

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited Interim Financial Statements

For the period ended 31 March 2020

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated financial statements

For the nine months ended 31 March 2020

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Barminco Holdings Pty Limited

Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income For the nine months ended 31 March 2020

		9 Months Ended 31 Mar 2020	9 Months Ended 31 Mar 2019
	Notes	\$'000	\$'000
Revenue		538,998	477,681
Other income		187	502
Consumables used		(167,298)	(149,359)
Employee benefits expense		(208,193)	(186,523)
Contractor and consultant expenses		(29,935)	(24,895)
Depreciation of property, plant and equipment		(51,392)	(43,560)
Amortisation of intangible assets		(588)	(545)
Other expenses	3	(37,082)	(41,409)
Share of profit from equity accounted investments, net of tax	4	38,846	26,794
Finance income		357	550
Financing costs		(37,438)	(32,251)
Profit before income tax		46,462	26,985
Income tax expense		(5,005)	(52,115)
Profit/(loss) for the period attributable to equity holders of the Company		41,457	(25,130)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		-	2,280
Hedge reserve reclassified to profit or loss, net of tax		3,933	-
Foreign currency translation differences – foreign operations		1,001	2,057
Other comprehensive income for period, net of tax		4,934	4,337
Total comprehensive income/(loss) attributable to equity holders of the Company		46,391	(20,793)
		\$	\$
Earnings per share			
Basic and diluted earnings per share		8.3	(5.0)

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of financial position as at 31 March 2020

	Notes	31 Mar 2020 \$'000	30 June 2019 \$'000
ASSETS			
Cash and cash equivalents		89,627	73,260
Trade and other receivables		107,183	96,919
Inventories		26,527	24,562
Prepayments		4,039	4,635
Total current assets		227,376	199,376
Investments accounted for using the equity method	4	134,821	84,977
Property, plant and equipment		146,311	161,670
Right of use assets		39,526	-
Intangibles		292,911	256,575
Deferred tax asset		34,112	14,028
Other non-current assets		-	225
Total non-current assets		647,681	517,475
TOTAL ASSETS		875,057	716,851
LIABILITIES			
Trade and other payables		95,473	86,942
Borrowings	6	9,075	5,174
Employee benefits		31,449	29,626
Provisions		112	119
Total current liabilities		136,109	121,861
Borrowings	6	603,285	505,811
Employee benefits		873	780
Total non-current liabilities		604,158	506,591
TOTAL LIABILITIES		740,267	628,452
NET ASSETS		134,790	88,399
EQUITY			
Contributed equity		394,662	394,662
Reserves		11,979	7,045
Accumulated losses		(271,851)	(313,308)
TOTAL EQUITY		134,790	88,399

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of cash flows for the nine months ended 31 March 2020

	Notes	9 Months Ended 31 Mar 2020 \$'000	9 Months Ended 31 Mar 2019 \$'000
Cash flows from operating activities			
Receipts from customers		576,637	518,064
Payments to suppliers and employees		(493,036)	(438,671)
Interest received		357	550
Interest paid		(18,291)	(20,629)
Income taxes paid		(2,733)	(626)
Net cash inflow from operating activities		62,934	58,688
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(56,074)	(66,090)
Proceeds from sale of property, plant and equipment		254	889
Dividends received from joint venture entities	4	14,032	5,189
Net cash outflow from investing activities		(41,788)	(60,012)
Cash flows from financing activities			
Transaction costs		-	(15,498)
Finance lease payments		(7,665)	(11,651)
Net cash outflow from financing activities		(7,665)	(27,149)
Net decrease in cash and cash equivalents		13,481	(28,473)
Effect of exchange rate fluctuations on cash held		2,886	(133)
Cash and cash equivalents at beginning of the period		73,260	80,288
Cash and cash equivalents at end of the period		89,627	51,682

