rating **		
Group 1	**537**	598
Group 2	**112,726**	137,783
Group 3	**-**	-
	113,263	138,381
Total trade receivables	**151,969**	162,206

The Group's maximum exposure to credit risk for cash at bank and short term deposits was:

Cash at bank and short-term bank deposits		
(AUD)		
AA	**124**	88
AA-	**120,107**	150,156
A+	**904**	327
A	**945**	42
BBB+	**2,314**	2,407
B	**42,235**	28,828
Other	**81**	9
	166,710	181,857

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 90 days overdue).

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

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 3 for information about how impairment losses are calculated.

As at 30 June 2017, current trade receivables of the Group with a nominal value of $14,474,644 (2016: $15,083,005) were impaired. The amount of the provision for impaired receivables was $14,361,469 (2016: $14,725,982). The Group expects that a portion of the receivables is to be recovered.

The aging of these receivables is as follows:

	17 **$'000**	16 $'000
3 to 6 months	**61**	34
Over 6 months	**14,414**	15,049
	14,475	15,083
Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:		
At 1 July	**14,726**	14,364
Provision for impairment recognised during the year	**(295)**	919
Receivables written off during the year as uncollectible	**2**	(521)
Unused amounts reversed (including currency impact)	**(72)**	(36)
At 30 June	**14,361**	14,726

The creation and release of the provision for impaired receivables has been included in other expenses in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(iv) Past due but not impaired

As at 30 June 2017, trade receivables of $29,039,368 (2016: $26,133,183) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	17 **$'000**	16 $'000
Up to 2 months	**28,143**	25,266
Over 2 months	**896**	867
	29,039	26,133

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	17 $'000	16 $'000
Floating rate		
- Bank loans	**124,776**	123,909
	124,776	123,909

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES GROUP - AT 30 JUNE 2017	LESS THAN 6 MONTHS $'000	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT LIABILITIES $'000
Trade payables	**100,390**	**-**	**-**	**-**	**-**	**100,390**	**100,390**
Fixed rate	**13,942**	**13,827**	**27,655**	**416,080**	**-**	**471,504**	**388,617**
Total	**114,332**	**13,827**	**27,655**	**416,080**	**-**	**571,894**	**489,007**
GROUP - AT 30 JUNE 2016							
Trade payables	82,839	-	-	-	-	82,839	82,839
Fixed rate	16,835	14,382	27,655	443,735	-	502,607	398,540
Total	99,674	14,382	27,655	443,735	-	585,446	481,379

Details about the financial guarantee contracts are provided in note 24. The amounts disclosed in the table are the maximum amounts allocated to the earliest period in which the guarantee could be called. The parent entity does not expect these payments to eventuate.

12 CAPITAL MANAGEMENT

(a) Risk management

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

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

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

	17 **$'000**	16 $'000
Total borrowings	**388,617**	398,540
Less: cash and cash equivalents	**(166,710)**	(181,857)
Net debt	**221,907**	216,683
Total equity	**630,114**	606,596
Total capital	**852,021**	823,279
Gearing ratio	**26%**	26%

See note 6(e) for information on financial covenants on borrowings.

(b) Dividends

(i) Ordinary shares

	17 **$'000**	16 $'000
No final ordinary dividend for the year ended 30 June 2016 (2015: nil) per fully paid share	**-**	-
Interim ordinary fully franked dividend for the year ended 30 June 2017 of 2.0 cents (2016: nil) per fully paid share	**6,246**	-
Total dividends provided for or paid	**6,246**	-
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2017 and 2016 were as follows:		
Paid in cash	**6,246**	-
Satisfied by issue of shares	**-**	-
	6,246	-

(ii) Dividends not recognised at the end of the reporting period

	17 **$'000**	16 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final fully franked dividend of 2.0 cents per fully paid ordinary share (2016 - nil). The aggregate amount of the proposed dividend expected to be paid on 18 October 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at year end, is	**6,246**	-

(iii) Franked dividends

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016 - 30%)	**34,985**	39,290

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of discontinued operations;
- transactions with non-controlling interests; and
- interests in joint operations.

A list of significant subsidiaries is provided in note 14. This note also discloses details about the Group's equity accounted investments.

13 Discontinued operations 86
14 Interests in other entities 89

13 DISCONTINUED OPERATIONS

(a) The Miners Rest Motel

(i) Description

The Group entered into a sale agreement to sell The Miners Rest Motel business for $2.5 million which was completed on 21 September 2016. The sale includes the land and buildings and all of the operational assets of The Miners Rest Motel business. A fair value reduction of $0.9 million was made to the value of the land and buildings and was brought to account as at 30 June 2016. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2017 and 30 June 2016.

	17 **$'000**	16 $'000
Revenue	**329**	896
Expenses	**(507)**	(1,169)
(Loss) before income tax	**(178)**	(273)
Income tax (expense)/benefit	**-**	-
(Loss) after income tax of discontinued operation	**(178)**	(273)
(Loss) on sale of the subsidiary after income tax	**(64)**	-
(Loss) from discontinued operation	**(242)**	(273)
Other comprehensive income/(loss) from discontinued operation	**(242)**	(273)
Net cash (outflow)/inflow from operating activities	**(181)**	106
Net cash inflow/(outflow) from investing activities	**2,408**	(145)
Net cash (outflow)/inflow from financing activities	**(2,341)**	(67)
Net (decrease)/increase in cash generated by the subsidiary	**(114)**	(106)

(iii) Details of the sale of the subsidiary

	17 **$'000**
Consideration received or receivable:	
Cash	**2,413**
Carrying amount of net assets sold	**2,477**
(Loss) on sale before income tax and reclassification of foreign currency translation reserve	**(64)**
Income tax expense on gain	**-**
Capital losses applied	**-**
Tax losses applied	**-**
(Loss) on sale after income tax	**(64)**

13 DISCONTINUED OPERATIONS (CONTINUED)

(a) The Miners Rest Motel (continued)

***(iii) Details of the sale of the subsidiary** (continued)*

The carrying amounts of assets and liabilities as at the date of sale, 21 September 2016, were:

	17 $'000
Property, plant and equipment	2,477
Trade receivables	-
Inventories	-
Total assets	2,477
Trade creditors	-
Employee benefits obligations	-
Total liabilities	-
Net assets	2,477

(b) Drilling Tools Australia Pty Ltd

(i) Description

On 19 May 2016, the Company announced that it had agreed to sell the Drilling Tools Australia (DTA) business to Finnish manufacturer, Robit Plc Group. Completion of that sale occurred on 30 June 2016 and is reported in the prior period as a discontinued operation. The Group entered into a two and half year preferred supply arrangement as a condition of the sale. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2017 and 30 June 2016.

	17 $'000	16 $'000
Revenue	-	20,342
Expenses	-	(11,883)
Profit before income tax	-	8,459
Income tax (expense) / benefit	-	(3,668)
Profit after income tax of discontinued operation	-	4,791
Reversal of impairment / (impairment) of PPE	-	6,133
Income tax (expense on reversal of impairment) / benefit on impairment	-	(1,840)
Impairment loss on write down to fair value	-	(1,179)
Gain / (loss) on sale of the subsidiary after income tax	-	33,227
Profit from discontinued operation	-	41,132
Other comprehensive income from discontinued operation	-	-
Net cash inflow from operating activities	-	14,376
Net cash inflow from investing activities	-	109
Net cash (outflow) from financing activities	-	(150)
Net increase/(decrease) in cash generated by the subsidiary	-	14,335

Outstanding proceeds from the sale of DTA totalled $19,800,000 at 30 June 2016. These were received during the current financial year.

13 DISCONTINUED OPERATIONS (CONTINUED)

(c) DT HiLoad Australia Pty Ltd

(i) Description

On 8 January 2016, the Company announced that it was exiting its DT HiLoad (DTHL) truck tray manufacturing business with effect from 31 March 2016, and that it was in negotiations with a number of parties. On 17 March 2016, the Company announced it had completed the sale of the business to Schlam Engineering (Schlam) which included the sale of all brands, patents and material fixed assets. Certain steel inventories continue to be sold to Schlam under a consignment arrangement. Residual inventories and non-critical business assets were disposed of by way of auction or sale to third parties prior to 30 June 2016. DTHL is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2017 and 30 June 2016.

	17 **$'000**	16 $'000
Revenue	-	5,763
Expenses	-	(9,769)
(Loss) before income tax	-	(4,006)
Income tax benefit/(expense)	-	1,382
(Loss) after income tax of discontinued operation	-	(2,624)
Impairment loss on write down to fair value	-	(2,079)
Gains on sale of the subsidiary after income tax	-	1,482
(Loss) from discontinued operation	-	(3,221)
Other comprehensive income from discontinued operation	-	-
Net cash (outflow) from operating activities	-	(2,117)
Net cash (outflow) from investing activities	-	(6)
Net (decrease)/increase in cash generated by the subsidiary	-	(2,123)

14 INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 25(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING **	
			17	16
			%	%
ACN 103534087 Pty Ltd	Australia	Ordinary	**100**	100
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	**100**	100
African Mining Services (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
African Mining Services Mali Sarl	Mali	Ordinary	**100**	100
African Mining Services Guinee Sarl	Guinee	Ordinary	**100**	100
African Mining Services Senegal Suarl	Senegal	Ordinary	**100**	-
AMCG Ltd	Ghana	Ordinary	**100**	100
Ausdrill Finance Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill International & Management Services Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill International Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Northwest Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Properties Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Tanzania Limited	Tanzania	Ordinary	**100**	100
Ausdrill Utilities Pty Ltd	Australia	Ordinary	**100**	100
Ausdrill Underground Mining Services Australia Pty Ltd	Australia	Ordinary	**100**	100
BTP Equipment Pty Ltd	Australia	Ordinary	**100**	100
BTP Parts Pty Ltd	Australia	Ordinary	**100**	100
Connector Drilling Pty Ltd	Australia	Ordinary	**100**	100
Diamond Communications Pty Ltd	Australia	Ordinary	**100**	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	**100**	100
Energy Drilling Australia Pty Ltd	Australia	Ordinary	**100**	100
Golden Plains Pty Ltd	Australia	Ordinary	**100**	100
Logistics Direct Australia Pty Ltd [1]	Australia	Ordinary	**-**	100
Logistics Direct Ltd	Ghana	Ordinary	**100**	100
MinAnalytical Holdings Pty Ltd	Australia	Ordinary	**100**	100
MinAnalytical Laboratory Services Australia Pty Ltd	Australia	Ordinary	**100**	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	**100**	100
Power Solutions Africa Suarl	Senegal	Ordinary	**100**	-
Supply Direct Pty Ltd	Australia	Ordinary	**100**	100
Supply Direct South Africa Pty Ltd	Australia	Ordinary	**100**	100
Synegex Holdings Pty Ltd	Australia	Ordinary	**100**	100
West African Mining Services Ltd	Ghana	Ordinary	**100**	100

[1] Deregistered by ASIC on 17 May 2017.

** All controlled entities are directly controlled by Ausdrill Limited with the exception of:

African Mining Services Mali Sarl, African Mining Services (Ghana) Pty Ltd, West African Mining Services Limited, Ausdrill Tanzania Limited, Energy Drilling Australia Pty Ltd, Synegex Holdings Pty Ltd and AMCG Ltd are 100% owned by Ausdrill International Pty Ltd.

African Mining Services Burkina Faso Sarl, African Mining Services Guinee Sarl, African Mining Services Senegal Suarl and Power Solutions Africa Suarl are 100% owned by African Mining Services (Ghana) Pty Ltd.

Mining Technology and Supplies Limited which is 100% owned by West African Mining Services Limited.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(a) Material subsidiaries (continued)

Supply Direct Pty Ltd which is 100% owned by Golden Plains Pty Ltd.

Supply Direct South Africa Pty Ltd, Logistics Direct Australia Pty Ltd and Logistics Direct Limited are 100% owned by Supply Direct Pty Ltd.

MinAnalytical Laboratory Services Australia Pty Ltd is 100% owned by MinAnalytical Holdings Pty Ltd.

BTP Equipment Pty Ltd is 75% owned by Ausdrill Finance Pty Ltd and 25% owned by Ausdrill International Pty Ltd.

BTP Parts Pty Ltd is 100% owned by BTP Equipment Pty Ltd.

Ausdrill Limited carries on business in Australia.

African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana.

Ausdrill Tanzania Limited carries on business in Tanzania. Ausdrill Utilities Pty Ltd has a branch which carries on business in Zambia.

African Mining Services Mali Sarl carries on business in Mali.

African Mining Services Burkina Faso Sarl carries on business in Burkina Faso.

African Mining Services Guinee Sarl carries on business in Guinea.

Supply Direct South Africa Pty Ltd carries on business in South Africa. Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

African Mining Services Senegal Suarl and Power Solutions Africa Suarl carry on business in Senegal.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited and Mining Technology and Supplies Ltd.

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

NAME OF ENTITY	PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST		NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT	
		17	16			**17**	16
		%	%			**$'000**	$'000
African Underground Mining Services	Ghana, Mali, Burkina Faso and Tanzania	**50**	50	Joint ventures	Equity method	**58,884**	69,764

African Underground Mining Services is not a consolidated entity of Ausdrill Limited because Ausdrill Limited is not able to govern the activities of this entity so as to obtain benefits from it.

14 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

(i) Summarised financial information for joint ventures

Financial information for those joint ventures that are material to the Group is provided below. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Ausdrill Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	AFRICAN UNDERGROUND MINING SERVICES	
	17	16
SUMMARISED BALANCE SHEET	**$'000**	$'000
Current assets		
Cash and other cash equivalents	**25,058**	11,656
Other current assets	**73,062**	94,680
Total current assets	**98,120**	106,336
Non-current assets	**57,266**	61,604
Current liabilities		
Financial liabilities (excluding trade payables)	**5,318**	112
Other current liabilities	**29,314**	26,994
Total current liabilities	**34,632**	27,106
Non-current liabilities	**2,986**	1,306
Net assets	**117,768**	139,528
Reconciliation to carrying amounts:		
Opening net assets 1 July	**139,528**	135,198
Profit for the year	**26,180**	18,148
Other comprehensive (loss)/income	**(2,048)**	3,920
Investment in joint venture	**-**	6
Dividends paid	**(45,892)**	(17,744)
Closing net assets at 30 June	**117,768**	139,528
Group share in %	**50.0%**	50.0%
Group share in $	**58,884**	69,764
Carrying amount	**58,884**	69,764
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**179,724**	153,264
Interest income	**2,374**	2,150
Depreciation and amortisation expense	**(21,940)**	(16,184)
Interest expense	**(3,874)**	(2,122)
Income tax expense	**(11,892)**	(9,286)
Profit from continuing operations	**26,180**	18,148
Profit for the year	**26,180**	18,148
Other comprehensive (loss)/income	**(2,048)**	3,920
Total comprehensive income	**24,132**	22,068

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) Unrecognised tax amounts – see note 5
(b) Non-cash investing and financing transactions – see note 9(b).

15 Contingencies 93
16 Commitments 93
17 Events since the end of the financial year 93

15 CONTINGENCIES

(a) Contingent liabilities

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.

For information about guarantees given by entities within the Group, including the parent entity, please refer to note 24.

(b) Contingent assets

The Group has lodged claims in relation to two matters which at the date of this report are unresolved with one being subject to litigation and the other to mediation. The directors are confident that favourable outcomes will be achieved. However, the contingent assets have not been recognised as receivables at 30 June 2017 as receipt of these amounts are dependent on the outcome of the arbitration process and the litigation.

16 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	17 **$'000**	16 $'000
Property, plant and equipment		
Payable:		
Within one year	**16,111**	172

The capital commitments are to be funded from cash and available finance facilities.

(b) Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess warehouse space is sub-let to third parties also under non-cancellable operating leases.

	17 **$'000**	16 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**2,638**	5,671
Later than one year but not later than five years	**799**	2,067
Later than five years	**-**	20
	3,437	7,758

17 EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 23 August 2017, the directors declared the payment of a final ordinary fully franked dividend of $6,245,544 (2.0 cents per fully paid share) to be paid on 18 October 2017 out of retained profits at 30 June 2017. The financial effect of this transaction has not been brought to account at 30 June 2017.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

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18 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity of the Group is Ausdrill Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 14(a).

(c) Key management personnel compensation

	17 $	16 $
Short-term employee benefits	**3,595,364**	3,469,781
Post-employment benefits	**192,496**	201,942
Long-term benefits	**30,549**	6,320
Share-based payments	**83,319**	53,241
	3,901,728	3,731,284

Detailed remuneration disclosures are provided in the remuneration report on pages 30 to 40.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	17 $	16 $
Sales of goods and services		
Joint ventures	**11,507,028**	12,263,943
Entities related to key management personnel	**8,365,112**	1,811,102
Management fee received / receivable		
Joint ventures	**669,932**	887,791
Purchase of goods		
Rental office buildings	**358,032**	358,032

(i) Purchases from entities controlled by key management personnel

The Group acquired the following goods and services from entities that are controlled by members of the Group key management personnel:

- rental of an office building
- provision of exploration drilling services
- mining services

For detailed disclosures please refer to the remuneration report on pages 30 to 40.

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	17 $	16 $
Current receivables (sales of goods and services)		
Joint ventures	**18,491,227**	1,592,531
Entities related to key management personnel	**1,954,906**	571,708

(f) Loans to/from related parties

Loans to key management personnel		
Beginning of the year	**-**	150,000
Loans advanced	**-**	-
Loan repayments made	**-**	(150,000)
Interest charged	**-**	3,955
Interest received	**-**	(3,955)
End of period	**-**	-

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans to joint ventures during the year was nil (2016: nil).

The loans to key management personnel are repayable in full within 6 months and are unsecured. Interest is payable at the rate of 8% per annum.

19 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers (excluding executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on Ausdrill Limited's total shareholders return (TSR), including share price growth, dividends and capital returns, ranking with a peer group of selected companies that are listed on the ASX over a period of time. Once vested, the options remain exercisable for a period of 5 years from their issue date. Options are granted under the plan for nil consideration and will be settled by the issue of shares.

Options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options granted under the plan:

	17		16	
	AVERAGE EXERCISE PRICE PER SHARE OPTION	**NUMBER OF OPTIONS**	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July	**$0.85**	**16,100,015**	$1.80	11,000,000
Granted during the year	**-**	**-**	$0.25	11,600,000
Exercised during the year	**-**	**-**	-	-
Forfeited during the year	**$1.11**	**(2,266,669)**	$1.70	(6,499,985)
As at 30 June	**$0.66**	**13,833,346**	$0.85	16,100,015
Vested and exercisable at 30 June	**$1.70**	**1,966,654**	$3.68	200,000

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices.

GRANT DATE	**EXPIRY DATE**	**EXERCISE PRICE**	**SHARE OPTIONS 30 JUNE 2017**	SHARE OPTIONS 30 JUNE 2016
21/07/2011	21/07/2016	$3.55	**-**	66,666
21/07/2011	21/07/2016	$3.65	**-**	66,667
21/07/2011	21/07/2016	$3.85	**-**	66,667
07/10/2013	07/10/2018	$1.70	**1,966,654**	2,399,985
07/10/2013	07/10/2018	$1.70	**1,966,692**	2,400,030
23/12/2015	23/12/2020	$0.25	**3,299,982**	3,699,979
23/12/2015	23/12/2020	$0.25	**3,299,982**	3,699,979
23/12/2015	23/12/2020	$0.25	**3,300,036**	3,700,042
			13,833,346	16,100,015
Weighted average remaining contractual life of options outstanding at end of period			**2.86 years**	3.77 years

19 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

(i) Fair value of options granted

There were no options granted during the year ended 30 June 2017 (2016: 11,600,000).

