

29 NOVEMBER 2018

BARMINCO RELEASES FY19 Q1 RESULTS

Ausdrill Limited (**ASX: ASL**) attaches the FY19 Q1 Business Update and unaudited condensed interim consolidated financial statements for its wholly owned subsidiary, Barmenco Holdings Pty Ltd, together with an Interim Report from Barmenco Finance Pty Limited. These documents are being released by Barmenco to the Singapore Exchange (SGX-ST) pursuant to the terms of its outstanding 6.625% Senior Notes due 2022.

The acquisition of Barmenco by Ausdrill completed on 31 October 2018, though with a “locked box” date of 30 June 2018 (meaning that Ausdrill obtained economic exposure to the Barmenco business with effect from 1 July 2018).

The attached documents were prepared for the purpose of reporting to holders of Barmenco’s outstanding 6.625% Senior Notes due 2022 and for no other purpose. The documents contain, and should be read subject to, the disclaimers, cautionary statements, notices and notes contained therein.

About Ausdrill

Ausdrill (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa, India and the United Kingdom. Ausdrill is a leader in open-cut and underground contract mining, diamond drilling, grade control, drill & blast, exploration, mineral analysis, procurement and logistics. The Ausdrill Group employs over 7,000 staff worldwide.

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TO MINING**



//// underground mining excellence

A photograph of a red underground drilling rig in a dark mine tunnel. The rig is positioned horizontally, with its long drill bit extending towards the left. The background shows the rough, rocky walls of the mine. The scene is illuminated by the rig's headlights and some ambient light.

FY19 Q1 BUSINESS UPDATE



DISCLAIMER

The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This presentation by Barminco Finance Pty Limited (“Barminco”) is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Barminco, its directors, employees or agents, nor any other person accepts any liability, including with out limitation, any liability arising out of fault or negligence for any loss arising from the use of the information contained in this presentation. This presentation contains statements that constitute “forward looking statements”. Examples of these forward looking statements include, but are not limited to, (i) statements regarding Barminco’s future results of operations and financial condition, (ii) statements of plans, objectives or goals and (iii) statements of assumptions underlying those statements. Words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “probability”, “risk” and other similar words are intended to identify forward looking statements but are not the exclusive means of identifying those statements. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Barminco’s actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. As such, undue reliance should not be placed on any forward looking statement. Certain financial data included in the presentation are “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), including Trading EBITDA, Trading EBIT, Project EBITDA and EBIT. These non-GAAP financial measures do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although Barminco believes these non-GAAP financial measures provide useful information to users measuring the financial performance and condition of the business, persons are cautioned not to place undue reliance on any non-GAAP financial measures measuring the financial performance and condition of the business and persons are cautioned not to place undue reliance on any non-GAAP financial measures and ratios included in this presentation. None of Ausdrill Limited or any of its subsidiaries that are not also subsidiaries of Barminco guarantee Barminco's 6.625% Senior Notes due 2022 or pledge any of their assets or otherwise provide any security for such notes.

Q1 FY19 HIGHLIGHTS

- Ausdrill's acquisition of Barminto completed on 31 October 2018
- Continued industry-leading safety performance
 - Lost time injury frequency rate of zero
 - Total recordable injury frequency rate of 7.4 reduced by 32% from PCP
- Continued strong operational performance across all projects
- Significant Contract extensions secured circa \$1.275B
 - 5 year Sunrise Dam extension valued at \$700M
 - 4 year Nova extension valued at \$240M
 - 4 year Agnew extension valued at \$335M
- Mt Colin successfully mobilised
- UMA a (70/30) JV between AUMS and Rocksure awarded a 5 year US\$375M contract at Obuasi for AGA
- Continued strong financial performance
 - Barminto Proforma EBIT up 64.8% on PCP
 - Strong ROACE maintained at 34%⁽¹⁾

(1) ROACE equals EBIT / Average (PP&E + net working capital)

PROPORTIONATELY CONSOLIDATED P&L (BARMINCO AND 50% SHARE OF AUMS)

