Perenti

Ausdrill Limited ABN 95 009 211 474
trading as Perenti Global

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Ausdrill Limited ABN 95 009 211 474 trading as Perenti Global

We are a global mining services company and one of the world's only underground and surface mining providers at scale.

We are Perenti

ANNUAL PROFORMA REVENUE	EMPLOYEES	BUSINESSES IN GROUP
~$2B	8,000+	12

COUNTRIES	CONTRACTS	COMMODITIES
13	55	10

HOME

Who we are today

Perenti is a diversified global mining services company headquartered in Australia. Founded in Kalgoorlie in 1987, the Group is today one of the world's largest companies providing surface mining, underground mining and mining support services at scale to clients through a range of specialist operating businesses.

Our Aspiration

To become the indispensable mining services company.

Our Purpose

To create enduring value and certainty.

Our Principles

NO SHORT-CUTS

We never compromise our standards. We strive for the best in everything we do and continue to raise the bar in safety, performance and transparency every day.

NEVER WASTEFUL

We make every moment count. We operate as efficiently as possible. We plan effectively, make full use of our assets and always spend our money wisely.

WALK IN THEIR SHOES

To win new clients, keep existing clients and to ensure everyone benefits, we have to really know them – not just who they are and what they're asking for, but what really matters to them.

SMARTER TOGETHER

None of us is as smart as all of us. By valuing our diversity, working together, sharing knowledge and supporting each other, we're capable of exceptional things.

ENABLE TOMORROW

We actively embrace change, enabling new technologies and smarter ways of working, so the mine of tomorrow is safer, more productive and more reliable than ever before.

Our operating businesses

Surface Mining

We provide exploration drilling, production drilling, blasting and geotechnical services throughout Australia, as well as end-to-end contract surface mining in Africa, from mine planning and exploration to mine development, production and reclamation.

Underground Mining

We are a global hard-rock underground mining services company specialising in rapid high-speed mine development, production, diamond drilling, vertical development, design planning and scheduling, and equipment supply and maintenance.

Investments

Our diverse range of investments form a fundamental part of the mining value chain. Whether it's supplying the right equipment to get the job done, meticulously organising the logistics to deliver where and when clients need it, or analysing ore samples to boost productivity, the Group's businesses support any mining operations.

A new leadership team and a new aspiration

On behalf of the Board of Perenti, I am delighted to present to you the results for the year ended 30 June 2019.

Perenti has performed strongly during the 2019 financial year, delivering statutory revenue of $1.64 billion and recording an underlying net profit after tax of $103 million.

The year has seen a number of significant changes.

1. Firstly, the successful acquisition and integration of Barminco, a watershed moment in the evolution of the Group. The acquisition effectively doubled the Group's size and delivered a significantly expanded service offering, an increased geographical footprint and improved earnings.
2. Secondly, the appointment of our Group Managing Director and CEO, Mark Norwell.
3. Finally, the implementation of a new operating model and the installation and appointment of a highly professional and capable Group Executive team.

We are now focused on continuing to build on our proud history and taking the business into the next era of its evolution, under the leadership of our Group Managing Director and CEO, Mark Norwell.

The recent rebranding and establishment of our new name, Perenti, reflects the significant change in the Group. While we are extremely proud of our heritage as an Australian drilling business, we strongly believe it was important that a new name be adopted to reflect what is in essence a new and exciting phase in the Group's evolution. The name change is one of many strategic initiatives undertaken in the last 12 months to position us for the future.

Following the acquisition of Barminco last year, Perenti is now one of the largest mining services companies in the world. To this end, our focus has been on clarifying our direction as a business and laying the foundations for future growth and prosperity.

When we released our half year results, we unveiled the Group's new business operating model with the creation of three Industry Sector Groups (ISGs) that represent our key operational service offerings: Surface Mining, Underground Mining and Investments. As was the case when we presented our half year results, our financial commentary and segment reporting in this document has been aligned to reflect the new ISG structure.

As noted above, the 2019 financial year was a defining year in the evolution of the Group, with numerous achievements, and some challenges, in addition to the successful acquisition and integration of Barminco. Many of these achievements relate to repositioning the Group for the future.

Some of the more notable achievements include:

- The development and rollout of our 2025 Group strategy which articulates our aspiration, purpose and principles.
- The implementation of a new executive remuneration framework that aligns remuneration with shareholder returns.
- The award of more than $3 billion of new or extended contracts for the Group, including the significant $800 million Khoemacau Zone 5 project in Botswana.
- A Total Recordable Injury Frequency Rate (TRIFR) of 4.5 and a Lost Time Injury Frequency Rate (LTIFR) of 0.2.
- Growth in our workforce numbers from approximately 5,000 to more than 8,000 employees.
- A strong commitment to investing in our future workforce, with successful apprentice and leadership development programs running across all three of our ISGs.

As Chairman of this great Company, I'm proud of what has been achieved during this financial year, however it would be remiss of me not to mention a number of the challenges we faced.

In April 2019 we announced to the ASX that we had identified a fraud, which over a period of eight years had resulted in approximately $11 million being stolen from the Group. The fraudulent activities, which were within the former Ausdrill Australia business, were immediately reported to the Western Australia Police, who recently confirmed that two individuals, one who was an employee, have been charged and the case is progressing through the court system.

In June 2019 it was announced that an impairment of between $75 million and $95 million would be made as part of the year end process. The final value of the impairment related to this announcement was $82 million, which when added to the impairment of the EDA assets in the first half of the year, has resulted in a full year impairment of $114 million. Details for the impairment are fully disclosed on page 80, at a high level the impairment relates to various assets of the former Ausdrill Group in Africa and Australia.

African Mining Services (AMS), a business that has played an important role in the growth of the Group over the past 25 years and which has a long and successful history on the continent, has not met our expectations this year. A key priority for us is to ensure we return AMS to its former status, and with the introduction of new people, systems and support structures, this transformation is well under way.

The Group understands its obligations to create a sustainable business and to ensure we meet stakeholder requirements in terms of our environmental, economic and social performance.

We remain committed to minimising the impact our operations and offices have on the environment through a range of measures. During the reporting period we started the process of calculating our Scope 1 and 2 Carbon Dioxide emissions across our operations.

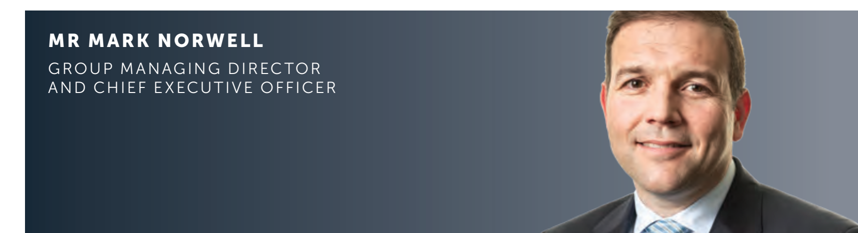
Through the growth of the business globally, we will continue to create economic opportunities for the communities in which we operate. This includes a commitment to employing and training local people to be part of our workforce, as well as engaging local businesses to support our operations where possible. In Africa, we are hugely proud that we have trained more than 20,000 people to be part of our operations and with new projects beginning this year we will continue to focus on local content as part of our operations.

In closing, I'm pleased to advise shareholders that for the 2019 financial year your directors have declared a final fully franked dividend of 3.5 cents per share.

Significant work has been completed in the last financial year and on behalf of the Board I would like to thank Mark Norwell and his team for the progress that has been made. I am excited about the opportunities that lie ahead for us in FY20 and look forward to playing my part in this new chapter of our great Company.

Ian

Leveraging our global assets



It is a privilege to be the Group Managing Director and CEO of Perenti, and it gives me great pleasure to present my first Annual Report in this role. It has been a year of significant and positive change for the Company; we are a new Group with a new name, however we remain proud of our strong heritage. We respect where we have come from and are positive about the opportunities ahead.

The 2019 financial year has been a transformational year and signals a new chapter in our rich history. I am excited about what we have achieved and believe there are many more milestones to come.

The year has been extremely busy, with considerable change across the Group. Pleasingly, significant progress has been made in positioning Perenti to capitalise on the opportunities that are available to us now that we are one of the largest mining service provides in the world.

I am proud of the entire Perenti team who have worked diligently throughout the year to lay the foundations for our growth. As part of this process, we launched our 2025 Group strategy in March 2019. This strategy was communicated to our entire workforce to ensure we understood where we wanted to be as a Group, and the principles and behaviours that individually and collectively will enable us to achieve our desired strategic outcomes.

As outlined in our half year results, we have implemented a new Group operating model and finalised the appointment of the Group Executive. With these changes now embedded, I believe we are well placed to deliver on our strategy.

In line with our new strategic direction, the decision was taken in August to rebrand Ausdrill to Perenti.

This rebrand recognises that we are no longer an Australian drilling company - we are now one of the largest mining services companies in the world with a workforce of over 8,000 people, spanning four continents and 13 countries.

The rebrand also reinforces both internally and externally our new operating model, which in turn reflects our growth ambitions over the coming years.

These are exciting times for our business and our people.

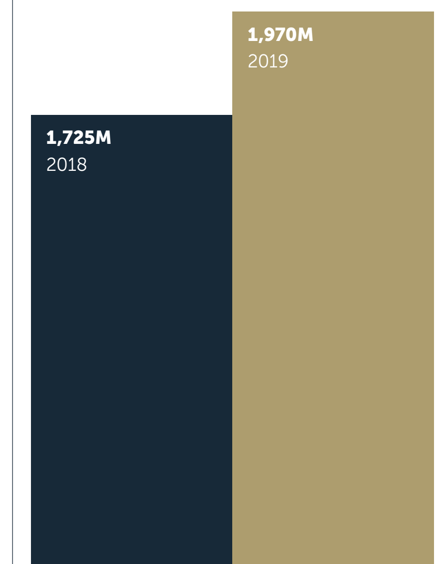
Importantly, we will proudly retain the strong Ausdrill brand for our surface operations in Australia. This brand represents the hard work of thousands of our people over more than 30 years and is well regarded as a leader in its field by clients and industry alike. Likewise, the Barminco brand, which has a very similar heritage, will be retained for our underground operations. The strength and reputation of the Ausdrill and Barminco brands is in no small part due to the leadership and foresight of their respective founders Ron Sayers and Peter Bartlett.

The clarification of our strategic direction over the past year, coupled with the development of the new operating model, has also led to a rationalisation of our businesses. In April 2019 we announced the intended sale of our Connector Drilling business to Vysarn for $16 million, which is on track to be completed in August 2019. We have also completed the sale of most of the assets for the former Energy Drilling Australian business. These assets were impaired earlier this year, with the impairment noted in the half year results. The assets were sold at auction late in the financial year for an amount marginally above the impaired value.

This rebrand recognises that we are no longer an Australian drilling company - we are now one of the largest mining services companies in the world - with a workforce of over 8,000 people, spanning four continents and 13 countries.

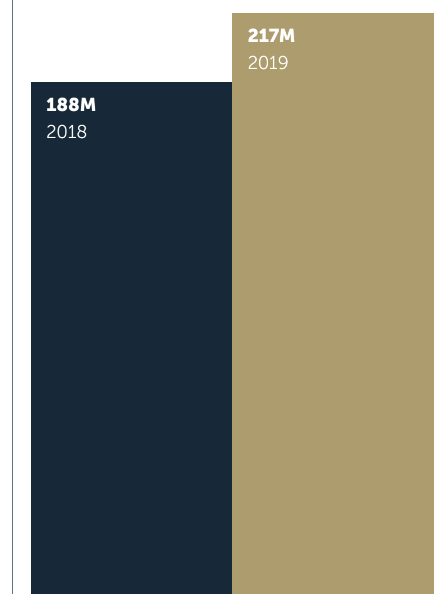
$1,970M

Proforma Annual Revenue



$217M

Proforma EBIT(A)



Leveraging our global assets

INDUSTRY SECTOR GROUPS (ISGS) OVERVIEW

Perenti's Underground ISG brings together leading hard rock underground mining service providers Barminco and African Underground Mining Services (AUMS), which was, historically, a 50:50 joint venture between Barminco and Ausdrill.

In the past financial year our Underground ISG has gone from strength to strength, securing close to $2.5 billion of new or extended contracts.

This impressive result includes the recent award of a new $800 million contract to develop the Khoemacau Zone 5 copper mine in Botswana.

With the Barminco brand becoming more prominent in Africa, new work in the region will now be branded under Barminco. Existing AUMS contracts will continue to be delivered under this brand, but ultimately, Barminco will become our sole underground mining brand for the Group.

Our Surface ISG incorporates our Australian Ausdrill business, African Mining Services (AMS) and our Logistics Direct business. As noted at our recent half year results, AMS has experienced some challenges during the year, resulting in a decline in the Surface ISG's earnings. These challenges included the underperformance of the Boungou project in Burkina Faso, challenges in the African exploration operations, and general operational challenges. Importantly, these issues were identified and strategies have been developed to address them. While it is expected to take some time to realise the future value of the turnaround, the team is committed to rectifying the under-performance.

Our Investments ISG, which comprises several companies delivering a range of mining support services, performed well with a 10 per cent increase in revenue. These services encompass the supply of heavy earthmoving parts and equipment to the mining industry; logistical support to deliver large-scale equipment and the chemical and physical analysis of ore samples to support exploration and mine operations. Our Investments ISG includes equipment and parts supplier BTP, assaying services company MinAnalytical, mining services and solutions provider Supply Direct, as well as oil and gas equipment supplier Well Control Solutions.

Last year, in collaboration with Chrysos, MinAnalytical launched a revolutionary new technology in Perth, Western Australia for rapid mineral gold ore assessment.

Following excellent feedback from clients and a promising first year in operation, I am delighted to report that we have extended this service to Kalgoorlie, Western Australia. This will further reduce the time it takes to return important data to our clients, allowing them to make timely and informed decisions regarding their mine development.

GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

Leveraging our global assets

ASPIRATION AND PURPOSE

Since I started nearly a year ago, I have worked with the Board and Group Executive on several key priorities.

In March this year we unveiled a clear aspiration for our future, a strong purpose for our business, and a set of principles to guide our people every day.

At the same time, as outlined above, we launched our internal 2025 Group strategy.

Our aspiration is very clear and well understood; it is to become the indispensable mining services company. This means we do such a great job for our clients that they never go elsewhere.

We have also defined our purpose, which is to create enduring value and certainty in everything we do.

Finally, to achieve our aspiration and fulfill our purpose, we developed a set of principles that drive the way we work and our actions and behaviours in every interaction and task our people perform.

Our five principles are: No short-cuts; Never wasteful; Smarter together; Walk in their shoes; and, Enable tomorrow.

These principles have been developed to guide our behaviours and actions, such that by living them we will deliver enduring value and certainty, thereby becoming indispensable. The principles are more than just words, they are critical to us achieving our aspiration and creating a new culture across our businesses. They are our new DNA.

To enable us to deliver and achieve our aspiration, we have developed five strategic pillars which include a number of value creating strategies. These will enable us to optimise our business in the short term, while helping grow the business in the mid to longer-term.

2019 SAFETY

0.2	4.5
LTIFR	TRIFR

0.2
4.5

Leveraging our global assets

These strategic pillars will guide our business planning process and be used across the Group in shaping our business over the coming years.

- **Operational Excellence** ensures we focus on delivering positive performance across all safety, production, quality and financial metrics.
- **Strategic Growth** is about building our collective brands and growing our business beyond organic growth, through geographic and service expansion.
- **Organisational Health** is the critical pillar in ensuring a sustainable future. It is focused on investing in our people and business systems to ensure long-term performance by establishing a solid business foundation, with a clear governance framework.
- **Technology Driven Future** is about adding value to our business now and positioning for the future, both in current services and new services driven by technology.
- **Building Financial Capacity** is what will allow us to grow our business through the various economic cycles, so we can continue to deliver strong returns to our shareholders.

BUILDING A TEAM TO DELIVER OUR STRATEGY

Implementing a new operating model and organisation structure that enables us to deliver on our 2025 Group strategy has been another key piece of our work that we completed during the financial year.

This model is about ensuring we have a capable, experienced and principles driven Group Executive in place to support and successfully deliver our strategy.

To this end, I am delighted to report that we are very close to finalising the appointment of an exceptional Group Executive with the following additions made in the second half of the financial year:

Scott Winter has been appointed as Chief Executive Officer of our Surface Mining business, which incorporates Ausdrill, AMS and Logistics Direct. Scott has previously held senior executive and operational roles for several high-profile mining businesses.

Ben Davis started in May as our Chief People Officer. Ben brings a wealth of experience operating in Australia, Africa and North America, and has Group oversight for human resources, health and safety, and environment and security.

We now have one position, Chief Development Officer, vacant and will look to fill this role in the coming months.

OUR GROUP OPERATING MODEL

Board

Group Managing Director and Chief Executive Officer
Mark Norwell

GROUP EXECUTIVE

Chief Financial Officer Peter Bryant	**Chief Executive Officer Surface** Scott Winter	**Chief Executive Officer Underground** Paul Muller	**Chief Operating Officer Investments** Donald James
Group General Counsel and Company Secretary Strati Gregoriadis	**Chief People Officer** Ben Davis	**Chief Development Officer** To be appointed	**Chief Technology Officer** Rob Chatterton

OUR OPERATING MODEL – FUNCTIONAL SUPPORT

Group Executive
Strategy, Governance – Support

Industry Sector Groups (ISGs)

Underground	**Surface**	**Investments**
Barminco AUMS	Ausdrill AMS Logistics Direct	BTP MinAnalytical Supply Direct Well Control Solutions

ISG Embedded Functions and Services
(HR, HSE, Supply, Commercial, Work Winning, Assets)

Group Functions
Establish, implement and assure policies and standards to ensure functional best-practice to maximise value across HR, HSE, strategic procurement, finance and investor relations.

Group Shared Services
Provide consistent, high level transactions and support across security, finance, legal and IT.

Leveraging our global assets

The addition of Scott and Ben to the Group Executive broadens the depth of international mining experience within the Executive team, as we focus on delivering our 2025 Group strategy.

We now have a large international workforce of more than 8,000 people operating in a variety of regions globally and with different cultural backgrounds.

Ensuring our people return home safely at the end of their shift remains our highest priority. We have reported a Total Recordable Injury Frequency Rate of 4.5 and a Lost Time Injury Frequency Rate of 0.2. We will continue to strive for ongoing safety improvement and ensure our safety priorities all form part of our decision-making processes. All of our principles will have a positive impact on the safety of our people, none more so than "no short-cuts" and "smarter together".

Over the past 12 months we have focused on ensuring we have robust security procedures in place, especially for our people servicing our African operations. Africa is an important part of our business and ensuring our peoples' safety is of utmost importance to us.

A POSITIVE OUTLOOK FOR THE GROUP

The next financial year will be focused on strengthening our balance sheet, ensuring each of our ISGs deliver on their targets, and continuing to invest in our people and systems to support our business performance future growth.

In the medium-term, we see a greater focus on our regional expansion, building adjacent services and further integrating technology into everything we do. Technology will play a huge part in building the mines of the future and we are well placed in terms of our people and development expertise to capitalise on this shift in the industry.

Excitingly, we have several projects under way to investigate how we can utilise data analytics and machine learning, as well as remote operations and automation to make us safer, more reliable and more productive than ever before.

We also have a strong pipeline of work in hand, and with a dedicated Group resource responsible for our strategic growth, I am confident we can deliver sustainable growth.

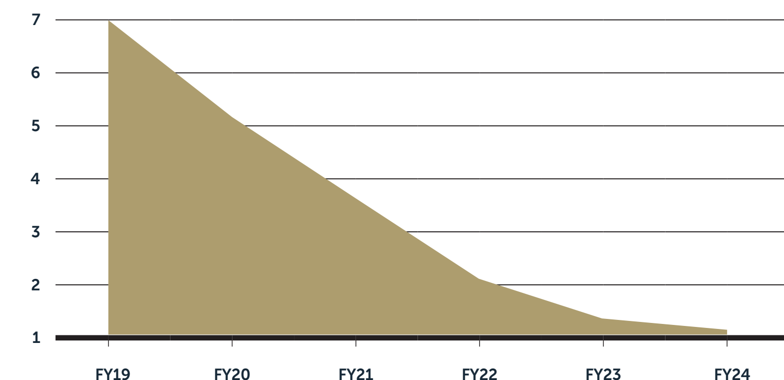
A HEARTFELT THANKS TO OUR PEOPLE

Finally, when I joined the Group in September 2018, I was hugely impressed by the calibre of our people and the passion they have for our business. I would like to acknowledge their continued hard work over the past 12 months, through what has been, at times, a challenging yet transformational year of change.