The fair value at grant date is independently determined using a Monte Carlo simulation valuation model that incorporates the probability of the relative TSR vesting condition.

(a) Options are granted for a five year period for no consideration and vest based on Ausdrill's TSR rating with a peer group of selected companies as follows:

- Tranche 1 (one third of the options) will become exercisable after the second anniversary of their date of issue;
- Tranche 2 (a further one third of the options) will become exercisable after the third anniversary of their date of issue; and
- Tranche 3 (the remaining one third of the options) will become exercisable after the fourth anniversary of their date of issue.

(b) exercise price: $0.25

(c) grant date: 23 December 2015

(d) expiry date: 23 December 2020

(e) share price at grant date: $0.23

(f) expected price volatility of the Company's shares: 60%

(g) expected dividend yield: 4.3%

(h) risk-free interest rate: 2.0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Ausdrill Limited for the amount recognised as expense in relation to these options.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	17 **$'000**	16 $'000
Options issued under employee option plan	**238**	184

20 REMUNERATION OF AUDITORS

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

(a) PricewaterhouseCoopers Australia

	17 $	16 $
(i) Audit and other assurance services		
Audit and review of financial statements	**471,412**	561,748
Total remuneration for audit and other assurance services	**471,412**	561,748
(ii) Taxation services		
Tax compliance services	**111,569**	227,071
(iii) Other services		
Advisory and accounting consulting services	**10,000**	86,967
Total remuneration of PricewaterhouseCoopers Australia	**592,981**	875,786

(b) Network firms of PricewaterhouseCoopers Australia

(i) Audit and other assurance services		
Audit and other assurance services	**312,542**	291,230
(ii) Taxation services		
Tax compliance services	**140,461**	176,102
(iii) Other services		
Advisory and accounting consulting services	**32,373**	21,410
Total remuneration of network firms of PricewaterhouseCoopers Australia	**485,376**	488,742

(c) Non PricewaterhouseCoopers audit firms

(i) Audit and other assurance services		
Audit and review of financial statements	**45,403**	21,029
Total remuneration for audit and other assurance services	**45,403**	21,029
Total auditors' remuneration	**1,123,760**	1,385,557

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

21 EARNINGS PER SHARE

(a) Basic earnings/(loss) per share

	17 CENTS	16 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**10.1**	6.6
From discontinued operations	**(0.1)**	12.1
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	**10.0**	18.7

(b) Diluted earnings/(loss) per share

	CENTS	CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**9.8**	6.4
From discontinued operations	**(0.1)**	11.8
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	**9.7**	18.2

(c) Reconciliation of earnings used in calculating earnings per share

	17 $'000	16 $'000
Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**31,443**	20,512
From discontinued operations	**(242)**	37,638
	31,201	58,150

(d) Weighted average number of shares used as denominator

	17 NUMBER	16 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**312,277,224**	312,277,224
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	**7,978,121**	7,117,396
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**320,255,345**	319,394,620

(e) Information on the classification of securities

(i) Options

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 19.

22 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	17 $'000	16 $'000
Current		
Floating charge		
Cash and cash equivalents	**165,321**	155,693
Receivables	**158,889**	78,461
Inventory	**183,179**	111,660
Total current assets pledged as security	**507,389**	345,814
Non-current		
Hire purchase / finance lease		
Plant and equipment	**-**	2,257
Floating charge		
Plant and equipment	**468,128**	273,216
Freehold land and buildings	**53,884**	39,624
Investment	**64,073**	75,405
	586,085	388,245
Total non-current assets pledged as security	**586,085**	390,502
Total assets pledged as security	**1,093,474**	736,316

The consolidated entity's hire purchase/finance lease liabilities are secured by the hire purchase/leased assets and in the event of default, these revert to the lessor.

23 DEED OF CROSS GUARANTEE

Ausdrill Limited and the entities noted below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and a directors' report under Australian Securities and Investments Commission Instrument 2016/785 (as amended).

The closed group consists of Ausdrill Limited and the following entities:

ACN 103534087 Pty Ltd;
African Mining Services (Ghana) Pty Ltd;
Ausdrill International Pty Ltd;
Ausdrill Finance Pty Ltd;
Ausdrill Limited;
Ausdrill Northwest Pty Ltd;
Ausdrill Properties Pty Ltd;
Ausdrill Utilities Pty Ltd;
Ausdrill Underground Mining Services Pty Ltd;
BTP Parts Pty Ltd;
BTP Equipment Pty Ltd;
Connector Drilling Pty Ltd;
Diamond Communications Pty Ltd;
Drill Rigs Australia Pty Ltd;
Energy Drilling Australia Pty Ltd;
Golden Plains Pty Ltd;
Supply Direct Pty Ltd; and
Synegex Holdings Pty Ltd.

(a) Consolidated statement of profit or loss, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Ausdrill Limited, they also represent the 'extended closed group'.

Set out over page is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group.

23 DEED OF CROSS GUARANTEE (CONTINUED)

(a) Consolidated statement of profit or loss, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	17 $'000	16 $'000
Consolidated statement of profit or loss		
Revenue from continuing operations	**606,368**	553,365
Other income	**13,922**	78,342
Materials	**(289,465)**	(246,157)
Labour	**(172,679)**	(172,691)
Rental and hire	**(12,278)**	(13,122)
Depreciation and amortisation expense	**(52,239)**	(52,589)
Management fees	**(3,173)**	(2,819)
Finance costs	**(31,555)**	(33,534)
Other expenses from ordinary activities	**(44,038)**	(55,012)
Share of net profits of joint ventures accounted for using the equity method	**13,090**	9,074
Impairment of available-for-sale assets	**-**	(1,485)
Profit/(loss) before income tax	**27,953**	63,372
Income tax (expense)/benefit	**(10,206)**	(2,833)
Profit/(loss) for the year	**17,747**	60,539
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	**17,747**	60,539
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**528**	132,367
Items that will not be reclassified to profit or loss		
(Loss)/gain on revaluation of land and buildings	**(421)**	(1,341)
(Loss)/gain on revaluation of available-for-sale assets	**(1,424)**	1,178
Other comprehensive income/(loss) for the year, net of tax	**(1,317)**	132,204
Total comprehensive income/(loss) for the year	**16,430**	192,743
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**18,880**	15,412
Profit/(loss) for the year	**17,747**	60,539
Retained earnings transfer	**312**	-
Dividends paid	**(6,246)**	-
Retained earnings at the end of the financial year	**30,693**	75,951

23 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated statement of financial position

Set out below is the consolidated statement of financial position as at 30 June of the closed group.

	17 $'000	16 $'000
Current assets		
Cash and cash equivalents	**143,145**	155,313
Trade and other receivables	**122,295**	139,460
Inventories	**142,575**	144,155
Available-for-sale financial assets	**-**	2,000
Current tax assets	**3,155**	6,918
Total current assets	**411,170**	447,846
Non-current assets		
Receivables	**98,250**	126,499
Investments accounted for using the equity method	**112,624**	102,067
Available-for-sale financial assets	**5,189**	3,641
Property, plant and equipment	**407,308**	401,006
Deferred tax assets	**42,085**	76,541
Total non-current assets	**665,456**	709,754
Total assets	**1,076,626**	1,157,600
Current liabilities		
Trade and other payables	**83,825**	77,548
Borrowings	**-**	470
Current tax liabilities	**2,194**	5,725
Employee benefit obligations	**25,509**	22,614
Total current liabilities	**111,528**	106,357
Non-current liabilities		
Borrowings	**391,022**	395,018
Deferred tax liabilities	**31,813**	66,582
Employee benefit obligations	**742**	808
Total non-current liabilities	**423,577**	462,408
Total liabilities	**535,105**	568,765
Net assets	**541,521**	588,835
Equity		
Contributed equity	**526,447**	403,910
Reserves	**(15,619)**	108,974
Retained earnings	**30,693**	75,951
Total equity	**541,521**	588,835

24 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	17 $'000	16 $'000
Balance sheet		
Current assets	**57,726**	78,882
Non-current assets	**485,340**	532,366
Total assets	**543,066**	611,248
Current liabilities	**23,474**	24,821
Non-current liabilities	**6,957**	7,060
Total liabilities	**30,431**	31,881
Shareholders' equity		
Issued capital	**526,447**	526,447
Reserves		
Asset revaluation reserve	**704**	704
Share-based payments reserve	**6,206**	5,969
Pre-2015 reserve	**104,904**	104,904
Accumulated losses - 2015 reserve	**(183,177)**	(183,177)
Retained earnings	**57,551**	124,520
Total equity	**512,635**	579,367
Profit/(loss) for the period	**(60,723)**	124,520
Total comprehensive (loss)/income	**(60,723)**	124,520

The financial information for the parent entity has been prepared in accordance with note 25 (aa)

(b) Guarantees entered into by the parent entity

The parent entity has given unsecured guarantees in respect of:

(i) leased and hire purchased equipment of subsidiaries amounting to $nil (2016: $65,632)

In addition, there are cross guarantees given by Ausdrill Limited as described in note 23. Deficiencies exist in some of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity, please see above.

(d) Pre-2015 reserve

Each reserve of the parent entity has the same nature and purpose as described for the consolidated Group (in note 8 (b)). In addition, the parent entity on June 30 2016 and June 30 2015 established separate reserves for the purpose of paying future dividends. The reserves are referred to as the "Pre-2015 reserve" and the "Accumulated losses-2015 reserve". On the date of establishment, the "Pre-2015 reserve" had an amount of $114,273,000 transferred to it from retained earnings and the "Accumulated losses-2015 reserve" had an amount of ($183,177,000) transferred to it from retained earnings.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Ausdrill Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Ausdrill Limited and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 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 9 Financial Instruments*

  AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  The Group's equity instruments that are currently classified as available-for-sale will satisfy the conditions for classification as, at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

  Accordingly, the Group does not expect the new guidance to affect the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, A$933,674 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as, at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

  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. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  The Group does not intend to adopt AASB 9 before its mandatory date of 1 July 2018.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

***(iii) New standards and interpretations not yet adopted** (continued)*

- *AASB 15 Revenue from Contracts with Customers*

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following from the initial review;

  Ausdrill currently has both contracts for services (contract mining, both underground and surface mining, drill and blast, exploration drilling, rental of equipment and mineral assays and analysis) and contracts for sale of goods (predominantly BTP Equipment and BTP Parts). In the 30 June 2017 financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

  Management has considered whether a contract exists, whether the party to the contract is a customer, what the performance obligations are, what the transaction price payable by the customer is, how the contract price is split across the performance obligations, and whether the contract means performance over time or at a point in time.

  At this stage, management has assessed the effect of applying the new standard on the Group's financial statements and does not expect that there will be significant impact on its consolidated financial statements. Management will continue to assess the effect of the new standard over the next twelve months which will include consideration of the financial statement disclosure requirements.

  Mandatory for financial years commencing on or after 1 January 2018, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. The new standard will only be applied to contracts that remain in force at the transition date.

- *AASB 16 Leases*

  IFRS 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 $3,436,838 see note 16. The Group estimates that approximately 77% 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-of-use assets and 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.

(iv) Historical cost convention

These financial statements have been prepared on a historical cost basis except for the following:

- revaluation of land and buildings, and
- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations by the Group (refer to note 25(h)).

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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

***(i) Subsidiaries** (continued)*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Ausdrill Limited has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in 25(i).

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ausdrill Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced, but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

(i) 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 consolidated financial statements are presented in Australian dollars ($), which is Ausdrill Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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 end of the reporting period
- income and expenses for each income statement and statement of comprehensive income 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 in other comprehensive income.

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 recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the Group's main types of revenue are explained in note 2. Revenue for other business activities is recognised on the following basis:

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 25(m).

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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's 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.

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

Ausdrill Limited 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 these entities are set-off in the consolidated financial statements.

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.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(g) 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 (note 7(b)). Finance leases are capitalised at lease inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current and non-current payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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 6(e)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurements are recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting period.

(j) Cash and cash equivalents

For the purpose 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 amounts 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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. See note 6(b) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(l) Inventories

(i) Consumables and store items, work in progress and finished goods

Consumables and store items, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost 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 the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 6 for details about each type of financial asset.

(i) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after statement of financial position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6(b)).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets - recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 6(f).

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 11(b).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(n) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 7(b). All other plant and equipment is 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. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The depreciation methods and periods used by the Group are disclosed in note 7(b).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 25(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 25(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, 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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Intangible assets (continued)

***(i) Goodwill** (continued)*

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 1).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

(iii) Designs and drawings

Designs and drawings acquired as part of a business combination are recognised separately from goodwill. The designs and drawings are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the projected technical life of the design and drawings, which is expected to be five years.

(p) 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 45 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 other income and other expenses.

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 period.

(r) Borrowing costs

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

(s) Provisions

Provisions for legal claims 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 not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position 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.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Ausdrill Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 19.

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value at grant date is independently determined using a Monte Carlo simulation valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 25(n).

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share is calculated by dividing:

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

25 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

(z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in this report and the accompanying financial report. Amounts in this report and the accompanying financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Ausdrill Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of those guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 44 to 116 are in accordance with the *Corporations Act 2001*, including::

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ronald George Sayers
Director

Perth
23 August 2017

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Independent auditor's report

To the shareholders of Ausdrill Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ausdrill Limited (the Company) and its controlled entities (together the Group or Ausdrill) 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 2017 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 2017
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows 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* (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 materiality of $2,254,000 which represents approximately 5% of the Group profit before tax from continuing operations.
- 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 the benchmark because, in our view, profit before tax from continuing operations is the metric against which the performance of the Group is most commonly measured. We also adjusted for discontinued operations as they are unusual or infrequently occurring items impacting profit and loss.
- Due to reduced fluctuations in profit and loss from year to year, the benchmark has changed to a straight one year profit basis as opposed to the three year average previously employed.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the group engagement team and by component auditors in Africa operating under instruction. We structured our audit as follows:
  - The group engagement team performed audit procedures on the financial information of the Ausdrill Limited, Energy Drilling Australia, Ausdrill Northwest, BTP Parts and BTP Equipment businesses because these were financially significant
  - Component auditors performed audit procedures on the financial information of AMS Ghana, AMS Mali, AMS Senegal, AMS Guinee and the joint venture with Barminco Limited for AUMS Burkina Faso, AUMS Ghana and AUMS Tanzania.

The Group engagement team and component auditors had active dialogue throughout the year through discussions and written instructions and reporting.

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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*

Assessment of impairment for non-current assets
(Refer to note 3) ($Nil)
At 30 June 2017 the Group recognised $560.5 million of property, plant and equipment. Due to varying levels of profitability during the year, the Group considered whether there were any indicators of impairment for each of its seven cash generating units (CGUs).
Where a CGU was performing below its forecast cash flows and had high underutilisation of property, plant and equipment, the Group considered that there was an impairment indicator and performed an impairment assessment. Indicators of possible impairment were identified by the Group in the Ausdrill Kalgoorlie and Synegex, Contract Mining Services Africa, Ausdrill Northwest and Energy Drilling Australia CGUs.
Following the identification of possible impairment of assets, the Group used either a Value in use (VIU) or a Fair value less cost of disposal (FVLCoD) methodology to assess the recoverable amount. VIU models were prepared by the Group and where a FVLCoD methodology was undertaken, the Group engaged an independent valuer to assist in assessing the recoverable amount of these assets.
The Group concluded no impairment charge was required in these four CGUs.
	We assessed the Group's identification of impairment indicators based on cash flow forecasts and estimated utilisation rates for 2017 with the actual results achieved in 2017 for all CGUs. We found that actual 2017 performance was consistent with the forecast cash flow performance and utilisation rates except for the Ausdrill Kalgoorlie and Synegex, Contract Mining Services Africa, Ausdrill Northwest and Energy Drilling Australia CGUs.
	For Ausdrill Kalgoorlie and Synegex and Contract Mining Services Africa CGUs a VIU methodology was adopted and we therefore:
	• Considered if the discounted cashflow models used to estimate the recoverable amount of these CGUs on a VIU basis (the impairment models) were consistent with Australian Accounting Standards
	• Compared the forecast cash flows used in the impairment models to the most recent budgets and business plans approved by the Board.
	• Considered whether the forecast cash flows in the impairment models were reasonable and based upon supportable assumptions, by:
	  ○ Comparing future revenue growth and contract growth to independent expectations and known contract wins and losses.
	  ○ Comparing the forecast cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting.

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Key audit matter	*How our audit addressed the key audit matter*
The Group also assessed whether any reversal of prior period impairment charges was necessary for 2017 and concluded it was not. This was a key audit matter because of the significant judgement involved in considering the existence of impairment indicators and estimating the recoverable amount of the assets and the potentially material impact on the financial report.	○ Comparing inflation rate assumptions in the impairment models to independent economic forecasts. ○ Assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital. • Performed sensitivity analysis on the key assumptions used in the impairment models. • Performed tests of the mathematical accuracy of the impairment model's calculations. • Considered whether the impairment models indicated a reversal of a previously booked impairment charge. • Considered the adequacy of the disclosures made in note 3 of the financial statements, including key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. For Ausdrill Northwest and Energy Drilling Australia CGUs, a FVLCoD methodology was adopted and we therefore: • Examined the external valuation reports obtained by the Group to determine if the valuations supported asset carrying values. • Assessed the competency of the valuers which included considering their experience and qualifications in assessing similar types of assets • Agreed the listings of all assets included in the valuations to the underlying assets included in the CGUs to test completeness of the valuations • Utilised PwC valuation experts to consider the methodologies and key assumptions adopted in the valuations obtained.

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Key audit matter	*How our audit addressed the key audit matter*
	• Tested a selection of asset sales which were made from these two CGUs during the period to identify if any assets were sold for amounts materially below their book values and whether this indicated potential impairment in other assets.
Recoverability of deferred tax assets in Australia *(Refer to note 7) ($36.4m)* The Group recognised $36.4 million of deferred tax assets at 30 June 2017. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter, as it was for the prior year, because of the size of the balances and because significant judgement was required by the Group to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets, in the context of the increased profit from continuing operations for the year.	We assessed the Group's ability to utilise the deferred tax assets by: • Obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast. • Comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's approach to budgeting. • Challenging the Group's key assumptions in the cashflow budget and taxable income forecasts. • Evaluating whether the cashflows in the taxable income forecasts had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget and forecast, to taxable profits. • Recalculating deferred tax asset balances which comprise a combination of timing differences between tax and accounting values and tax losses. • Assessing whether deferred tax assets had been appropriately recognised in the financial report as at 30 June 2017 based on the extent to which they can be recovered by forecast taxable profits.