- Proportionately consolidated trading result reflects continued growth in both Barminco and AUMS earnings
- EBITDA up 36% on PCP
- Margins continue to improve through productivity improvement and business mix/focus
- Trading EBIT up 71% on PCP

	Sep-18 (QTR)			Sep-17 (QTR)		
	Barminco A\$M	AUMS 50% A\$M	TOTAL A\$M	Barminco A\$M	AUMS 50% A\$M	TOTAL A\$M
Revenue	159.2	46.6	205.8	137.1	31.1	168.2
Costs	130.0	31.2	161.2	113.5	22.0	135.5
Trading EBITDA	29.2	15.4	44.6	23.6	9.1	32.7
Depreciation and Amortisation	14.2	5.6	19.8	14.5	3.7	18.2
Trading EBIT	15.0	9.8	24.8	9.1	5.4	14.5
Transaction Costs	2.1	-	2.1	-	-	-
Redundancy Costs	-	-	-	0.8	-	0.8
EBIT	12.9	9.8	22.7	8.3	5.4	13.7

Q1 BARMINCO RESULTS (EXCLUDING AUMS)

- Trading EBITDA up 23.7% on PCP
- Trading EBIT margin at 9.4%
- Trading EBIT up 64.8% on PCP
- All sites continue to perform to target
- Revenue uplift a result of increased scope at key sites and the Mt Colin ramp up

(1) Trading EBITDA represents earnings before income tax (expense) benefit, finance costs, depreciation & amortisation, share of associates profit, redundancies expense and transaction costs

(2) Trading EBIT represents earnings before income tax (expense) benefit, finance costs, share of associates profit, redundancies expense and transaction costs

	Sep-18 QTR \$M	Sep-17 QTR \$M
Revenue		
Mining	141.4	124.1
Diamond drilling	14.2	12.3
Other	3.6	0.7
Total revenue	159.2	137.1
Project costs	129.7	113.2
Project EBITDA		
Mining	26.8	22.1
Diamond drilling	2.1	1.5
Other	0.6	0.3
EBITDA – projects	29.5	23.9
Shared services costs		
Operational & admin services	8.2	8.5
Shared services allocation	(7.9)	(8.2)
Trading EBITDA¹	29.2	23.6
Trading EBITDA %	18.3%	17.2%
Depreciation and Amortisation	14.2	14.5
Trading EBIT²	15.0	9.1
Trading EBIT %	9.4%	6.6%
Transaction Costs	2.1	-
Redundancies	-	0.8
EBIT	12.9	8.3
Share of profit from equity accounted investments, net of tax	7.4	3.5
Financing costs, net	(10.8)	(11.0)
Income tax benefit/(expense)	0.7	(0.2)
Reported NPAT	10.2	0.6
One-off items		
Transaction Costs	2.1	-
Tax expense/(benefit) – Non-cash	(0.7)	-
Underlying NPAT	11.6	0.6

Q1 AUMS RESULTS

(BARMINCO 50% SHARE)

- Q1 FY19 EBITDA strong with solid margins, up 69.2% on PCP
- Q1 FY19 EBIT up 81.5% on PCP
- Q1 FY19 NPAT up 108.3% on PCP
- AUMS strong performance in Q1 FY19 to PCP was driven by:
 - Ramp-up at Subika in Ghana and Geita complex in Tanzania
 - Continued strong operating performance from existing contracts

Barmenco 50% Share of AUMS	Sep-18 QTR A\$M	Sep-17 QTR A\$M
Revenue	46.6	31.1
EBITDA	15.4	9.1
<i>EBITDA %</i>	<i>33.0%</i>	<i>29.3%</i>
Depreciation	5.6	3.7
EBIT	9.8	5.4
<i>EBIT %</i>	<i>21.0%</i>	<i>17.4%</i>
Net interest	0.3	0.2
Tax	2.0	1.6
NPAT	7.5	3.6
Elimination entries and adjustments	(0.1)	(0.1)
Equity accounted share of profits	7.4	3.5

BALANCE SHEET

(BARMINCO)

- Balance Sheet largely unchanged
- Strong liquidity – in excess of \$160M
 - Cash on hand of \$63.4M
 - Revolving credit facility of \$45M¹ which is effectively undrawn
 - Over \$50M of HP capacity