Our people are our business and they will help shape the future of Perenti as we continue our journey towards becoming indispensable to our clients and achieving our objectives as laid out in our 2025 Group strategy.

Mark

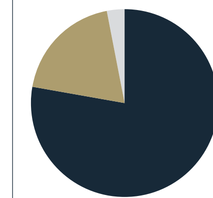
ORDER BOOK RUN OFF



ORDER BOOK

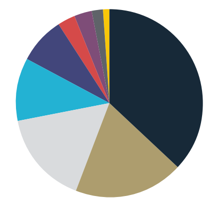
$7B

ISG



Underground	78%
Surface	19%
Investments	3%

Country

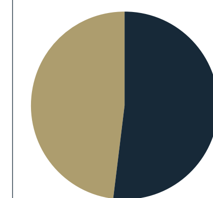


Australia	37%
Ghana	19%
Burkina Faso	16%
Botswana	11%
Egypt	8%
Mali	3%
Senegal	3%
Tanzania	2%
India	1%

PIPELINE

$8.5B

ISG



Surface	52%
Underground	48%

Country

Australia	29%
Botswana	19%
Guinea	12%
Cote d'Ivoire	10%
Burkina Faso	8%
Other	22%

We now have a large international workforce of more than 8,000 people operating in a variety of regions globally and with different cultural backgrounds.

Who We Are
Leadership
Operating Overview
Financial Review
Corporate Directory
Financial Report

Board of Directors

MR IAN COCHRANE
CHAIRMAN

MR MARK NORWELL
GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR TERRENCE STRAPP
NON-EXECUTIVE DIRECTOR

MR MARK HINE
NON-EXECUTIVE DIRECTOR

MR ROBERT COLE
NON-EXECUTIVE DIRECTOR

MS ALEXANDRA ATKINS
NON-EXECUTIVE DIRECTOR

MR KEITH GORDON
NON-EXECUTIVE DIRECTOR

For detailed information on our directors, please refer to pages 39 to 43 of the Directors' Report.

Group Executive

Seated from left

Mark Norwell	Group Managing Director and Chief Executive Officer
Peter Bryant	Chief Financial Officer

Standing from left

Rob Chatterton	Chief Technology Officer
Ben Davis	Chief People Officer
Scott Winter	Chief Executive Officer, Surface
Donald James	Chief Operating Officer, Investments
Strati Gregoriadis	Group General Counsel and Company Secretary
Paul Muller	Chief Executive Officer, Underground

For detailed information on our Executive Team, please see perentigroup.com.

Our global community

As a global business operating in 13 countries, we recognise the importance of our role in the communities in which we operate.

We strive to build meaningful long-term relationships that respect local cultures and create lasting benefits. As much as possible, we employ local people, purchase local goods and services, and support broader regional and national economies by paying taxes and royalties.

We collaborate with each community to identify where we can most effectively contribute and then support the appropriate organisations to deliver relevant community projects.

When we enter into a contract with our clients, we seek to work with them for the life of their mine, ensuring our contribution to their communities is both valuable and sustainable. These contributions are both economic, in the form of investment and infrastructure development, and social, via the training and employment of local people.

All these factors ensure the support of the local communities, in the markets in which we operate and, as such, contribute substantially to the ongoing success of our operations.

Our projects are often located in remote locations and, in many cases, we are the largest employer in the region. In Africa more than 80 per cent of our workforce are local employees, drawn from surrounding villages, towns and communities.

Across our Group, we invest heavily in training and development to ensure local people learn valuable and transferable trades, facilitating both career and economic advancement.

We also support a variety of charity, sporting and community organisations globally. This support includes everything from sponsorship and fundraising events, to the personal participation of our employees.

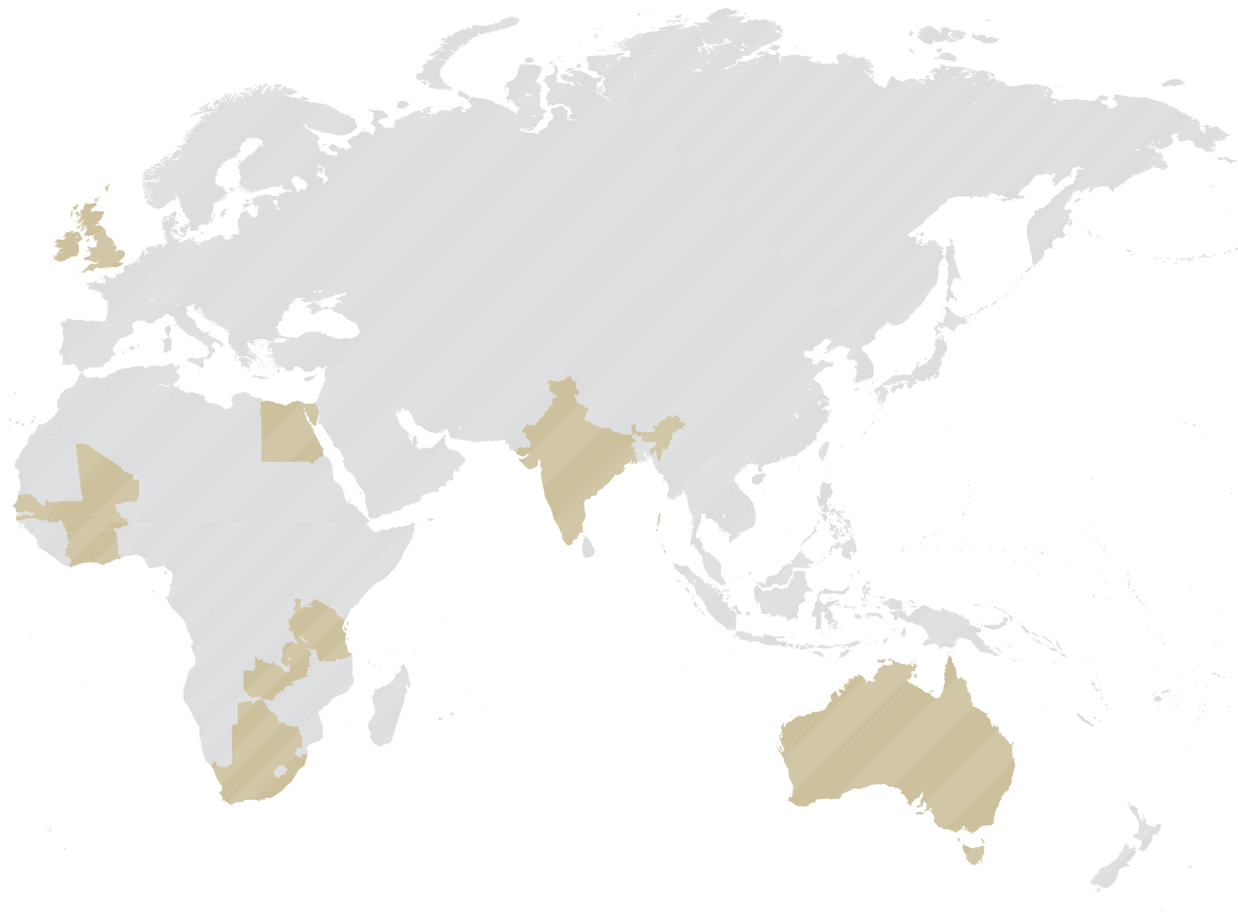
Closer to home, Perenti, via its subsidiary Barminco, recently entered into a four year partnership with the West Coast Eagles women's AFLW team.

This sponsorship is part of our commitment to increase awareness among women and girls that mining is a great career path and to increase the opportunities for, and the number of, women participating in the industry.

Perenti, via its subsidiary Ausdrill, is also a long-term major partner of Australia's national women's hockey team, the Hockeyroos.

Finally, we are committed to making a real difference in the lives of young indigenous people from regional and remote communities. The Dandjoo Darbalung program, an initiative we champion along with our valued partners Independence Group and AngloGold Ashanti, seeks to support Aboriginal students in succeeding with tertiary and undergraduate studies across all five universities in Western Australia.

OUR GLOBAL OPERATIONS



Commitment to excellence

Helping our own Hockeyroos take on, and beat, the very best in the world.

Safety first

Committed to safety, both at work and throughout our communities.

Women in mining

Supporting the AFLW to encourage more women to participate in mining.

Surface Mining

Perenti's Surface Industry Sector Group (ISG) spans both Africa and Australia and includes the service offerings that are the historic roots of the Group.

In Australia, through the Ausdrill brand, the ISG is a leading provider of drilling services specialising in exploration, drill and blast, grade control and geotechnical services. Ausdrill has a reputation for delivering safe, reliable and productive drilling solutions for its clients while leading the way in technological advancements in the drilling industry. The Company operates one of the most extensive fleets of drilling equipment and has experience across a range of commodities, including gold, iron ore, coal, nickel, copper, lithium and manganese.

African Mining Services (AMS) is one of the largest contract mining companies in Africa. With more than 30 years of experience in the region. AMS provides a full suite of safe and reliable exploration, mine planning and production services to a range of clients across 5 African countries. AMS prides itself on delivering in some of the toughest environments in Africa, something that it has achieved through its high quality workforce, which is circa 95 per cent West African.

AMS's ability to deliver is further enhanced by its mining fleets which is one of the largest in the region.

Logistics Direct, which also forms part of the Surface ISG, is a specialist in logistics management and moving mining equipment and goods throughout Africa and around the world. Headquartered in Ghana, the company has more than 20 years' experience and provides expertise in cargo transportation, freight forwarding and customs brokering services to some of the largest mines in Africa and to other industries.

OUR SURFACE MINING BUSINESSES AT A GLANCE

AUSDRILL

Ausdrill is a leading provider of drilling services with more than 30 years' experience in Australia. Specialising in exploration, drill and blast, grade control and geotechnical services it has a reputation for delivering safe, reliable and productive solutions for its clients throughout Australia.

AFRICAN MINING SERVICES

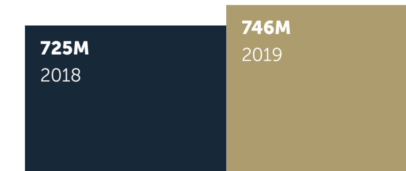
African Mining Services (AMS) is one of the largest contract mining companies in Africa. With close to 30 years' experience, the company provides safe and reliable end-to-end services to a range of clients across the continent. The company prides itself on delivering in some of the toughest environments in Africa and has one of the largest and most reliable mining fleets.

LOGISTICS DIRECT

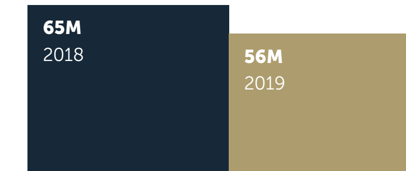
Logistics Direct is a specialist in logistics management and moving mining equipment and goods throughout Africa and around the world. Headquartered in Ghana, the company has more than 20 years of experience and provides expertise in cargo transportation, freight forwarding and customs brokering services.

SEGMENT PERFORMANCE

$746M
Proforma Revenue

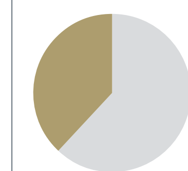


$56M
Proforma EBIT(A)

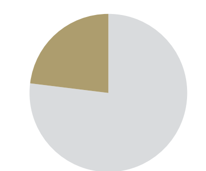


PERCENTAGE OF GROUP

38%
Proforma Revenue



23%*
Proforma EBIT(A)



AFRICA

Our West Africa focused surface mining group AMS, experienced a drop in earnings compared to the prior year, driven largely by the lower performance of the Boungou project in Burkina Faso, the finalisation of contract services at Edikan in Ghana, and overall lower activity in West African exploration.

Various factors have contributed to the under performance of the Boungou gold project and AMS is actively working both internally and with the client to address these issues to ensure this project returns to appropriate and sustainable returns to the business.

The exploration business experienced a decrease in activity due largely to a prolonged wet season in several countries which significantly restricted the ability of the exploration rigs to operate. Activity levels have increased during the back end of the financial year with the focus being to ensure activity levels and rig utilisation is maintained into the new financial year.

Against this backdrop of financial underperformance, it was a year for consolidation and rebuilding for AMS. The business has reviewed its operational model, significantly reduced inventory, fixed asset holdings and most importantly, invested in people and systems including the appointment of a new Chief Executive Officer of the Surface ISG, and Chief Operating Officer of AMS.

During the year, AMS secured a two-year extension to its equipment hire contract at Ghana Manganese Company's Nsuta mine in Ghana, which is expected to generate circa $100 million revenue. The contract is an hourly hire service agreement for load and haul equipment. No major new equipment purchases were required to continue the contract, which is being serviced by existing fleet on site at Nsuta.

In early August 2019 the Group announced it had been selected as the preferred contractor by West African Resources Limited for its Sanbrado Gold Project in Burkina Faso.

The Sanbrado Gold Project is a low-cost, high-grade operation located only 90 kilometres from the country's capital, Ouagadougou.

The project economics are robust, with Sanbrado forecast to have average annual production of 217,000oz gold at all-in sustaining costs of less than US$600/oz in its first five years of mine life.

The AMS scope of work includes a full suite of surface mining services including site preparation, drill and blast, load and haul, and maintenance works over a five year term, generating approximately $235 million in revenue under a schedule of rates contract.

During the year AMS concluded contracts including its mining services contract at Perseus Mining's Edikan and Edikan North gold mines in Ghana after nine years on site.

The outlook points to an improving performance with considerable investment proposed in the gold sector and an apparent appetite of mining companies to invest in projects in West Africa with several operations coming online in the past three years, including Resolute's Mako mine in Senegal.

AMS's safety performance improved with a Total Recordable Injury Frequency Rate (TRIFR) of 1.5, while the Lost Time Recordable Injury Frequency Rate (LTIFR) stood at 0.3.

WHAT "WALK IN THEIR SHOES" MEANS TO ME

"Proactively engaging with each client to evaluate their unique need and how we, as a service provider, can best meet them. I've always believed that when our client wins, we win.

KEVIN RENDELL
AUSDRILL

*Proforma EBIT(A)% excludes Group Function.

Surface Mining

AUSTRALIA

Drilling services in Australia are provided under the Ausdrill brand, which had a solid year in a market that remains very competitive. Ausdrill's service offerings are directly linked to the historic roots of Ausdrill and include exploration, drill and blast, grade control, and geotechnical services.

The market is moving away from a period where clients prioritised price over service in their decision making, with the market now reflecting a greater focus on delivering quality.

Exploration in gold, manganese and iron ore has trended upwards over the past year, with several key clients initiating larger exploration programs heading into the new financial year.

A key focus during the year has been using some of the technology enablers within the business to allow us to differentiate our services. These include innovations in equipment, support systems and data analysis, which have been successfully trialled in exploration and production processes.

During the year the North West and Goldfields exploration service offerings in Western Australia were successfully consolidated into a single business called Ausdrill Exploration with a more focused and dedicated structure.

New work awarded during the year included the provision of exploration drilling services for Consolidated Minerals at the Woodie Woodie manganese mine in the Pilbara region. The 12 month contract began in February 2019 and required five reverse circulation drill rigs and one diamond drill rig.

Ausdrill also secured a job with Bellevue Gold for exploration drilling services at the Bellevue gold project in Western Australia's Eastern Goldfields. The 12 month contract is using four diamond rigs.

A key focus during the year has been using technology enablers within the business to allow us to differentiate our services. These include innovations in equipment, support systems and data analysis, which have been successfully trialled in exploration and production processes.

Part of our strategy to ensure we maintain and attract the highest quality workforce and deliver the best possible service to our clients has been the establishment of a focused training in core skill sets for surface mining to support both the Australian and African operations. The training is based around the key services we deliver and focuses on our technical and operational smarts. It will concentrate on the analysis, prediction, optimisation and support of sites to deliver work. This includes remote expert functionality, where we're able to share our deep knowledge and experience with people in the field who need assistance with a problem or unfamiliar scenarios. This way we can be smarter together to solve any issue and minimise downtime.

In recruitment, we have been more pro-active in improving the gender diversity of our workforce. We've been able to attract more women into both exploration and production, putting more females into field work than ever before.

Looking forward, there are growth opportunities in the year ahead, particularly in the coal sector. There are client owned aged assets in coal which provide potential for clients to make a step change by making use of our technology-enabled rigs and solutions. There is real upside in production mining in Western Australia as new projects come on stream and existing projects pursue increased volumes.

CASE STUDY

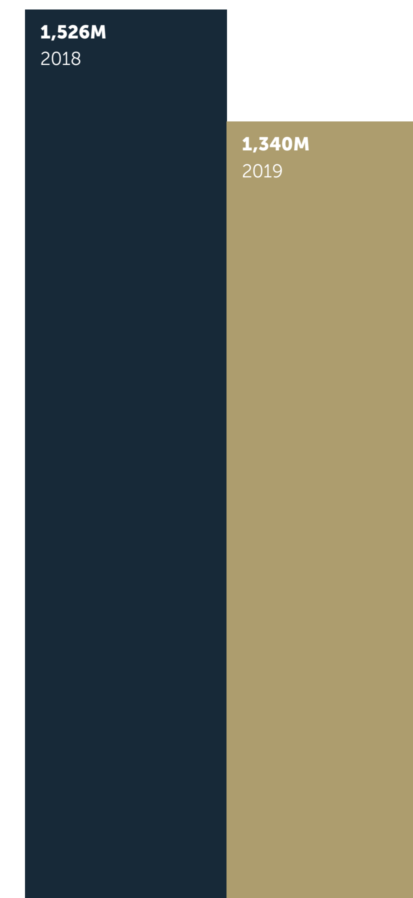
Resolute's Mako mine in Senegal

Gold mining is relatively new to the West African nation of Senegal which brings with it economic benefits. One such project is Resolute's Mako project in the south-east of the country where AMS is the biggest employer in the region with more than 400 people. Pre-production mining began in 2017 and first gold was poured in January 2018. AMS is the key service provider at the site under a contract for drill and blast, load and haul, and crusher feed. More than 90 per cent of the mine's workforce are Senegalese nationals and about 60 per cent hail from the local region of Kedougou. This mine has significantly contributed to the lives of many local people in the region.

Surface Mining

$1,340M

Order book



CASE STUDY

Ausdrill's specialist auto sampler system

Ausdrill has developed and built a specialist auto sampler system for its iconic Rock Commander grade control rig. The pioneering system is in full-time operation in collaboration with a client in the Pilbara. Used in combination with a partner's auto-tagging and locating technology, the machine enables a sample to be collected and bagged without manual handling. It allows a safer, more productive grade control outcome for the client.

TOP 10 PROJECTS

IN ALPHABETICAL ORDER

CLIENT - SURFACE	PROJECT	LOCATION	SERVICES PROVIDED
AngloGold Ashanti	Iduapriem	Ghana	Open pit mining services
Ghana Manganese Company	Nsuta	Ghana	Equipment hire
Gold Fields	St Ives and Granny Smith	Australia	Production drilling and grade control
Hummingbird	Yanfolila	Mali	Open pit mining services
KCGM	Super Pit	Australia	Exploration drilling and grade control
Macmahon	Tropicana	Australia	Production drilling
Nordgold	Bissa	Burkina Faso	Equipment hire
Resolute Mining	Mako	Senegal	Open pit mining services
Resolute Mining	Tabakaroni	Mali	Open pit mining services
SEMAFO	Boungou	Burkina Faso	Open pit mining services

Underground Mining

Perenti's Underground Industry Sector Group (ISG) brings together leading hard rock underground mining service providers Barminco and African Underground Mining Services (AUMS).

Barminco is a name synonymous with the delivery of high-quality underground mining services. Barminco was instrumental in the design and implementation of decline development which transformed underground mining in Australia. Where previously access to the ore body and haulage of ore to the surface was via the use of large, capital-intensive shafts, Barminco pioneered the high-speed construction or development of declining tunnels, or declines, to access the ore body more quickly and cheaper than before. Ore is then hauled to the surface in underground haul trucks. Decline development and truck haulage is now the preferred mining method for most modern underground mines in Australia and Africa.