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Key audit matter	*How our audit addressed the key audit matter*
Inventory existence *(Refer to note 7) [$188.8m]* The Group recognised inventory of $188.7 million at 30 June 2017. Inventory is held by 22 entities across the Group in various countries including Australia, Ghana, Mali, Tanzania, Burkina Faso, Guinee, Senegal, South Africa and the United Kingdom. Within each country, inventory is stored in warehouses, sheds, containers and yards, attached to drill rigs and at mine sites, often situated in very remote locations due to the nature of the mining services industry. This was a key audit matter, as it was for the prior year, because of the: • Significance of the inventory balance to the statement of financial position. • Complexity involved in determining inventory quantities on hand due to the number, location and diversity of inventory storage locations. The Group has a similar number of inventory locations and the mix of inventory held has not substantially changed from the prior year. In addition, the Group has a new subsidiary in Senegal while the sale of Drilling Tools Australia in the prior year has removed the inventory associated with that business.	We attended inventory counts at locations, which we selected based on financial significance and risk. Where locations were not attended we tested a selection of controls over inventory existence across the Group. For locations attended in Australia, Ghana, Mali, Burkina Faso, Tanzania and Guinee we performed the following procedures at each site: • Selected a sample of inventory items and compared the quantities we counted to the quantities recorded. • Observed a sample of management's inventory count procedures to assess compliance with Group policy. • Made enquiries regarding obsolete inventory items and inspected the condition of items counted.

Other information

The directors are responsible for the other information. The other information comprises the Our business at a glance, Operating and financial review, Director's report, Corporate governance statement and the Financials table included in the Group's annual report for the year ended 30 June 2017 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.

pwc

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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, 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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 40 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Ausdrill Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

pwc

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

Justin Carroll
Partner

Perth
23 August 2017

BARMINCO HOLDINGS—YEARS ENDED JUNE 30, 2018 AND 2017

Barminco Holdings Pty Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	5	586,065	601,685
Other income		2,089	1,634
Consumables used		(182,877)	(199,020)
Employee benefits expense	6(a)	(220,726)	(233,819)
Contractor and consultant expenses		(35,980)	(45,152)
Depreciation of property, plant and equipment	13	(57,230)	(61,988)
Amortisation of intangible assets	14	(933)	(944)
Other expenses	6(b)	(32,351)	(43,005)
Results from operating activities		**58,057**	**19,391**
Share of profit from equity accounted investments, net of tax	12	23,372	14,398
Financing income	6(d)	730	709
Financing costs	6(c)	(44,389)	(96,071)
Profit/(Loss) before income tax		**37,770**	**(61,573)**
Income tax benefit/(expense)	8(a)	12,895	(32,198)
Profit/(Loss) for the year attributable to equity holders of the Company		**50,665**	**(93,771)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	20(b)	(5,955)	(15,845)
Net change in fair value of cash flow hedges reclassified to profit or loss	20(b)	-	14,165
Foreign currency translation differences – foreign operations	20(c)	2,718	(3,233)
Other comprehensive loss for year, net of tax		**(3,237)**	**(4,913)**
Total comprehensive income/(loss) attributable to equity holders of the Company		**47,428**	**(98,684)**
Earnings/(Loss) per share		**$**	**$**
Basic and diluted earnings/(loss) per share	9	10.1	(18.8)

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 2018

	Note	30 June 2018 $'000	30 June 2017 $'000
ASSETS			
Cash and cash equivalents		80,288	77,956
Trade and other receivables	10	83,472	79,052
Inventories	11	20,700	18,785
Prepayments		2,773	3,966
Total current assets		**187,233**	**179,759**
Other non-current assets		1,037	1,946
Investments accounted for using the equity method	12	71,232	58,377
Property, plant and equipment	13	124,864	124,342
Intangibles	14	258,995	259,781
Deferred tax asset	8	63,268	47,612
Total non-current assets		**519,396**	**492,058**
TOTAL ASSETS		**706,629**	**671,817**
LIABILITIES			
Trade and other payables	15	72,581	78,851
Borrowings	17	13,202	11,814
Employee benefits	18	25,760	26,445
Provisions	19	-	4,086
Total current liabilities		**111,543**	**121,196**
Derivative financial instruments	16	19,652	23,741
Borrowings	17	479,478	476,043
Employee benefits	18	1,734	4,043
Total non-current liabilities		**500,864**	**503,827**
TOTAL LIABILITIES		**612,407**	**625,023**
NET ASSETS		**94,222**	**46,794**
EQUITY			
Contributed equity	20	394,662	394,662
Reserves	20	4,092	6,427
Accumulated losses		(304,532)	(354,295)
TOTAL EQUITY		**94,222**	**46,794**

The above consolidated statement of financial position 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 2018

	Note	Ordinary Shares	Redeemable Preference Shares	Total Contributed equity	Hedging Reserve	Foreign Currency Translation Reserve	Interest Free Loan Reserve	Legal Reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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/(loss) for the year		-	-	-	-	-	-	-	50,665	50,665
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	-	(5,955)	-	-	-	-	(5,955)
Changes in the foreign exchange translation reserve	20(c)	-	-	-	-	2,718	-	-	-	2,718
Total other comprehensive income/ (loss)		-	-	-	(5,955)	2,718	-	-	-	(3,237)
Total comprehensive Income/ (loss) for the year		**-**	**-**	**-**	**(5,955)**	**2,718**	**-**	**-**	**50,665**	**47,428**
Transactions with owners of the Company										
Changes in the legal reserve	20(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.

Barminco Holdings Pty Limited

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2017

	Note	Ordinary Shares	Redeemable Preference Shares	Total Contributed equity	Hedging Reserve	Foreign Currency Translation Reserve	Interest Free Loan Reserve	Legal Reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016		4,722	391,720	**396,442**	(5,375)	8,592	6,421	1,032	(259,854)	147,258
Total comprehensive income for the year										
Profit/(loss) for the year		-	-	-	-	-	-	-	(93,771)	(93,771)
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	-	(1,680)	-	-	-	-	(1,680)
Changes in the foreign exchange translation reserve	20(c)	-	-	-	-	(3,233)	-	-	-	(3,233)
Total other comprehensive income/ (loss)		-	-	-	(1,680)	(3,233)	-	-	-	(4,913)
Total comprehensive Income/ (loss) for the year		**-**	**-**	**-**	**(1,680)**	**(3,233)**	**-**	**-**	**(93,771)**	**(98,684)**
Transactions with owners of the Company										
Derecognition of Redeemable preference shares	20(a)	-	(1,780)	**(1,780)**	-	-	-	-	-	(1,780)
Changes in the legal reserve	20(d)	-	-	-	-	-	-	670	(670)	-
Total transactions with owners of the Company		-	**(1,780)**	**(1,780)**	**-**	**-**	**-**	**670**	**(670)**	**(1,780)**
Balance at 30 June 2017		**4,722**	**389,940**	**394,662**	**(7,055)**	**5,359**	**6,421**	**1,702**	**(354,295)**	**46,794**

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

Barminco Holdings Pty Limited

Consolidated statement of cash flows
For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		632,240	623,724
Payments to suppliers and employees		(536,018)	(545,419)
Interest received		730	693
Interest paid		(40,299)	(42,639)
Income taxes paid		(208)	-
Net cash inflow from operating activities	24	**56,445**	**36,359**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(57,112)	(35,921)
Proceeds from sale of property, plant and equipment		8,377	6,683
Dividends received from joint venture entities		13,045	20,678
Net cash outflow from investing activities		**(35,690)**	**(8,560)**
Cash flows from financing activities			
Proceeds from borrowings		-	469,068
Redemption Premium on 2018 High Yield Bonds		-	(31,300)
Payments for borrowing costs and CCIRS termination		(159)	(30,251)
Proceeds/(payments) from CCIRS reset		-	(358)
Repayment of borrowings		-	(414,356)
Payment of finance lease liabilities		(18,275)	(13,302)
Net cash outflow from financing activities		**(18,434)**	**(20,499)**
Net increase/(decrease) in cash and cash equivalents		2,321	7,300
Cash and cash equivalents at beginning of period		77,956	70,647
Effect of exchange rate fluctuations on cash held		11	9
Cash and cash equivalents at end of period		**80,288**	**77,956**

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

Barminco Holdings Pty Limited
Notes to the Consolidated financial statements
For the year ended 30 June 2018

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1. Corporate information

Barminco Holdings Pty Limited ("the Company") is a for profit company limited by shares, incorporated and domiciled in Australia. The Company was registered on 5 July 2007. The address of the Company's registered office is 390 Stirling Crescent Hazelmere, Western Australia, 6055. The Group is a for profit entity and is primarily involved in underground contract development and production mining, and development projects in Australia, India, Egypt, Tanzania and West Africa. The 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 2018 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 14th of August 2018.

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:

Goodwill and other indefinite life intangible assets

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.

Recovery of deferred tax assets

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

Deferred tax assets are reviewed at each reporting date and adjusted accordingly to reflect the related tax benefit that will be realised.

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.

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

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

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

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

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

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

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

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

Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. The Group's business depends on a large quantity of plant and equipment. At 30 June 2018, the Group's property, plant and equipment had a total book value of $124,864,000 (2017: $124,342,000) largely consisting of heavy mining equipment that has a finite operational life. As a result, depreciation has a significant impact on the Group's financial results.

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

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

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

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

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

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

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the year of initial application. They are not yet mandatory and have not been early adopted by the Group for the annual reporting period ended 30 June 2018.

- *AASB 9 Financial Instruments (effective 1 July 2018 for the Group)*

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

Based on the impact assessment undertaken by the Group, there is no material impact to the Group upon adoption of AASB 9 on the classification and measurement of its financial assets and financial liabilities. As permitted by AASB 9, the Group has chosen to continue to apply the hedge accounting requirements of AASB 139 Financial Instruments: Recognition and Measurement.

- *AASB 15 Revenue from Contracts with Customers (effective 1 July 2018 for the Group)*

AASB 15 replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and therefore the notion of control replaces the existing notion of risks and rewards. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled when control of the goods or services passes to the customer.

The Group has reviewed a representative sample of sales contracts to identify potential changes in: timing of revenue recognition and measurement of the amount of revenue and note disclosure between the current standard, AASB 118, and AASB 15. Based on assessments undertaken to date, the Group's view is there will be minimal change to our revenue recognition and measurement processes. However, we note a potential timing change in respect of the recognition of mobilisation revenue for new contracts. Under AASB 118 mobilisation revenue is recognised as the services are completed. Under AASB 15 mobilisation revenue may, in certain circumstances, be deferred and recognised over the estimated contract life. The Group has a reasonable expectation that the transition to AASB 15 will not have a material impact to the financial statements of the Group.

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

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

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

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

g) New and amended accounting standards and interpretations

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

3. Summary of significant accounting policies

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

a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Interests in equity-accounted investees

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

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

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

(iii) Transactions eliminated on consolidation

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

b) Business combinations

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

Measuring goodwill

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

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

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

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

c) Foreign Currency

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

- all resulting exchange differences are recognised as a separate component of equity.

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

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

d) Revenue recognition

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

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

(i) Rendering of services

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

(ii) Sale of goods

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

e) Income tax

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

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

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

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

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

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

f) Cash and cash equivalents

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

g) Trade receivables

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

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

i) Inventories

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

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

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

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

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

j) Intangible assets

(i) Goodwill

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

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

(ii) Customer contracts and customer relationships

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

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

(iii) Capitalised Software

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

k) Impairment of non-financial assets

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

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

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

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

l) Leases

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

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

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

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

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

m) Investments and other financial assets

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

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

(ii) Loans and receivables

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

(iii) Recognition and de-recognition

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

(iv) Subsequent measurement

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

(v) Impairment

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

n) Derivatives and hedging activities

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

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

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

(i) Cash flow hedge

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

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

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

(ii) Fair value hedge

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

o) Trade and other payables

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

p) Borrowings and financing costs

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

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

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

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

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

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

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

q) Provisions

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

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

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

r) Employee benefits

(i) Short-term employee benefits

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

(ii) Long service leave

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

(iii) Share based payment transactions

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

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

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

(iv) Other long-term employee benefits

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

(v) Termination benefits

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

s) Contributed equity

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

t) Goods and Services Tax (GST)

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

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

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

u) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO") and Chief 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. The Audit and Risk Committee ("ARC") is responsible for the review of the risk management policy which identifies, assesses, monitors, and manages the material risk throughout the Group. The ARC reports regularly to the Board of Directors on its activities.

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

b) Credit risk

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

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 22% (year ended 30 June 2017: 19%) 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 2017: Nil).

(iii) Guarantees

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

(iv) Derivatives

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

c) Liquidity risk

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

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

The Group has banking facilities that mature as follows:

- High Yield Bonds: $468,036,000 (in 15 May 2022)
- Revolving credit facility: $75,000,000 (in 24 October 2020)

As at 30 June 2018, the Revolving credit facility is effectively undrawn, the only drawing made was $3,610,000 used for the purposes of bank guarantees.

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

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

d) Market risk

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

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

(i) Currency risk

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

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

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

In April 2017 the Group issued High Yield Bonds in United States Dollars for US$350 million. The face value of these outstanding notes as at 30 June 2018 is US$350 million (AU$468 million, note 17). The currency risk attached to the bonds is being hedged 100% by a cross currency interest rate swap which has fixed principal and a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar (note 16). The swap is being accounted for as a cash flow and fair value hedge and is 100% effective in eliminating currency risk with respect to the High Yield Bonds.

(ii) Interest rate risk

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

To manage this risk, the Group enters into cross currency interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2018, after taking into account the effect of interest rate swaps, approximately 70% of the Group's borrowings are at a fixed rate of interest (2017: 70%).

e) Capital management

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

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

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

(i) Capital risk management

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

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

	2018 $'000	2017 $'000

5. Revenue

Services	579,444	596,168
Sale of goods	6,621	5,517
	586,065	**601,685**

6. Expenses

a) Employee benefits expenses

Wages and salaries	(207,492)	(214,478)
Compulsory superannuation payments	(16,228)	(16,693)
(Increase)/decrease in employee leave entitlements	2,994	(2,648)
	(220,726)	**(233,819)**

b) Other expenses

Operating lease expense	(8,790)	(9,182)
Freight	(8,273)	(8,229)
Travel	(2,890)	(5,503)
Onerous provision expense / reversal	564	(3,720)
Custom import duty and sales tax	(870)	(3,447)
Other	(12,092)	(12,924)
	(32,351)	**(43,005)**

	2018 $'000	2017 $'000
c) Financing costs		
Amortisation of borrowing costs	(3,290)	(6,283)
Interest and finance charges paid/payable on borrowings	(36,147)	(44,391)
Interest paid/payable on finance leases	(1,969)	(1,507)
Loss on repurchase of High Yield Bonds	-	(327)
Redemption premium on 2018 High Yield Bonds *	-	(31,300)
Cash flow hedge settlement	-	(11,342)
Other interest paid/payable	(2,983)	(921)
	(44,389)	**(96,071)**

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

d) Financing income		
Interest income	730	709

7. Remuneration of auditors

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

Audit services		
KPMG Australia		
Audit of financial report	195,000	175,000
Half year review of financial report in connection with the High Yield Bond refinancing	-	300,000
Overseas KPMG firms		
Audit services	84,990	72,666
	279,990	**547,666**
Other services		
KPMG Australia		
Assurance and other services (including services in connection with the High Yield Bond refinancing)	46,125	357,000
Overseas KPMG firms		
Assurance, tax compliance and other services (including services in connection with the High Yield Bond refinancing)	29,730	76,540
	75,855	**433,540**

8. Income tax

a) Income tax benefit/(expense)

(i) Tax recognised in profit and loss

Current income tax		
Current year	(208)	(1,510)
Adjustments in respect of current income tax of previous years	-	-
	(208)	**(1,510)**
Deferred income tax		
Recognition of previously unrecognised deferred tax assets	12,626	-
Adjustment in respect of current income tax of previous years	623	(939)
Origination and reversal of temporary differences previously recognised	(660)	(30,683)
Benefit from current year tax loss recognised	514	934
	13,103	**(30,688)**
Total tax recognised in profit and loss	**12,895**	**(32,198)**

(ii) Tax recognised directly in equity

Income tax of $2,552,344 was charged directly to equity for the year ending 30 June 2018 (year ended 30 June 2017: $3,023,390).

(iii) Tax recognised in other comprehensive income

No net income tax amounts were recognised in other comprehensive income for the year ending 30 June 2018 (year ended 30 June 2017: $ Nil).

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

	2018 $'000	2017 $'000
Profit/(Loss) for the year before income tax	37,770	(61,573)
Tax benefit at the Australian tax rate of 30%	(11,331)	18,472
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(1,805)	(1,950)
Effect of tax rates in foreign jurisdictions	4,438	3,968
Effect of share of profits of equity accounted investees	7,011	4,319
Tax losses utilised current year	194	-
Temporary difference not recognised current year	1,199	(1,287)
Changes in temporary differences	-	2,059
Tax losses not recognised in the current year	-	(56,794)
Recognition of previously unrecognised tax losses	12,626	-
Foreign tax credits not recoverable	(60)	(46)
Adjustments in respect of deferred income tax of previous years	623	(939)
	12,895	**(32,198)**

c) Unrecognised deferred tax assets

	2018 $'000	2017 $'000
Deferred tax assets have not been recognised in respect on the following items:		
Australia		
Tax losses (gross)	-	181,468
Other deferred tax assets (gross)	-	-
	-	181,468
Overseas		
Tax losses (gross)	6,134	6,802
Other deferred tax assets (gross)	252	3,720
	6,386	10,522
Total unrecognised deferred tax assets (gross)	**6,386**	**191,990**

A Deferred Tax Benefit will only be obtained if:

(i) the relevant company in the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation, 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.

The tax losses and the deductible temporary differences do not expire under the current tax legislation in Australia. At 30 June 2018 the Group has $207,553,000 (2017: $345,890,000) tax losses and $10,039,000 (2017: $5,219,000) deductible temporary differences that are available for offset against future taxable profits of which $211,206,000 have been recorded at year end (2017: $159,119,000).