Barminco Available Liquidity (Sep-18)	Maximum Availability \$M	Amount Drawn \$M	Current Availability \$M
Cash	63.4	0.0	63.4
High Yield Bonds	468.0	468.0	0.0
Revolving Credit Facility ¹	45.0	3.6	41.4
Hire Purchase Post HYB Facility	75.0	19.3	55.7
Total	651.4	490.9	160.5

(1) No cash currently drawn, however \$3.6M of bank guarantees and transaction banking facilities have been applied against this balance. Effective 1 November RCF lowered from \$75M to \$45M following acquisition by Ausdrill. Ausdrill RCF facilities were increased by \$100M.

		Sep-18 \$M	Jun-18 \$M
Current assets	Cash and cash equivalents	63.4	80.3
	Trade and other receivables	87.7	83.5
	Inventories	21.4	20.7
	Other	3.3	2.7
	Total current assets	175.8	187.2
Non-current assets	Property, plant & equipment	141.1	124.9
	Intangible assets	258.8	259.0
	Investments accounted for using the equity method (AUMS)	80.7	71.2
	Deferred tax asset	64.0	63.3
	Other non-current assets	0.8	1.0
	Total non-current assets	545.4	519.4
Total assets		721.2	706.6
Current liabilities	Trade, other payables	77.0	72.6
	Borrowings	12.2	13.2
	Employee benefits	26.5	25.8
	Provisions	-	-
	Total current liabilities	115.7	111.6
Non-current liabilities	Borrowings	489.1	479.5
	Derivative financial instruments	8.3	19.6
	Employee benefits	1.8	1.7
	Total non-current liabilities	499.2	500.8
Total liabilities		614.9	612.4
Net assets		106.3	94.2

CASH FLOW

(BARMINCO)

- Operating cashflow impacted by one delayed debtor payment of \$8.3M (paid on 1 October 2018) and Mt Colin ramp up
- All Capital funded by cash in the quarter, resulting in a cash outflow for the quarter of \$16.9M
- Capex for new projects/scope amounted to \$9.1M

	Sep-18 QTR \$M	Sep-17 QTR \$M
Trading EBITDA	29.2	23.6
Movement in Working Capital/Other	(9.6)	(6.7)
Sub Total	19.6	16.9
Capital Expenditure (net of disposals)	(30.0)	(21.2)
Finance/HP Lease Payments	(3.8)	(4.9)
Interest (Net)	(0.6)	(0.8)
Transaction Costs	(2.1)	-
Net Cashflow	(16.9)	(10.0)
Opening Cash	80.3	77.9
Closing Cash	63.4	67.9

CAPITAL EXPENDITURE

(BARMINCO EXCLUDING AUMS)

- 100% of capex funded via cash
- Growth capex mainly relates to:
 - Mt Colin
 - Dugald River

	Sep-18 QTR \$M	Sep-17 QTR \$M
Growth	9.1	14.8
Stay in business	21.4	13.7
Total capital expenditure	30.5	28.5

- Stay in business capex relates to:
 - Sunrise Dam
 - Flying Fox
 - Spotted Quoll
 - Nova

Reconciliation to Cash Capital Expenditure	Sep-18 QTR \$M	Sep-17 QTR \$M
Total capital expenditure (as per breakdown above)	30.5	28.5
Less: Capital expenditure funded by HP	-	(6.8)
Total capital expenditure (funded with cash)	30.5	21.7
Less: Proceeds from sale of PPE	(0.5)	(0.5)
Cash capital expenditure (net of disposals)	30.0	21.2

MAJOR MINING CONTRACTS CONTRIBUTING TO Q1 FY19 RESULTS

BARMINCO

PROJECT	ULTIMATE CLIENT	COMMODITY	LOCATION	COMMENCEMENT	CONTRACT MATURITY
Sunrise Dam	AngloGold Ashanti	Au	WA	2003	FY23
Flying Fox	Western Areas	Ni	WA	2004	FY20
Spotted Quoll	Western Areas	Ni	WA	2011	FY20
Sukari	Centamin	Au	Egypt	2009	FY22
Agnew	Gold Fields	Au	WA	2010	FY22
Dugald River	MMG	Zn	QLD	2012	FY21
Nova Bollinger	Independence Group	Ni	WA	2015	FY22
Rampura Agucha	Hindustan Zinc	Zn	India	2016	FY19
Mt Colin	Round Oak Minerals	Cu	Qld	2018	FY22