AUMS was established approximately 12 years ago as a 50:50 joint venture between Ausdrill and Barminco, bringing together Barminco's skills and experience in the delivery of quality underground mining services with Ausdrill's knowledge, experience and client network in West Africa. Since its establishment, AUMS has developed a market-leading position in West Africa.

The Underground ISG has grown to become one of the world's leading hard-rock underground mining services companies with over 3,800 employees and 20 projects spanning 6 countries on 3 continents. Barminco alumni are renowned for being among the best underground miners in the world.

Services provided by Barminco and AUMS comprise of mine construction and jumbo development; production drilling, charging and blasting; loading (including operation of remotely-controlled loaders) and haulage of waste and ore; installation of ground support; equipment supply and maintenance; development of mine services (including air, water, power and ventilation); vertical development; mine design, planning and scheduling; and diamond drilling.

With a large, highly skilled workforce and one of the world's largest fleets of underground mining equipment, the business can mobilise rapidly and deliver consistently to meet the needs of its high-quality client bases. The Underground ISG's ability to consistently deliver is reflected in the length of the relationships it has with its clients, relationships that often span decades and have seen both Barminco and AUMS providing underground services from the day the first cut is taken in the development of a mine.

OUR UNDERGROUND MINING BUSINESSES AT A GLANCE

BARMINCO

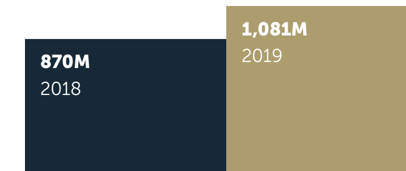
Barminco is a global leader in hard rock mining specialising in rapid high speed mine development, production, diamond drilling, vertical development, design planning and scheduling and equipment supply and maintenance. The business has 30 years' experience in the underground mining industry and has operations across three continents and one of the largest fleets of underground mining equipment in the world.

AFRICAN UNDERGROUND MINING SERVICES

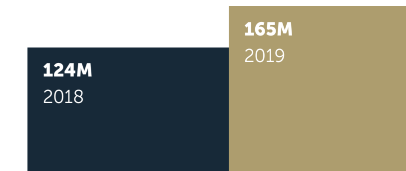
African Underground Mining Services is a specialist underground contract mining services business operating across Africa. The business combines a world class workforce with an extensive fleet of specialist underground mining equipment and has a track record of exceeding productivity targets without compromising safety.

SEGMENT PERFORMANCE

$1,081M
Proforma Revenue

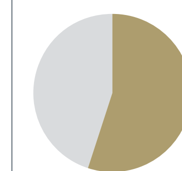


$165M
Proforma EBIT(A)

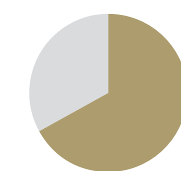


PERCENTAGE OF GROUP

55%
Proforma Revenue



67%*
Proforma EBIT(A)



Under its Chief Executive Officer, Paul Muller, Barminco and AUMS are set to play a leading role in expanding Perenti's geographical reach beyond its traditional markets of Australia and Africa.

PERFORMANCE

The Underground ISG had a very strong year with significant growth on FY18, delivering revenue growth of over 24 per cent on the prior year.

In addition, approximately $3 billion in new work has been won in the past 15 months which is unprecedented in the history of the businesses and comes on the back of a solid operational performance across the portfolio.

Revenue grew in Australia and Africa, with both markets growing through the expansions of current projects coupled with new contract wins.

Barminco estimates that it holds circa 22 per cent of the hard rock underground contract mining market in Australia.

PROJECTS

It has been a successful year with multiple project wins and contract extensions, all of which are equally important to the Group. Of note however was winning the circa $800 million contract at the Zone 5 Mine in Botswana for Khoemacau Copper Mining (Pty) Limited. With client project funding secured, the five years of mining services will begin in December 2019 at an initial rate of 3.6 million tonnes of copper ore per annum. Barminco's scope of services includes mine development, establishment of underground mine infrastructure, diamond drilling and mine production. Work will continue to ramp up beyond FY20 and into FY21.

On top of multiple expansion opportunities and contract extensions at Zone 5, the development is a beachhead for Barminco in the highly prospective Kalahari copper belt, which to date has no other underground mines.

By building a large, safe, reliable and highly-productive mechanised mine in the northern part of Botswana, the Underground ISG will be playing a major role in creating an underground mining industry in that country.

The ISG's work in Botswana will also provide a strategic opportunity to build an operational presence which the Group lacks in Southern Africa.

Neighbouring mining jurisdictions such as Namibia and Zambia provide significant expansion opportunities in this region and would be opportune to facilitate expansion beyond our traditional markets in West Africa.

Another major project in Africa has been the historic redevelopment of AngloGold Ashanti's Obuasi gold mine in Ghana. After being put into care and maintenance in 2016, the century-old mine was revived in FY19 with the award of a circa $530 million contract to an AUMS-led alliance with Ghanaian mining contractor Rocksure International. The project is of national importance to Ghana and will employ about 550 people, predominantly Ghanaians with expatriates providing training, development and specialist skills. This is a large contract for a blue-chip miner in AngloGold Ashanti, which is also our largest single customer.

The Underground Mining Alliance Limited (UMA), split 70/30 between AUMS and Rocksure, will provide a full suite of underground mining services at Obuasi, with major capital equipment supplied by AngloGold Ashanti.

WHAT "NEVER WASTEFUL" MEANS TO ME

" It's about being mindful, every day, of how expensive mining is and to do everything in my power to use my time and our resources as effectively as possible.

ASHLEE WALLING
BARMINCO

*Proforma EBIT(A)% excludes Group Function.

Underground Mining

Work got under way in the second half of FY19 with revenue growth from Obuasi flowing to our FY20 results.

AUMS also announced a circa $220 million contract extension at Roxgold's Yaramoko gold project in Burkina Faso which included the Zone 55 mine and commencement of work at Bagassi South. The 30 month contract, with an option of a 12 month extension, provides underground mining services for both mines, including development and production activities, diamond drilling, and associated services. The project is employing about 300 people including 225 Burkinabe employees.

In Australia, AngloGold Ashanti awarded Barminco a five-year contract extension at Sunrise Dam which, based on the current mining schedule, is worth circa $700 million.

Barminco has partnered with AngloGold Ashanti at the gold mine near Laverton in the Western Australian Goldfields since underground operations began in 2003. Plans are in place to increase annual production beyond the current rate of about 3 million tonnes per annum.

Work at Gold Fields Australia's Agnew mine in the Western Australian Goldfields is continuing under a four-year contract extension worth about $335 million, with an option to renew for a further 12 months.

The contract covers underground mining services at Agnew, including development and production services at the Waroonga mine and diamond drilling at both Waroonga and the New Holland mine.

The Company's foundation contract at Independence Group's Nova nickel-copper-cobalt operation in eastern Western Australia was extended by four years at a value of $240 million, with an option to extend for a further two years. Barminco and Independence Group also agreed to set up a Technology Development Committee to identify and put into action innovative methods and technologies to advance safety and productivity.

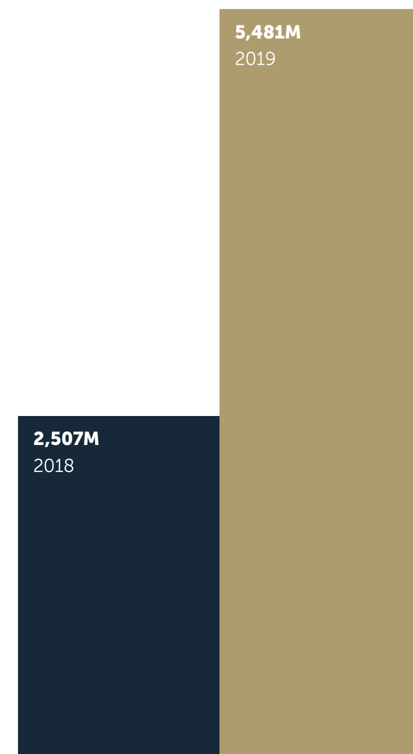
Barminco won a three-year contract worth about $113 million at Regis Resources' Rosemont Gold Project. Regis approved an expansion underground at Rosemont, 130 kilometres north of Laverton, directly below the open pit. Barminco began development work at the underground deposit in the second half of FY19. About 100 people are employed on the project.

The Company also secured a 14 month contract from Western Areas to perform decline rehabilitation and development works at the nickel miner's new Odysseus mine north of Leinster in Western Australia.

The contract builds on Barminco's 14 years of continuous service for Western Areas at Forrestania, which incorporates the Spotted Quoll and Flying Fox mines.

$5,481M

Proforma order book



CASE STUDY

Rhino world first

Barminco has with great success deployed a Rhino 100 raise borer, which is the first in the world to attach a down hole or conventional drilling frame module on the front. The Rhino can bore a 1.1m diameter hole and be operated by one person, eliminating the need for manual handling and therefore improving safety. The machine allows the rapid development of relatively small diameter vertical openings for slots and escape ways. It's fast, efficient and has helped de-bottleneck the production cycle at clients' mines. One was operated in Ghana for 12 months before being introduced to Australia.

Underground Mining

> **We now have two female mining engineers with a further two in training; we are the first company in India to have women working underground full time in supervisory roles.**

In India, Barminco secured a circa $100 million contract extension from Hindustan Zinc Limited at the Rampura Agucha Mine, where it has operated since late 2016. The new underground mining services contract is set to run for three-and-a-half years, subject to review and mutual agreement of rates after the first year. The scope of work includes the extension of development works provided under a completed contract, plus production work in the Barminco-developed area of the mine.

OUTLOOK

The commodity price outlook for the metals and minerals which are mined underground, is relatively strong and the ISG's customers are positive about the future. The tendering team are very busy with a full pipeline of upcoming projects. On the back of the commodity price outlook, pipeline of future projects and a strong operational performance, the Underground ISG is understandably optimistic about prospects for the coming year and beyond.

CASE STUDY

Ground breaking female participation in India - Rampura Agucha Mine

Since commencing work in India at the Rampura Agucha zinc mine with our valued client Hindustan Zinc Limited (part of the multi-national Vedanta Group), Barminco identified in our review of mining industry regulations in India, that the legislation did not allow female employees to perform work underground.

Together with our client and in the true spirit of delivering enduring value and certainty, our leadership team conducted an effective campaign to lobby the DGMS Mines Department in India seeking regulatory change. Following this process, there was a pleasing development in January 2019 when the Indian DGMS released an official circular ratifying legislative change to allow women to work underground, with some restrictions. As a result of this change the Rampura Agucha Mine has become the first mining operation - and Barminco has become the first company - to employ women underground on a full-time basis in India.

In support of this transition, our entire workforce – local and expatriate staff alike - are working closely and harmoniously to deliver world class outcomes for our valued client. Investment is now being made to implement facilities on-site to facilitate ongoing growth in female participation rates in our underground mining operation.

We now have two female mining engineers with a further two in training; we are the first company in India to have women working underground full time in supervisory roles. Not only is this great for our business – our new leaders are immensely enjoying the opportunity they have to work underground alongside their underground colleagues at Rampura Agucha!

TOP 10 PROJECTS

IN ALPHABETICAL ORDER

CLIENT	PROJECT	LOCATION	SERVICES PROVIDED
AngloGold Ashanti	Nyankanga	Tanzania	Underground mining services
AngloGold Ashanti	Star and Comet	Tanzania	Underground mining services
AngloGold Ashanti	Sunrise Dam	Australia	Underground mining services
Centamin	Sukari	Egypt	Underground mining services, diamond drilling
Gold Fields	Agnew	Australia	Underground mining services, diamond drilling
Independence Group	Nova	Australia	Underground mining services
MMG	Dugald River	Australia	Underground mining services
Newmont Ghana Gold	Subika	Ghana	Underground mining services
Roxgold	Yaramoko	Burkina Faso	Underground mining services
Western Areas	Spotted Quoll	Australia	Underground mining services

Investments

Perenti's Investments Industry Sector Group (ISG) comprises several companies that provide a range of mining support services. Our Investments ISG includes equipment and parts supplier BTP, assaying services company MinAnalytical, mining services and solutions provider Supply Direct, as well as oil and gas equipment supplier Well Control Solutions.

Our Investments ISG saw solid improvement in their performances in FY19, with combined earnings improving by 34 per cent on the prior year.

BTP

BTP is a leading equipment and parts supplier to the mining industry. The company sells and rents a range of used heavy mining equipment and parts to its clients, and, rebuilds equipment and components at its specialist facilities. BTP has one of Australia's largest fleets of modern and well-maintained excavators, dump trucks, dozers, graders and ancillary equipment, and offers a viable and cost-effective alternative to original equipment manufacturers.

BTP had another year of growth with strong profits. The second half performance was better than the first, reflecting the strength of the underlying maintenance cycle and a project of rebuilding five dump trucks for sale to a customer, which were major contributors to the strong second half result.

Industry-wide demand for equipment has seen utilisation rates improve following a lengthy period in which customers curbed operational growth.

That reinvestment cycle is starting to take effect but is being challenged by long delivery lead times which means existing equipment is highly utilised. The spare capacity that was in the market demonstrated by idle equipment has been largely absorbed.

OUR INVESTMENTS BUSINESSES AT A GLANCE

BTP

BTP is a leading heavy equipment, maintenance and refurbishment service provider to the mining industry. The business sells used equipment; rents a range of heavy mining equipment; refurbishes mining equipment, components, cylinders and engines; and sells parts to its customers. BTP offers a viable cost-effective alternative to original equipment manufacturers.

SUPPLY DIRECT

Supply Direct, headquartered in South Africa, offers superior supply chain and logistic solutions for its customers. The business provides single source tailored mining supply services to mines across Africa with solutions from large-scale used equipment, engines, refurbished components, light vehicles through to everyday parts and consumables.

MINANALYTICAL

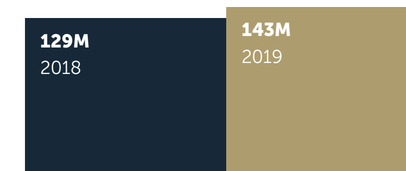
MinAnalytical is an innovative mineral assaying laboratory based in Perth and Kalgoorlie that provides a comprehensive range of high quality geochemical analytical techniques for most commodities, including a world first photon assay X-ray that is safer, more environmentally friendly and radically reduces process times for analysing gold samples.

WELL CONTROL SOLUTIONS

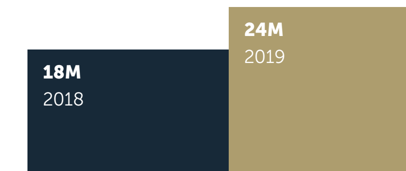
Well Control Solutions is a well control equipment supplier providing equipment, maintenance services and parts to oil and gas projects throughout Australia. The company is a local agent for top global OEM brands.

SEGMENT PERFORMANCE

$143M Proforma Revenue

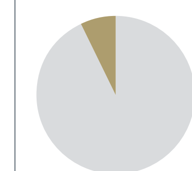


$24M Proforma EBIT(A)

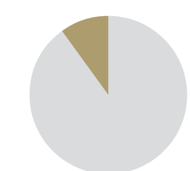


PERCENTAGE OF GROUP

7% Proforma Revenue



10%* Proforma EBIT(A)



Achieving increased production means keeping your existing equipment working and our business growth comes from that underlying demand.

In the maintenance services sector, refurbished components and refurbished engines are in demand with skilled labour in short supply. BTP has focused on the discipline of planning and scheduling to get the best outcome for our customers. Sophisticated clients recognise the challenges and are doing what is necessary to get the equipment parts and maintenance services that they need.

BTP has invested in additional rental equipment to keep pace with demand but ensured they were obtained at a price which generate returns that meet the Group's targeted return on capital. The goal is to remain competitive through the cycle.

Part of the value proposition is to target equipment that has low hours or is approaching its first life rebuild. By acquiring intelligently, we use our rebuild capability to extend the lives of equipment and keep the cost profile competitive.

BTP predominantly operates in the gold, coal and iron ore sectors, servicing a broad range of customers from Tier 1 to mid-tier miners, owner-miners and contractors.

Clients include Peabody Australia, BHP, Rio Tinto, Fortescue Metals Group, NRW Holdings, MACA and Macmahon Holdings.

BTP has been a key partner of Peabody's since 2015, and in FY19 secured a three-year contract extension worth $126 million to continue renting mining and ancillary equipment to Peabody's coal mines in New South Wales' Hunter Valley and Queensland's Bowen Basin. Peabody has an option to extend the contract by a further two years.

We expect continued growth by capitalising on available opportunities. BTP will benefit from organic growth within the industry, including the multi-billion-dollar iron ore projects under construction in Western Australia's Pilbara region including BHP's South Flank, Rio Tinto's Koodaideri and Fortescue Metals Group's Eliwana.

Growth is also driven by investing in our people. Through skills upgrades and training and development programs, we will have a more skilled and productive workforce with the capacity to grow our revenue and earnings. We are focusing on being the employer of choice, attracting new employees and retaining them.

A lack of investment across the industry over the past few years has seen people leaving the sector and not being replaced by apprentices qualifying as trades people, which has created a void. We are focused on supporting local markets. Our goal is to play a role in consolidating the workforce by creating opportunities for our own people, having sustainability, and building the capability and talent pool over time in Australia.

We would rather have more apprentices in our business, more upgrade programs and more leadership programs so people remain in Australia through the cycle. To that end, the number of apprentices in BTP has increased from six, three years ago, to 34, and we are looking to take that above 40. For a business that has about 200 people, that represents a significant investment in the future.

WHAT "SMARTER TOGETHER" MEANS TO ME

> As an apprentice I work with a range of different people who have so much knowledge and experience. This helps me learn faster, work better and continue to grow for the future.

LUKE SMITH, APPRENTICE
BTP

*Proforma EBIT(A)% excludes Group Function.

Investments

MINANALYTICAL

MinAnalytical is an innovation driven minerals laboratory based in Perth and Kalgoorlie that provides prompt, high-quality and personalised analytical services to Western Australia. The company provides a comprehensive range of high-quality geochemical laboratory techniques for most commodities including a world first photon assay X-ray that radically reduces process times for analysing gold samples.

This was a transformational year for assaying business MinAnalytical following the introduction of disruptive technology that is set to revolutionise assaying services, in which MinAnalytical holds certain exclusive rights.

Using X-rays to conduct gold analysis, the Chrysos PhotonAssay machine has slashed waiting times to hours from days compared to traditional fire assays. Developed by CSIRO and commercialised by Chrysos Corporation, the first machine began operating in Perth in April 2018 under MinAnalytical's Australian exclusivity.