Deferred tax assets for unused tax losses of $201,419,000 (30 June 2017: $157,620,000) and deductible temporary differences of $9,787,000 (30 June 2017: $1,499,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Management revised its estimates, resulting in a recognition of an additional deferred tax assets of $15,656,000 in the current year. The recovery of deferred tax assets requires the use of assumptions around maintaining existing contracts, award of new contracts and continuing to meet forecasted cash flows. Changes in these assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

During the financial year the group underwent a tax audit with the Australian Tax Office (ATO). The audit reviewed the tax income years from 2008 through to 2016. In order to resolve the matter in a timely and a cost-effective manner a commercial settlement was agreed with the ATO under which the company agreed to forego some of the previously unrecognised tax 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 has not recorded $6,134,000 of carry forward tax losses and $252,000 of deductible temporary differences in relation to Indian operations that equate to unrecognised deferred tax assets at 30 June 2018 of $2,143,000 (2017: $56,794,000) and $88,000 (2017: $1,287,000) respectively. The Group reviews evidence of the recoverability of these tax losses at each reporting date and additional evidence indicating recoverability may result in recognition at a future reporting date.

d) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade and other receivables	-	-	43	30	43	30
Inventories	-	-	1,246	1,025	1,246	1,025
Property, plant and equipment	(282)	(370)	9,813	9,140	9,531	8,770
Derivative financial instruments	(5,896)	(7,122)	-	-	(5,896)	(7,122)
Trade and other payables	(2,983)	(1,038)	-	-	(2,983)	(1,038)
Employee benefits	(7,734)	(8,654)	-	-	(7,734)	(8,654)
Provisions	(22)	(152)	-	-	(22)	(152)
Borrowings	-	-	2,836	6,822	2,836	6,822
Other items	(105)	(141)	242	134	137	(7)
Tax losses carried forward	(60,426)	(47,286)	-	-	(60,426)	(47,286)
Tax (assets)/ liabilities	(77,448)	(64,763)	14,180	17,151	(63,268)	(47,612)
Set off of liabilities	14,180	17,151	(14,180)	(17,151)	-	-
Net tax (assets)/liabilities	**(63,268)**	**(47,612)**	**-**	**-**	**(63,268)**	**(47,612)**

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 2016 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2017 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2018 $'000
Trade and other receivables	28	3	-	31	12	-	43
Inventories	992	32	-	1,024	222	-	1,246
Property, plant and equipment	8,260	509	-	8,769	762	-	9,531
Derivative financial instruments	(1,626)	1,638	(7,135)	(7,123)	(1,370)	2,597	(5,896)
Trade and other payables	(585)	(453)	-	(1,038)	(1,945)	-	(2,983)
Employee benefits	(7,896)	(758)	-	(8,654)	920	-	(7,734)
Provisions	(77)	(75)	-	(152)	130	-	(22)
Borrowings	(28,299)	31,010	4,112	6,823	1,163	(5,149)	2,837
Other items	1,729	(1,735)	-	(6)	142	-	136
Tax loss carry forwards	(47,803)	517	-	(47,286)	(13,140)	-	(60,426)
DTA not recognised/(recognised)	-	-	-	-	-	-	-
	(75,277)	**30,688**	**(3,023)**	**(47,612)**	**(13,104)**	**(2,552)**	**(63,268)**

9. Earnings per share

	2018 $'000	2017 $'000
Basic earnings per share		
The calculation of basic earnings/(loss) per share at 30 June 2018 was based on the profit attributable to ordinary shareholders of $50,665,000 (Loss 2017: $93,771,000) and a weighted average number of ordinary shares outstanding of 5,000,000 (2017: 5,000,000) calculated as follows:		
(i) Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) attributable to ordinary shareholders	50,665	(93,771)
(ii) Weighted average number of ordinary shares		
Weighted average number of ordinary shares	5,000,000	5,000,000
	$	$
Basic earnings/(loss) per share	**10.1**	**(18.8)**

Diluted earnings per share

There were no dilutive instruments outstanding during the year.

10. Trade and other receivables

Trade receivables	26,022	20,151
Accrued revenue	53,855	57,155
Related party receivables	2,743	635
Other receivables	852	1,111
	83,472	**79,052**

Refer to note 21 b) for information on the aging of the Group's trade receivables.

11. Inventories

Inventory balances at end of year

Stores	20,700	18,785

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year were $151,000 (2017: $191,000). In 2018, inventories (excluding consignment stock) of $82,277,000 (2017: $78,486,000) 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 2018 %	Ownership 2017 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50
African Underground Mining Services Tanzania Ltd ("AUMST") Joint Venture	Tanzania	Mining services	50	50

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

The terms of the shareholder agreement require the Company to meet any shareholder cash calls to AUMS on a 50:50 basis with its joint venture partner.

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

During 2018 AUMSM paid dividends to the company of CFA 5,700,000,000 (A$13,045,000). In 2017 AUMS paid dividends to the Company in the amount of USD$3,350,000 (A$4,110,000) and AUMSM paid dividends of CFA 7,695,557,375 (A$16,568,000).

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

	2018 $'000	2017 $'000
a) Share of net assets/ (liabilities) of jointly controlled entities		
Total current assets	130,715	95,250
Total non-current assets	91,037	60,028
Total assets	**221,752**	**155,278**
Total current liabilities	(57,605)	(32,979)
Total non-current liabilities	(21,237)	(5,264)
Total Liabilities	**(78,842)**	**(38,243)**
Net Assets (100%)	**142,910**	**117,035**
Group's share of net assets (50%)	71,455	58,517
Elimination of unrealised profit on downstream sales	(223)	(140)
Carrying amount of interest in joint venture	**71,232**	**58,377**
b) Share of profits of jointly controlled entities		
Revenue	291,602	178,710
Other income	2,578	11,414
Operating and other expenses	(193,989)	(129,612)
Depreciation	(37,077)	(21,921)
Operating profit	**63,114**	**38,591**
Net finance costs	(2,597)	(1,170)
Tax	(14,887)	(11,875)
Profit for the year (100%)	**45,630**	**25,546**
Profit for the year (50%)	**22,815**	**12,773**
Elimination of unrealised profit on downstream sales	(82)	241
Realised gain on dividend income	639	1,384
Group's share of profit for the year	**23,372**	**14,398**

13. Property, plant and equipment

Reconciliation of the movement in carrying amounts

30 June 2018	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	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)
Transfers	-	-	-	-	-
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**
30 June 2017					
Opening net book amount	98,103	14,340	2,830	1,108	116,381
Additions	35,755	52,097	-	178	88,030
Disposals	(3,032)	(15,114)	-	-	(18,146)
Transfers	-	-	-	65	65
Depreciation charge	(45,910)	(15,274)	(280)	(524)	(61,988)
Closing net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**
Cost	334,838	43,467	5,076	3,616	386,997
Accumulated depreciation	(249,922)	(7,418)	(2,526)	(2,789)	(262,655)
Net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**

a) Assets in the course of construction

The carrying amounts of the assets disclosed above include $4,934,000 (2017: $6,661,000) in expenditure recognised in relation to property, plant and equipment which is in the course of construction.

b) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

14. Intangibles

a) Reconciliation of the movement in carrying amounts

30 June 2018	Goodwill $'000's	Customer Relationships $'000's	Computer Software $'000's	Total $'000's
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**
30 June 2017				
Opening net book amount	256,930	1,728	2,132	260,790
Additions	-	-	(65)	(65)
Amortisation charge	-	(556)	(388)	(944)
Closing net book amount	**256,930**	**1,172**	**1,679**	**259,781**
Cost	256,930	76,400	2,286	335,616
Accumulated amortisation and impairment	-	(75,228)	(607)	(75,835)
Net book amount	**256,930**	**1,172**	**1,679**	**259,781**

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 (2017: $Nil).

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

	2018 $'000	2017 $'000
The following unit has significant carrying amount of goodwill:		
Barminco Australia, Egypt and India	**256,930**	**256,930**

Goodwill is reviewed at each reporting year end for impairment and an impairment test is performed annually. A goodwill impairment test and a review of the impairment indicators was last conducted at 30 June 2018 with no impairment noted.

At 30 June 2018 the recoverable amount of the Barminco Holdings cash-generating unit was based on fair value less costs of disposal, estimated using discounted cash flows and the resulting value exceeded the carrying amount of the

unit including goodwill. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (Note 2 d)).

The calculations used cash flow projections based on the budget forecast for the 2019 to 2023 financial years. Financial years from 2019 to 2023 (2017: 2018 to 2022) incorporate an estimated annual EBITDA margin of 20% to 21% (2017: 18% to 20%). The 2019 budget forecast was determined as a result of a comprehensive exercise where the operational divisions evaluate each individual contract and project and update the forecast on which the revenues and costs are based. Additionally, a terminal value was calculated after 5 years incorporating a perpetual growth rate of 2.25% (2017: 2%).

Weighted average cost of capital post-tax discount rates in the range of 9.3% and 10.4% (2017: 9.4% and 10.5%) were used in discounting projected cash flows. The present value of cash flows is sensitive to the growth and discount rates used. A higher discount rate or lower EBITDA growth rate will result in a lower fair value.

15. Trade and other payables

	2018 $'000	2017 $'000
Trade payables	39,473	41,092
Other creditors and accruals	33,108	37,760
	72,581	**78,851**

16. Derivative financial instruments

Non-current liability		
Cross currency interest rate swap contract cash flow hedge	19,652	23,741

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.

17. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30-Jun-18 Current $'000's	30-Jun-18 Non-current $'000's	30-Jun-17 Current $'000's	30-Jun-17 Non-current $'000's
High Yield Bond 2022	(a)	USD	6.63%	2022	-	468,036	-	455,499
Shareholder loans	(c)	AUD	0%	2026	-	10,750	-	10,000
Finance lease liabilities	(b)	AUD	5.9%	2018 - 2020	15,587	7,547	14,238	20,339
					15,587	**486,333**	**14,238**	**485,838**
Capitalised borrowings costs - High Yield Bonds		AUD			(2,385)	(6,855)	(2,424)	(9,795)
Total interest bearing liabilities					**13,202**	**479,478**	**11,814**	**476,043**

(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 notes

In June 2016, the Shareholder Loan Note Deed Poll was amended and annual interest of 14% ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19.2 million) and the discounted value ($10 million) was transferred to an Interest Free Loan Reserve (Note 20). A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026. Refer to note 26b(i) for further details.

(d) Assets pledged as security

	2018 $'000	2017 $'000
Current		
Fixed and floating charge		
Cash and cash equivalents	76,068	66,534
Trade and other receivables	62,799	75,907
Inventories	13,517	12,353
Other assets	2,694	3,700
Total current assets pledged as security	**155,078**	**158,494**
Non-current		
Fixed and floating charge		
Receivables	2,815	3,729
Property, plant and equipment	82,404	77,668
	85,219	**81,397**
Property plant and equipment under finance leases and chattel mortgages		
Finance leases	27,087	36,049
Total non-current assets pledged as security	**112,306**	**117,446**
Total assets pledged as security	**267,384**	**275,940**

The assets pledged support the Revolving Credit Facility, finance leases and the cross currency interest rate swap of the Barminco Group Australian assets.

18. Employee benefits

Current Liability		
Annual leave	15,890	16,032
Long service leave	9,870	10,413
	25,760	**26,445**
Non-current Liability		
Long service leave	**1,734**	**4,043**

19. Provisions

Onerous contract provision	-	3,720
Other provisions	-	366
	-	**4,086**

In 2017, onerous contract provision represented the present value of the unavoidable forecasted future cash outflows in regards to the finalisation of mining services under the Rampura Agucha contract. The onerous contract concluded on 31 August 2017. Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017.

Movements in provisions	Onerous contract provision $'000	Other provisions $'000
Balance at the beginning of year	3,720	366
Additional provisions recognised	-	200
Amounts used during the year	(3,156)	(566)
Amounts reversed during the year	(564)	-
	-	**-**

20. Capital and reserves

a) Share capital

	2018		2017	
	#'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 2018 all ordinary shares had been fully paid with no ordinary shares partly paid (30 June 2017: Nil).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the redeemable preference shares.

Redeemable preference shares (RPS) were issued on 31 August 2007 at $1 each with an interest rate of 14% compounded annually until 29 June 2016 and unpaid interest was capitalised to the RPS balance. The RPS's are subordinated to the High Yield Bonds. The number and face value of RPS, to which loans to management under the Management Incentive plan related to, were derecognised during the year as a result of classification of the instruments as equity for accounting purposes. Refer to note 25.

b) Hedging reserve

	2018 $'000	2017 $'000
Balance at the beginning of year	(7,055)	(5,375)
Revaluation	(5,955)	(15,845)
Reclassified to profit or loss	-	14,165
	(13,010)	**(7,055)**

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.

	2018 $'000	2017 $'000
c) Translation reserve		
Balance at the beginning of year	5,359	8,592
Currency translation differences	2,718	(3,233)
	8,077	**5,359**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group.

d) Legal reserve		
Balance at the beginning of year	1,702	1,032
Legal reserve increase	902	670
	2,604	**1,702**

The Group has an Egyptian subsidiary that is required by Egyptian law to set aside a percentage of its retained earnings as a legal reserve.

e) Interest Free Loan Reserve		
Balance at the beginning of year	6,421	6,421
Effect of discounting Shareholder Loan Note	-	-
	6,421	**6,421**

Interest on the Shareholder Loan Notes ceased to accrue from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19.2 million) and the discounted value ($10.0 million) was transferred to an Interest Free Loan Reserve.

21. Financial instruments

a) Accounting classifications and fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Carrying amount				Fair value			
30 June 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.

30 June 2017	Carrying amount				Fair value			
	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value								
Cash and cash equivalents	-	77,956	-	77,956	-	-	-	-
Trade and other receivables	-	79,052	-	79,052	-	-	-	-
	-	**157,008**	**-**	**157,008**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	(23,741)	-	-	(23,741)	-	(23,741)	-	(23,741)
	(23,741)	**-**	**-**	**(23,741)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(78,851)	(78,851)	-	-	-	-
Finance lease liabilities	-	-	(34,577)	(34,577)	-	(34,771)	-	(34,771)
High Yield Bonds	-	-	(455,499)	(455,499)	(453,452)	-	-	(453,452)
Shareholder loans	-	-	(10,000)	(10,000)	-	-	(10,000)	(10,000)
	-	**-**	**(578,927)**	**(578,927)**				
	(23,741)	**157,008**	**(578,927)**	**(445,660)**				

(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 (2017: 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 2016	(10,000)
Net change in fair value	-
Interest included in finance costs	-
Balance as at 30 June 2017	**(10,000)**
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)**

There were no transfers out of level 3 during the year (2017: 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 2018 was US$350,000,000 (A$469,110,000) (as at 30 June 2017: US$350,000,000, A$455,499,000). Fair value reflects the closing price of the notes as listed on the Singapore stock exchange as at 30 June 2018 and 30 June 2017.

	2018 $'000	2017 $'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:		
Cash and cash equivalents	80,288	77,956
Trade and other receivables	83,472	79,052
	163,760	**157,008**
The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was:		
Australia	64,455	70,165
Africa	14,231	6,467
India	4,786	2,420
	83,472	**79,052**
The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Mining customers	80,729	78,417
Jointly controlled entity	2,743	635
	83,472	**79,052**

	2018 $'000	2017 $'000
The aging of the Group's trade receivables which are past due at the reporting date but not impaired was:		
Past due 0-30 days	1,017	226
Past due 31-60 days	476	1,108
Past due more than 90 days	1,383	109
	2,876	**1,443**

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

(ii) Impairment losses

There were no impairment losses recognised with respect to receivables during the year (2017: Nil).

(iii) Liquidity risk (refer also to note 4c)).

The following are contractual maturities of financial liabilities at reporting date. The amounts are gross and undiscounted and include estimated interest payments:

30 June 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)**	**(593,359)**	**-**
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.

30 June 2017	Carrying amount $'000	Contractual cash flows $'000	12 months or less $'000	1-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	78,852	(78,852)	(78,852)	-	-
Finance lease liabilities	34,578	(37,151)	(15,894)	(21,257)	-
High Yield Bonds	455,499	(606,200)	(30,168)	(576,032)	-
Shareholder loan notes	10,000	(19,172)	-	-	(19,172)
	578,929	**(741,375)**	**(124,914)**	**(597,289)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	606,200	30,168	576,032	-
- Outflows	-	(648,274)	(36,202)	(612,072)	-
Cross currency interest rate swaps used for hedging	**-**	**(42,074)**	**(6,034)**	**(36,040)**	**-**

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

c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2018		
	USD* $'000	INR* $'000	EGP* $'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**

The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account.

	2017		
	USD* $'000	INR* $'000	EGP* $'000
Cash and cash equivalents	25	1,452	31
Trade and other receivables	-	2,420	93
Derivative financial instruments	(23,741)	-	-
Gross statement of financial position exposure	**(23,716)**	**3,872**	**124**

*Australian dollar equivalent of USD / EGP

The following significant exchange rates applied during the year:

	2018 USD	2017 USD
Reporting date spot rate	0.7407	0.7686
Average rate	0.7754	0.7555

(ii) Sensitivity analysis

The Group is subject to the impact of changes in foreign currency exchange rates due to exposures to USD and EGP. A strengthening of each of the following currencies against AUD at 30 June would have increased/ (decreased) profit and loss by the amounts shown below. The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account. The analysis is based on foreign currency exchange rate variances of 10% against all other currencies, and reflects a variation that the Group considered to be reasonably possible at the end of the reporting years. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for each reporting year, albeit that reasonably possible exchange rate variances were different, as indicated below.

	2018		2017	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
United States Dollar (USD)	(1,964)	1,964	(2,372)	2,372
Indian Rupee (INR)	684	(684)	387	(387)
Egyptian Pound (EGP)	48	(48)	12	(12)

d) Interest rate risk

The Group entered into four different cross currency interest rate swaps in 2017. The cross currency interest rate swaps (hedging instrument) are accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate.

(i) Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2018 $'000	2017 $'000
Fixed rate instruments		
Financial liabilities	**(516,913)**	**(523,921)**
Variable rate instruments		
Financial assets	**72,824**	**65,359**

(ii) Fair value sensitivity analysis for fixed rate instruments

The fixed-to-floating cross currency interest rate swaps (hedging instrument) are accounted for as fair value hedges. Therefore, a change in interest rates at the reporting date affects profit or loss. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

The Group accounts for a portion of its fixed rate financial liabilities at fair value through profit or loss, as the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect profit or loss and not equity on these instruments.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
30 June 2018				
Fixed rate instruments	(8,554)	8,554	-	-
Cross currency interest rate swap *	8,554	(8,554)	-	-
	-	**-**	**-**	**-**
30 June 2017				
Fixed rate instruments	(5,406)	5,406	-	-
Cross currency interest rate swap *	5,406	(5,406)	-	-
	-	**-**	**-**	**-**

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barminco. Independently calculated, the fixed to floating AUD leg of the swaps are valued at A$1,942,046 (2017: A$943,919) and USD leg A$10,495,926 (2017: A$6,349,984).

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

	Profit or loss	
	30 June 2018 $'000	30 June 2017 $'000
Fixed to floating cross currency interest rate swap		
- Swap	4,799	(104)
- Hedged item (debt)	(4,797)	137
Net profit and loss impact before tax	**2**	**33**

(iii) Cash flow sensitivity analysis for variable rate instruments

The fixed to fixed cross currency interest rate swaps (hedging instrument) are accounted for as cash flow hedges. Therefore, a change in interest rates at the reporting date affects equity. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss		Equity	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
30 June 2018				
Variable rate instruments	728	(728)	-	-
Cross currency interest rate swap *	-	-	473	(473)
	728	**(728)**	**473**	**(473)**
30 June 2017				
Variable rate instruments	654	(654)	-	-
Interest rate swap	-	-	566	(566)
	654	**(654)**	**566**	**(566)**

* 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$12,400,935 (2017: A$15,382,910) and USD leg A$11,928,274 (2017: A$14,816,629).

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 2018			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(19,652)	-	(19,652)
	(19,652)	**-**	**(19,652)**
30 June 2017			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(23,741)	-	(23,741)
	(23,741)	**-**	**(23,741)**

		2018 $'000	2017 $'000

22. Commitments

Operating leases

Non-cancellable operating lease rentals are payable as follows:

Within one year		3,214	3,291
Later than one year but not later than five years		11,331	12,531
Later than five years		203	3,372
		14,748	**19,194**

During the year an amount of $8,790,000 was recognised as an other expense (refer to note 6 b)) in profit or loss in respect of operating leases (2017: $9,182,000).