AUMS

PROJECT	ULTIMATE CLIENT	COMMODITY	LOCATION	COMMENCEMENT	CONTRACT MATURITY
Geita Complex	AngloGold Ashanti	Au	Tanzania	2016	FY19*
Yaramoko	Roxgold Inc	Au	Burkina Faso	2015	FY21
Subika	Newmont	Au	Ghana	2017	FY22
Siou	Semafo	Au	Burkina Faso	2018	FY23

*Contract extension under negotiation

BUSINESS OUTLOOK

- All projects currently performing well
- Focus on continuing to deliver strong physicals, operating efficiencies and leading safety performance
- Tender pipeline and tender activity continues to be strong in Australia and Africa

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed interim consolidated financial statements

For the quarter ended 30 September 2018

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated financial statements

For the quarter ended 30 September 2018

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Note: All "\$" amounts refer to Australian dollars unless otherwise indicated

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 September 2018

		Qtr Ended 30 Sept 2018 \$'000	Qtr Ended 30 Sept 2017 \$'000
	Notes		
Revenue		159,266	137,112
Other income		207	158
Consumables used		(51,054)	(43,536)
Employee benefits expense		(61,046)	(54,402)
Contractor and consultant expenses		(9,094)	(9,424)
Depreciation of property, plant & equipment		(14,000)	(14,281)
Amortisation of intangible assets		(192)	(232)
Other expenses		(11,154)	(7,040)
Results from operating activities		12,933	8,355
Share of profit from equity accounted investments	5	7,443	3,510
Financing income		209	177
Financing costs		(11,043)	(11,250)
Profit before income tax		9,542	792
Income tax benefit/(expense)		669	(225)
Profit for the period attributable to equity holders of the Company		10,211	567
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		(152)	(525)
Net change in fair value of cash flow hedges reclassified to profit or loss		-	-
Foreign currency translation differences – foreign operations		2,000	(119)
Other comprehensive loss for the period, net of tax		1,848	(644)
Total comprehensive loss attributable to equity holders of the Company		12,059	(77)
		Cents	Cents
Earnings per share			
Basic and diluted earnings per share		204	0.11

The above condensed interim consolidated statement of profit or 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 30 September 2018

		30 Sept 2018 \$'000	30 June 2018 \$'000
	Notes		
ASSETS			
Cash and cash equivalents		63,359	80,288
Trade and other receivables		87,687	83,472
Inventories		21,451	20,700
Prepayments		3,256	2,773
Total current assets		175,753	187,233
Other non-current assets		835	1,037
Investments accounted for using the equity method		80,674	71,232
Property, plant and equipment		141,120	124,864
Intangibles		258,803	258,995
Deferred tax asset		64,002	63,268
Total non-current assets		545,434	519,396
TOTAL ASSETS		721,187	706,629
LIABILITIES			
Trade and other payables		77,029	72,581
Borrowings	7	12,208	13,202
Employee benefits		26,520	25,760
Total current liabilities		115,757	111,543
Derivative financial instruments	8	8,265	19,652
Borrowings	7	489,053	479,478
Employee benefits		1,831	1,734
Total non-current liabilities		499,149	500,864
TOTAL LIABILITIES		614,906	612,407
NET ASSETS		106,281	94,222
EQUITY			
Contributed equity		394,662	394,662
Reserves		5,940	4,092
Accumulated losses		(294,321)	(304,532)
TOTAL EQUITY		106,281	94,222

The above 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 quarter ended 30 September 2018