CASE STUDY

Q2 units greatly improves safety

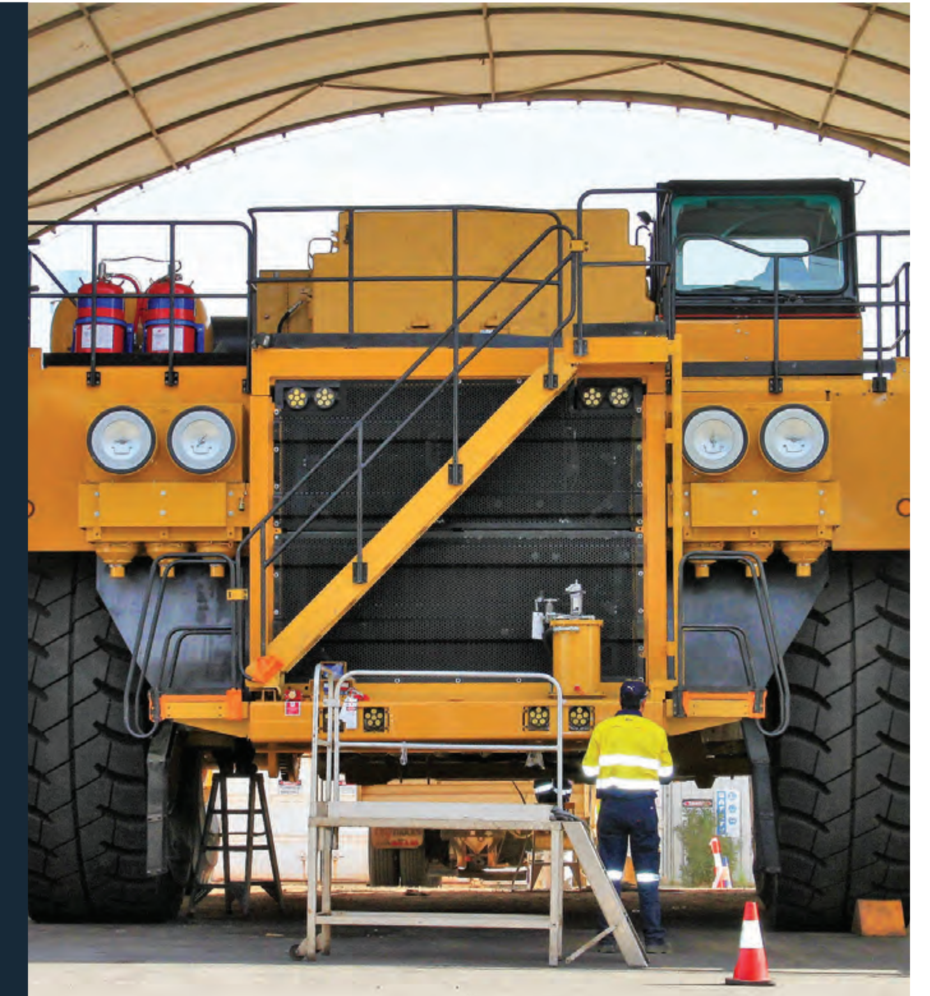
BTP has been one of the first companies in Australia to trial safety technology that helps reduce vibration-related injuries among employees. The Q2 personal vibration monitors produced by a UK-based company, track a worker's exposure to vibration emissions in real time. The device's accuracy and automation in measuring vibration levels has enabled BTP to introduce initiatives to lower vibrations. This has ensured safer and more comfortable operation of machinery and tools. It's especially relevant where vibration levels have exceeded manufacturers' specifications because of wear and tear. Following the success of the trials, there are plans to roll out the Q2 units across Perenti.

Investments

CASE STUDY

BTP rebuild five Cat 793 dump trucks

In a timely response to the current market environment, BTP struck an agreement with a customer to completely refurbish five Cat 793 dump trucks. There was a high degree of collaboration between the two companies throughout the project. In a market that is tight for high quality resources, characterised by longer lead times and requirements for shorter project turnaround, BTP and the customer shared critical resources which were in short supply as part of the rebuild program. Under this unique arrangement the customer was provided with a high quality product that met their needs. The project demonstrates BTP's flexibility to meet its customer's requirements with a solution that can be replicated for other customers.



The Company took delivery of a second unit in June 2019 for use in Kalgoorlie with commercial sampling beginning in August 2019. This places the service closer to customers in the heart of the Goldfields. While the Perth unit has been focused on exploration the Kalgoorlie instrument can be used for grade control production work, which has less volatility through the mining cycle. Automation of the process will also make costs more predictable.

The device's accuracy and automation in measuring vibration levels has enabled BTP to introduce initiatives to lower vibrations.

The introduction of the photon assay technology meant it was a capital-intensive year for the business.

Revenue grew during the year and operational costs are expected to come down as the business bears the fruit of its ground breaking investment.

SUPPLY DIRECT

Supply Direct is an Africa-focused business which procures and supplies equipment, parts and consumables for mining, processing and construction. The business has branches in Perth, Johannesburg and London. It caters to both Perenti owned companies and external customers.

Supply Direct develops relationships with suppliers and use its scale to negotiate good deals and more competitive offerings. The business enjoys a high return on capital and has been able to expand its margins in the past year.

WELL CONTROL SOLUTIONS

Well Control Solutions primarily serves the onshore coal seam and conventional oil and gas industry in Australia as an agent and distributor for globally manufactured onshore well control equipment and pump parts. It sells, rents and services blowout preventers and associated pressure control systems.

The business's revenue increased more than 50 per cent in FY19 on the back of a stronger market and an expanding customer base.

A strong result in a transformational year

INTRODUCTION AND APPROACH TO REPORTING THE FY19 RESULTS

The financial year ended 30 June 2019 has been transformational for the Group. The acquisition and integration of Barminco and the formation of Perenti has positioned the Group well for the future.

Financially, the underlying result for the year has been strong, with the Group delivering a normalised NPAT of $103.1 million which reflects a 5 per cent increase on guidance.

The financial results are, without question, complicated and potentially confusing, largely due to the acquisition of Barminco, but also due to a number of one-off events that have impacted the Group during the year.

From a statutory perspective, the results, which are reflected in the audited financial statements, have been prepared in accordance with the relevant accounting standards and other regulatory requirements. There are, however, a number of different approaches to presenting the results that the Company has considered to ensure the results are presented in a way that provides the most meaningful numbers to enable the majority of the users of the financial statements to understand how the business has performed.

The following table outlines the three approaches reported by the Company:

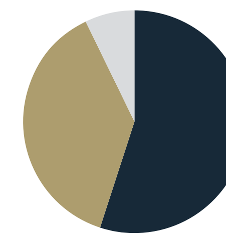
The Group has previously provided guidance in relation to the underlying statutory result, which we are very happy to report was exceeded.

The Group believes the most meaningful way to present the performance of Perenti is to use the underlying proforma results for the period, and for comparative purposes to compare those results to the proforma results for the prior financial year.

This approach enables a clear comparison of like for like numbers, and more importantly, reflects the current structure of the Group and thus provides a genuine base line against which the future performance can be monitored.

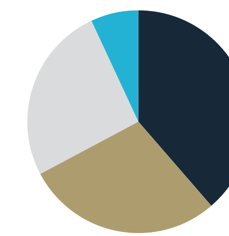
STATUTORY RESULTS	UNDERLYING STATUTORY RESULTS	UNDERLYING PROFORMA RESULTS
INCLUDES		
12 months of the former Ausdrill result	12 months of the former Ausdrill result	12 months of the historic Ausdrill result
8 months of Barminco results	8 months of Barminco results	12 months of Barminco results
8 months of 100% of AUMS results	8 months of 100% of AUMS results	12 months of 100% of AUMS results
4 months of 50% of AUMS results (equity accounted profits)	4 months of 50% of AUMS results (equity accounted profits)	
EXCLUDES		
No adjustments	One-off non recurring adjustments including but not limited to the gain made as a consequence of the Barminco acquisition and the impairments.	One-off non recurring adjustments including but not limited to the gain made as a consequence of the Barminco acquisition and the impairments.

	STATUTORY RESULTS	UNDERLYING STATUTORY RESULTS	UNDERLYING PROFORMA RESULTS
Revenue	1,638.4	1,638.4	1,969.8
EBIT	207.2	180.7	217.0
One-off NPAT(A) adjustments	-	78.2	53.1
NPAT(A)	210.4	103.1	128.3
Guidance	Not applicable	98.0	Not applicable



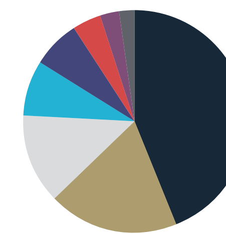
Proforma Revenue by ISG

Underground	55%
Surface	38%
Investments	7%



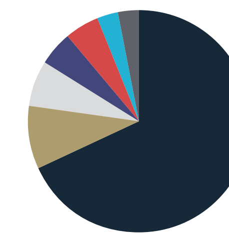
Proforma Revenue by Project

Top Project	7%
Top 2 to 10 Projects	39%
Top 11 to 20 Projects	25%
Remaining Projects	29%



Proforma Revenue by Country

Australia	44%
Ghana	19%
Burkina Faso	13%
Mali	8%
Tanzania	7%
Egypt	4%
Senegal	3%
Other	2%

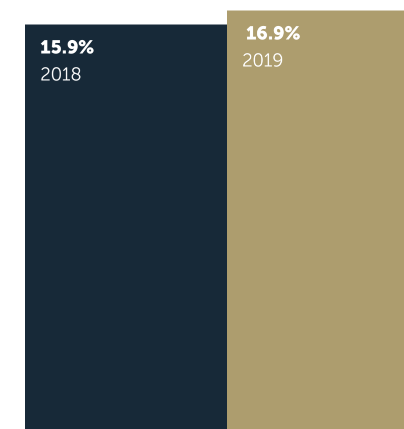


Proforma Revenue by Commodity

Gold	69%
Nickel	9%
Zinc	5%
Manganese	4%
Iron Ore	3%
Coal	3%
Other	7%

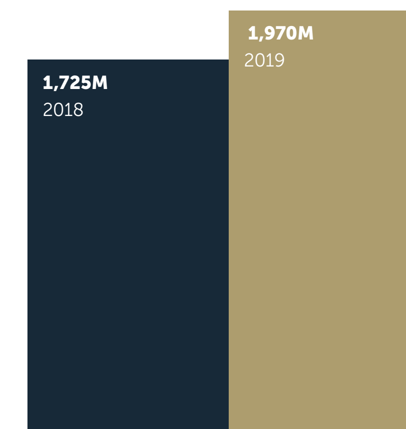
16.9%

Proforma ROACE



$1,970M

Proforma Total Revenue FY19



UNDERLYING PROFORMA RESULTS

Proforma revenue for the year was $1.97 billion representing annual growth of 14 per cent with the Surface, Underground and Investments Industry Sector Groups (ISGs) all making a positive contribution.

The acquisition of Barminco has delivered a significant improvement in the diversification of the Group's revenue profile. This broadening of the Group's earnings base will result in greater revenue stability, coupled with the reduction in risk to profit which will be delivered through an increased level of diversification in relation to service offerings, geographic reach and exposure to individual contracts and clients.

Geographically, the new Perenti generates 44 per cent of its revenue from the Australian market, 55 per cent from Africa and 1 per cent from India. Africa is often viewed as one jurisdiction, which it is not. Africa is a continent with 54 independent countries, all of which are different and all of which provide the Group with unique opportunities whilst presenting different risks and challenges.

Perenti operates in nine countries in Africa, with Ghana, the second largest market, generating 19 per cent of proforma revenue for the year.

The transformational changes to the Group has seen our underground offering, which in prior years was limited to revenue generated by our 50 per cent investment in African Underground Mining Services (AUMS), become our largest source of revenue. The Underground ISG delivered 55 per cent of the proforma revenue for FY19, with a similar level of contribution expected in the coming financial year. Revenue delivered by this ISG has historically remained relatively stable through the cycle due to the combined impact of the long-term nature of the relationships that are formed in the sector, and the increased propensity for underground mines to trade through the cycle. This resilience is due, in part, to the relative high costs associated with placing an underground mine in care and maintenance. These factors, when combined with the high-quality mines in both the underground and surface portfolios, and their position on the cost curve, will ensure sustainable base level earnings upon which the Group can grow.

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A strong result in a transformational year

Our Surface ISG, which derives 72 per cent of its revenue from the African market, accounted for 38 per cent of revenue in the year. The Surface ISG has delivered modest revenue growth compared to the prior year.

The remaining 7 per cent of the Perenti Group's revenue was delivered from the various businesses within the Investments ISG.

The expansion of the Group, and the broadening of the number of projects contributing to the overall consolidated result, has led to an increased level of diversification of our project and client base. The single largest project in the portfolio delivers less than 7 per cent of the Group's revenue for the year on a proforma basis. The top 10 projects in our portfolio collectively contributed 46 per cent of revenue during the year. Although all our projects and contracts, irrespective of their size, are extremely important to us, we are not beholden to any one project to deliver our desired returns to our shareholders.

The final element of diversification relates to the Group's commodity exposure. We see 69 per cent of our revenue coming from gold projects, with the balance of revenue generated from a basket of nine commodities.

Commodity diversification, or the weighting of our commodity exposure, is more of an outcome than a strategic driver.

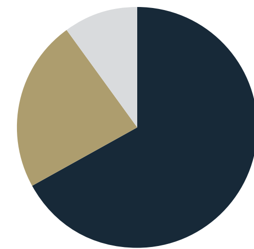
When identifying and selecting projects and contracts, our focus is the quality of the client, the quality of the project, the jurisdiction risk and the results we can achieve through the deployment of our capital. Our people, equipment and processes can work across commodities and are easily transferable. Consequently, our commodity exposure is largely the outcome of securing quality projects, it is not the outcome of targeting specific commodities.

Proforma EBIT(A) for the year was $217 million representing annual growth of 15 per cent. This strong result incorporates mixed performances from the ISGs and highlights the benefits of the portfolio structure of the Perenti Group. In all businesses there will be elements performing above expectation, elements performing below expectation, and some that deliver as expected. The key is to ensure that, collectively, opportunities are realised and underperformance is addressed.

The strong performing ISG at the EBIT(A) level during the financial year was Underground, delivering 67 per cent of the overall Group result and achieving commendable year-on-year growth in both absolute dollar terms and the margins achieved.

The Underground EBIT(A) of $165 million was up 34 per cent on the prior period. The EBIT(A) margin at 15.3 per cent was up 8 per cent on the already very commendable margin delivered in the prior period. These margins represent historic highs and, consequently, we do not expect to see them increase above these levels in the near term. The Group's focus will be to maintain these margins into the coming financial year against the downward pressure that will come as we ramp up new projects, where initial margins are always lower until achieving a steady run rate.

The EBIT(A) and related margin generated by the Surface ISG for the year was below target, with an EBIT(A) of $56.4 million at a margin of 8 per cent delivered. This result reflects a reduction of 14 per cent in the absolute number and a reduction of 16 per cent in the margin achieved last year. This full year result is broadly consistent with the result delivered in the first half of this financial year and largely reflects the underperformance of the Boungou project in Burkina Faso, coupled with the results delivered by our African exploration activities.

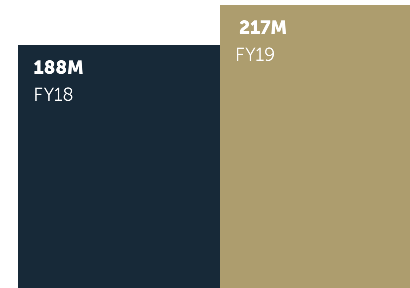


Proforma EBIT(A)

●	Underground	67%
●	Surface	23%
●	Investment	10%

$217M

Proforma EBIT(A)



WHAT "ENABLE TOMORROW" MEANS TO ME

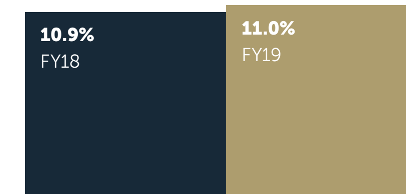
Actively embracing change by continuously developing and improving our assets, and enabling new technologies to improve safety, reliability, and the level of service required by our clients.

ERIC BONNEY
AUSDRILL

A strong result in a transformational year

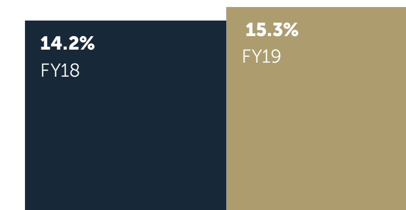
Group

Proforma EBIT(A) Margin



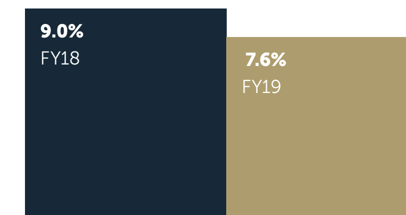
Underground

Proforma EBIT(A) Margin



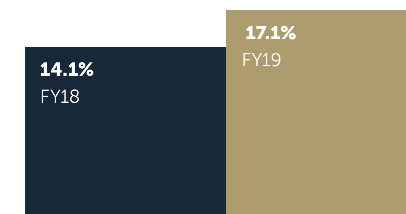
Surface

Proforma EBIT(A) Margin



Investments

Proforma EBIT(A) Margin



The performance of the Surface ISG, specifically its operations in Africa, has been a focus and will continue to be a focus until we see the ISG return to its historic margins and deliver quality revenue growth, both outcomes that we expect will be achieved in the coming years. The focus on Africa has included the appointment of a new Chief Executive Officer of our Surface ISG and a new Chief Operating Officer for AMS, combined with the investment in several other key roles within the Group, a new accounting system and an increased focus on systems and processes.

Our Investment ISG, similar to the Underground ISG, experienced a very solid year delivering EBIT(A) of $24.4 million, up 34 per cent on the prior year, with an equally impressive improvement in the EBIT(A) margin which was up 21 per cent on the prior year to an impressive 17.1 per cent.

Capital discipline has been a focus for Perenti under the new Group Executive and will continue to be a focus into the future.

The services we offer in the Underground, Surface and Investment ISGs are capital intensive, thus it is imperative for the Group that we manage the allocation of capital efficiently to ensure quality sustainable earnings. Equally, it is important that we focus on cash flow conversion and working capital management to further ensure we achieve the best possible use of our capital.

Cash flow conversion, which we measure as the conversion of EBITDA to cash inflow to the Group was 89 per cent for the year, a result delivered through ongoing working capital management. This involves ensuring we get paid on time, we manage inventory levels appropriately and we pay creditors on terms. The 89 per cent conversion for FY19 reflects a significant improvement on the 78 per cent reported in the Group's half year results.

This result reflects a commendable improvement, however, we will continue to focus on both the management of receivables and inventory levels across the Group, as we still believe there is room for working capital improvement.

The improved cash flow conversion saw the Group finish the year with a cash holding of $223 million compared to the $199 million reported at the December half. This increase in cash led to a reduction in the Group's net debt to $533.9 million, resulting in a net leverage ratio of 1.3x.

At 1.3x Group leverage ratio is well within the Group's comfort levels and reflects a reduction of the ratio at the half of 1.4x and the ratio prior to the Barminco acquisition of 1.4x.

The Group's return on average capital employed (ROACE), a key metric for determining our success in capital allocation, for the year was 16.9 per cent, based on underlying proforma EBIT(A), a result that was consistent with the number delivered in the first half. As with the EBIT(A) contributions, the drivers of the Group ROACE were the delivery of a very strong result from the Underground ISG coupled with a solid result from the Investments ISG, that was unfortunately offset by an underperformance of the Surface ISG.

ONE-OFF ADJUSTMENTS

The results for the year were impacted by several one-off adjustments, the net impact of which was positive $78.2 million on the statutory net profit after tax.

The one-off adjustments which have been fully disclosed in the financial statements are summarised in the table below.

Several of the items summarised in the table below have multiple elements and there is some complexity to the calculations.

FY19 UNDERLYING NPAT(A) ADJUSTMENTS

Gains made on the acquisition of Barminco	198.4
Transaction and one-off costs	(39.1)
Non-cash asset impairment	(113.6)
Net foreign exchange gain	1.0
Non-cash amortisation of customer related and software intangibles	(29.1)
Taxation benefit	60.6
Total underlying impact	**78.2**

A strong result in a transformational year

The following commentary provides a high-level explanation of the rationale and drivers for the adjustments.

Gain made on the acquisition of Barminco

The primary element of this positive adjustment relates to a gain made on the revaluation of Ausdrill's historic 50 per cent interest in AUMS. Prior to the acquisition of Barminco, AUMS was a 50:50 joint venture between Barminco and Ausdrill. Upon completion of the acquisition, the Group was required to revalue the 50 per cent share that was historically held by Ausdrill so that its value was the same as the amount paid for the 50 per cent that was acquired when Barminco was purchased.

Transaction and one-off costs

Several costs were incurrent that related specifically to the acquisition of the Barminco business. These costs included fees payable to various advisors, together with a number of redundancy costs which occurred during the integration process.

In addition, this category also includes the following individual items that, on a stand-alone basis, are not material. These amounts include:

- The profit and loss impact of the fraud which was communicated to the market on 17 April 2019.
- The mark to market costs associated with the cancellation of a cross currency swap relating to the historic Barminco debt structure. The close out of the swap generated a positive cash inflow of $8.4 million, and a noncash accounting loss of $5.7 million.
- The costs of refinancing activities undertaken which were not concluded. As announced on 17 May 2019 the Company elected not to proceed with the refinancing of its current debt structure following a notable deterioration in the US debt markets. There is no urgency to refinance the business; the Company's existing debt structure has a long tenure, with the core US HYB debt not due for repayment until May 2022.

The Company will, however, continue to monitor the debt markets between now and the maturity date of this core debt and will move to refinance the current capital structure if all indications are that the refinance will deliver a financial positive outcome to the Company.

Non-asset impairment

Following a review of the Energy Drilling Australia business and assets, a decision was made to impair the assets of this business to reflect their book value. The majority of these assets were sold during the second half of the year, generating a small profit on sale.