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

Commitments in relation to finance leases are payable as follows:

Within one year		16,533	15,894
Later than one year but not later than five years		7,746	21,256
Minimum lease payments		**24,279**	**37,150**
Future finance charges		(1,145)	(2,573)
Recognised as a liability		**23,134**	**34,577**
Representing lease liabilities			
Current	17	15,587	14,238
Non-current	17	7,547	20,339
		23,134	**34,577**

Representing lease liabilities

The Group leases various plant and equipment with a carrying amount at 30 June 2018 of $37,497,000 (2017: $36,049,000) 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.

	2018 $'000	2017 $'000

Capital commitments

Capital commitments are as follows:

Within one year	20,379	38,813
Later than one year but not later than five years	-	-
	20,379	**38,813**

23. Segment reporting

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

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

Geographical information

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

	2018		2017	
	Revenue/ Other income $'000	Non-current assets $'000	Revenue/ Other income $'000	Non-current assets $'000
Australia	502,588	432,421	525,980	422,599
Egypt	73,956	15,211	72,118	10,433
India	11,610	532	5,221	649
Africa- AUMS Joint Venture	-	71,232	-	58,377
	588,154	**519,396**	**603,319**	**492,058**

Major customers

Revenues from the Group's major customers for the year ending 30 June 2018 represented A$561 million (2017: A$583 million) of the Group's total revenues.

	2018 Revenue $'000		2017 Revenue $'000
Highest customer	128,591	Highest customer	113,054
2nd Highest	102,374	2nd Highest	102,318
3rd Highest	100,266	3rd Highest	97,188
4th Highest	79,311	4th Highest	72,117
5th Highest	77,021	5th Highest	70,966
6th Highest	73,935	6th Highest	65,634
	561,498	7th Highest	62,177
			583,454

24. Notes to the consolidated statement of cash flows

	2018 $'000	2017 $'000
Reconciliation of cash flows from operating activities		
Profit/(loss) for the year after tax	50,665	(93,771)
Adjustments for:		
Depreciation of property, plant and equipment	57,230	61,988
Amortisation of intangibles	933	944
Gain on disposal of property, plant and equipment	(2,089)	(1,634)
Redemption premium on 2018 High Yield Bonds	-	31,300
Amortisation of cash flow hedge reserve to profit or loss	-	2,827
Gain on repurchase of High Yield Bonds	-	327
Accrued interest on shareholder loan notes	750	-
Accrued interest bank	111	1,185
Fair value adjustment to derivatives	(60)	33
Non-cash employee benefit	-	68
Share of profit from equity accounted investments	(23,372)	(14,398)
Amortisation of borrowing costs	3,023	6,283
Net unrealised foreign exchange (gain)/loss	(39)	112
Income tax expense/(benefit)	(13,103)	32,198
Cash flow hedge settlement	-	11,342
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(4,421)	(30,583)
(Increase)/decrease in other assets	2,102	(927)
(Increase)/decrease in inventory	(1,915)	911
(Decrease)/increase in trade and other payables	(6,290)	21,627
(Decrease)/increase in employee benefits and other provisions	(7,080)	6,527
Net cash from operating activities	**56,445**	**36,359**

a) Non-cash financing and investing activities

The Group has acquired property, plant and equipment of $6,831,000 using finance leases during the year (2017: $52,097,000). In 2017 the amount included $24,585,000 of assets related to Kundana contract awarded to the Group on 1 July 2016 and concluded on 30 June 2017.

25. Share-based payments

Management incentive plan

In August 2014 the Company introduced the Barminco Holdings Management Incentive Plan which provides key management with an opportunity to purchase ordinary shares and redeemable preference shares. The plan also provides for interest bearing and non-interest bearing loans to purchase the shares.

A summary of the main aspects of the plan are as follows:

- The Board may determine the key management (and/ or their Nominees) who are eligible to participate in the Plan and make an invitation to participate in the Plan.
- An invitation to apply for Plan Shares or Plan Interests may be made on such terms and conditions as the Board decides from time to time.
- Interest bearing loans of $570,000 have been provided with a fixed interest rate granted at market rates and interest payments due quarterly, with principle repayments due in October 2022.
- Interest free loans of $1,210,000 have been provided and currently have a maximum term of 9 years from the date of agreement. These loans may be net settled against proceeds from disposal of equity interests.

The number and face value of redeemable preference shares (RPS), to which loans to management under the Management Incentive plan related to, were derecognised during the 2017 year as a result of classification of the instruments as equity for accounting purposes.

26. Related parties

	2018 $	2017 $
a) Key management personnel compensation		
Key management personnel compensation comprised:		
Short term employee benefits	2,411,405	2,465,309
Termination payments	760,834	-
Post employment benefits	90,811	105,395
	3,263,050	**2,570,704**

Key management personnel include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer (resigned 14 January 2018) and Directors.

b) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

(i) Mr P M Bartlett - Director of Barminco Holdings

Shareholding

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), in its capacity as trustee of the PM Bartlett Family Trust is the holder of 1,499,500 ordinary shares representing 30% of the ordinary shares on issue as at 30 June 2018 and 30 June 2017, and 35,854,834 (2017: 35,854,834) redeemable preference shares at $1 each, representing 29% of the redeemable preference shares on issue as at 30 June 2018 and 30 June 2017. Interest on the redeemable preference

shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30 June 2018 is $78,428,234 (2017: $78,428,234). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Loan notes

A loan note with a face value of $6,015,000 was issued to Bremerton Pty Ltd on 31 August 2007 with an expiry date of 31 July 2017, which was extended to 31 January 2019 in 2013 by mutual consent. In June 2016, the Shareholder Loan Note Deed Poll was amended which had the effect of the expiry date changed to 1 May 2026 and interest ceased to accrue from 29 June 2016. The loan is subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap. The accumulated interest as at 30 June 2018 is $13,156,908 (2017: $13,156,908). As interest has ceased to accrue on the loan, the carrying value of the loan was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19,172,000) and the discounted value ($10,000,000) was transferred to an Interest Free Loan Reserve (see Note 20 e)). The carrying amount of the loan as at 30 June 2018 is $10,750,000.

Provision of electrical services – Hahn Electrical Contracting Pty Ltd

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barminco with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Each contract with Hahn either contains price management mechanisms or has a limited term (generally one year) at the end of which Barminco can review Hahn's pricing against that of other suppliers. Settlement of payables to Hahn is in line with similar third party creditors.

Costs incurred during the year: $15,714,934 (2017: $15,786,939).

Consulting fee

A consultancy agreement between Peter Bartlett and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $333,333 per annum (exclusive of GST) is payable for the provision of management advice. Costs incurred during the year: $333,333 (2017: $333,333).

Director fees and business expenses

Director fees were payable to Peter Bartlett during the year (exclusive of GST) and he is reimbursed for all business related expenses.

Costs incurred during the year: $100,000 (2017: $95,836).

Leased property – 390 Stirling Crescent Hazelmere, Western Australia

The Group has entered into a contract, negotiated at arm's length, with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia.

The terms and conditions of the lease are as follows:

- Commencement date: 29 July 2008
- Annual rent: $1,650,000 (before rent review increases)
- Expiry date: 28 July 2023
- Options: two five year options for Barminco to extend the lease to 29 July 2033
- Annual fixed rent review (annual increase of 5%)

Costs incurred during the year: $2,184,747 (2017: $2,217,141).

Mining services contract

The Group provided mining services to Gordon Sirdar, a mine controlled by Peter Bartlett. Revenues for the year to 30 June 2018 were $Nil (2017: $3,031,090). At 30 June 2018, $Nil was owed by Gordon Sirdar to the Group (2017: $32,000). The mining services contract was terminated during 2017.

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

Provision of consulting services – Red Emu Advisory

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

Cost incurred during the year: $19,000 (2017: $20,800).

(iii) Existing Gresham Investors

Shareholding

The Existing Gresham Investors hold 3,000,500 ordinary shares representing 60% of the ordinary shares on issue as at 30 June 2018 and 2017 and 83,701,025 (2017: 83,701,025) redeemable preference shares at $1 each, representing 68% of the redeemable preference shares on issue as at 30 June 2018 (2017: 68.0%).

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30 June 2018 is $183,074,153 (2017: $183,074,153). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Existing Gresham Investors comprise Perpetual Corporate Trust Limited as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund), Gresham Nominees 1 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2a, Gresham Nominees 2 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2b, Gresham Private Equity Limited in its capacity as custodian for the Plan Members in the Gresham Private Fund No.2 Co-Investment Plan, and Gresham Partners Capital Limited in its capacity as custodian for the wholesale investors.

Consulting fees

A consultancy agreement between Gresham Private Equity Limited and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $666,666 (2017: $666,666) per annum (exclusive of GST) is payable for the provision of corporate and financial advice. In the prior year Gresham Advisory Partners Limited was paid $1,052,226 for the provision of consultancy services for the refinancing of High Yield Bonds.

Director fees

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

Costs incurred during the year: $283,333 (2017: $200,833).

Travel costs

Travel costs reimbursed to Gresham Private Equity Limited for the period was $175,053 (2017: $93,070).

c) Other related party transactions

(i) Key Management Personnel

At 30 June 2018 management and prior management are the beneficial owners of 500,000 ordinary shares representing 10% of Barminco Holdings (2017: 500,000) and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date (2017: 3,396,157), see Note 20 a).

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

(ii) AUMS Joint Ventures

Barminco has a 50% interest in the AUMS Joint Ventures (see Note 12), which provides underground hard-rock contract mining services to mining companies in certain countries in West Africa and Tanzania. The other 50% is owned by ASX-listed Ausdrill Limited (Ausdrill). 6.38% of Ausdrill was owned by Peter Bartlett until 12 March 2018. Ausdrill provide services to AUMS at normal commercial terms.

At 30 June 2018 a subsidiary of the Group, Barminco Ltd had a related party trade debtor of $2,742,828 (2017: $634,937) which is recognised in the Group's statement of financial position.

27. Subsequent events

No matters or significant events have arisen since 30 June 2018 that have or may significantly affect the operations, results, or state of affairs of the Group.

28. Subsidiaries

The annual financial report incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3a).

Name of entity	Country of incorporation	Class of shares	Equity holding 2018 %	Equity holding 2017 %
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

29. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed above are relieved from the Corporations Act 2001 requirements for preparation and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the deed are Barminco Holdings Pty Limited, Barminco Finance Pty Ltd, Barminco AUMS Holdings Pty, Barminco Ltd, Barminco India Investments Pty Limited and Barminco India Holdings Pty Limited.

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 2018 is set out as follows:

a) Statement of profit and loss and other comprehensive income and retained earnings

	2018 $'000's	2017 $'000's
Revenue	500,521	530,825
Other income	14,328	12,875
Consumables used	(161,098)	(179,044)
Employee benefits expense	(192,510)	(205,819)
Contractor and consultant expenses	(34,357)	(42,830)
Depreciation and impairment of property, plant & equipment	(51,286)	(57,321)
Amortisation and impairment of intangible assets	(933)	(944)
Other expenses	(34,773)	(33,616)
Results from operating activities	**39,892**	**24,126**
Share of net profit from joint venture	23,372	14,398
Financing costs	(44,386)	(96,215)
Financing income	653	692
Profit/(Loss) before income tax	**19,531**	**(56,999)**
Income tax benefit	12,982	(32,086)
Profit/(Loss) for the year	**32,513**	**(89,085)**
Other comprehensive income/(loss)		
Effective portion of changes in fair value of cash flow hedges	(5,955)	(15,845)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	14,165
Foreign currency translation differences	2,738	(3,233)
Other comprehensive loss for year, net of tax	**(3,217)**	**(4,913)**
Total comprehensive income/(loss) attributable to equity holders of the Company	**29,296**	**(93,998)**

b) Statement of financial position

	2018	2017
Assets	**$'000**	**$'000**
Cash and cash equivalents	76,068	66,534
Trade and other receivables	62,799	75,907
Inventories	13,517	12,353
Other assets	2,694	3,698
Total current assets	**155,078**	**158,492**
Receivables	2,815	3,730
Investments	89,696	72,773
Property, plant and equipment	109,491	113,716
Intangibles	258,995	259,781
Deferred tax assets	62,986	47,243
Total non-current assets	**523,983**	**497,243**
Total assets	**679,061**	**655,735**
Liabilities		
Trade and other payables	67,487	73,586
Borrowings	13,202	11,814
Employee benefits	24,046	24,803
Provisions	-	366
Total current liabilities	**104,735**	**110,569**
Borrowings	479,478	476,043
Borrowings related parties	18,240	15,411
Employee benefits	1,734	4,043
Derivative financial instruments	19,652	23,741
Total non-current liabilities	**519,104**	**519,238**
Total liabilities	**623,839**	**629,807**
Net assets	**55,222**	**25,928**
Equity		
Contributed equity	394,661	394,661
Reserves	1,386	4,605
Accumulated losses	(340,825)	(373,338)
Total equity	**55,222**	**25,928**

30. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2018 the parent entity of the Group was Barminco Holdings Pty Limited.

	2018 $'000	2017 $'000
Result of parent entity		
Profit for the period	18,175	4,994
Total comprehensive income for the period	**18,175**	**4,994**
Financial position of parent entity at year end		
Current assets	70	70
Total assets	197,374	178,449
Total liabilities	(10,750)	(10,000)
Total equity of the parent comprising of:		
Share capital	394,662	394,662
Interest free loan reserve	6,421	6,421
Accumulated losses	(214,459)	(232,634)
Total equity	**186,624**	**168,449**

Parent entity contingencies

Barminco Holdings Pty Limited has no contingent liabilities as at 30 June 2018. (2017: Nil)

Parent entity capital commitments

Barminco Holdings Pty Limited has no capital commitments as at 30 June 2018. (2017: Nil)

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 29.

31. Contingencies

Contingent liabilities

Contingent liabilities include;

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

(ii) insurance performance bonds for mining clients.

The table below outlines the exposure and limits respectively.

	Outstanding as at 30 June 2018 $'000	Limit as at 30 June 2018 $'000	Outstanding as at 30 June 2017 $'000	Limit as at 30 June 2017 $'000
Bank guarantee	3,610	3,610	2,760	2,760
Insurance bond	-	-	-	-
	3,610	**3,610**	**2,760**	**2,760**

A jointly controlled entity (AUMS Mali) was subject to a routine taxation inspection by the Mali tax authority in 2016. The authority has assessed additional taxes. The company is currently working with the tax authorities in Mali for resolution. The total additional tax assessed on the jointly controlled entity is $21,500,000 of which $8,300,000 has been paid. Based on legal advice received, the company believes that no additional tax liability exists and therefore no additional taxation provision is recognised. The maximum assessment for additional tax that has not been provided for is the equivalent of A$6,600,000 being the 50% Group's share.

Off balance sheet arrangements

Other than operating leases, as set out in note 22, the Group does not have any material off balance sheet arrangements.

Barminco Holdings Pty Limited

Directors' Declaration
For the year ended 30 June 2018

1) In the opinion of the directors of Barminco Holdings Pty Limited:
   a) the annual financial report and notes that are set out on pages 9 to 67, are in accordance with the Corporations Act 2001, including:
      i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
      ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2) There are reasonable grounds to believe that the Company and the group entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3) The directors draw attention to note 2a) to the annual financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

K. Gordon
Chairman
Perth, WA, 14 August 2018

KPMG

Independent Auditor's Report

To the shareholders of Barminco Holdings Pty Ltd

Opinion

We have audited the ***Financial Report*** of Barminco Holdings Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are: • Valuation of goodwill • Recoverability of deferred tax assets in Australia	***Key Audit Matters*** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Valuation of goodwill ($256.9 million)	
Refer to Note 14 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 36% of total assets). Certain market conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their fair value less costs of disposal model, including: • Forecast cash flows – the global underground mining services sector, within which the Group operates, has experienced competitive market conditions as a result of volatility in commodity prices. These conditions increase the risk of inaccurate forecasts. • Forecast growth rates and terminal growth rates – the Group's fair value less costs of disposal model is highly sensitive to small changes in these assumptions which reduces headroom. This drives additional audit effort specific to their reasonability and consistency of application to the Group's strategy. • Discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. The Group's model to perform their annual testing of goodwill for impairment is largely manually developed, using adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. These conditions necessitate additional scrutiny and professional scepticism by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the fair value less costs of disposal method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the accuracy of the underlying calculation formulas in the fair value less costs of disposal model used. • We compared the forecast cash flows contained in the fair value less costs of disposal model to Board approved forecasts. • We assessed the accuracy of previous Group forecasts by comparing to actual results to determine the reasonability of forecasts incorporated in the model. We noted previous trends where competitive market conditions existed and how they impacted the business, and evaluated their impact on current forecasts including sensitivities. • We considered the sensitivity of the model by varying key assumptions, such as project profit margins, forecast growth rates, terminal growth rates and the discount rate, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We challenged the Group's significant forecast cash flows and growth assumptions. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.

	• Working with our valuation specialists we analysed the Group's discount rate against publicly available data of a group of comparable entities. • We assessed the disclosures in the financial report using the results of our testing and against the requirements of the accounting standards.
Recoverability of deferred tax assets in Australia ($63.3 million)	
Refer to Note 8 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group has recognised deferred tax assets of $63.3 million as at 30 June 2018, of which $60.4 million arises from tax losses carried forward in Australia. During the year, the Group revised its estimates, resulting in the recognition of additional deferred tax assets of $15.7 million. Of this amount, $12.6 million relates to the recognition of previously unrecognised tax losses. Deferred tax assets are only recognised if certain conditions under Australian tax law are satisfied and if it is probable that sufficient taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. Recoverability of deferred tax assets in Australia was a key audit matter due to: • The significance of these assets recognised by the Group and the significant judgement required to assess the probability that sufficient taxable profits can be generated in light of the tax losses recorded in the current and previous financial years. • As described in the valuation of goodwill key audit matter above, the global underground mining services sector, within which the Group operates, has experienced competitive market conditions as a result of volatility in commodity prices of the Group's customers. This impacted the Group through continued pricing and margin pressure. These conditions increase the possibility that deferred tax assets are not	Working with our specialists, our procedures included: • We examined the documentation prepared by the Group and the Group's external tax advisors underlying the availability of tax losses that were recognised in accordance with Australian tax law. • We assessed the availability of tax losses by comparing the Group's schedule of tax losses carried forward to the revised schedule contained within the Deed of Settlement with the ATO. • We assessed the factors that led to the Group incurring tax losses in the current year and previous years and challenged the Group's assessment that taxable profits will be generated in the foreseeable future. The Group's assessment of future taxable profits is based on forecast cash flows. The basis for which were as described and tested in the valuation of goodwill Key Audit Matter. We challenged the differences in forecast cash flows to taxable profits by evaluating whether cash flows had been appropriately adjusted for differences between accounting profits, as presented in the Board approved budget and forecast, to taxable profits in accordance with Australian tax legislation. • We assessed the disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.

recoverable. • The requirements under the Australian Accounting Standards and Australian tax law to recognise deferred tax assets for tax losses are complex and the incorrect application of these requirements could result in a substantial effect on the Group's statement of profit or loss and other comprehensive income. • As disclosed in Note 8, the Group has settled a dispute the Australia Tax Office (ATO) and total carry forward tax losses in Australia have reduced. This increases our focus on the availability of tax losses carried forward. We involved tax specialists to supplement our senior team members in assessing this key audit matter.	