	Qtr Ended 30 Sept 2018 \$'000	Qtr Ended 30 Sept 2017 \$'000
Cash flows from operating activities		
Receipts from customers	168,583	160,042
Payments to suppliers and employees	(148,960)	(143,066)
Interest received	209	177
Interest paid	(880)	(935)
Income taxes paid	-	-
Net cash inflow from operating activities	18,952	16,218
Cash flows from investing activities		
Payments for property, plant and equipment and intangibles	(30,585)	(21,729)
Proceeds from sale of property, plant and equipment	539	496
Net cash outflow from investing activities	(30,046)	(21,233)
Cash flows from financing activities		
Payment of finance lease liabilities	(3,827)	(4,927)
Transaction costs	(2,072)	-
Payments for borrowings costs	-	(159)
Net cash outflow from financing activities	(5,899)	(5,086)
Net decrease in cash and cash equivalents	(16,993)	(10,101)
Cash and cash equivalents at beginning of the period	80,288	77,956
Effect of exchange rate fluctuations on cash held	64	32
Cash and cash equivalents at end of the period	63,359	67,887

The above 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 quarter ended 30 September 2018

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2018	4,722	389,940	394,662	(13,010)	8,077	6,421	2,604	(304,532)	94,222
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	-	10,211	10,211
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(152)	-	-	-	-	(152)
Changes in the foreign exchange translation reserve	-	-	-	-	2,000	-	-	-	2,000
Total other comprehensive income/(loss)	-	-	-	(152)	2,000	-	-	-	1,848
Total comprehensive income/(loss) for the year	-	-	-	(152)	2,000	-	-	10,211	12,059
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 30 September 2018	4,722	389,940	394,662	(13,162)	10,077	6,421	2,604	(294,321)	106,281

The above 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

For the quarter ended 30 September 2017

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2017	4,722	389,940	394,662	(7,055)	5,359	6,421	1,702	(354,295)	46,794
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	-	567	567
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(525)	-	-	-	-	(525)
Changes in the foreign exchange translation reserve	-	-	-	-	(119)	-	-	-	(119)
Changes in the legal reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	(525)	(119)	-	-	-	(644)
Total comprehensive income/(loss) for the year	-	-	-	(525)	(119)	-	-	567	(77)
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 30 September 2017	4,722	389,940	394,662	(7,580)	5,240	6,421	1,702	(353,728)	46,717

The above 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 condensed interim consolidated financial statements

For the quarter ended 30 September 2018

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Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

1. Corporate information

Barmenco 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 interim financial statements of the Company for the quarter ended 30 September 2018 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 and with IAS 34 Interim Financial Reporting.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018.

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.

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 2018.

3. Significant accounting policies

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018.

Changes in significant accounting policies

The Group has initially adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 9 Financial Instruments* from 1 July 2018.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced *AASB 118 Revenue*, *AASB 111 Construction Contracts* and related interpretations. The Group has adopted AASB 15 using the cumulative effect method, with an immaterial effect of initially applying this standard. Accordingly, the information presented for the year ended 30 June 2018 has not been restated and it is therefore presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

AASB 9 Financial Instruments 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. AASB 9 largely retains the existing requirements in AASB 139 for the classification and

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial assets, financial liabilities and derivative financial instruments.

Accounting standards and interpretations issued but not yet effective

The following standard may impact the entity in the year of initial application. It is not yet mandatory and has not been applied by the Group in preparing these financial statements. The Group is in the process of assessing the full impact of the new standard. The effect the new standard 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 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. 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.

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

4. Income tax

30 Sept 2018 \$'000	30 June 2018 \$'000
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Unrecognised deferred tax assets

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

Australia

Tax losses (gross)

- -

Other deferred tax assets (gross)

- -

Overseas

Tax losses (gross)

5,206 6,134

Other deferred tax assets (gross)

284 252

Total unrecognised deferred tax assets (gross)

5,490 6,386

A Deferred Tax Benefit will only be obtained if:

- (i) the relevant company in the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation; 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 September 2018 the Group has \$206,482,000 (30 June 2018: \$207,553,000) tax losses and \$12,641,000 (30 June 2018: \$10,039,000) deductible temporary differences that are available for offset against future taxable profits of which \$213,633,000 have been recorded at period end (30 June 2018: \$211,206,000).