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of changes in equity

For the nine months ended 31 March 2020

	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 2019	4,722	389,940	394,662	(15,296)	12,755	6,421	3,165	(313,308)	88,399
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	41,457	41,457
Other comprehensive income/(loss)									
Hedge reserve reclassified to profit or loss, net of tax	-	-	-	3,933	-	-	-	-	3,933
Changes in the foreign exchange translation reserve	-	-	-	-	1,001	-	-	-	1,001
Total other comprehensive income/(loss)	-	-	-	3,933	1,001	-	-	-	4,934
Total comprehensive income/(loss) for the period	-	-	-	3,933	1,001	-	-	41,457	46,391
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020	4,722	389,940	394,662	(11,363)	13,756	6,421	3,165	(271,851)	134,790

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

Barmenco Holdings Pty Limited

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

For the nine months ended 31 March 2019

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2018	4,722	389,940	394,662	(13,010)	8,077	6,421	2,604	(304,532)	94,222
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	-	-	(25,130)	(25,130)
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	2,280	-	-	-	-	2,280
Changes in the foreign exchange translation reserve	-	-	-	-	2,057	-	-	-	2,057
Total other comprehensive income/(loss)	-	-	-	2,280	2,057	-	-	-	4,337
Total comprehensive income/(loss) for the period	-	-	-	2,280	2,057	-	-	(25,130)	(20,793)
Transactions with owners of the Company									
Changes in the legal reserve	-	-	-	-	-	-	561	(561)	-
Total transactions with owners of the Company	-	-	-	-	-	-	561	(561)	-
Balance at 31 March 2019	4,722	389,940	394,662	(10,730)	10,134	6,421	3,165	(330,223)	73,429

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

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements

For the nine months ended 31 March 2020

Notes to the financial statements

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Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

1. Corporate information

Barmenco Holdings Pty Limited (“the Company”) is a company limited by shares, incorporated and domiciled in Australia. The Company was registered on 5 July 2007, acquired by Perenti Global Limited (“Perenti”) in October 2018.

The address of the Company’s registered office is Level 2, 202 Pier Street, Perth, Western Australia, 6000. The Group is a for profit entity and is primarily involved in underground mining services including development and production mining in Australia, India, Canada, 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 interim financial statements of the Company for the nine months ended 31 March 2020 comprises the Company and its subsidiaries (the “Group”) and the Group’s interest in joint arrangements.

2. Basis of preparation

(a) Statement of compliance

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

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

The Company is of a kind referred to in Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statement have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. In preparing the consolidated interim financial statements the significant judgements made by the Group in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 30 June 2019.

(c) 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 2019.

New or amended Accounting Standards and Interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group’s accounting policies and did not require retrospective adjustments. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Adoption of AASB 16

The Group has adopted AASB 16 from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.04%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. No remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 Mar 2020 \$'000	1 July 2019 \$'000
Properties	7,643	9,086
Equipment	31,883	17,714
Total right-of-use assets	39,526	26,800

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- property, plant and equipment - decrease by \$17.7 million
- right-of-use assets - increase by \$26.8 million
- finance lease liabilities - decreased by \$7.8 million
- lease liabilities - increase by \$16.9 million

There was no impact on retained earnings on 1 July 2019.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payment;
 - the group has chosen not to separate contracts into lease and non-lease components;
 - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - reliance on previous assessments on whether leases are onerous;
 - the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
 - the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

3. Other expenses

	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Lease expense (out of AASB 16 scope)	(6,172)	(7,494)
Freight	(9,106)	(7,582)
Travel and accommodation	(7,492)	(4,772)
Transaction costs	(1,640)	(11,398)
Insurance	(1,457)	(1,000)
IT and communications	(3,491)	(2,789)
Foreign exchange gain/(loss), net	(1,232)	(82)
Other	(6,492)	(6,292)
	(37,082)	(41,409)

4. Jointly controlled entities

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

Name of entity	Country of incorporation	Principal activities	Ownership 2019 %	Ownership 2018 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50
AUMS (T) Limited ("AUMST") Joint Venture	Tanzania	Mining services	50	50
Underground Mining Alliance Limited ("UMA") Joint Venture	Ghana	Mining Services	35	-

The investments in AUMS are accounted for using the equity method in accordance with AASB 128. During the nine months ended 31 March 2020 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$38,846,000 (nine months ended 31 March 2019 A\$26,794,000).