Other Information

Other Information is financial and non-financial information in Barminco Holdings Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

• preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

• implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

• assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Graham Hogg
Partner
Perth
14 August 2018

BARMINCO HOLDINGS—YEARS ENDED JUNE 30, 2017 AND 2016

Barminco Holdings Pty Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

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

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

Barminco Holdings Pty Limited

Consolidated statement of financial position
As at 30 June 2017

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

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

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

	Note	Ordinary Shares	Redeemable Preference Shares	Total Contributed equity	Hedging Reserve	Foreign Currency Translation Reserve	Interest Free Loan Reserve	Legal Reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016		4,722	391,720	**396,442**	(5,375)	8,592	6,421	1,032	(259,854)	147,258
Total comprehensive income for the year										
Profit/(loss) for the year		-	-	**-**	-	-	-	-	(93,771)	(93,771)
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	**-**	(1,680)	-	-	-	-	(1,680)
Changes in the foreign exchange translation reserve	20(c)	-	-	**-**	-	(3,233)	-	-	-	(3,233)
Changes in the legal reserve	20(d)	-	-	**-**	-	-	-	670	(670)	-
Total other comprehensive income/ (loss)		-	-	**-**	(1,680)	(3,233)	-	670	(670)	(4,913)
Total comprehensive Income/ (loss) for the year		**-**	**-**	**-**	**(1,680)**	**(3,233)**	**-**	**670**	**(94,441)**	**(98,684)**
Transactions with owners of the Company										
Derecognition of Redeemable preference shares	20(a)	-	(1,780)	**(1,780)**	-	-	-	-	-	(1,780)
Total transactions with owners of the Company		-	**(1,780)**	**(1,780)**	**-**	**-**	**-**		**-**	**(1,780)**
Balance at 30 June 2017		**4,722**	**389,940**	**394,662**	**(7,055)**	**5,359**	**6,421**	**1,702**	**(354,295)**	**46,794**

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

Barminco Holdings Pty Limited

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2016

	Notes	Ordinary Shares $'000	Redeemable Preference Shares $'000	Total Contributed Equity $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Interest Free Loan Reserve $'000	Legal Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2015		4,722	-	**4,722**	(10,342)	7,588	-	387	(301,666)	(299,311)
Total comprehensive income for the year										
Profit/(loss) for the year		-	-	**-**	-	-	-	-	42,457	42,457
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	**-**	4,967	-	-	-	-	4,967
Changes in the foreign exchange translation reserve	20(c)	-	-	**-**	-	1,004	-	-	-	1,004
Changes in the legal reserve	20(d)	-	-	**-**	-			645	(645)	-
Total other comprehensive income/(loss)		-	-	**-**	4,967	1,004	-	645	(645)	5,971
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**4,967**	**1,004**	**-**	**645**	**41,812**	**48,428**
Transactions with owners of the Company										
Changes in the interest free loan reserve	20(e)						6,421			6,421
Redeemable Preference Shares classified to equity	20(a)	-	391,720	**391,720**	-	-	-	-	-	391,720
Total transactions with owners of the Company		**-**	**391,720**	**391,720**	**-**	**-**	**6,421**	**-**	**-**	**398,141**
Balance at 30 June 2016		**4,722**	**391,720**	**396,442**	**(5,375)**	**8,592**	**6,421**	**1,032**	**(259,854)**	**147,258**

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

Barminco Holdings Pty Limited

Consolidated statement of cash flows
For the year ended 30 June 2017

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

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

Barminco Holdings Pty Limited
Notes to the Consolidated financial statements
For the year ended 30 June 2017

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1. Corporate information

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

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

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

2. Basis of preparation

a) Statement of Compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Going concern basis

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

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

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

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

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

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

e) Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Goodwill and other indefinite life intangible assets

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.

Recovery of deferred tax assets

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

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

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.

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

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

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

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

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

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

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

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

Useful lives of plant and equipment

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

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

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

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

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

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

f) Rounding of amounts

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

g) Accounting standards and interpretations issued but not yet effective

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

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

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

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

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

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

AASB 15 replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and therefore the notion of control replaces the existing notion of risks and rewards. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled when control of the goods or services passes to the customer. In 30 June 2017 financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

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

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

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

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

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

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

h) New and amended accounting standards and interpretations

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

3. Summary of significant accounting policies

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

a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Interests in equity-accounted investees

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

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

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

(iii) Transactions eliminated on consolidation

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

b) Business combinations

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

Measuring goodwill

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

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

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

Share-based payment awards

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

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

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

c) Foreign Currency

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

d) Revenue recognition

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

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

(i) Rendering of services

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

(ii) Sale of goods

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

e) Income tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are

offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

f) Cash and cash equivalents

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

g) Trade receivables

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

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

i) Inventories

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

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

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

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

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

j) Intangible assets

(i) Goodwill

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

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

(ii) Customer contracts and customer relationships

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

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

(iii) Capitalised Software

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

k) Impairment of non-financial assets

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

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

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

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

l) Leases

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

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

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

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

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

m) Investments and other financial assets

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

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

(ii) Loans and receivables

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

(iii) Recognition and de-recognition

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

(iv) Subsequent measurement

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

(v) Impairment

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

n) Derivatives and hedging activities

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

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

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

(i) Cash flow hedge

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

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

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

(ii) Fair value hedge

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

o) Trade and other payables

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

p) Borrowings and financing costs

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

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

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

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

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

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

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

q) Provisions

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

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

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

r) Employee benefits

(i) Short-term employee benefits

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

(ii) Long service leave

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

(iii) Share based payment transactions

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

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

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

(iv) Other long-term employee benefits

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

(v) Termination benefits

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

s) Contributed equity

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

t) Goods and Services Tax (GST)

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

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

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

u) Segment reporting

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

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

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

4. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

a) Risk management

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

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

b) Credit risk

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

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

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

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

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

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

(iii) Guarantees

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

(iv) Derivatives

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

c) Liquidity risk

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

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

The Group has banking facilities that mature as follows:

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

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

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

d) Market risk

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

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

(i) Currency risk

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

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

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

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

(ii) Interest rate risk

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

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

e) Capital management

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

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

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

(i) Capital risk management

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

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

	2017 $'000	2016 $'000

5. Revenue

Services	596,168	505,348
Sale of goods	5,517	2,584
	601,685	**507,932**

6. Expenses

a) Employee benefits expenses

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

b) Other expenses

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

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

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

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

7. Remuneration of auditors

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

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

8. Income tax

a) Income tax benefit/(expense)

(i) Tax recognised in profit and loss

Current income tax		
Current year	(1,510)	-
Adjustments in respect of current income tax of previous years	-	(645)
	(1,510)	**(645)**
Deferred income tax		
Benefit from previously unrecognised deferred tax assets	-	32,096
Adjustment in respect of current income tax of previous years	(939)	-
Origination and reversal of temporary differences previously recognised	(30,683)	(2,635)
Benefit from previously unrecognised tax losses	-	38,872
Benefit from current year tax loss recognised	934	8,931
	(30,688)	**77,264**
Total tax recognised in profit and loss	**(32,198)**	**76,619**

(ii) Tax recognised directly in equity

Income tax of $3,023,390 was charged directly to equity for the year ending 30 June 2017 (year ended 30 June 2016: $2,752,000).

(iii) Tax recognised in other comprehensive income

No net income tax amounts were recognised in other comprehensive income for the year ending 30 June 2017 (year ended 30 June 2016: $ Nil).

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

	2017 $'000	2016 $'000
Loss for the year before income tax	(61,573)	(34,162)
Tax benefit at the Australian tax rate of 30%	18,472	10,248
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses (1)	(1,950)	(8,390)
Taxable gain on swap close out	-	(1,270)
Effect of tax rates in foreign jurisdictions	3,968	3,532
Effect of share of profits of equity accounted investees	4,319	2,995
Recognition of previously unrecognised deferred tax assets	-	31,307
Temporary difference not recognised current year	(1,287)	-
Changes in temporary differences	2,059	-
Tax losses not recognised in the current year	(56,794)	-
Recognition of previously unrecognised tax losses	-	38,872
Foreign tax credits not recoverable	(46)	(30)
Adjustments in respect of current income tax of previous years	(939)	(645)
	(32,198)	**76,619**

(1) Primarily tax effect of thin capitalisation adjustment of $7,388,000 in 2016, $Nil in 2017.

c) Unrecognised deferred tax assets

	2017 $'000	2016 $'000
Deferred tax assets have not been recognised in respect on the following items:		
Tax losses (gross)	188,270	-
Other deferred tax assets (gross)	3,720	-
Total unrecognised deferred tax assets (gross)	**191,990**	**-**

A Deferred Tax Benefit will only be obtained if:

(i) the relevant company in the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation; and

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

The tax losses and the deductible temporary differences do not expire under the current tax legislation in Australia. At 30 June 2017 the Group has $345,890,000 (2016: $159,343,000) tax losses and $5,219,000 (2016: $91,580,000) deductible temporary differences that are available for offset against future taxable profits of which $159,119,000 have been recorded at year end. As disclosed in note 17 (a), the Group redeemed US$299,733,000 of the 2018 High Yield Bonds during the financial year. As a result of this transaction, $108,923,000 deductible temporary differences at 30 June 2016 were realised and together with the refinancing costs resulted in an increase in tax losses of $152,961,000 in the financial year ended 30 June 2017.

Deferred tax assets for unused tax losses of $157,620,000 (30 June 2016: $159,343,000) and deductible temporary differences of $1,499,000 (30 June 2016: $91,580,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Management revised its estimates, resulting in the partial recognition of its deferred tax assets in the current year. The recovery of deferred tax assets requires the use of assumptions around maintaining existing contracts, award of new contracts and continuing to meet forecasted cash flows. Changes in these assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. The Group has not recorded $188,270,000 of carry forward tax losses and $3,720,000 of deductible temporary differences that equate to unrecognised deferred tax assets at 30 June 2017 of $56,794,000 (2016: Nil) and $1,287,000 (2016: Nil) respectively. The Group reviews evidence of the recoverability of these tax losses at each reporting date and additional evidence indicating recoverability may result in recognition at a future reporting date.

d) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade and other receivables	-	-	30	28	30	28
Inventories	-	-	1,025	992	1,025	992
Property, plant and equipment	(370)	(476)	9,140	8,736	8,770	8,260
Derivative financial instruments	(7,122)	(1,626)	-	-	(7,122)	(1,626)
Trade and other payables	(1,038)	(585)	-	-	(1,038)	(585)
Employee benefits	(8,654)	(7,896)	-	-	(8,654)	(7,896)
Provisions	(152)	(77)	-	-	(152)	(77)
Borrowings	-	(31,051)	6,822	2,752	6,822	(28,299)
Other items	(141)	-	134	1,729	(7)	1,729
Tax losses carried forward	(47,286)	(47,803)	-	-	(47,286)	(47,803)
Tax (assets)/ liabilities	(64,763)	(89,514)	17,151	14,237	(47,612)	(75,277)
Set off of liabilities	17,151	14,237	(17,151)	(14,237)	-	-
Net tax (assets)/liabilities	**(47,612)**	**(75,277)**	**-**	**-**	**(47,612)**	**(75,277)**

The above recognised deferred tax asset and deferred tax liabilities are payable/refundable from different tax authorities and have been disclosed in the consolidated statement of financial position separately as follows:

e) Movement in temporary differences during the year

	Balance 1 July 2015 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2016 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2017 $'000
Trade and other receivables	66	(38)	-	28	3	-	31
Inventories	1,025	(33)	-	992	32	-	1,024
Property, plant and equipment	7,504	756	-	8,260	509	-	8,769
Accrued interest on derivative financial instruments	(159)	159	-	-	-	-	-
Derivative financial instruments	-	-	(1,626)	(1,626)	1,638	(7,135)	(7,123)
Trade and other payables	(486)	(99)	-	(585)	(453)	-	(1,038)
Employee benefits	(9,142)	1,246	-	(7,896)	(758)	-	(8,654)
Provisions	(33)	(44)	-	(77)	(75)	-	(152)
Borrowings	(34,814)	-	6,515	(28,299)	31,010	4,112	6,823
Other items	2,866	353	(1,490)	1,729	(1,735)	-	(6)
Tax loss carry forwards	-	(47,803)	-	(47,803)	517	-	(47,286)
DTA not recognised/(recognised)	32,408	(31,761)	(647)	-	-	-	-
	(765)	**(77,264)**	**2,752**	**(75,277)**	**30,688**	**(3,023)**	**(47,612)**

9. Earnings per share

	2017 $'000	2016 $'000
Basic earnings per share		
The calculation of basic earnings/(loss) per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $93,771,000 (Profit 2016: $42,457,000) and a weighted average number of ordinary shares outstanding of 5,000,000 (2016: 4,998,452) calculated as follows:		
(i) Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) attributable to ordinary shareholders	(93,771)	42,457
(ii) Weighted average number of ordinary shares		
Issue ordinary shares at 1 July	5,000,000	4,991,029
Effect of ordinary shares issued 19 Oct 15	-	7,423
Weighted average number of ordinary shares	**5,000,000**	**4,998,452**
	$	**$**
Basic earnings/(loss) per share	**(18.8)**	**8.5**

Diluted earnings per share

There were no dilutive instruments outstanding during the year.

10. Trade and other receivables

Trade receivables	20,151	8,975
Accrued revenue	57,155	38,153
Related party receivables	635	579
Other receivables	1,111	762
	79,052	**48,469**

Refer to note 21 b) for information on the aging of the Group's trade receivables.

11. Inventories

Inventory balances at end of year

Stores	18,785	19,696

a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year were $191,000 (2016: $158,000). In 2017, inventories (excluding consignment stock) of $78,486,000 (2016: $73,661,000) were recognised as an expense during the period and included in consumables used.

12. Jointly controlled entities

The Group has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 2017 %	Ownership 2016 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50
African Underground Mining Services Tanzania Ltd ("AUMST") Joint Venture	Tanzania	Mining services	50	50

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

The terms of the shareholder agreement require the Company to meet any shareholder cash calls to AUMS on a 50:50 basis with its joint venture partner.

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

During 2017 AUMS paid dividends to the company of USD$3,350,000 (A$4,110,000) and AUMSM paid dividends of CFA 7,695,557,375 (A$16,568,000). In 2016 AUMSM paid dividends to the Company in the amount of EUR 5,591,000 (A$8,816,000).

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

	2017 $'000	2016 $'000
a) Share of net assets/ (liabilities) of jointly controlled entities		
Total current assets	95,250	119,127
Total non-current assets	60,028	47,741
Total assets	**155,278**	**166,868**
Total current liabilities	(32,979)	(25,744)
Total non-current liabilities	(5,264)	(1,326)
Total Liabilities	**(38,243)**	**(27,070)**
Net Assets (100%)	**117,035**	**139,798**
Group's share of net assets (50%)	58,517	69,899
Elimination of unrealised profit on downstream sales	(140)	(382)
Carrying amount of interest in joint venture	**58,377**	**69,517**
b) Share of profits of jointly controlled entities		
Revenue	178,710	155,083
Other income	11,414	17,099
Operating and other expenses	(129,612)	(119,607)
Depreciation	(21,920)	(16,127)
Operating profit	**38,591**	**36,448**
Net finance costs	(1,170)	30
Tax	(11,875)	(18,257)
Profit and total comprehensive income (100%)	**25,546**	**18,221**
Profit and total comprehensive income (50%)	**12,773**	**9,111**
Elimination of unrealised profit on downstream sales	241	(386)
Realised gain on dividend income	1,384	1,258
Group's share of profit and total comprehensive income	**14,398**	**9,983**

13. Property, plant and equipment

Reconciliation of the movement in carrying amounts

30 June 2017	Plant and equipment $'000's	Leased plant and equipment $'000's	Land and buildings $'000's	Furniture and fittings $'000's	Total $'000's
Opening net book amount	98,103	14,340	2,830	1,108	116,381
Additions	35,755	52,097	-	178	88,030
Disposals	(3,032)	(15,114)	-	-	(18,146)
Transfers	-	-	-	65	65
Depreciation charge	(45,910)	(15,274)	(280)	(524)	(61,988)
Closing net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**
Cost	334,838	43,467	5,076	3,616	386,997
Accumulated depreciation	(249,922)	(7,418)	(2,526)	(2,789)	(262,655)
Net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**
30 June 2016					
Opening net book amount	101,983	8,098	3,059	1,316	114,456
Additions	41,426	10,148	-	365	51,939
Disposals	(1,069)	-	(5)	(13)	(1,087)
Transfers	368	(368)	-	-	-
Depreciation charge	(44,605)	(3,538)	(224)	(560)	(48,927)
Closing net book amount	**98,103**	**14,340**	**2,830**	**1,108**	**116,381**
Cost	336,222	21,664	5,077	3,438	366,401
Accumulated depreciation	(238,119)	(7,324)	(2,247)	(2,330)	(250,020)
Net book amount	**98,103**	**14,340**	**2,830**	**1,108**	**116,381**

a) Assets in the course of construction

The carrying amounts of the assets disclosed above include $6,661,000 (2016: $13,442,000) in expenditure recognised in relation to property, plant and equipment which is in the course of construction.

b) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

14. Intangibles

a) Reconciliation of the movement in carrying amounts

30 June 2017	Goodwill $'000's	Customer Relationships $'000's	Computer Software $'000's	Total $'000's
Opening net book amount	256,930	1,728	2,132	260,790
Transfers	-	-	(65)	(65)
Amortisation charge	-	(556)	(388)	(944)
Closing net book amount	**256,930**	**1,172**	**1,679**	**259,781**
Cost	256,930	76,400	2,286	335,616
Accumulated amortisation	-	(75,228)	(607)	(75,835)
Net book amount	**256,930**	**1,172**	**1,679**	**259,781**
30 June 2016				
Opening net book amount	256,930	2,305	-	259,235
Additions	-	-	2,285	2,285
Amortisation charge	-	(577)	(153)	(730)
Closing net book amount	**256,930**	**1,728**	**2,132**	**260,790**
Cost	256,930	76,400	2,285	335,615
Accumulated amortisation and impairment	-	(74,672)	(153)	(74,825)
Net book amount	**256,930**	**1,728**	**2,132**	**260,790**

b) Impairment assessment – customer relationships

Each year the Group reviews the recoverable amount of intangible assets represented by customer relationships by assessing whether the originally assessed future economic benefits continue to exist based on estimated contracts renewals and cash flows. This resulted in no impairment of customer relationships during the current year (2016: $Nil).

	2017 $'000	2016 $'000
c) Impairment testing for the cash-generating unit containing goodwill		
The following unit has significant carrying amount of goodwill:		
Barminco Australia, Egypt and India	**256,930**	**256,930**

Goodwill is reviewed at each reporting year end for impairment and an impairment test is performed annually. A goodwill impairment test and a review of the impairment indicators was last conducted at 30 June 2017 with no impairment noted.

At 30 June 2017 the recoverable amount of the Barminco Holdings cash-generating unit was based on fair value less costs of disposal, estimated using discounted cash flows and the resulting value exceeded the carrying amount of the unit including goodwill. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (Note 2 e)).

The calculations used cash flow projections based on the budget forecast for the 2018 to 2022 financial years. Financial years from 2018 to 2022 (2016: 2017 to 2021) incorporate an estimated annual EBITDA growth rate of 18% to 20% (2016: 21% to 24%). The 2018 budget forecast was determined as a result of a comprehensive exercise where the operational divisions evaluate each individual contract and project and update the forecast on which the revenues and costs are based. Additionally, a terminal value was calculated after 5 years incorporating a perpetual growth rate of 2.0% (2016: 2%).