Deferred tax assets for unused tax losses of \$201,276,000 (30 June 2018: \$201,419,000) and deductible temporary differences of \$12,357,000 (30 June 2018: \$9,787,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. 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 2018 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 \$5,206,000 of carry forward tax losses and \$284,000 of deductible temporary differences in relation to Indian operations that equate to unrecognised deferred tax assets at 30 September 2018 of \$1,819,000 (30 June 2018: \$2,143,000) and \$99,000 (30 June 2018: \$88,000) respectively. The Group reviews evidence of the recoverability of these tax losses at each reporting date and additional evidence indicating recoverability may result in recognition at a future reporting date.

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

In light of the Ausdrill acquisition, the availability of the tax losses to the new consolidated group will be subject to additional testing which factors in the change of ownership which could result in the derecognition of the tax losses in a future reporting period.

5. Jointly controlled entities

During the quarter the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$7,443,000 (quarter ended 30 September 2017: A\$3,510,000).

No dividends were paid during the quarter ended 30 September 2018 and 30 September 2017.

6. Property, plant and equipment

Additions and disposals

During the quarter additions to property, plant and equipment totalled \$30,589,000 (quarter ended 30 September 2017: \$28,480,000). The book value of disposals during the quarter was \$333,000 (quarter ended 30 September 2017: \$338,000).

During the quarter additions using finance leases were \$Nil which are a non-cash item (quarter ended 30 September 2017: \$6,831,000).

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

7. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30 September 2018		30 June 2018	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bonds 2022	(a)	USD	6.63%	2022	-	479,646	-	468,036
Shareholder loans	(c)	AUD	0%	2026	-	10,951	-	10,750
Finance lease liabilities	(b)	AUD	5.91%	2018 - 2020	14,592	4,715	15,587	7,547
					14,592	495,312	15,587	486,333
Capitalised borrowings costs		AUD			(2,384)	(6,259)	(2,385)	(6,855)
Total interest bearing liabilities					12,208	489,053	13,202	479,478

a) High Yield Bonds

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

b) Finance lease liabilities

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

c) Shareholder loan notes

In June 2016, the Shareholder Loan Note Deed Poll was amended and annual interest of 14% ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan (\$19.2 million) and the discounted value (\$10 million) was transferred to an Interest Free Loan Reserve. A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026.

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2017

8. Derivative financial instruments

30 Sept 2018 \$'000	30 June 2018 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	8,265	19,652
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The Group entered into cross currency interest rate swaps in April 2017 for a notional principal of US\$350,000,000 maturing on 15 May 2022. The Group entered into four separate cross currency interest rate swaps with two different financial institutions to fully hedge the debt using 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.

9. Related parties

a) Director transactions

(i) Mr P M Bartlett - Director of Barmenco Holdings

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), has redeemable preference shares, the accumulated interest as at 30 September 2018 was \$78,428,234 (30 September 2017: \$78,428,234). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

Bremerton has a loan note and as at 30 September 2018 the accumulated interest was \$13,156,908 (30 September 2017: \$13,156,908). In June 2016, the terms of the Loan Note were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Peter Bartlett and the Group was terminated on 1 July 2018, no consultancy fee was paid in the period ended 30 September 2018. Costs incurred during the period ended 30 September 2017 was \$83,333.

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barmenco with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Costs incurred during the period: \$5,095,714 (30 September 2017: \$3,948,300).

The Group has a contract with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia. Costs incurred during the period: \$477,435 (30 September 2017: \$477,435).

Director fees were payable to Peter Bartlett, cost incurred during the period: \$25,000 (30 September 2017: \$25,000) and he is reimbursed for all business related expenses.

(ii) Existing Gresham Investors

Gresham Investors hold redeemable preference shares. The accumulated interest as at 30 September 2018 was \$183,074,153 (30 September 2017: \$183,074,153). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Gresham Private Equity Limited ("Gresham") and the Group was terminated on 1 July 2018, no consultancy fee was paid in the period ended 30 September 2018. Costs incurred during the period ended 30 September 2017 was \$166,667. The Group entered into an agreement to be acquired by Ausdrill Limited, fees paid to Gresham in relation to the transaction were \$1,193,703.