AUMSB paid a dividend to the Group during the nine months to 31 March 2020 in the amount of CFA 4,500,000,000 (A\$11,111,000). AUMS declared and paid a dividend to the Group during the nine months to 31 March 2020 in the amount of USD 2,000,000 (A\$2,921,000). AUMST paid a dividend to the Group during the nine months to 31 March 2019 in the amount of US\$3,750,000 (A\$5,189,000).

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

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

5. Property, plant and equipment

Additions and disposals

During the nine months ended 31 March 2020 additions to property, plant and equipment totalled \$66,558,000 (nine months ended 31 March 2019: \$66,090,000). The book value of disposals during the nine months ended 31 March 2020 was \$115,000 (nine months ended 31 March 2019: \$386,000).

During the nine month period additions using finance leases were \$10,484,000 (nine months ended 31 March 2019: \$Nil) which are a non-cash item.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

6. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 Mar 2020		30 Jun 2019	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bond 2022	(a)	USD	6.63%	2022	-	570,207	-	498,481
Shareholder loans	(c)	AUD	0%	2026	-	12,206	-	11,556
Finance lease liabilities	(b)	AUD	5.90%	2018 - 2020	-	-	7,542	215
Lease liabilities	(b)	AUD	5.9%-7.0%	2018 - 2036	11,784	23,998	-	-
					11,784	606,411	7,542	510,252
Capitalised borrowings costs – High Yield Bonds		AUD			(2,709)	(3,126)	(2,368)	(4,441)
Total interest bearing liabilities					9,075	603,285	5,174	505,811

(a) High Yield Bonds

The 2022 High Yield Bonds relate to the senior notes issued on 26 April 2017 for the total issue price of US\$350,000,000 and due for repayment 15 May 2022. The 2022 notes were issued by Barmenco Finance Pty Ltd are secured and have been guaranteed by Barmenco Holdings Pty Limited, Barmenco Finance Pty Limited, Barmenco Limited, Barmenco AUMS Holdings Pty Limited, Barmenco India Investments Pty Limited and Barmenco India Holdings Pty Limited. Under the terms of the notes issued, interest is payable on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

(b) Lease liabilities

The Group has adopted AASB 16 Leases from 1 July 2019, refer to note 2(c) for further detail. Lease liabilities may be secured by the specific assets under lease.

(c) Shareholder loans

In June 2016, the Shareholder Loan Deed Poll was amended and annual interest of 14% ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan (\$19.2 million) and the discounted value (\$10.0 million) was transferred to an Interest Free Loan Reserve. A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan mature on 1 May 2026.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2020

7. Segment reporting

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

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

Geographical information

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

	9 Months Ended 31 Mar 2020	31 Mar 2020	9 Months Ended 31 Mar 2019	30 Jun 2019
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	452,914	494,097	402,301	417,550
Africa	65,065	18,270	62,669	14,492
India	18,552	493	13,213	456
Canada	2,654	-	-	-
Africa – AUMS Joint Venture	-	134,821	-	84,977
	539,185	647,681	478,183	517,475

8. Subsidiaries

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

9. Subsequent events

Panoramic Resources Limited announced in April 2020 temporary suspension of operations at its Savannah Nickel Mine in Western Australia. Barmenco had signed an agreement in February 2020 to undertake mine development, production and haulage at Savannah. Barmenco mobilised plant and commenced contract mining shortly thereafter and has worked closely with Panoramic to support their decision and ensure an orderly suspension of operations. Given the contract had only recently been finalised and the contract was in its early stages, the financial impact of this in the current year is not considered material.

Effective 1 May 2020, Barmenco's contract in India ended following Barmenco India and Hindustan Zinc not being able to reach agreement on changes to commercial arrangements sought by Hindustan Zinc. Barmenco India is in the process of demobilizing from India and resolving commercial matters with Hindustan Zinc.

No other matters or significant events that have arisen since 31 March 2020 that have or may significantly affect the operations, results, or state of affairs of the Group.