Weighted average cost of capital post-tax discount rates in the range of 9.4% and 10.5% (2016: 9.8% and 10.9%) were used in discounting projected cash flows. The present value of cash flows is sensitive to the growth and discount rates used. A higher discount rate or lower EBITDA growth rate will result in a lower fair value.

15. Trade and other payables

	30-Jun-17 $'000's	30-Jun-16 $'000's
Trade payables	41,092	29,056
Other creditors and accruals	37,760	28,171
	78,851	**57,227**

16. Derivative financial instruments

Non-current liability		
Cross currency interest rate swap contract cash flow hedge	23,741	5,419

The Group entered into cross currency interest rate swaps in April 2017 for a notional principal of US$350,000,000 maturing on 15 May 2022. The Group entered into four separate cross currency interest rate swaps with two different financial institutions to fully hedge the debt using CCIRS. The cross currency interest rate swaps are a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar. The cross currency interest rate swaps relating to the redeemed bonds were terminated in April 2017 with the cumulated loss being recognised in the profit and loss.

17. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30-Jun-17 Current $'000's	30-Jun-17 Non-current $'000's	30-Jun-16 Current $'000's	30-Jun-16 Non-current $'000's
High Yield Bond 2022	(a)	USD	6.63%	2022	-	455,499	-	-
High Yield Bond 2018	(a)	USD	9.00%	2018	-	-	-	411,493
Shareholder loans	(c)	AUD	0%	2026	-	10,000	-	10,000
Finance lease liabilities	(b)	AUD	5.91%	2018 - 2020	14,238	20,339	5,144	6,072
					14,238	**485,838**	**5,144**	**427,565**
Capitalised borrowings costs - High Yield Bonds		AUD			(2,424)	(9,795)	(2,552)	(2,346)
Total interest bearing liabilities					**11,814**	**476,043**	**2,592**	**425,219**

(a) High Yield Bonds

The 2022 High Yield Bonds relate to the new senior notes issued on 26 April 2017 for the total issue price of US$350,000,000 and due for repayment 15 May 2022. Prior to the refinancing in April 2017, the Group repurchased US$6,500,000 face value (2016: US$79,810,000) of the previously issued notes. The remaining 2018 notes on issue of US$299,733,000 were subsequently redeemed using the proceeds from the new funding. The 2022 notes were issued by Barminco Finance Pty Ltd are secured and have been guaranteed by Barminco Holdings Pty Limited, Barminco Finance Pty Limited, Barminco Limited, Barminco AUMS Holdings Pty Limited, Barminco India Investments Pty Limited and Barminco India Holdings Pty Limited. Under the terms of the notes issued, interest is payable on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

(b) Finance lease liabilities

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

(c) Shareholder loan notes

In June 2016, the Shareholder Loan Note Deed Poll was amended and annual interest of 14% ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19.2 million) and the discounted value ($10 million) was transferred to an Interest Free Loan Reserve (Note 20). A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026. Refer to note 26b(i) for further details.

(d) Assets pledged as security

	2017 $'000	2016 $'000
Current		
Fixed and floating charge		
Cash and cash equivalents	66,534	58,417
Trade and other receivables	75,907	48,528
Inventories	12,353	12,474
Other assets	3,700	2,967
Total current assets pledged as security	**158,494**	**122,386**
Non-current		
Fixed and floating charge		
Receivables	3,729	1,918
Property, plant and equipment	77,668	92,988
	81,397	**94,906**
Property plant and equipment under finance leases and chattel mortgages		
Finance leases	36,049	14,340
Total non-current assets pledged as security	**117,446**	**109,246**
Total assets pledged as security	**275,940**	**231,632**

The assets pledged support the Revolving Credit Facility, finance leases and the cross currency interest rate swap of the Barminco Group Australian assets.

18. Employee benefits

Current Liability		
Annual leave	16,032	14,875
Long service leave	10,413	11,320
	26,445	**26,195**
Non-current Liability		
Long service leave	**4,043**	**1,645**

19. Provisions

Onerous contract provision	3,720	-
Other provisions	366	208
	4,086	**208**

Onerous contract provision represents the present value of the unavoidable forecasted future cash outflows in regards to the finalisation of mining services under the Rampura Agucha contract. The onerous contract concluded on 31 August 2017. Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017. Refer to note 27.

Movements in provisions	Onerous contract provision $'000	Other provisions $'000
Balance at the beginning of year	-	208
Additional provisions recognised	3,720	644
Amounts used during the year	-	(486)
	3,720	**366**

20. Capital and reserves

a) Share capital

	2017		2016	
	#'000	$'000	#'000	$'000
Ordinary shares - fully paid	5,000	4,722	5,000	4,722
Redeemable preference shares	122,165	389,940	122,953	391,720
	127,165	**394,662**	**127,953**	**396,442**

At 30 June 2017 all ordinary shares had been fully paid with no ordinary shares partly paid (30 June 2016: Nil).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the redeemable preference shares.

Redeemable preference shares (RPS) were issued on 31 August 2007 at $1 each with an interest rate of 14% compounded annually until 29 June 2016 and unpaid interest was capitalised to the RPS balance. The RPS's are subordinated to the High Yield Bonds. The number and face value of RPS, to which loans to management under the Management Incentive plan related to, were derecognised during the year as a result of classification of the instruments as equity for accounting purposes. Refer to note 25.

b) Hedging reserve

	2017 $'000	2016 $'000
Balance at the beginning of year	(5,375)	(10,342)
Revaluation	(15,845)	4,620
Reclassified to profit or loss	14,165	347
	(7,055)	**(5,375)**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 3 n). Amounts are recognised in the profit or loss when the associated hedged transaction affects profit or loss.

	2017 $'000	2016 $'000
c) Translation reserve		
Balance at the beginning of year	8,592	7,588
Currency translation differences	(3,233)	1,004
	5,359	**8,592**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group.

d) Legal reserve		
Balance at the beginning of year	1,032	387
Legal reserve increase	670	645
	1,702	**1,032**

The Group has an Egyptian subsidiary that is required by Egyptian law to set aside a percentage of its retained earnings as a legal reserve.

e) Interest Free Loan Reserve		
Balance at the beginning of year	6,421	-
Effect of discounting Shareholder Loan Note	-	6,421
	6,421	**6,421**

Interest on the Shareholder Loan Notes ceased to accrue from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19.2 million) and the discounted value ($10.0 million) was transferred to an Interest Free Loan Reserve.

21. Financial instruments

a) Accounting classifications and fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Carrying amount				Fair value			
30 June 2017	**Fair value hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets not measured at fair value								
Cash and equivalents	-	77,956	-	77,956	-	-	-	-
Trade and Other Receivables	-	79,052	-	79,052	-	-	-	-
	-	**157,008**	**-**	**157,008**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	-	(23,741)	-	(23,741)	-	(23,741)	-	(23,741)
	-	**(23,741)**	**-**	**(23,741)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(78,851)	(78,851)	-	-	-	-
Finance lease liabilities	-	-	(34,577)	(34,577)	-	(34,771)	-	(34,771)
High Yield Bonds *	-	-	(455,499)	(455,499)	(453,452)	-	-	(453,452)
Shareholder loan notes	-	-	(10,000)	(10,000)	-	-	(10,000)	(10,000)
	-	**-**	**(578,927)**	**(578,927)**				
	-	**133,267**	**(578,927)**	**(445,661)**				

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

	Carrying amount				Fair value			
30 June 2016	**Fair value hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets not measured at fair value								
Cash and cash equivalents	-	70,647	-	70,647	-	-	-	-
Trade and other receivables	-	50,246	-	50,246	-	-	-	-
	-	**120,893**	**-**	**120,893**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	(5,419)	-	-	(5,419)	-	(5,419)	-	(5,419)
	(5,419)	**-**	**-**	**(5,419)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(57,227)	(57,227)	-	-	-	-
Finance lease liabilities	-	-	(11,216)	(11,216)	-	(11,385)	-	(11,385)
High Yield Bonds	-	-	(411,493)	(411,493)	(368,885)	-	-	(368,885)
Shareholder loans	-	-	(10,000)	(10,000)	-	-	(10,000)	(10,000)
	-	**-**	**(489,936)**	**(489,936)**				
	(5,419)	**120,893**	**(489,936)**	**(374,462)**				

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Cross currency interest rate swaps	*Discounted cash flows*	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities	*Discounted cash flows*	Not applicable

(ii) Transfers between level 1 and 2

There were no transfers between level 1 and 2 during the year (2016: Nil).

(iii) Level 3 fair values

Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	Redeemable preference shares $'000	Shareholder loan notes $'000
Balance at 1 July 2015	(343,617)	(16,817)
Net change in fair value	-	-
Interest included in finance costs	(48,103)	(2,355)
Effect of discounting Shareholder Loan Note	-	9,172
Classified to equity	391,720	-
Balance as at 30 June 2016	**-**	**(10,000)**
Balance at 1 July 2016	-	(10,000)
Net change in fair value	-	-
Interest included in finance costs	-	-
Balance as at 30 June 2017	**-**	**(10,000)**

There were no transfers out of level 3 during the year (2016: Nil).

(iv) Interest rates used for determining fair value

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables, bank loans and interest rate swaps is considered to be equal to carrying amount as carrying amount is considered to be a reasonable approximation of fair value.

The carrying amount of the High Yield Bonds, excluding capitalised borrowing costs (refer to Note 17), recognised at 30 June 2017 was US$350,000,000 (A$455,499,000) (as at 30 June 2016: US$306,233,000, A$411,493,000). Fair value reflects the closing price of the notes as listed on the Singapore stock exchange as at 30 June 2017 and 30 June 2016.

	2017 $'000	2016 $'000

b) Credit risk

(i) Exposure to credit risk (refer also to note 4b)).

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	77,956	70,647
Trade and other receivables	79,052	50,386
	157,008	**121,033**

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

Australia	70,165	44,403
Africa	6,467	5,983
India	2,420	-
	79,052	**50,386**

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

Mining customers	78,417	48,016
Jointly controlled entity	635	579
Other	-	1,791
	79,052	**50,386**

	2017 $'000	2016 $'000
The aging of the Group's trade receivables which are past due at the reporting date but not impaired was:		
Past due 0-30 days	226	67
Past due 31-60 days	1,108	45
Past due more than 90 days	109	97
	1,443	**209**

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

(ii) Impairment losses

There were no impairment losses recognised with respect to receivables during the year (2016: Nil).

(iii) Liquidity risk (refer also to note 4c)).

The following are contractual maturities of financial liabilities at reporting date. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2017	Carrying amount $'000	Contractual cash flows $'000	12 months or less $'000	1-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	78,852	(78,852)	(78,852)	-	-
Finance lease liabilities	34,578	(37,151)	(15,894)	(21,257)	-
High Yield Bonds	455,499	(606,200)	(30,168)	(576,032)	-
Shareholder loan notes	10,000	(19,172)	-	-	(19,172)
	578,929	**(741,375)**	**(124,914)**	**(597,289)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	606,200	30,168	576,032	-
- Outflows	-	(648,274)	(36,202)	(612,072)	-
Cross currency interest rate swaps used for hedging	**-**	**(42,074)**	**(6,034)**	**(36,040)**	**-**

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

The following are contractual maturities of financial liabilities. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2016	Carrying amount $'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	57,227	(57,227)	(57,227)	-	-
Finance lease liabilities	11,216	(12,120)	(5,681)	(6,439)	-
High Yield Bonds	411,493	(485,664)	(37,034)	(448,630)	-
Shareholder loan notes	10,000	(19,172)	-	-	(19,172)
	489,936	**(574,183)**	**(99,942)**	**(455,069)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	485,664	37,034	448,630	-
- Outflows	-	(503,747)	(45,008)	(458,739)	-
Cross currency interest rate swaps used for hedging	**-**	**(18,083)**	**(7,974)**	**(10,109)**	**-**

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

c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2017	
	USD* $'000	EGP* $'000
Cash and cash equivalents	25	31
Trade and other receivables	-	93
Derivative financial instruments	(23,741)	-
Gross statement of financial position exposure	**(23,716)**	**124**

The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account.

	2016	
	USD*	EGP*
	$'000	$'000
Cash and cash equivalents	248	111
Trade and other receivables	177	(28)
Derivative financial instruments	(5,419)	-
Gross statement of financial position exposure	**(4,994)**	**83**

*Australian dollar equivalent of USD / EGP

The following significant exchange rates applied during the year:

	2017	2016
	USD	USD
Reporting date spot rate	0.7686	0.7442
Average rate	0.7555	0.7273

(ii) Sensitivity analysis

The Group is subject to the impact of changes in foreign currency exchange rates due to exposures to USD and EGP. A strengthening of each of the following currencies against AUD at 30 June would have increased/ (decreased) profit and loss by the amounts shown below. The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account. The analysis is based on foreign currency exchange rate variances of 10% against all other currencies, and reflects a variation that the Group considered to be reasonably possible at the end of the reporting years. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for each reporting year, albeit that reasonably possible exchange rate variances were different, as indicated below.

	2017		2016	
	Strengthening	Weakening	Strengthening	Weakening
	$'000	$'000	$'000	$'000
United States Dollar (USD)	(2,372)	2,372	(499)	499
Egyptian Pound (EGP)	12	(12)	8	(8)

d) Interest rate risk

The Group entered into four different cross currency interest rate swaps. The cross currency interest rate swaps (hedging instrument) are accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate.

(i) Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial liabilities	**(523,921)**	**(438,127)**
Variable rate instruments		
Financial assets	**65,359**	**57,897**

(ii) Fair value sensitivity analysis for fixed rate instruments

The fixed-to-floating cross currency interest rate swaps (hedging instrument) are accounted for as fair value hedges. Therefore, a change in interest rates at the reporting date affects profit or loss. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

The Group accounts for a portion of its fixed rate financial liabilities at fair value through profit or loss, as the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect profit or loss and not equity on these instruments.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
30 June 2017				
Fixed rate instruments	(5,406)	5,406	-	-
Cross currency interest rate swap *	5,406	(5,406)	-	-
	-	**-**	**-**	**-**
30 June 2016				
Fixed rate instruments	-	-	-	-
Interest rate swap	-	-	-	-
	-	**-**	**-**	**-**

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barminco. Independently calculated, the fixed to floating AUD leg of the swaps are valued at A$943,919 (2016: Nil) and USD leg A$6,349,984 (2016: A$Nil).

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

	Profit or loss	
	30 June 2017 $'000	30 June 2016 $'000
Fixed to floating cross currency interest rate swap		
- Swap	(104)	-
- Hedged item (debt)	137	-
Net profit and loss impact before tax	**33**	**-**

(iii) Cash flow sensitivity analysis for variable rate instruments

The fixed to fixed cross currency interest rate swaps (hedging instrument) are accounted for as cash flow hedges. Therefore, a change in interest rates at the reporting date affects equity. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
30 June 2017				
Variable rate instruments	654	(654)	-	-
Cross currency interest rate swap *	-	-	566	(566)
	654	**(654)**	**566**	**(566)**
30 June 2016				
Variable rate instruments	579	(579)	-	-
Interest rate swap	-	-	52	(52)
	579	**(579)**	**521**	**(521)**

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barminco. Independently calculated, the fixed to fixed AUD leg of the swaps are valued at A$15,382,910 (2016: A$8,166,156) and USD leg A$14,816,629 (2016: A$8,114,090).

Master netting or similar agreements

The group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The following table set out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross and net amounts of financial instruments in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
30 June 2017			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(23,741)	-	(23,741)
	(23,741)	**-**	**(23,741)**
30 June 2016			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(5,419)	-	(5,419)
	(5,419)	**-**	**(5,419)**

		2017 $'000	2016 $'000

22. Commitments

Operating leases

Non-cancellable operating lease rentals are payable as follows:

Within one year		3,291	3,453
Later than one year but not later than five years		12,531	14,698
Later than five years		3,372	7,154
		19,194	**25,305**

During the year an amount of $9,182,000 was recognised as an other expense (refer to note 6 c)) in profit or loss in respect of operating leases (2016: $7,652,000).

The Group leases various offices, warehouses and items of IT equipment under non-cancellable operating leases expiring within two to fifteen years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year		15,894	5,681
Later than one year but not later than five years		21,256	6,439
Minimum lease payments		**37,150**	**12,120**
Future finance charges		(2,573)	(904)
Recognised as a liability		**34,577**	**11,216**
Representing lease liabilities			
Current	17	14,238	5,144
Non-current	17	20,339	6,072
		34,577	**11,216**

Representing lease liabilities

The Group leases various plant and equipment with a carrying amount at 30 June 2017 of $36,049,000 (2016: $14,340,000) under finance leases expiring within one to five years. Finance leases, net of future finance charges are recognised as a liability in the consolidated statement of financial position.

	2017 $'000	2016 $'000

Capital commitments

Capital commitments are as follows:

Within one year	38,813	53,888
Later than one year but not later than five years	-	-
	38,813	**53,888**

23. Segment reporting

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

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

Geographical information

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

	2017		2016	
	Revenue/ Other income $'000	Non-current assets $'000	Revenue/ Other income $'000	Non-current assets $'000
Australia	525,980	422,599	444,825	450,341
Egypt	72,118	10,433	64,229	4,025
India	5,221	649	-	-
Africa- AUMS Joint Venture	-	58,377	-	69,517
	603,319	**492,058**	**509,054**	**523,883**

Major customers

Revenues from the Group's major customers for the year ending 30 June 2017 represented A$583 million (2016: A$412 million) of the Group's total revenues.

	2017 Revenue $'000
Highest customer	113,054
2nd Highest	102,318
3rd Highest	97,188
4th Highest	72,117
5th Highest	70,966
6th Highest	65,634
7th Highest	62,177
	583,454

	2016 Revenue $'000
Highest customer	103,485
2nd Highest	94,346
3rd Highest	75,989
4th Highest	73,908
5th Highest	64,275
	412,003

24. Notes to the consolidated statement of cash flows

	2017 $'000	2016 $'000
Reconciliation of cash flows from operating activities		
Profit/(loss) for the year after tax	(93,771)	42,457
Adjustments for:		
Depreciation of property, plant and equipment	61,988	48,927
Amortisation of intangibles	944	730
Gain on disposal of property, plant and equipment	(1,634)	(1,124)
Redemption premium on 2018 High Yield Bonds	31,300	-
Amortisation of cash flow hedge reserve to profit or loss	2,827	-
Gain on repurchase of High Yield Bonds	327	(13,285)
Accrued interest on redeemable preference shares	-	48,042
Accrued interest on shareholder loan notes	-	2,354
Accrued interest bank	1,185	(615)
Fair value adjustment to derivatives	33	4,620
Non-cash employee benefit	68	77
Share of profit from equity accounted investments	(14,398)	(9,983)
Amortisation of borrowing costs	6,283	6,135
Net unrealised foreign exchange (gain)/loss	111	(6)
Income tax expense/(benefit)	32,198	(76,619)
Cash flow hedge settlement	11,342	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(30,583)	9,007
(Increase)/decrease in other assets	(927)	1,205
(Increase)/decrease in inventory	911	6,010
(Decrease)/increase in trade and other payables	21,627	4,196
(Decrease)/increase in current tax liability	-	(645)
(Decrease)/increase in employee benefits and other provisions	6,527	(3,489)
Net cash from operating activities	**36,359**	**67,994**

a) Non-cash financing and investing activities

The Group has acquired property, plant and equipment of $52,097,000 using finance leases during the year (2016: $10,148,000), including $24,585,000 of assets related to Kundana contract awarded to the Group on 1 July 2016 and concluded on 30 June 2017. Included in the assets acquired using finance leases related to the Kundana contract is $17,932,000 acquired under the terms of the underground mining services project from East Kundana Joint Venture (EKJV), the operator of the Kundana contract. These assets were subsequently disposed to EKJV for $13,098,000.