Board members on Barmenco Holdings Board representing Gresham Private Equity are entitled to director fees. The costs incurred during the period: \$75,000 (30 September 2017: \$58,333). Travel costs reimbursed to Gresham Private Equity Limited for the period was \$30,066 (30 September 2017: \$48,652).

Barmenco Holdings Pty Limited

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

For the quarter ended 30 September 2018

b) Other related party transactions

(i) Key Management Personnel

At 30 September 2018 management and prior management are the beneficial owners of 500,000 ordinary shares representing 10% of Barmenco Holdings (30 September 2017: 500,000) and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date (30 September 2017: 3,396,945).

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 September 2018 is \$6,043,650 (30 September 2017: \$6,043,650).

(ii) AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 30 September 2018 a subsidiary of the Group has related party trade debtors of \$1,898,920 (30 September 2017: \$3,363,820).

10. 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 segment.

a) 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.

	Qtr Ended 30 Sept 2018 Revenue/ Other income \$'000	As at 30 Sept 2018 Non-current assets \$'000	Qtr Ended 30 Sept 2017 Revenue/ Other income \$'000	As at 30 Sept 2017 Non-current assets \$'000
Australia	135,564	449,298	118,527	432,766
Egypt and India	23,909	15,462	18,743	14,395
Africa - AUMS Joint Venture	-	80,674	-	61,780
	159,473	545,434	137,270	508,941

11. Subsequent events

In August 2018, Barmenco announced that it had entered into an agreement to be acquired by ASX-listed diversified mining services company Ausdrill Limited (ASX: ASL). On 31 October 2018, Ausdrill announced that all of the conditions required to complete the acquisition of Barmenco had been satisfied and that the completion of the acquisition had occurred.

No other matters or significant events that have arisen since 30 September 2018 that have or may significantly affect the operations, results, or state of affairs of the Group.

Barmenco Finance Pty Limited

Interim Report

For the three month period ended September 30, 2018

Pursuant to Section 4.06(a)(1) of the Indenture dated
April 26, 2017 among
Barmenco Finance Pty Limited, as Issuer
Barmenco Holdings Pty Limited, as Guarantor
Barmenco Limited, as Guarantor
Barmenco AUMS Holdings Pty Limited, as Guarantor
Barmenco India Holdings Pty Limited, as Guarantor
Barmenco India Investments Pty Limited, as Guarantor
and
The Bank of New York Mellon, as Trustee

*This Interim Report should be read in conjunction with
Barmenco's Annual Report for the fiscal year ended June 30, 2018*

Notice

We have submitted this interim report to holders (the “Holders”) of our outstanding 6.625% Senior Notes due 2022 (the “Notes”) pursuant to section 4.06(a)(1) of the Indenture, dated as of April 26, 2017 (the “Indenture”), among Barmingo Finance Pty Limited, Barmingo Holdings Pty Limited, Barmingo Limited, Barmingo AUMS Holdings Pty Limited, Barmingo India Holdings Pty Limited, Barmingo India Investments Pty Limited and the Bank of New York Mellon, as trustee (the “Trustee”). We have not authorized its use for any other purpose. This interim report may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the Holders to whom it is provided. By accepting delivery of this interim report, you agree to these restrictions.

The information appearing in this interim report is accurate as of the date this interim report was prepared. Our business, financial condition, results of operations and prospects may be changed since that date.

Terms not defined in this Report have the meaning given to them in our fiscal 2018 Annual Report. Trading EBITDA is a measure of Barmingo’s earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets adjusted to exclude Barmingo’s 50% share of AUMS profits and non-recurring redundancy costs and transaction costs. The terms “Barmingo”, “we”, “us” and “our” refer collectively to the Parent Guarantor, the Issuer and their subsidiaries (these terms exclude AUMS because the AUMS joint venture companies are not subsidiaries), unless otherwise indicated or the context otherwise requires.