In June 2019 the Company released an ASX announcement foreshadowing that a non-cash impairment in the range of $75 million to $95 million would be reflected in the accounts for the year ended 30 June 2019. The final impairment of $82.4 million reflects the impairment of assets which were historically part of the Ausdrill Group.

The impairment has two primary elements, an impairment of the AMS cash generating unit (CGU) which sits within the Surface segment of the business with the impairment ultimately flowing to several items of property, plant and equipment and other assets held in Africa.

In addition to the CGU impairment, several items of inventory and property plant and equipment held by the Surface and Investments ISGs in Australia were also impaired to reflect a deterioration in their value.

Net foreign exchange gain

The Company has adjusted for the net realised and unrealised foreign exchange gain/loss to provide a more accurate comparison of the underlying financial results for the year ending 30 June 2019.

Amortisation of intangibles

As result of the acquisition of Barminco, the Company booked intangible assets relating to software, customer contracts and relationships, this intangible asset is then amortised effectively over the term of the contracts to which it relates.

Taxation benefit

The net tax effect of all the one-off adjustments noted above.

A strong result in a transformational year

BUSINESS AND SUSTAINABILITY RISKS

The Group's operations are diverse and it operates in many geographies and markets. As a result, its operations are impacted by both global and local factors and it is exposed to a range of market, financial, operational, and socio-political risks that could have an adverse effect on the Group's future financial prospects. These factors may arise individually, simultaneously or in combination. A wide range of risk factors have the potential to affect the achievement of business objectives. Key risks, including those arising due to externalities such as the economic, natural and social operating environments, are set out below, together with the Group's approach to managing those risks.

The risks identified describe certain factors and trends that have the potential to have a material adverse impact on the financial condition and results of operations. The factors are not necessarily listed in order of importance and are not intended as an exhaustive list of all the risks and uncertainties associated with the Group's business. Additional risks and uncertainties not presently known to management, or that management currently consider to be immaterial or manageable, may adversely affect the Group's business.

The Group has a consistent, proactive approach to risk management across operations globally aligned with ISO 31000, as well as the ASX Principles and Recommendations. The Group's commitment to strong governance extends through to the approach taken to risk management systems and controls.

For further information on the Group's risk management framework, refer to our Corporate Governance Statement at perentigroup.com.

Mining industry risks and competition

The performance of the mining industry and the level of competition faced by the Group and its clients have the potential to impact the Group's performance. Industry factors affect the level of new mining services contracts and renewal of existing contracts, as well as the production levels at the Group's clients' mines. This in turn, has the potential to impact the sales revenues achieved by the Group and operations undertaken by the Group. These risks are explained in more detail as follows.

Level of new mining services contracts and contract renewals

Mining services provided under contracts represent a large portion of revenues for services provided for contract mining, drill and blast, grade control, equipment hire and exploration drilling services. Under most of the Group's mining services contracts the mine operator contracts the Group to undertake work in accordance with a work schedule. The Group's mining services contracts, other than equipment hire contracts, exploration, and assaying are typically for terms between three and five years. Some contracts, typically exploration contracts, have a shorter term, generally of one year, while equipment rental contracts have varying terms from three months to two years.

Generally, in the mining industry, most contracts can be terminated for convenience by the client at short notice and without penalty, with the client paying for all work completed to date, unused material and, in most cases, demobilisation from the sites and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in any future period.

Consequently, results from operations are affected by the number of new contracts the Group commences during a period, the number of existing contracts that are renewed during a period and the number of contracts that expire without renewal or extension, or which are otherwise terminated during a period.

Contracts are at risk of termination or non-renewal due to the client having no further need for the service, such as 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 non-renewal as a result of competition if the client seeks to use an alternative mining services provider to provide the service, or if the client decides to bring the contracted services in-house.

Risk management approach

- The Group has historically had a strong record of completing contracts to term and securing contract extensions.
- The Group is selective in the contracts that it enters into to allow for options to extend where possible to maximise the contract period and the return on capital.
- The Group focuses on ensuring execution of work to a high standard and improving its operation to increase its value proposition to clients.
- Application of the Group tender work procurement and approval processes maximises the likelihood of securing quality work with commensurate returns for the risks taken.
- The Group maintains a work portfolio diversified by geography, market, activity and client to mitigate the impact of emerging trends and market volatility.

WHAT "NO SHORT-CUTS" MEANS TO ME

This principle is very important because, as a science-based business, process is critical. It ensures we always maintain our high standards and continue to provide the quality products our customers expect from us.

LAN WANG
MINANALYTICAL

A strong result in a transformational year

Production levels at clients' mines

The Group's activity levels and results are dependent on production levels at clients' mines and mining remaining economic to continue production at current mines. Mining services provided in relation to the production phase (including development and rehabilitation work) of a mine represent a large part of sales revenue. Revenues are associated with, and influenced, by long-term decisions of mine owners to continue producing at their current levels or to expand production at new or existing mines. Under most of the Group's mining services contracts, a portion of the revenue is earned through a variable component, primarily based on a unit of production agreed in the contract. Consequently, mining services revenues are linked to the volume of materials moved or drilled and not to the short-term price of the underlying commodity or short-term fluctuations in the profitability of the underlying mines. Mines in the production phase of their life cycle typically generate stable revenues because production volumes are relatively stable, even during commodity downturns. A downturn in expenditure in the mining sector typically impacts existing production projects last, with areas such as exploration and infrastructure construction services typically cut first.

Risk management approach

- The Group derives most revenues from mines which are already in production. The Group has limited its exposure to the exploration activities market which has been volatile as the level of activity is generally linked to market sentiment surrounding the outlook for commodity prices and also the ability of smaller junior mining companies to fund such activities from capital which is often raised in the equity markets.
- The Group focuses on providing services to large lower-cost producers which are not subject to the same production risk as higher-cost operations.

Instability and security risks in some jurisdictions we operate in

The Group's African operations are subject to heightened business risks including health risks, political instability, nationalisation and localisation policies, war or civil disturbance, terrorism, abduction, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks, legal and taxation risks, risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries, workforce instability, harsh environmental conditions and remote locations.

Changes in regulation in overseas jurisdictions, including changes in the way regulations are managed and enforced, have the potential to impact the Group's performance (for example, if the Group is unable to comply with new legislation, or if new regulation leads to significantly higher royalties and taxes).

Risk management approach

- Board approval is required to enter a new jurisdiction.
- The Company ensures that it has a comprehensive understanding of the overseas jurisdiction (including the social, political and regulatory environment) before entering it.
- Management monitors the Group's current and potential geographies, industries, activities and competitors on an ongoing basis.
- The Group employs a Group Manager – Security and Emergency with regular reporting on security matters.
- There is ongoing communication with the businesses and reporting on operations and developments in all jurisdictions in which the Group operates.

A strong result in a transformational year

Foreign exchange risk

The Group denominates its consolidated financial statements in Australian dollars. Broadly speaking, the Australian operations are Australian dollar denominated and the African operations are U.S. dollar and Euro denominated. The Group is exposed to fluctuations in the value of the Australian dollar against other currencies, as the Group's consolidated financial results are reported in Australian dollars. If the Group generates sales or earnings or has 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 net assets.

Fluctuations in foreign currency exchange rates may also make period to period comparisons of results of operations difficult.

The African operations often bid on contracts in U.S. dollars, but a portion may be paid in local currency and is therefore exposed to transaction risk. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue the Group earns may be affected where rise and fall mechanisms in the contracts are not perfectly correlated. Where the Group earns revenue in a local currency it is exposed to exchange rate risk from time of invoice to the time of converting the local currency back to U.S. dollars. In addition, the Group purchases capital equipment in various currencies.

The Group does not generally hedge its normal operating foreign exchange exposures. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with financial liabilities and vice versa. The Group does not engage in any speculative trading activities.

Risk management approach

- The Group uses a natural hedge through its U.S. dollar denominated overseas contracts.

Labour costs and availability

Labour represents a significant portion of operating expenses. In order to compete for work and to service clients, the Group needs to be able to continue to attract and retain skilled employees. Consequently, the Group is exposed to increased labour costs in markets where the demand for labour is strong.

Changes to labour laws and regulations may limit productivity and increase costs of labour. If implemented and enforced, these types of changes to labour laws and regulations could adversely impact revenues and, if costs increase or productivity declines, operating margins.

Risk management approach

- The Group's labour costs are typically protected by rise and fall mechanisms within client contracts, which mitigate the impact of rising labour costs.
- In Australia, wage labour costs are typically governed by agreed enterprise agreements, which set out agreed wage increases within defined periods of time.

Health and safety risk

The Group's operations are subject to many hazards inherent in the mining services industry. 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. Even though our commitment to health and safety is one of our core business objectives, and safety and Total Recordable Injury Frequency Rates (TRIFR) are being reduced, it is possible that we will experience accidents (including fatalities) in the future, causing our health and safety record to deteriorate.

Risk management approach

- The Group is committed to providing safe and healthy working conditions for its employees, contractors and visitors. The Group supports a safety conscious culture and provides appropriate training and supervision, which promotes and embeds safe operating practices throughout the Group.
- The Group has established OH&S management systems consistent with international standards and is in the process of developing a Pandemic Plan in conjunction with leading medical and travel security organisation. The Group seeks to continually improve its OH&S management systems to eliminate hazards and minimise health and safety risks. The Group's Safety and Health Policy provides the corporate framework for managing health and safety risks.

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Supply chain risk

The Group sets high standards when sourcing its equipment, with a particular focus on safety and innovation. As a result, the Group relies on a number of key suppliers to support its operations.

Increased demand for equipment across the Group, coupled with the Group's reliance on a number of key suppliers, leads to the risk of supply chain interruptions due to inability to obtain equipment when needed. This could also occur as result of a key supplier failing to meet its contractual obligations.

Risk management approach

- The Group seeks to accurately forecast and plan equipment needs to avoid any break down in its supply chains.

Regulatory risk

The Group must meet regulatory requirements which are subject to continual review and the Group is subject to periodic inspection by regulatory authorities. Failure to continuously comply with regulatory requirements, or failure to take satisfactory corrective action in response to adverse inspection outcomes, could result in enforcement actions and have adverse financial consequences. This, in turn, could have an impact on the reputation of the Group (discussed below).

The Group is also subject to changes to laws and regulations in all jurisdictions in which it operates. These changes can have a significant effect on operations and compliance costs.

Risk management approach

- The Group is committed to ensuring it complies with all legal and regulatory requirements of all jurisdictions that it operates in.

Sustainability and climate change risks

The Group is committed to minimising the impact of its operations on the environment through education of employees, best practice procedures, compliance with legislative requirements and conforming to any specific environmental requirements of individual sites and clients.

Physical climate change effects that have the potential to impact the Group include changes in weather patterns such as increased temperatures, altered rainfall patterns, and more frequent or intense extreme events such as heatwaves, drought, storms and increased frequency of natural disasters. These may cause damage to infrastructure and assets, major business disruption and increased energy costs.

Risk management approach

- The Group's Environmental Policy provides the corporate framework for managing environmental risk and monitoring and reporting against environmental obligations.
- Should an incident occur, emergency response plans will be enacted.
- The Group is in the process of calculating its Scope 1 and 2 Carbon Dioxide emissions and will work to identify opportunities to reduce carbon emissions and with the view to setting a Carbon Dioxide emissions reduction target in the future.

Digital and cyber risk

Cyber security and information privacy is an increasing challenge given the dynamic nature of these threats, and the shift away from safeguarding of financial assets to that of safeguarding intellectual property, supply chain systems, contractual agreements, operational technology and staff/client information. Like many organisations, the majority of the Group's core activities and operations are enabled by technology. The Group is reliant on these systems being available, data integrity being maintained and IT platforms operating effectively for business operations, as well as to support the effective implementation of strategic plans.

A strong result in a transformational year

A malicious attack on the Group's systems causing loss of intellectual property or damage to critical systems has the potential to cause business operations to be interrupted leading to loss of revenue. Unintended or intentional release of private or commercially sensitive information could impact the Group's compliance with legal obligations or impact the Groups competitive advantage. Each of these risks also has the potential to significantly impact the Group's reputation.

While the Group has a cyber security strategy and framework to identify and address threats, risks associated with cyber-attack are inherent in such systems.

Risk management approach

- The Group has appointed a Chief Technology Officer (CTO).
- Digital and cyber risk is an area of continual focus and improvement.
- The Group has IT policies and procedures, segregated networks, firewalls, and undertakes penetration testing and virus scanning.

Reputational risk

Societal expectations continue to mature and grow, creating an ever greater requirement for organisations to operate ethically and with integrity. How an organisation manages these needs and rising expectations has a profound impact on its reputation and its "social currency". A failure to deliver on the Group's consumer, investor and community expectations in relation to the social and environmental impacts created by our activities could result in damage to our brand, reputation and consumer sentiment.

Risk management approach

- The Group is committed to the highest standard of ethical conduct, and statutory and regulatory compliance. This is supported by a comprehensive range of Group level policies and standards, including a Code of Conduct, an Anti-Bribery and Anti-Corruption Policy, and a Whistleblower Policy.
- The Group actively strives to make a positive contribution to the regions and communities in which it operates and to protect the interests of its employees by supporting diversity in the workplace.
- The Group's principles, which are set out on page 2, provides a framework to inform the actions and behaviour of our people to ensure that we able to meet the expectations of all stakeholders.
- The Group is committed to abiding by the Voluntary Principles on Security and Human Rights.

Business continuity and uninsured risks

A shutdown or disruption to business could have a major impact on profit and on the Group's reputation with clients and the wider community.

The Group's operations are subject to many hazards inherent in the mining services industry. 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.

The Group's operations may be subject to delays in obtaining equipment and supplies and the availability of transportation for the purpose of mobilising equipment, particularly where mines are located in remote areas with limited infrastructure support. In addition, the Group's operations are subject to adverse weather conditions, natural disasters and mine accidents or unscheduled stoppages or closings. If the Group's operations are interrupted or suspended for a prolonged period as a result of any such events, its revenues could be adversely affected.

Additionally, warranty and indemnity provisions in the Group's mining services contracts could leave the Group exposed to the risk and liability associated with the services performed under such contracts. The Group seeks protection for certain of these risks through insurance. However, it cannot ensure that such insurance or any indemnification it may receive from third parties will adequately protect the Group against liability from all of the consequences of the hazards described above. 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 to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic. In future insurance renewals, the Group may choose to increase its self-insurance retentions (and thus assume a greater degree of risk) in order to reduce costs associated with increased insurance premiums.

Risk management approach

- The Group seeks insurance to cover such events where it can obtain insurance at an economic cost.

Notes:

1. Underlying excludes one-off claim settlement, foreign exchange, non-cash asset impairment and other non-recurring one-off costs.
2. Non-IFRS Financial Information;
   "EBITDA" is "Earnings before interest, tax, depreciation and amortisation, and significant items";
   "EBIT" is "Earnings before interest and tax and significant items"; and
   "Operating profit" is profit / (loss) before significant items.
3. Statutory profit / (loss) is profit / (loss) after tax attributable to members.
4. Disclaimer:
   These materials include forward looking statements concerning projected earnings, revenue, growth, outlook or other matters for the financial year ending 30 June 2019 or beyond. 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 and include statements regarding certain plans, strategies and objectives of management, trends and outlook. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group'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.

   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 the Group's business and operations in the future. The Company cannot give any assurance that the assumptions upon which management based its forward-looking statements will prove to be correct, or that the Group'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 these materials speak only as of the date of these materials. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in these materials 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. No representation or warranty, express or implied, is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or prospects referred to in these materials.

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Corporate Directory

DIRECTORS

Ian Howard Cochrane
Chairman

Mark Alexander John Norwell
Group Managing Director and Chief Executive Officer

Terrence John Strapp

Mark Andrew Hine

Alexandra Clare Atkins

Robert James Cole

Keith Douglas Gordon

SECRETARY

Efstratios Vassilios Gregoriadis

CHIEF FINANCIAL OFFICER

Peter John Bryant

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

6 - 12 Uppsala Place
Canning Vale Western Australia 6155

SHARE REGISTER

Link Market Services Limited
Level 12, QV1 Building, 250 St Georges Terrace
Perth Western Australia 6000

AUDITOR

PwC
Level 15, 125 St George's Terrace
Perth Western Australia 6000

SOLICITORS

Johnson Winter & Slattery
Level 4, 167 St Georges Terrace
Perth Western Australia 6000

STOCK EXCHANGE LISTINGS

Ausdrill Limited shares are listed on the Australian Stock Exchange
ASX CODE: **ASL**

Ausdrill Limited's subsidiary USD notes are listed on the Singapore Exchange (SGX)

WEBSITE

perentigroup.com

FINANCIAL REPORT

30 JUNE 2019

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These financial statements are consolidated financial statements for the Group consisting of Ausdrill Limited trading as Perenti Global and its subsidiaries. A list of major subsidiaries is included in note 15. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 28 August 2019. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available on our website: perentigroup.com.

Directors' Report

Your directors present their report on the consolidated entity (the "Group") consisting of Ausdrill Limited trading as Perenti Global ("Perenti" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS AND COMPANY SECRETARY

The following persons were directors of the Company during the financial year and up to the date of this report (unless indicated otherwise):

Ian Howard Cochrane (Chairman)	
Mark Alexander John Norwell (Group Managing Director and Chief Executive Officer)	(appointed 17 September 2018)
Terrence John Strapp	
Mark Andrew Hine	
Alexandra Clare Atkins	(appointed 14 July 2018)
Robert James Cole	(appointed 14 July 2018)
Keith Douglas Gordon	(appointed 1 November 2018)
Donald James Argent	(ceased on 13 July 2018)
Ronald George Sayers (Managing Director)	(ceased on 3 July 2018)

After more than 30 years' service with the Company, on 6 February 2018, Mr Ron Sayers announced his intention to retire within 12 months and subsequently ceased as Managing Director on 3 July 2018, aged 66.

Mr Donald Argent resigned from his position as non-executive director of the Company on 13 July 2018, aged 71.

The Company Secretary is Efstratios Gregoriadis.

Mr Gregoriadis B.A., L.L.B., M.B.A joined the Company in February 2011 in the position of Group General Counsel / Company Secretary. Prior to joining the Company 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.

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	19 $'000	18 $'000
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 October 2017).	**18,629**	7,188
Interim ordinary fully franked dividend for the year ended 30 June 2019 of 3.5 cents (2018: 3.5 cents) per fully paid share paid on 27 March 2019 (30 March 2018)	**23,973**	12,667
	42,602	19,855

On 28 August 2019, the directors elected to declare a final ordinary dividend of 3.5 cents per share for the year ended 30 June 2019 (2018: 3.5 cents).

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 3 to 35 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In October 2018, the Group successfully completed the acquisition of leading underground mining contractor, Barminco Holdings Pty Limited, creating a global mining services company and one of the world's only underground and surface mining providers at scale. The two businesses provide complementary services to mine owners and having a strong cultural alignment, having worked together in Africa through the African Underground Mining Services (AUMS) joint venture for over a decade. The acquisition was undertaken together with a $250 million equity raising which assisted to keep leverage at pre-acquisition levels.

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

Directors' Report

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 28 August 2019, the directors declared the payment of a final ordinary dividend of $23,999,715 (3.5 cents per fully paid share) to be paid on 23 October 2019 out of retained profits at 30 June 2019. The financial effect of this transaction has not been brought to account at 30 June 2019.

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 Group, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Additional comments on expected results of certain operations of the Group are included in this Annual Report in the operating and financial review on pages 3 to 35.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations but is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations. The Group complies with its contractual obligations in this regard.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Mr Ian Howard Cochrane
BCom, LLB.

Non-executive Chairman. Age 65.

Experience and expertise

Mr Ian Howard Cochrane was appointed as a non-executive director and Deputy Chairman on 23 November 2015. Subsequently, on 5 December 2017, Mr Cochrane was appointed as Chairman of the Board.

Mr Cochrane holds degrees in Commerce and Law. Mr Cochrane was educated in South Africa and immigrated to Australia in 1986. Mr Cochrane practised law, specialising 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 the legal services when the Company first floated in 1994. Ian was regularly voted by his peers as being one of the leading M&A lawyers in Australia and retired from the practise of law in December 2013. Ian has not provided legal services to the Company or any other entities since then.