25. Share-based payments

Management incentive plan

In August 2014 the Company introduced the Barminco Holdings Management Incentive Plan which provides key management with an opportunity to purchase ordinary shares and redeemable preference shares. The plan also provides for interest bearing and non-interest bearing loans to purchase the shares.

A summary of the main aspects of the plan are as follows:

- The Board may determine the key management (and/ or their Nominees) who are eligible to participate in the Plan and make an invitation to participate in the Plan.
- An invitation to apply for Plan Shares or Plan Interests may be made on such terms and conditions as the Board decides from time to time.
- Interest bearing loans of $570,000 have been provided with a fixed interest rate granted at market rates and interest payments due quarterly, with principle repayments due in October 2022.
- Interest free loans of $1,210,000 have been provided and currently have a maximum term of 9 years from the date of agreement. These loans may be net settled against proceeds from disposal of equity interests.

The number and face value of RPS, to which loans to management under the Management Incentive plan related to, were derecognised during the year as a result of classification of the instruments as equity for accounting purposes.

26. Related parties

	2017 $	2016 $
a) Key management personnel compensation		
Key management personnel compensation comprised:		
Short term employee benefits	2,465,309	2,870,660
Post employment benefits	105,395	120,936
	2,570,704	**2,991,596**

Key management personnel include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors.

b) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

(i) Mr P M Bartlett - Director of Barminco Holdings

Shareholding

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), in its capacity as trustee of the PM Bartlett Family Trust is the holder of 1,499,500 ordinary shares representing 30% of the ordinary shares on issue as at 30 June 2017 and 30 June 2016, and 35,854,834 (2016: 35,854,834) redeemable preference shares at $1 each, representing 29% of the redeemable preference shares on issue as at 30 June 2017 and 30 June 2016. Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30

June 2017 is $78,428,234 (2016: $78,428,234). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Loan notes

A loan note with a face value of $6,015,000 was issued to Bremerton Pty Ltd on 31 August 2007 with an expiry date of 31 July 2017, which was extended to 31 January 2019 in 2013 by mutual consent. In June 2016, the Shareholder Loan Note Deed Poll was amended which had the effect of the expiry date changed to 1 May 2026 and interest ceased to accrue from 29 June 2016. The loan is subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap. The accumulated interest as at 30 June 2017 is $13,156,908 (2016: $13,156,908). As interest has ceased to accrue on the loan, the carrying value of the loan was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19,172,000) and the discounted value ($10,000,000) was transferred to an Interest Free Loan Reserve (see Note 20 e)).

Provision of electrical services – Hahn Electrical Contracting Pty Ltd

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barminco with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Each contract with Hahn either contains price management mechanisms or has a limited term (generally one year) at the end of which Barminco can review Hahn's pricing against that of other suppliers. Settlement of payables to Hahn is in line with similar third party creditors.

Costs incurred during the year: $15,786,939 (2016: $9,906,659).

Consulting fee

A consultancy agreement between Peter Bartlett and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $333,333 per annum (exclusive of GST) is payable for the provision of management advice. Costs incurred during the year: $333,333 (2016: $333,333).

Director fees and business expenses

Director fees were payable to Peter Bartlett during the year (exclusive of GST) and he is reimbursed for all business related expenses. The directors fee was waived from January 2015 to December 2015.

Costs incurred during the year: $95,836 (2016: $45,000).

Leased property – 390 Stirling Crescent Hazelmere, Western Australia

The Group has entered into a contract, negotiated at arm's length, with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia.

The terms and conditions of the lease are as follows:

- Commencement date: 29 July 2008
- Annual rent: $1,650,000 (before rent review increases)
- Expiry date: 28 July 2023
- Options: two five year options for Barminco to extend the lease to 29 July 2033
- Annual fixed rent review (annual increase of 5%)

Costs incurred during the year: $2,217,141 (2016: $2,330,531). In January 2016 and January 2017, the annual rent increase of 5% was foregone.

Mining services contract

The Group provided mining services to Gordon Sirdar, a mine controlled by Peter Bartlett. Revenues for the year to 30 June 2017 were $3,031,090 (2016: $2,742,645). At 30 June 2017, $32,000 was owed by Gordon Sirdar to the Group (2016: $0). The mining services contract was terminated during the period.

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

Provision of consulting services – Red Emu Advisory

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

Cost incurred during the year: $20,800 (2016: $54,200).

(iii) Existing Gresham Investors

Shareholding

The Existing Gresham Investors hold 3,000,500 ordinary shares representing 60% of the ordinary shares on issue as at 30 June 2017 and 2016 and 83,701,025 (2016: 83,701,025) redeemable preference shares at $1, representing 68% of the redeemable preference shares on issue as at 30 June 2016 (2016: 68.0%).

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30 June 2017 is $183,074,153 (2016: $183,074,153). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Existing Gresham Investors comprise Perpetual Corporate Trust Limited as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund), Gresham Nominees 1 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2a, Gresham Nominees 2 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2b, Gresham Private Equity Limited in its capacity as custodian for the Plan Members in the Gresham Private Fund No.2 Co-Investment Plan, and Gresham Partners Capital Limited in its capacity as custodian for the wholesale investors.

Consulting fees

A consultancy agreement between Gresham Private Equity Limited and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $666,666 (2016: $666,666) per annum (exclusive of GST) is payable for the provision of corporate and financial advice. Gresham Advisory Partners Limited was paid $1,052,226 for the provision of consultancy services for the refinancing of High Yield Bonds during the year.

Director fees

Board members on the Barminco Holdings Board representing Gresham Private Equity are entitled to director fees. The directors fee was waived from January 2015 to December 2015.

Costs incurred during the year: $200,833 (2016: $90,000).

Travel costs

Travel costs reimbursed to Gresham Private Equity Limited for the period was $93,070 (2016: $82,198).

c) Other related party transactions

(i) Key Management Personnel

At 30 June 2017 management and prior management are the beneficial owners of 500,000 ordinary shares representing 10% of Barminco Holdings (2016: 500,000) and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date (2016: 3,396,945), see Note 20 a).

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

(ii) AUMS Joint Ventures

Barminco has a 50% interest in the AUMS Joint Ventures (see Note 12), which provides underground hard-rock contract mining services to mining companies in certain countries in West Africa and Tanzania. The other 50% is owned by ASX-

listed Ausdrill Limited (Ausdrill). 6.38% of Ausdrill is owned by Peter Bartlett. Ausdrill provide services to AUMS at normal commercial terms.

At 30 June 2017 a subsidiary of the Group, Barminco Ltd had a related party trade debtor of $634,937 (2016: $578,806) which is recognised in the Group's statement of financial position.

27. Subsequent events

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

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

28. Subsidiaries

The annual financial report incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3a).

Name of entity	Country of incorporation	Class of shares	Equity holding 2017 %	Equity holding 2016 %
Barminco Finance Pty Limited (formerly Barbidco Pty Limited)	Australia	Ordinary	100	100
Barminco Limited	Australia	Ordinary	100	100
SLR Australia Pty Limited	Australia	Ordinary	100	100
Barminco Holdings (EIS) Pty Limited	Australia	Ordinary	100	100
Barminco (Egypt) LLC	Egypt	Ordinary	100	100
Barminco Egypt Underground Mining Services	Egypt	Ordinary	100	100
Barminco South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Barminco AUMS Holdings Pty Limited	Australia	Ordinary	100	100
Barminco India Holdings Pty Ltd*	Australia	Ordinary	100	-
Barminco India Investments Ltd*	Australia	Ordinary	100	-

*New subsidiaries were established during the period to conduct business in India. Barminco Indian Underground Mining Services LLP is a limited liability partnership and was established in India during the period to provide mining services. Barminco India Holdings Pty Ltd and Barminco India Investments Ltd are equal joint partners in Barminco Indian Underground Mining Services LLP.

29. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed above are relieved from the Corporations Act 2001 requirements for preparation and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the deed are Barminco Holdings Pty Limited, Barminco Finance Pty Ltd, Barminco AUMS Holdings Pty and Barminco Ltd.

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out as follows:

a) Statement of profit and loss and other comprehensive income and retained earnings

	2017 $'000's	2016 $'000's
Revenue	530,825	448,659
Other income	12,875	17,828
Consumables used	(179,044)	(137,038)
Employee benefits expense	(205,819)	(174,354)
Contractor and consultant expenses	(42,830)	(28,763)
Depreciation and impairment of property, plant & equipment	(57,321)	(43,625)
Amortisation and impairment of intangible assets	(944)	(730)
Other expenses	(33,616)	(24,218)
Results from operating activities	**24,126**	**57,759**
Share of net profit from joint venture	14,398	9,983
Financing costs	(96,215)	(100,620)
Financing income	692	2,499
Profit/(Loss) before income tax	**(56,999)**	**(30,379)**
Income tax benefit	(32,086)	77,553
Profit/(Loss) for the year	**(89,085)**	**47,173**
Other comprehensive income/(loss)		
Effective portion of changes in fair value of cash flow hedges	(15,845)	4,620
Net change in fair value of cash flow hedges reclassified to profit or loss	14,165	347
Foreign currency translation differences	(3,233)	1,004
Other comprehensive income/(loss) for year, net of tax	**(4,913)**	**5,971**
Total comprehensive income/(loss) attributable to equity holders of the Company	**(93,998)**	**53,144**

b) Statement of financial position

	2017	2016
Assets	**$'000**	**$'000**
Cash and cash equivalents	66,534	58,417
Trade and other receivables	75,907	48,528
Inventories	12,353	12,474
Other assets	3,698	2,967
Total current assets	**158,492**	**122,386**
Receivables	3,730	1,918
Investments	72,773	75,221
Property, plant and equipment	113,716	107,328
Intangibles	259,781	260,791
Deferred tax assets	47,243	74,801
Total non-current assets	**497,243**	**520,059**
Total assets	**655,735**	**642,445**
Liabilities		
Trade and other payables	73,586	51,010
Borrowings	11,814	2,592
Employee benefits	24,803	24,674
Provisions	366	208
Total current liabilities	**110,569**	**78,484**
Borrowings	476,043	425,219
Borrowings related parties	15,411	9,852
Employee benefits	4,043	1,645
Derivative financial instruments	23,741	5,419
Total non-current liabilities	**519,238**	**442,134**
Total liabilities	**629,807**	**520,617**
Net assets	**25,928**	**121,827**
Equity		
Contributed equity	394,661	396,442
Reserves	4,605	9,637
Accumulated losses	(373,338)	(284,252)
Total equity	**25,928**	**121,827**

30. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2017 the parent entity of the Group was Barminco Holdings Pty Limited.

	2017 $'000	2016 $'000
Result of parent entity		
Profit for the period	4,994	5,307
Total comprehensive income for the period	**4,994**	**5,307**
Financial position of parent entity at year end		
Current assets	70	149
Total assets	178,449	175,235
Total liabilities	(10,000)	(10,000)
Total equity of the parent comprising of:		
Share capital	394,662	396,442
Interest free loan reserve	6,421	6,421
Accumulated losses	(232,634)	(237,628)
Total equity	**168,449**	**165,235**

Parent entity contingencies

Barminco Holdings Pty Limited has no contingent liabilities as at 30 June 2017. (2016: Nil)

Parent entity capital commitments

Barminco Holdings Pty Limited has no capital commitments as at 30 June 2017. (2016: Nil)

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 29.

31. Contingencies

Contingent liabilities

Contingent liabilities include;

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

(ii) insurance performance bonds for mining clients.

The table below outlines the exposure and limits respectively.

	Outstanding as at 30 June 2017 $'000	Limit as at 30 June 2017 $'000	Outstanding as at 30 June 2016 $'000	Limit as at 30 June 2016 $'000
Bank guarantee	2,760	2,760	361	361
Insurance bond	-	-	1,000	1,000
	2,760	**2,760**	**1,361**	**1,361**

A jointly controlled entity (AUMS Mali) has been the subject of a routine taxation inspection by the Mali tax authority. The authority has assessed additional taxes. The company is currently working with the tax authorities in Mali for resolution. The total additional tax assessed on the jointly controlled entity is $21,500,000 of which $8,300,000 has been paid. Based on legal advice received, the company believes that no additional tax liability exists and therefore no additional taxation provision is recognised. The maximum assessment for additional tax that has not been provided for is the equivalent of A$6,600,000 being the 50% Group's share.

Off balance sheet arrangements

Other than operating leases, as set out in note 22, the Group does not have any material off balance sheet arrangements.

Barminco Holdings Pty Limited

Directors' Declaration
For the year ended 30 June 2017

1) In the opinion of the directors of Barminco Holdings Pty Limited:
   a) the annual financial report and notes that are set out on pages 9 to 67, are in accordance with the Corporations Act 2001, including:
      i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
      ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2) There are reasonable grounds to believe that the Company and the group entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3) The directors draw attention to note 2a) to the annual financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

K. Gordon
Chairman
Perth, WA, 26 September 2017

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Independent Auditor's Report

To the shareholders of Barminco Holdings Pty Limited

Opinion

We have audited the ***Financial Report*** of Barminco Holdings Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of goodwill
- Recoverability of deferred tax assets in Australia
- Valuation of derivatives and hedging

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Liability limited by a scheme approved under Professional Standards Legislation.

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Valuation of goodwill ($256,930,000)	
Refer to Note 14 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 38% of total assets). Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their fair value less costs to sell model, including: • Forecast cash flows – the global underground mining services sector, within which the Group operates, has continued to experience competitive market conditions as a result of volatility in commodity prices, resulting in cost reduction mandates. This impacted the Group through continued pricing and margin pressure. These conditions increase the possibility of goodwill being impaired, increase the risk of inaccurate forecasts and provide a range of possible outcomes for us to consider. • Forecast growth rates and terminal growth rates – the Group's fair value less costs to sell model is highly sensitive to small changes in these assumptions, reducing headroom and indicating possible impairment. This drives additional audit effort specific to their reasonability and consistency of application to the Group's strategy. • Discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. The Group's model to perform their annual testing of goodwill for impairment is largely manually developed, using adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. The Group has not met its budget during the current year, primarily due to the underperformance of the Kundana and Rampura Agucha contracts, raising our focus on the reliability of forecasts within the Group's impairment testing. These conditions necessitate additional scrutiny and professional scepticism by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the fair value less costs to sell method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the accuracy of the underlying calculation formulas in the fair value less costs to sell model used. • We compared the forecast cash flows contained in the fair value less costs to sell model to Board approved forecasts. • We assessed the accuracy of previous Group budgets by comparing to actual results to determine the reasonability of forecasts incorporated in the model. We noted previous trends where constrained market conditions existed and how they impacted the business, and evaluated their impact on current forecasts including sensitivities. • We considered the sensitivity of the model by varying key assumptions, such as project profit margins, forecast growth rates, terminal growth rates and the discount rate, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We challenged the Group's significant forecast cash flows and growth assumptions in light of the expected continuation of competitive market conditions. We applied increased scepticism to forecasts in the areas where previous budgets were not achieved. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • Working with our valuation specialists we analysed the Group's discount rate against publicly available data of a group of comparable entities. • We assessed the disclosures in the financial report using the results of our testing and against the requirements of the accounting standards.

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Recoverability of deferred tax assets in Australia ($47,612,000)	
Refer to Note 8 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group has recognised deferred tax assets of $47.6 million as at 30 June 2017, of which $47.3 million arises from tax losses carried forward in Australia. Deferred tax assets are only recognised if certain conditions under Australian tax law are satisfied and if it is probable that sufficient taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. The recoverability of deferred tax assets in Australia was a key audit matter due to: • The significance of these assets recognised by the Group and the significant judgement required to assess the probability that sufficient taxable profits can be generated in light of the tax losses recorded in the current and previous financial years. • As described in the valuation of goodwill key audit matter above, the global underground mining services sector, within which the Group operates, has continued to experience competitive market conditions as a result of volatility in commodity prices of the Group's customers, resulting in cost reduction mandates. This impacted the Group through continued pricing and margin pressure. These conditions increase the possibility that deferred tax assets are not recoverable. • The requirements under the Australian Accounting Standards and Australian tax law to recognise deferred tax assets for tax losses are complex and the incorrect application of these requirements could result in a substantial effect on the Group's statement of profit or loss and other comprehensive income. We involved tax specialists to supplement our senior team members in assessing this key audit matter.	Working with our specialists, our procedures included: • We examined the documentation prepared by the Group and the Group's external tax advisors underlying the availability of tax losses that were recognised in accordance with Australian tax law. • We assessed the factors that led to the Group incurring tax losses in the current year and previous years and challenged the Group's assessment that taxable profits will be generated in the foreseeable future. The Group's assessment of future taxable profits is based on forecast cash flows. The basis for which were as described and tested in the valuation of goodwill Key Audit Matter. We challenged the differences in forecast cash flow to taxable profits by: – Evaluating whether cash flows had been appropriately adjusted for differences between accounting profits, as presented in the Board approved budget and forecast, to taxable profits in accordance with Australian tax legislation. • We assessed the disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.

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Valuation of derivatives and hedging ($23,741,000)	
Refer to Note 16 and Note 21 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of derivatives and associated hedge accounting was a key audit matter due to the complexity in auditing the application of derivatives to hedge the Group's exposure to foreign currency and interest rate risk on its Senior Notes. For accounting purposes, the Group applies both cash flow and fair value hedge accounting. In order to apply hedge accounting, the Group is required to apply a number of requirements under the Australian Accounting Standards including: • Formally documenting the hedge relationship • Performing retrospective and prospective ineffectiveness testing, and • Recording any resulting ineffectiveness in the consolidated statement of profit or loss and other comprehensive income. Given the technical requirements that are required to be met to apply hedge accounting, and that the incorrect application of these requirements could result in a substantial effect on the Group's financial report, we applied additional attention to this matter. In addition, our assessment of the valuation of derivatives used in the application of hedge accounting is made more challenging given the high level of judgement involved in evaluating the valuation assumptions and inputs used by the Group such as yield curves (i.e. market forward curve data) and credit value adjustment inputs such as market Credit Default Swap (CDS) data. team member and valuation specialist involvement was required.	Working with our specialists, our procedures included: • We obtained hedge documentation relating to the new hedge relationships and assessing the accounting and effectiveness against the accounting standard requirements. • We assessed the prospective and retrospective effectiveness testing to consider their effectiveness using the criteria in the accounting standards. We checked the calculations behind the hedge effectiveness. • We assessed the valuation of all derivatives by independently developing a valuation range at 30 June 2017, using independently sourced market forward curve data and market CDS data and comparing the outcome to the valuation performed by the Group.

Other Information

Other Information is financial and non-financial information in Barminco Holdings Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

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Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

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Graham Hogg
Partner
Perth
26 September 2017