Cautionary statement regarding forward-looking statements

This report includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. They appear in number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Barmingo operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Barmingo believes that these risks and uncertainties include, but are not limited to, those described in the “Risk Factors” section of our most recent annual report.

Although Barmingo bases these forward-looking statements on assumptions that Barmingo believes are reasonable when made, Barmingo cautions you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which Barmingo operates may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which Barmingo operates are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that Barmingo makes in this report speak only as of the date of those statements, and Barmingo undertakes no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report and our most recent annual report. Barmingo does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Barmingo urges you to read the sections of our most recent annual report entitled “Business”, “Risk factors,” and “Management’s discussion and analysis of financial condition and results of operations” for a more complete discussion of the factors that could affect our future performance and the industry in which Barmingo operates.

Summary of results by division

The following table provides a summary of Barminto's revenue and EBITDA by division (excluding AUMS).

	Quarter ended September 30,	
	2018 A \$M	2017 A \$M
Revenue		
Underground mining	141.4	124.1
Diamond drilling	14.2	12.3
Shared services (unallocated) and other	3.6	0.7
Total Revenue	159.2	137.1
EBITDA		
Underground mining	26.8	22.1
Diamond drilling	2.1	1.5
Shared services (unallocated) and other	0.3	-
Trading EBITDA	29.2	23.6
Trading EBITDA margin	18.3%	17.2%

Management's Discussion and Analysis of Financial Condition and Results of Operations

During the quarter ended September 30, 2018, Barminto generated revenue of A\$159.2 million and Trading EBITDA of A\$29.2 million.

Compared to the corresponding period last year, revenue increased 16.1% from A\$137.1 million for the quarter ended September 30, 2017 to A\$159.2 million for the quarter ended September 30, 2018. The increase was primarily due to revenue increases at Sunrise Dam, Dugald River, Western Areas and Mt Colin contracts. Trading EBITDA increased 23.7% from A\$23.6 million for the quarter ended September 30, 2017 to A\$29.2 million for the quarter ended September 30, 2018.

AUMS's equity accounted contribution to the group was a profit of A\$7.4 million for the quarter ended September 30, 2018, up \$A3.9 million on the corresponding period of A\$3.5 million, reflecting continued strong operating performance. No dividends were paid during the quarter ended September 30, 2018.

Outlook

We believe the outlook for the underground hard-rock mining market in Australia, Africa and India remains attractive. AUMS is experiencing significant growth in Africa with operations currently in Ghana, Burkina Faso and Tanzania. As mining companies increasingly demand service providers capable of providing safe and reliable hard-rock underground mining services, we believe that our processes, people and expertise position us as a leader in this regard.

Demand for the commodities we mine is underpinned by continuing improvements in the global economy and the industrialization of emerging economies. We expect the demand for commodities to continue to drive the need for mining services.

Liquidity, capital expenditures and capital resources

Liquidity

The Group remains well positioned with a strong level of available liquidity to underpin the Group's growth and ongoing funding requirements.

As at September 30, 2018 Barmenco had an available cash balance of A\$63.4 million. As at 30 September 2018, the Group's available funding facilities were \$75,000,000 upon which the only drawing made was \$3,610,000 used for the purposes of bank guarantees under a revolving credit facility (RCF) which was agreed on 24 April 2017 for a term of three and half years.

In addition to the \$75,000,000 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.

Effective 1 November 2018, following a review of the future liquidity requirements of the Group and to reduce holding costs, the Group negotiated a reduction in the Revolving Credit Facility (RCF) from \$75,000,000 to \$45,000,000.

Indebtedness

On 26 April 2017 Barmenco issued new 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US\$350,000,000 principal amount. The 6.625% Senior Secured Notes due in May 2022 have been fully hedged using a CCIRS. The interest on the new high yield bond is payable semi-annually on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

The Group benefits from lower financing costs as the coupon on the new bonds is 6.625%, down from the 9.0% on the old bonds.

As of September 30, 2018, the Group had debt of A\$490.3 million, excluding Shareholder Loan Notes.

Capital expenditures

During the quarter ended September 30, 2018 the Group continued to expand its asset base, and acquired A\$30.5 million of plant and equipment fully funded by cash reserves.