Other current directorships

Non-executive director of Dacian Gold Limited from 2016.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the Board.

Member of the Audit and Risk Committee.

Member of the People and Remuneration Committee.

Interests in shares and options

1,031,130 ordinary shares.

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Directors' Report

INFORMATION ON DIRECTORS (CONTINUED)

Mr Mark Alexander John Norwell

BE(Hons), MBA, MAICD

Group Managing Director and Chief Executive Officer. Age 43.

Experience and expertise

Mr Norwell was appointed as Group Managing Director and Chief Executive Officer on 17 September 2018.

Mr Norwell is a highly experienced mining services executive. Previously, he was until June 2018 the Executive General Manager-Strategy & Growth at Thiess Pty Ltd, and a member of Thiess' executive leadership team. Over a 20-year career in the mining services sector, he has held senior roles with Leighton Contractors, HWE Mining and Macmahon Holdings.

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. He is also a member of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Group Managing Director and Chief Executive Officer - since 17 September 2018.

Interests in shares and options

649,087 LTI rights over ordinary shares granted, subject to shareholder approval, not yet issued at 30 June 2019.

Up to a maximum of 112,058 STI rights over ordinary shares granted, subject to shareholder approval, not yet issued at 30 June 2019.

Mr Terrence John Strapp

CPA, SF Fin., MAICD.

Non-executive director. Age 75.

Experience and expertise

Mr Terrence Strapp was appointed as a non-executive director on 21 July 2005.

Mr Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for over 30 years. He is a Certified Practising Accountant (CPA), a Senior Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

Non-executive director of GR Engineering Limited from 2011 to 2018.

Special responsibilities

Chairman of the Audit and Risk Committee.

Interests in shares and options

550,000 ordinary shares.

Directors' Report

INFORMATION ON DIRECTORS (CONTINUED)

Mr Mark Andrew Hine

MAICD, MAusIMM.

Non-executive director. Age 61.

Experience and expertise

Mr Mark Hine was appointed as a non-executive director on 24 February 2015.

Mr Hine is a mining engineer. He 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. He has extensive mining experience with over 25 years of senior management roles in both surface and underground mining operations.

Mr Hine is currently the Chief Operating Officer at Griffin Mining Ltd, having previously held senior positions in the mining industry as 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.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the People and Remuneration Committee.

Interests in shares and options

110,211 ordinary shares.

Ms Alexandra Clare Atkins

BE (Mineral Exploration & Mining Geology) Hon BE(Mining) MBA (Finance) FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus) FAusIMM(CP) GAICD

Non-executive director. Age 51.

Experience and expertise

Ms Alex Atkins was appointed as a non-executive director on 14 July 2018.

Ms Atkins has over 25 years' experience in the mining industry as a mining engineer, geotechnical engineer and geologist through the full value chain of mining in many commodities throughout Australia and Papua New Guinea. Her experience includes working as a Geologist for Australian Consolidated Minerals, Mining Engineer for Mt Isa Mines Ltd, Underground/Airleg Miner for Plutonic Resources, Geotechnical Engineer/Mining Engineer for Placer Dome, Mining Engineer for Murchison United, Construction Project Engineer at Cairns Regional Council, Senior Mining Engineer for AMC Consultants, District Inspector of Mines for the WA Department of Mines & Petroleum, Principal Mining Consultant at Optiro, Chief Advisor at Sustainability, Manager at Deloitte Risk, Chief Operating Officer at Petra Data Science and Principal Mining Engineer at Alternate Futures. 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. 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, Chartered Professional Fellow of The AusIMM and Fellow and EngExec of Engineers Australia. Ms Atkins was one of 2018's 100 Global Influential Women In Mining (WIMUK) and was inducted into the Western Australian Women's Hall of Fame in 2019.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the People and Remuneration Committee since 25 October 2018.

Interests in shares and options

None.

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INFORMATION ON DIRECTORS (CONTINUED)

Mr Robert James Cole

BSc, LLB (Hons)

Non-executive director. Age 57.

Experience and expertise

Mr Robert Cole was appointed as a non-executive director on 14 July 2018.

Mr Cole has 35 years' experience in the energy and resources industry. He is a former executive director on the board of Woodside Petroleum Limited and a former managing director of Beach Energy Limited. He is also a former Chairman of the Australian Petroleum Production and Exploration Association. Prior to joining the oil and gas industry, Rob 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 and Chairman of GLX Holdings Ltd.

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.

Other current directorships

Non-executive director of Iluka Resources Ltd since March 2018.

Former directorships in last 3 years

None.

Special responsibilities

Member of the People and Remuneration Committee since 25 October 2018.

Member of the Audit and Risk Committee since 31 May 2019.

Interests in shares and options

20,000 ordinary shares.

Mr Keith Douglas Gordon

Non-executive Director. Age 56.

Experience and expertise

Mr Keith Gordon was appointed as a non-executive director on 1 November 2018*.

Mr Gordon is the former non-executive chairman of Barminco and is an experienced company director and public company CEO with a broad business perspective built through extensive experience across sectors including mining services, mining, retail, manufacturing, chemicals, energy and agriculture. He holds a Bachelor of Science (Agric) Hons and MBA from the University of Western Australia.

Mr Gordon has over 25 years of professional experience having worked in large global organisations. He is currently a director of Wright Prospecting Pty Ltd and a director of Red Emu Advisory. Prior to this, he was the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers. As part of his role at Wesfarmers, Mr Gordon led the post-merger integration of Coles into Wesfarmers.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the Audit and Risk Committee.

Interests in shares and options

None.

* Pursuant to the Barminco acquisition in October 2018, Mr Gordon was appointed as a representative of certain Barminco vendors and is therefore not considered to be an independent director. As part of the terms of his appointment, Mr Gordon agreed that he will resign from the office of director on 1 September 2019 unless otherwise agreed by the Board at that time. Per the ASX announcement on 15 August 2019, Mr Gordon will resign with effect from 1 September 2019.

INFORMATION ON DIRECTORS (CONTINUED)

Mr Donald James Argent

BCom, CPA, FAICD.

Non-executive director. Age 72.

Experience and expertise

Mr Donald Argent was appointed as a non-executive director on 25 July 2012.

Mr Argent was the Director Finance and Administration for the Thiess Group, one of the largest integrated engineering and service providers in Australia and South East Asia. He joined Thiess Pty Ltd in 1985 following six years service with Thiess Holdings Ltd in the late 1970's, and, until he retired in July 2011, played an instrumental part in the growth of Thiess from a family-run business to a leading Australian construction, mining and services company.

Mr Argent holds a Bachelor of Commerce degree, is a Certified Practicing Accountant and a Fellow of the Australian Institute of Company Directors.

Mr Argent resigned from his position as non-executive director of the Company on 13 July 2018.

Other current directorships

Non-executive director of Decmil Group Limited since 2018.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

40,000 ordinary shares.

Mr Ronald George Sayers

Managing Director. Age 67.

Experience and expertise

Mr Ron Sayers was re-appointed as Managing Director in December 2000. Mr Sayers founded the Company in 1987 and was Managing Director until May 1997. Mr Sayers was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 40 years.

After more than 30 years' service with the Company, on 6 February 2018, Mr Sayers announced his intention to retire within 12 months and subsequently ceased as Managing Director on 3 July 2018.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director - until 3 July 2018.

Interests in shares and options

24,687,087 ordinary shares escrowed until 30 August 2019.

Directors' Report

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2019 and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES AUDIT & RISK		REMUNERATION	
	A	B	A	B	A	B
Ian Howard Cochrane	15	15	7	7	7	7
Robert James Cole	15	15	1	1	3	4
Mark Andrew Hine	15	15	*	*	7	7
Terrence John Strapp	15	15	7	7	*	*
Alexandra Clare Atkins	14	15	*	*	4	4
Mark Alexander John Norwell	11	11	*	*	*	*
Keith Douglas Gordon	8	9	5	6	*	*

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

Directors' Report

REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the Perenti Remuneration Report for FY19.

The past financial year has been truly transformative for the Group and in order to support the business, there have been significant changes to our remuneration framework.

Our business transformation

The acquisition of Barminco resulted in the Group growing to over 8,270 employees, having an increased international reach (operating across Australia, Africa, India and the United Kingdom), and market capitalisation increasing by approximately $616m, placing the Group well within the ASX200. Additionally, as a result of the acquisition, the Group has been restructured to deliver value from the transaction and position the business for future growth.

Changes for FY19

Following the significant changes to the business in FY19, the Board completed a comprehensive review of the Group's corporate governance framework. This included updating charter and governance documents to ensure they aligned with best practice and were appropriate for Perenti moving forward, as well as making significant changes to the Group's Executive remuneration framework.

The FY19 framework changes were implemented to:

- align KMP remuneration with shareholder returns and long-term value generation;
- ensure the Group's remuneration framework is market competitive, aligns with ASX best practice and is easily understood by key stakeholders
- embed a pay for performance culture and position the company for future growth; and
- attract and retain key executives.

The details of the changes that have been made are disclosed in more detail in the following report. However, by way of summary, we have:

- made adjustments to fixed remuneration and variable remuneration opportunity levels to align individuals across the Group;
- introduced a short-term incentive gateway and balanced scorecard;
- introduced short-term incentive deferral into equity for Group Executives;
- introduced annual long-term incentive plan grants subject to performance hurdles;
- granted a one-off retention incentive to the CEO Barminco to recognise his criticality to the Group; and
- proposed an increase to the Non-executive Director fee pool (for which approval will be sought at the 2019 Annual General Meeting).

We believe these changes will provide a strong foundation for the Group to work towards achieving our strategic goals and business objectives in the short and long term.

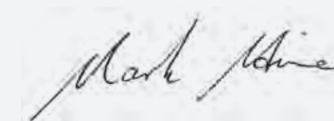
Company performance and remuneration outcomes for FY19

We are pleased to confirm that Perenti has performed strongly during the 2019 financial year, delivering statutory revenue of $1.64 billion and recording an underlying net profit after tax of $103.1 million.

Whilst there was no LTI due to vest in FY19, the company performance achieved meant STI outcomes at an average of 79% of maximum opportunity for the Executive KMP.

Given the substantial changes we have made to bring the Group's remuneration framework more in-line with the market, we have also restructured the Remuneration Report to ensure the framework is clearly understood, by providing information in a concise and transparent format.

We thank you for your support and we look forward to welcoming you to our AGM.



Mark Hine
Chairman, People and Remuneration Committee

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Directors' Report

REMUNERATION REPORT (CONTINUED)

1. Introduction

The Directors present the Perenti FY19 Remuneration Report, outlining key aspects of our remuneration principles, framework, and remuneration awarded this year.

The Remuneration Report is structured as follows:

1. Introduction
2. KMP for FY19
3. Remuneration Strategy and Principles
4. FY19 Remuneration Framework Changes
5. Executive KMP Remuneration Framework
6. Outcomes in FY19
7. Remuneration Governance
8. Contractual Arrangements with Executive KMP
9. Non-executive Director Remuneration
10. Additional Statutory Information

2. KMP for FY19

The tables below confirms all the KMP covered by the FY19 Remuneration Report:

Non-executive Directors (NEDs)		Term
Ian Cochrane	Chairman Audit and Risk Committee – Member People and Remuneration Committee – Member	Full year
Terrence Strapp	Non-executive Director Audit and Risk Committee – Chair	Full year
Mark Hine	Non-executive Director People and Remuneration Committee – Chair	Full year
Robert Cole	Non-executive Director People and Remuneration Committee – Member Audit and Risk Committee – Member	Part year (appointed on 14 July 2018)
Alexandra Atkins	Non-executive Director People and Remuneration Committee – Member	Part year (appointed on 14 July 2018)
Keith Gordon	Non-executive Director Audit and Risk Committee – Member	Part year (appointed on 1 November 2018)

Executive Key Management Personnel (KMP)		Term
Mark Norwell	Group Managing Director (MD & CEO)	Part year (appointed on 17 September 2018)
Peter Bryant	Group Chief Financial Officer (CFO)	Part year (considered a KMP from 29 January 2019)
Paul Muller	Chief Executive Officer – Barminco	Part year (became a KMP on acquisition of Barminco on 31 October 2018)

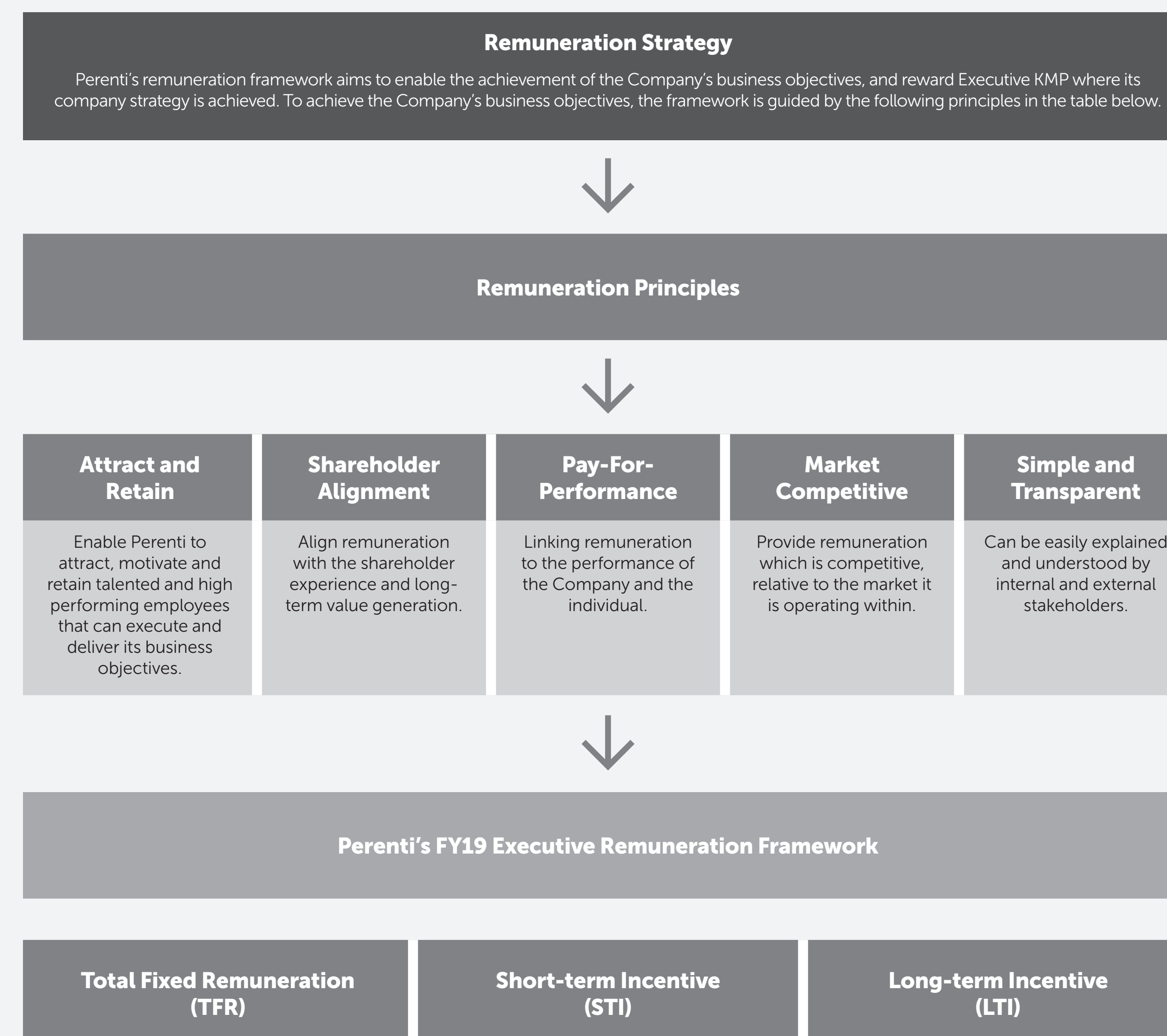
Former KMP		Term
Ron Sayers	Managing Director	Part year (ceased to be considered a KMP from 3 July 2018)
Theresa Milkota	Chief Financial Officer	Part year (ceased to be a KMP on 29 January 2019 following the appointment of Peter Bryant as Group CFO on this date)
Andrew Broad	Chief Operating Officer – Australian Operations	Part year (ceased to be considered a KMP from 31 December 2018)
John Kavanagh	Chief Operating Officer – African Operations	Part year (ceased to be considered a KMP following the organisational restructure from 28 February 2019)
Roy Coates	Executive General Manager – Australian Mining Operations	Part year (ceased to be considered a KMP following the organisational restructure from 28 February 2019)
Donald James	Executive General Manager – Equipment Service and Supplies	Part year (ceased to be considered a KMP following the organisational restructure from 28 February 2019)
Donald Argent	Non-executive Director	Ceased on 13 July 2018

Directors' Report

REMUNERATION REPORT (CONTINUED)

3. Remuneration Strategy and Principles

We have outlined below the Group's remuneration strategy and principles, which guide the setting of the Company's remuneration framework.



4. FY19 Remuneration Framework Changes

Following the acquisition of Barminco, at the direction of your Board and with the help of independent consultants, a comprehensive review of the Group's corporate governance framework was undertaken, which included a thorough review of its remuneration framework.

The review identified that there were areas of the Group remuneration framework that could be significantly improved due to inconsistent application across the business and elements that did not align with a pay for performance culture. Therefore, considerable changes were made (given the significant changes in the business in FY19) to the remuneration framework to:

- align KMP remuneration with shareholder returns and long-term value generation;
- ensure the Group's remuneration framework is market competitive, aligns with ASX best practice and is easily understood by key stakeholders; and
- embed a pay for performance culture and position the company for future growth.

REMUNERATION REPORT (CONTINUED)

4. FY19 Remuneration Framework Changes (continued)

Remuneration framework change	Details	Alignment to remuneration principles and rationale
Adjustments to fixed remuneration and variable remuneration opportunity levels	Due to the Barminco acquisition, resulting organisational restructure and establishment of the new Perenti group, there was a need to align the remuneration quantum of Group Executives. In addition, following a remuneration review, remuneration levels for certain roles required adjustment to ensure they were market competitive to attract and retain key talent. One-off fixed remuneration and variable remuneration adjustments have been made. **See section 5 for more detail.**	ATTRACT AND RETAIN, MARKET COMPETITIVE Remuneration adjustments have been provided via a modest increase in fixed remuneration (noting there have been no fixed pay increases for some time within the Group), and an increase to variable remuneration which is performance-based and the majority of which is delivered in equity.
Introduction of an STI gateway and scorecard	Previously, the STI was assessed against an earnings per share (EPS) measure, focusing on financial performance. In FY19, performance for the STI was assessed against a balanced scorecard of financial and non-financial measures, at a Company and individual level. In addition, a profit gateway has been introduced, which must be met before any STI payment can be made. **See section 5 for more detail.**	PAY FOR PERFORMANCE, MARKET COMPETITIVE The scorecard: • provides a balanced assessment of the performance of the participant and aligns their performance to that of the Company; • incorporates non-financial elements, which are important to the Company's values and achievement of its business objectives; and • reflects increasing market practice for the STI to be assessed against a balanced scorecard of metrics, with the majority still relating to financial performance.
Introduction of short-term incentive (STI) deferral for Group Executives	Traditionally delivered entirely in cash, now one third of the STI will be delivered in STI Rights that will vest 12 months after the end of the performance period. **See section 5 for more detail.**	SHAREHOLDER ALIGNMENT, MARKET COMPETITIVE This change will increase the levels of equity ownership amongst Executive KMP, which will align the interests of Executives with shareholders, as well as increase consistency with market practice.
Introduction of annual long-term incentive plan (LTI) grants	Previously, Option grants were made on a discretionary basis and subject only to a relative total shareholder return (TSR) metric. Practice will now be to make grants annually to Group Executives and other select senior managers, in the form of Performance Rights which are subject to performance measures. The Performance Rights will be allocated using a face value methodology. The Rights are subject to performance against relative TSR (50%) and return on average capital employed (ROACE) (50%) measures over typically a 3 year performance period. **See section 5 for more detail.**	ATTRACT AND RETAIN, SHAREHOLDER ALIGNMENT, PAY-FOR-PERFORMANCE, MARKET COMPETITIVE, SIMPLE AND TRANSPARENT The Company's past practice was not aligned with market practice. The grant of Rights annually will ensure that the interests of Executive KMP are aligned to the shareholder interests throughout their employment, aiding in retention. The introduction of a second measure focuses executives on ROACE performance, which is a key priority for the Group. The use of Rights granted at face value (rather than Options granted at fair value) provides greater simplicity and transparency.
Grant of one-off retention incentive to the CEO Barminco	Rights to shares in the Company were granted subject to a 2 year service period commencing on the date of the Barminco acquisition and are due to vest on 31 October 2020, subject to continued service. **See section 5 for more detail.**	ATTRACT AND RETAIN The CEO Barminco is viewed as critical to the integration of Barminco into the Group, and to maximise the synergies and overall company value within the Group in the next 2 years. These Rights were provided to ensure his retention within the Group over this critical period of integration and establishment of the new Group.

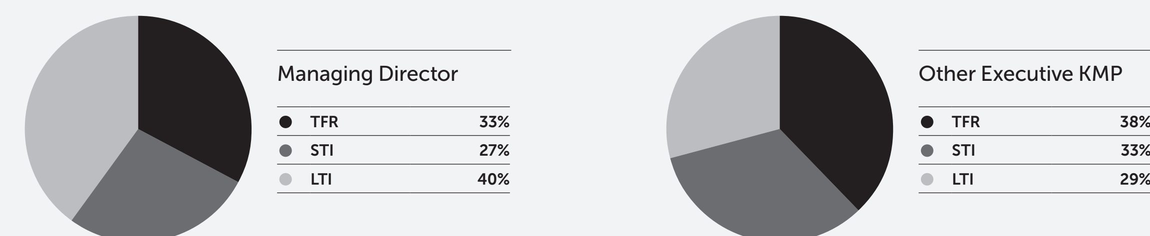
REMUNERATION REPORT (CONTINUED)

5. FY19 Executive KMP Remuneration Framework

The remuneration packages of Executive KMP are comprised of fixed remuneration and 'at-risk' remuneration (i.e variable remuneration).

a. Remuneration mix

The remuneration mix for Perenti's Executive KMP at maximum opportunity levels for FY19 are displayed below.



b. Executive KMP remuneration components

Total Fixed Remuneration (TFR)

DESCRIPTION	A competitive level of TFR is offered to attract and retain high quality and experienced Executive KMP. TFR comprises of all fixed remuneration including statutory superannuation/pension contributions.
APPROACH	TFR is reviewed annually and on promotion to ensure that it is competitive. The Company targets the median of the relevant market. The relevant market peer group will take into consideration one or more of the following: • Peer mining services companies; and/or • Companies with market capitalisation and/or annual revenue and employee numbers in a range comparable to Perenti.
FY19 ONE-OFF ADJUSTMENTS	To ensure Perenti's TFR levels are market competitive following the greater scope of operations and significantly larger market capitalisation (due to the Barminco acquisition), the Board agreed that it was appropriate to award the MD an increase to his TFR for FY19. This resulted in a 6.7% increase to TFR, from $750,000 to $800,000.

Short-term Incentive (STI)

DESCRIPTION	Executive KMP are eligible to participate in the annual STI plan, which comprises a portion of their variable remuneration and is subject to performance measures. The STI performance measures focus on a mix of financial and non-financial measures, which are assessed at a Company and individual level via the use of a balanced scorecard. Achievement of each STI performance measure is on a continuum from threshold through to target, through to stretch. Threshold performance achievement provides for 25% of maximum STI opportunity, target achievement paying at 50% of maximum STI opportunity, and stretch achievement paying at 100% of maximum STI opportunity.
PERFORMANCE PERIOD	Financial year
MAXIMUM STI OPPORTUNITY	MD: 80% of TFR Other Executive KMP: CFO – 70% of TFR, CEO Barminco – 100% of TFR The MD's opportunity has increased from 70% of TFR from his initial employment contract, to ensure it remains competitive with his peers externally. From a benchmarking exercise undertaken, his initial STI opportunity at 70% was below market, relative to the size and complexity of the Group's operations following the organisational restructure. As such, an increase has been provided to align him closer to the median of his peers and will only be paid where stretching performance measures are met.
STI AWARD	Two thirds are delivered in cash and one third is delivered in Rights at the end of the performance period. The Rights vest 12 months after the end of the performance period. For FY19, STI deferral will not apply to the CEO Barminco, whose remuneration arrangements were agreed by the former Barminco Board prior to the acquisition. STI deferral will apply from FY20 onwards.
ALLOCATION METHODOLOGY (STI RIGHTS ONLY)	The deferred STI Rights will be allocated on a face value basis. This is calculated as the STI Rights award ($) divided by the 10 day volume weighted average price (VWAP) of the Company's shares up to the end of the performance period, typically 1 July.

REMUNERATION REPORT (CONTINUED)

b. Executive KMP remuneration components (continued)

GATEWAY

A Group profit gateway applied for any STI to be awarded for the KMPs other than the CEO Barminco for FY19. This ensured an acceptable level of Company financial performance was achieved before any awards were available for participants to earn under the STI plan.

For FY19, the gateway was the Company achieving its budgeted NPAT plus the cost of the Group STI and LTI incentive schemes for FY19.

For FY19, the Group NPAT gateway did not apply to the CEO Barminco as his FY19 STI scorecard was agreed prior to the acquisition. The CEO Barminco's FY19 STI scorecard had threshold levels of Barminco profitability, which in effect was a profit gateway .

PERFORMANCE MEASURES

The measures used for the STI differ between the KMP so as to appropriately align the performance of each participant in their role with the overall success of the Company. Each individual's STI scorecard comprises of a mix of financial and non-financial measures, assessed either at a Company or individual level. All measures have a threshold, target and stretch level of vesting.

FY19 STI scorecard for the Managing Director and CFO

MEASURE	WEIGHTING	FURTHER DETAIL
TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)	7.5%	A TRIFR metric ensures a strong safety culture is enforced. This measure aims to ensure there is a substantial improvement in safety outcomes, compared to the prior year. In addition, this component is subject to a 'fatality' gateway. Where a work-related fatality occurs during the performance period, no payment will be made under this component.
% OF 'ABOVE THE LINE' ACTIONS FROM HIGH POTENTIAL INCIDENT (HPI) INVESTIGATIONS	7.5%	This is a leading safety metric, to reinforce the importance of employee safety at the Company. In addition, this component is subject to a 'fatality' gateway. Where a work-related fatality occurs during the performance period, no payment will be made under this component.
GROUP NET PROFIT AFTER TAX (NPAT)	65%	The use of NPAT ensures that the majority of the individual's STI is aligned to the Company's financial performance. It aims to build a pay-for-performance culture and ensure executive accountability for the Company's performance.
INDIVIDUAL KPI – CONSTRUCTIVE AND VALUE ADDING TEAM BEHAVIOURS	10%	Key behaviours agreed between MD and the Board, and CFO and MD as individual KPI and metrics.
INDIVIDUAL KPI – KEY INITIATIVES DELIVERED	10%	Key initiatives agreed between MD and the Board, and CFO and MD as individual KPI and metrics.

FY19 STI scorecard for the CEO Barminco

MEASURE	WEIGHTING	FURTHER DETAIL
TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)	7.5%	A TRIFR metric ensures a strong safety culture is enforced. This measure aims to ensure there is a substantial improvement in safety outcomes, compared to the prior year.
SIGNIFICANT POTENTIAL INCIDENT FREQUENCY RATE (SPIFR)	7.5%	This is an additional safety metric, to reinforce the importance of employee safety at the Company. This measure aims to ensure there is a substantial improvement in safety outcomes, compared to the prior year.
CONTRACTED WORK IN HAND	10%	Measures growth in the value of future contracted work for Barminco. Performance is assessed by way of the growth in the value of contracted work in hand for the 2 years following the end of the performance period
EARNINGS BEFORE INTEREST AND TAX (EBIT)	65%	The use of EBIT ensures that the majority of the individual's STI is aligned to the Company's financial performance. It aims to build a pay-for-performance culture and ensure executive accountability for the Company's performance.
INDIVIDUAL KPI – DELIVERY OF FY19 PLAN INITIATIVE	10%	Key initiatives agreed between CEO Barminco and MD as individual KPI and metrics.

The Board retains absolute discretion with respect to the targets and outcomes assessed under the STI plan.

REMUNERATION REPORT (CONTINUED)

b. Executive KMP remuneration components (continued)

CESSATION OF EMPLOYMENT

Typically, if employment ceases before the end of the performance period, the KMP foregoes any STI award for the current performance period which they would have otherwise been entitled.

STI Rights that have been awarded will become unrestricted in the usual course unless the participant is deemed to be a bad leaver as defined by the Plan Rules.

Notwithstanding the above, the Board retains absolute discretion to treat STI awards and vesting as it sees fit on cessation of employment.

MALUS/CLAWBACK

In circumstances of fraud, dishonesty or gross misconduct by the participant, or breach of duties or obligations by the participant, the Board has the ability to:

- lapse all unvested STI awards (malus); and
- require the individual to repay a portion of any STI awards which have vested (clawback).

Long-term Incentive (LTI)

DESCRIPTION

In FY19, the Group has established a new LTI plan in which annual grants will be made to eligible employees (including all Executive KMP) as part of their variable remuneration and are subject to performance measures. This approach is more aligned to market practice, compared to previous discretionary grants of LTI awards.

PERFORMANCE PERIOD

Typically, 3 years, commencing on 1 July.

However, as a once-off due to the Barminco acquisition the timing of the FY19 LTI performance period will be 1 November 2018 to 30 June 2021.

MAXIMUM LTI OPPORTUNITY

MD: 120% of TFR

Other Executive KMP: CFO – 75% of TFR, CEO Barminco –75% of TFR.

The MD's opportunity has increased from 80% of TFR initially, to ensure it remains competitive with his peers externally and places the majority of his variable remuneration in the LTI so as to align with long term company performance. From a benchmarking exercise undertaken, his LTI opportunity was below market, relative to the size and complexity of the Group's operations, following the organisational restructure. As such, an increase has been provided via equity to align him closer to the median of his peers and to ensure a large portion of remuneration is tied to the long-term performance of the business.

DELIVERY

The LTI will be wholly delivered in Performance Rights.

ALLOCATION METHODOLOGY

The LTI will be granted on a face value basis. This is calculated as the LTI opportunity ($) divided by the 10 day volume weighted average price (VWAP) of the company's shares prior to the commencement date of the performance period.

PERFORMANCE MEASURES

Relative Total Shareholder Return (TSR) (50%)

The vesting metrics are as follows:

TSR GROWTH AS AGAINST THE TSR BENCHMARK	% OF PERFORMANCE RIGHTS THAT WILL VEST
Below Median	0%
Median	50%
Median to 75th percentile	Straight-line vesting between 50% and 100%
75th percentile and above	100%

The peer group for the relative TSR measure includes AJ Lucas Group Limited; Austin Engineering Limited, Boart Longyear Limited, CIMIC Group Limited, Decmil Group Limited, Downer EDI Limited, Emeco Holdings Limited, GR Engineering Services Limited, Imdex Limited, Lycopodium Limited, MACA Limited, Macmahon Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, SRG Global Limited and Swick Mining Services Limited.

Return on average capital employed (ROACE) (50%)

The vesting schedule is as follows (noting that EBIT will be normalised to exclude non-recurring items):

ROACE PERFORMANCE OVER PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS THAT WILL VEST
Less than 14.5% ROACE over Performance Period.	0%
14.5% ROACE over Performance Period.	30%
Between 14.5% and 19% ROACE over Performance Period.	Straight-line vesting between 30% and 100%
Greater than 19% ROACE over Performance Period.	100%

The Board retains absolute discretion with respect to the targets and outcomes assessed under the LTI plan.

Directors' Report
Auditor's Independence Declaration
Corporate governance statement
Financial statements
Notes to the financial statements
Directors' declaration
Independent auditor's report to the members
Shareholder information
Financials table

REMUNERATION REPORT (CONTINUED)

b. Executive KMP remuneration components (continued)

CESSATION OF EMPLOYMENT	Typically, if employment ceases before the end of any LTI performance periods, the KMP foregoes any Performance Rights for the performance periods which they would have otherwise been entitled. Notwithstanding the above, the Board retains absolute discretion to treat LTI awards and vesting as it sees fit on cessation of employment.
MALUS/CLAWBACK	In circumstances of fraud, dishonesty or gross misconduct by the participant, or breach of duties or obligations by the participant, the Board has the ability to: • lapse all unvested LTI awards (malus); and • require the individual to repay a portion of any LTI awards which have vested (clawback). This may occur via a sale of shares allocated under the LTI plan.

ONE-OFF RETENTION INCENTIVE	
DESCRIPTION	A one-off grant of Rights were provided in FY19 to the CEO Barminco following the acquisition of Barminco, to ensure his retention, which is critical to the integration of Barminco into the Group. The rights are due to vest on 31 October 2020 and are subject only to a service condition.
MAXIMUM OPPORTUNITY	100% of TFR
ALLOCATION METHODOLOGY	The Retention Rights are allocated on a face value basis.
MALUS/ CLAWBACK	In circumstances of fraud, dishonesty or gross misconduct by the participant, or breach of duties or obligations by the participant, the Board has the ability to: • lapse all unvested Retention Rights (malus); and • require the individual to repay a portion of any Retention Rights which have vested (clawback). This may occur via a sale of shares allocated under the one-off retention incentive.

6. Outcomes in FY19

a. Company performance

The Company is conscious of the need to link remuneration to performance. The table below sets out a summary of information which provides details of performance measures used for the Executive KMP including NPAT and TRIFR, which are all measures used in the STI or LTI plan.

Over the last 5 years, the complexity and size and reach of the Company's operations has significantly increased, particularly driven by the FY19 acquisition of Barminco.

Table 1: Company Performance FY15 - FY19

	19	18	17	16	15
	$000	$000	$000	$000	$000
Sales revenue	1,638,392	866,281	762,566	743,003	719,832
Operating profit before income tax *	268,554	74,079	44,622	* 26,578	* 2,064
Profit/(loss) after tax from continued operations attributable to equity holders	181,326	59,349	30,951	20,512	(160,314)
Profit/(loss) after tax from discontinued operations attributable to equity holders	-	1,701	250	37,638	(15,306)
Net profit/(loss) after tax attributable to equity holders	181,326	61,050	31,201	58,150	(175,620)
Share price at start of year ($ per share)	1.84	1.84	0.72	0.39	0.86
Share price at end of year ($ per share)	1.83	1.84	1.84	0.72	0.39
Dividends paid	42,602	19,855	6,246	-	9,369
Basic earnings/(loss) (cents per share) from continuing operations	30.1	16.9	10.1	6.6	(51.3)
Basic earnings/(loss) (cents per share) from discontinued operations	-	0.5	(0.1)	12.1	(4.9)
Diluted earnings/(loss) (cents per share) from continuing operations	29.9	16.6	9.8	6.4	(51.3)
Diluted earnings/(loss) (cents per share) from discontinued operations	-	0.5	(0.1)	11.8	(4.9)
Total Recordable Injury Frequency Rate (TRIFR)	4.5	3.5	6.0	6.6	10.7

* Does not include impairment expense

REMUNERATION REPORT (CONTINUED)

6. Outcomes in FY19 (continued)

b. FY19 STI outcomes

The table below outlines the actual STI outcomes for the Executive KMP in FY19.

Table 2: FY19 remuneration outcomes for the Executive KMP

EXECUTIVE KMP	MAXIMUM STI $	% OF MAXIMUM STI AWARDED	% OF MAXIMUM STI FORFEITED	STI CASH $	DEFERRED STI RIGHTS $***
Mark Norwell (MD & CEO)	$640,000	89%	11%	$378,667	$198,343
Peter Bryant (CFO) *	$155,082	84%	16%	$86,587	$45,354
Paul Muller (CEO Barminco) **	$513,836	65%	35%	$332,081	$0

* Pro-rata remuneration reflected for Peter Bryant's commencement as a KMP on 29 January 2019.
** Pro-rata remuneration reflected for Paul Muller's commencement as a KMP on 31 October 2018.
*** STI rights represent fair value of award for 2019.

Table 3: FY19 STI scorecard outcomes for the Executive KMP

The table below describes the FY19 STI scorecard outcomes for the Executive KMP on the continuum from Threshold to Stretch.

PERFORMANCE MEASURE	WEIGHTING MD AND CFO	WEIGHTING CEO BARMINCO	THRESHOLD	TARGET	STRETCH	FURTHER DETAIL
TRIFR	7.5%	7.5%	● Group ● Underground			Fatality gateway was achieved but did not meet TRIFR target.
SPIFR	0%	7.5%	● Underground			Did not meet SPIFR target.
% of 'above the line' actions from HPI investigations	7.5%	0%		● Group		Achieved target 'above the line' actions.
Group NPAT	65%	0%			● Group	Exceeded maximum target achievement. Normalised $103.1m NPAT achieved against a $98m target.
Barminco EBIT	0%	65%		● Underground		Normalised $62.0m EBIT achieved against a $60.7m target.
Contracted work in hand	0%	10%			● Underground	Exceeded maximum target achievement.
Individual performance measures	20%	10%			● Group ● Underground	Above target performance. Successfully integrated Barminco and implemented new Group Strategy, Organisational Principles and Operating Model.

● Group
● Underground

c. FY19 LTI outcomes

No LTI was due to vest in FY19, as the last LTI grant was made in 2015 on a discretionary basis.

REMUNERATION REPORT (CONTINUED)

d. Statutory disclosure of FY19 Executive KMP remuneration

The table has been prepared in accordance with relevant accounting standards. Where applicable, remuneration for Executive KMP has been pro-rated for the period they served as a member of the KMP.

Table 4 – Executive KMP remuneration

		FIXED REMUNERATION							VARIABLE REMUNERATION				
NAME	YEAR	CASH SALARY	NON-MONETARY BENEFITS	LONG SERVICE LEAVE	POST EMPLOYMENT BENEFITS (SUPER)	OTHER ^	STI PAYMENT	ONCE-OFF PAYMENTS*	STI RIGHTS	PERFORMANCE RIGHTS	RETENTION RIGHTS	OPTIONS	TOTAL
Executive KMP													
M Norwell	**2019**	**609,924**	**25,000**	**5,998**	**18,563**	**-**	**378,667**	**-**	**198,343**	**183,367**	**-**	**-**	**1,419,862**
	2018	-	-	-	-	-	-	-	-	-	-	-	-
P Bryant	**2019**	**213,816**	**-**	**26,323**	**8,555**	**-**	**86,587**	**-**	**45,354**	**47,632**	**-**	**-**	**428,267**
	2018	-	-	-	-	-	-	-	-	-	-	-	-
P Muller	**2019**	**493,722**	**-**	**1,153**	**13,688**	**-**	**332,081**	**-**	**-**	**111,023**	**286,455**	**-**	**1,238,122**
	2018	-	-	-	-	-	-	-	-	-	-	-	-
Former Executive KMP													
R G Sayers	**2019**	**5,348**	**-**	**-**	**39,037**	**626,613**	**-**	**-**	**-**	**-**	**-**	**-**	**670,998**
	2018	736,299	25,000	17,382	25,000	-	-	-	-	-	-	-	803,681
T Mlikota ^^	**2019**	**355,638**	**-**	**-**	**25,000**	**-**	**-**	**229,416**	**-**	**-**	**-**	**7,206**	**617,260**
	2018	477,420	-	24,121	25,000	-	100,000	-	-	-	-	18,513	645,054
A G Broad	**2019**	**256,680**	**-**	**-**	**25,000**	**739,755**	**-**	**229,416**	**-**	**-**	**-**	**7,810**	**1,258,661**
	2018	477,420	-	28,697	25,000	-	100,000	-	-	-	-	18,513	649,630
J Kavanagh	**2019**	**324,394**	**51,111**	**-**	**-**	**-**	**-**	**309,499**	**-**	**-**	**-**	**4,397**	**689,401**
	2018	577,169	141,046	-	-	-	100,000	-	-	-	-	9,257	827,472
D James	**2019**	**272,787**	**-**	**5,144**	**25,000**	**-**	**-**	**166,777**	**-**	**-**	**-**	**3,837**	**473,545**
	2018	340,242	-	18,200	25,000	-	75,000	-	-	-	-	9,257	467,699
R Coates	**2019**	**222,369**	**-**	**-**	**25,000**	**-**	**-**	**166,777**	**-**	**-**	**-**	**3,836**	**417,982**
	2018	340,242	-	19,670	25,000	-	75,000	-	-	-	-	9,257	469,169
Total executive directors and other KMPs	**2019**	**2,754,678**	**76,111**	**38,618**	**179,843**	**1,366,368**	**797,335**	**1,101,885**	**243,697**	**342,022**	**286,455**	**27,086**	**7,214,098**
	2018	2,948,792	166,046	108,070	125,000	-	450,000	-	-	-	-	64,797	3,862,705
Total non-executive directors	**2019**	**709,514**	**-**	**-**	**67,404**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**776,918**
	2018	460,959	-	-	43,791	-	-	-	-	-	-	-	504,750
Total KMP remuneration expense	**2019**	**3,464,192**	**76,111**	**38,618**	**247,247**	**1,366,368**	**797,335**	**1,101,885**	**243,697**	**342,022**	**286,455**	**27,085**	**7,991,016**
	2018	3,409,751	166,046	108,070	168,791	-	450,000	-	-	-	-	64,797	4,367,455

Notes
^ Other include an end of service payment in keeping with the terms of executive service contract for RG Sayers and AG Broad
* Once-off payments include a bonus paid on the completion of Barminco acquisition
^^ T Mlikota held position of an acting CEO for the period 3 July 18 to 17 September 18

REMUNERATION REPORT (CONTINUED)

7. Remuneration Governance

The Board has oversight of the remuneration practices at Perenti, and are largely guided by the People and Remuneration Committee. The People and Remuneration Committee is made up of independent Non-executive Directors.

Board
Approves the overall Executive KMP remuneration framework, Executive KMP remuneration levels and Non-executive Director remuneration, having regard to the People and Remuneration Committee's recommendations.

External Stakeholder Engagement
Consultation with proxy advisors and institutional investors to ensure external feedback is received.

People and Remuneration Committee
The Committee reviews and determines the Group remuneration framework annually to ensure it remains aligned to business needs and meets the Group remuneration principles.

External Remuneration Consultants
From time to time, the People and Remuneration Committee may engage external remuneration consultants to inform its views. In FY19, KPMG-3dc was engaged as the remuneration advisor to the People and Remuneration Committee.

Management
Provides the People and Remuneration Committee with the required information to assist with remuneration decisions and recommendations. Communicates with external remuneration consultants to ensure the People and Remuneration Committee has all the necessary information.

During FY19, KPMG-3dc was engaged by the People and Remuneration Committee to assist with the considerable changes made to the governance and remuneration frameworks. In particular, this included the provision of remuneration recommendations (as defined in the *Corporations Act 2001* (Cth)) for the review of the Group's executive remuneration framework and recommendations on how to bring it into line with market practice, providing external benchmarking data in relation to Non-executive Director fees, as well as providing advice on the LTI's ROACE performance measure. The recommendations were provided directly to the Board, free from the undue influence of all KMP and management and KPMG-3dc provided declarations to the Board declaring this which the Board was satisfied with. The fees provided to KPMG-3dc for the remuneration recommendations provided were $135,812.50. Fees for other advice provided by KPMG-3dc during FY19 were $188,787.00 (this includes the fees paid to KPMG in total for finance and other consulting services).

8. Contractual Arrangements with Executive KMP

Remuneration and other terms of employment for Executive KMP are formalised in service agreements.

Table 5 – employment contracts

NAME	TFR	DURATION OF SERVICE AGREEMENT	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY COMPANY	SEVERANCE PAYMENT ENTITLEMENT
Mark Norwell (MD & CEO)	$800,000	Ongoing	6 months	6 months	No entitlement
Peter Bryant (CFO)	$532,000	Ongoing	3 months	3 months	No entitlement
Paul Muller (CEO Barminco)	$775,000	Ongoing	3 months	3 months	No entitlement

9. Non-executive Director Remuneration

a. Non-executive Director fees

Non-executive Directors' fees are set at a level which enables the attraction and retention of experienced and skilled Board members to ensure an effective oversight role over the Company's operations. Fee levels aim to reflect the demands which are made on, and the responsibilities of, the Directors.

Non-executive Directors' fees are reviewed annually by the Board to ensure fee levels are appropriate and in-line with the market. Prior to the Barminco acquisition, fees for the Main Board and Committee Chairs were increased for FY19 as they were below the market for companies comparable to Perenti. The FY19 Perenti Board fees were as follow:

POSITION*	FY19 FEES	FY18 FEES
Board Chair	$160,000	$108,000
Board Members	$105,000	$72,000
Committee Chair	$15,000	$9,000

* Directors who sit as Committee Members receive no additional fees, whilst the Chair's fee is inclusive of all Board and Committee responsibilities.

REMUNERATION REPORT (CONTINUED)

9. Non-executive Director Remuneration (continued)

a. ***Non-executive Director fees*** (continued)

All fee levels above are exclusive of statutory superannuation contributions.

In FY19, the Board engaged KPMG-3dc to conduct a review of its Non-executive Directors' fees following the Barminco acquisition. No further changes were made to fee levels in FY19 as a result of this review.

b. ***Statutory disclosure of FY19 Non-executive Director remuneration***

Table 6 – FY19 Non-executive Director remuneration

	YEAR	BASE FEE	EXECUTIVE CHAIRMAN *	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SUPERANNUATION 9.5%	TOTAL
I H Cochrane Chair	**2019**	**160,000**	**33,479**	**-**	**-**	**18,380**	**211,859**
	2018	100,306	-	-	-	9,529	109,835
T J Strapp	**2019**	**105,000**	**-**	**15,000**	**-**	**11,400**	**131,400**
	2018	72,000	-	9,000	-	7,695	88,695
M A Hine	**2019**	**105,000**	**-**	**-**	**15,000**	**11,400**	**131,400**
	2018	72,000	-	-	5,153	7,329	84,482
R Cole	**2019**	**101,029**	**-**	**-**	**-**	**9,598**	**110,627**
	2018	-	-	-	-	-	-
A C Atkins	**2019**	**101,029**	**-**	**-**	**-**	**9,598**	**110,627**
	2018	-	-	-	-	-	-
K D Gordon ^	**2019**	**70,000**	**-**	**-**	**-**	**6,650**	**76,650**
	2018	-	-	-	-	-	-
D J Argent ^^	**2019**	**3,977**	**-**	**-**	**-**	**378**	**4,355**
	2018	72,000	-	-	-	6,840	78,840
T E O'Connor	**2019**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	54,000	-	-	4,500	5,558	64,058
M A Connelly	**2019**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	72,000	-	-	-	6,840	78,840
Total non-executive directors	**2019**	**646,035**	**33,479**	**15,000**	**15,000**	**67,404**	**776,918**
	2018	442,306	-	9,000	9,653	43,791	504,750

Notes

^ Pursuant to the Barminco acquisition in October 2018, Mr Gordon was appointed as a representative of certain Barminco vendors and is therefore not considered to be an independent director. As part of the terms of his appointment, Mr Gordon agreed that he will resign from the office of director on 1 September 2019 unless otherwise agreed by the Perenti Board at that time. Per the ASX announcement on 15 August 2019, Mr Gordon will resign with effect from 1 Setember 2019.

^^ D J Argent resigned 13 July 2018

* Mr Cochrane served as Executive Chairman in the interim period between Mr Sayers resignation as Managing Director on 3 July 2018 and Mr Norwell commencing as Managing Director on 17 September 2018.

10. Additional Statutory Information

This section provides details of any additional statutory disclosures that have not been included in the previous sections of the Remuneration Report.

a. ***Executive KMP equity awards***

Table 7 – KMP Rights holdings

	RETENTION RIGHTS		LTI RIGHTS	
2019	"VALUE GRANTED $"	"VALUE VESTED $"	"VALUE GRANTED $"	"VALUE VESTED $"
M Norwell	-	-	915,212	-
P Muller	859,365	-	554,133	-
P Bryant	-	-	380,385	-

STI Rights with a fair value totaling $307,251 granted to current KMP's post 30 June 2019 have not been included in the above table.

REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (continued)

a. ***Executive KMP equity awards*** (Continued)

Reconciliation of rights held by KMP

The table below shows a reconciliation of rights held by each KMP from the beginning to the end of 30 June 2019.

2019 NAME & GRANT DATES	BALANCE AT THE START OF THE YEAR	RETENTION RIGHTS GRANTED AS COMPENSATION	LTI RIGHTS GRANTED AS COMPENSATION	VESTED		FORFEITED		BALANCE AT THE END OF THE YEAR
				NUMBER	%	NUMBER	%	
M Norwell								
28 February 2019	-	-	324,543	-	0%	-	0%	324,543
28 February 2019	-	-	324,544	-	0%	-	0%	324,544
P Muller								
28 February 2019	-	-	196,501	-	0%	-	0%	196,501
28 February 2019	-	-	196,501	-	0%	-	0%	196,501
28 February 2019	-	524,003	-	-	0%	-	0%	524,003
P Bryant								
28 February 2019	-	-	134,888	-	0%	-	0%	134,888
28 February 2019	-	-	134,889	-	0%	-	0%	134,889

173,588 STI Rights granted to current KMP's post 30 June 2019 have not been included in the above table.
M Norwell's rights granted are subject to shareholder approval at the AGM.

Terms and conditions of the share-based payment arrangements Rights

The terms and conditions of each grant of rights affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	FAIR VALUE PER RIGHT AT GRANT DATE	TSR/ROACE PERFORMANCE ACHIEVED	% VESTED
28 February 2019	30 June 2021	30 June 2021	$1.60	to be determined	0%
28 February 2019	30 June 2021	30 June 2021	$1.22	to be determined	0%
28 February 2019	31 October 2020	31 October 2020	$1.64	to be determined	0%

Details of rights over ordinary shares in the Company provided as remuneration to key management personnel of the Group are set out above. On vesting, each right is convertible into one ordinary share of the Company. Further information on the rights is set out in note 20 to the financial statements.

REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (Continued)

a. ***Executive KMP equity awards*** (Continued)

Table 8 – KMP Option holdings

2019	OPTIONS "VALUE GRANTED $"	"VALUE EXERCISED $"
A G Broad	-	47,000
J Kavanagh	33,667	43,000
T Mlikota	-	43,000

Reconciliation of options and ordinary shares held by KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of 30 June 2019. All vested options were exercisable.

2019	BALANCE AT THE START OF THE YEAR			VESTED			FORFEITED			BALANCE AT THE END OF THE YEAR	
NAME & GRANT DATES	VESTED AND EXCERCISABLE	UNVESTED	GRANTED AS COMPENSATION	NUMBER	%	EXERCISED	NUMBER	%	OTHER CHANGES	VESTED AND EXCERCISABLE	UNVESTED
A G Broad											
23 Dec 2015	-	333,333	-	333,333	100%	333,333	-	-	-	-	-
23 Dec 2015	-	333,334	-	333,334	100%	333,334	-	-	-	-	-
J Kavanagh											
23 Dec 2015	166,666	-	-	-	0%	166,666	-	-	-	-	-
23 Dec 2015	-	166,666	-	166,666	100%	166,666	-	-	-	-	-
23 Dec 2015	-	166,668	-	-	0%	-	-	-	-	-	166,668
01 Apr 2019	-	-	166,666	166,666	100%	166,666	-	-	-	-	-
01 Apr 2019	-	-	166,667	166,667	100%	166,667	-	-	-	-	-
01 Apr 2019	-	-	166,667	-	0%	-	-	-	-	-	166,667
T Mlikota											
23 Dec 2015	333,333	-	-	-	0%	333,333	-	-	-	-	-
23 Dec 2015	-	333,333	-	333,333	100%	333,333	-	-	-	-	-
23 Dec 2015	-	333,334	-	-	0%	-	-	-	-	-	333,334
R Coates											
23 Dec 2015	-	166,666	-	166,666	100%	-	-	-	-	166,666	-
23 Dec 2015	-	166,668	-	-	0%	-	-	-	-	-	166,668
D James											
23 Dec 2015	-	166,666	-	166,666	100%	-	-	-	-	166,666	-
23 Dec 2015	-	166,668	-	-	0%	-	-	-	-	-	166,668

REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (Continued)

a. ***Executive KMP equity awards*** (Continued)

Terms and conditions of the share-based payment arrangements

Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	REVISED EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	TSR PERFORMANCE ACHIEVED	% VESTED
07 October 2013	07 October 2016	07 October 2018	$1.63	$0.12	75th percentile	100%
07 October 2013	07 October 2017	07 October 2018	$1.63	$0.12	75th percentile	100%
23 December 2015	23 December 2017	23 December 2020	$0.17	$0.06	75th percentile	100%
23 December 2015	23 December 2018	23 December 2020	$0.17	$0.07	75th percentile	100%
23 December 2015	23 December 2019	23 December 2020	$0.17	$0.07	to be determined	n/a
20 April 2018	21 November 2018	21 November 2018	$1.19	$1.63	did not meet performance hurdle	0%
20 April 2018	21 November 2019	21 November 2019	$1.19	$1.62	to be determined	n/a
20 April 2018	21 November 2020	21 November 2020	$1.19	$1.61	to be determined	n/a
20 April 2018	22 May 2019	22 May 2019	$1.25	$1.59	did not meet performance hurdle	0%
20 April 2018	22 May 2020	22 May 2020	$1.25	$1.58	n/a	0%
20 April 2018	22 May 2021	22 May 2021	$1.25	$1.56	n/a	0%
20 April 2018	12 June 2019	12 June 2019	$1.55	$1.40	did not meet performance hurdle	0%
20 April 2018	12 June 2020	12 June 2020	$1.55	$1.40	to be determined	n/a
20 April 2018	12 June 2021	12 June 2021	$1.55	$1.39	to be determined	n/a
01 April 2019	01 April 2019	23 December 2020	$0.17	$0.06	75th percentile	100%
01 April 2019	01 April 2019	23 December 2020	$0.17	$0.07	75th percentile	100%
01 April 2019	23 December 2019	23 December 2020	$0.17	$0.07	to be determined	n/a

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share, except where the option is exercised on a cashless basis. Options may not be exercised during the period from 1 January and 1 July respectively until the first trading day after release of the half-yearly and annual financial results of the Group to the market.

Details of options over ordinary shares in the Company provided as remuneration to each key management personnel of the Group are set out above. Further information on the options is set out in note 20 to the financial statements.

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REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (Continued)

b. Shareholdings of KMP

The number of ordinary shares in the Company held directly, indirectly or beneficially by each individual (including shares held in the name of the spouse, superannuation fund, nominee and/or other controlled entities) as at 30 June 2019 are shown in Table 9 below.

Table 9 – Shareholdings

2019 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	RECEIVED ON VESTING OF RIGHTS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
I H Cochrane	701,695	-	-	329,435	1,031,130
T J Strapp	400,000	-	-	150,000	550,000
M A Hine	75,000	-	-	35,211	110,211
R Cole	-	-	-	20,000	20,000
A C Atkins	-	-	-	-	-
K D Gordon	-	-	-	-	-
D A Argent	40,000	-	-	(40,000)	-
R G Sayers	-	-	-	-	-
M A Norwell	-	-	-	-	-
P Bryant *	-	-	-	142,063	142,063
P Muller *	-	-	-	147,120	147,120
D James	-	-	-	-	-
A Broad	100,758	562,144	-	(662,902)	-
T Mlikota	3,465	561,577	-	(565,042)	-
J Kavanagh	-	594,807	-	(594,807)	-
R Coates	-	-	-	-	-

* Shares escrowed until 30 August 2019

None of the shares above are held nominally by the directors or any of the other key management personnel.

c. Prohibition on hedging of the Company's shares and unvested equity awards

The Company's Securities Trading Policy imposes trading restrictions on all employees of the Company and its related companies with "inside information" or with respect to derivative products and on trading securities during trading prohibition periods.

d. Loans to KMP

Loans to key management personnel made on normal commercial terms and conditions. The loans on acquisition of the Barminco group are repayable by 22 October 2022. Interest was payable at the rate of 5.20% on loans advanced. Outstanding balances are unsecured and are payable in cash.

	19 $'000	18 $'000
Loans to key management personnel		
Beginning of the period	**-**	-
Loans on acquisition of Barminco	**192,550**	-
Loan repayments made	**(2,141)**	-
Interest charged	**5,581**	-
Interest received	**(5,581)**	-
End of period	**190,409**	-

REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (Continued)

e. Other transactions with key management personnel

A director, Mr I H Cochrane, is a non-executive director of Dacian Gold Limited. Dacian Gold has been provided with mining services by a Perenti Group company. These services have been provided on arm's length commercial terms and conditions. Mr Cochrane is not party to any contract negotiations for either party.

A director, Robert Cole, was a director of Iluka Resources Limited and is currently Chairman of Synergy.

Iluka Resources Limited entered into a drilling services contract with a Perenti Group company, Ausdrill Northwest Pty Ltd.

A number of Australian Perenti Group companies have been provided with electricity services from Synergy.

All contracts and services are based on normal commercial terms and conditions and Mr Cole is not party to any contract negotiations for either party.

In the prior year a director, Mr M A Connelly, was a the non-executive chairman of Toro Gold and West African Resources and Cardinal Resources.

Toro Gold through its subsidiary Petowal Mining Company entered into a mining services contract with a Perenti Group company, African Mining Services Senegal Suarl.

West African Resources entered into an exploration drilling contract with a Perenti Group company, African Mining Services Burkina Faso Sarl.

Cardinal Resources entered into an exploration drilling contract with a Perenti Group company, African Mining Services Ghana.

All contracts are based on normal commercial terms and conditions and Mr Connelly was not party to any contract negotiations for either party.

In the prior year the Company rented an office building from Mr R G Sayers until September 2017. The rental agreement was based on arm's length commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Company:

	19 $'000	18 $'000
(i) Amounts recognised as revenue		
Drilling and mining services*	**1,535,764**	42,675,518
(ii) Amounts recognised as expense		
Rental of office buildings	**-**	89,508
Electricity services*	**614,166**	-
(iii) Amounts recognised as assets and liabilities		
At the end of the reporting period, the following aggregate amounts were recognised in relation to the above transactions:		
Receivables	**-**	10,786,785

* The balance includes amounts from the date Mr Cole was appointed director on 14 July 2018. The prior year balance includes amounts up to Mr Connelly's resignation date from Cardinal Resources on 12 October 2017.

f. Voting of shareholders at last year's annual general meeting

In 2018, 99.27% of the votes on the remuneration report were in favor of the report. The Company did not receive any specific feedback at the AGM on its remuneration practices.

This Remuneration Report was approved by the Board on 28 August 2019 and has been signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

Directors' Report

REMUNERATION REPORT (CONTINUED)

10. Additional Statutory Information (Continued)

Shares under option and rights

Unissued ordinary shares of the Company under option at the date of this report are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
23 December 2015	23 December 2020	$0.17	3,166,686
20 April 2018	21 November 2021	$1.19	266,667
20 April 2018	12 June 2022	$1.55	133,334
1 April 2019	23 December 2019	$0.17	166,667
			3,733,354

Following the equity raising in August and September 2018 the exercise prices of unquoted options over fully paid shares were recalculated.

No option holder has any right under the options to participate in any other share issue of the Company or any other Group entity.

Unissued ordinary shares of the Company under rights at the date of this report are as follows:

DATE RIGHTS GRANTED	EXPIRY DATE	FAIR VALUE PER RIGHT	NUMBER
28 February 2019	30 June 2021	$1.60	1,088,317
28 February 2019	30 June 2021	$1.22	1,088,322
28 February 2019	31 October 2020	$1.64	939,825
10 June 2019	30 June 2021	$1.23	1,272,348
10 June 2019	30 June 2021	$0.82	1,272,366
			5,661,178

* The above number of rights includes 3,193,801 performance rights granted but not yet issued as at 30 June 2019.

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 30 June 2019 on the exercise of options granted under the Employee Option Plan. No amounts are unpaid on any of the shares.

DATE SHARES ISSUED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
5 October 2018	$1.37	14,388
17 October 2018	$0.07	90,422
14 December 2018	$0.17	33,333
8 January 2019	$0.17	199,998
8 January 2019	$0.08	1,488,864
5 March 2019	$0.17	33,333
5 March 2019	$0.08	178,865
15 March 2019	$0.17	66,666
15 March 2019	$0.08	29,951
28 March 2019	$0.07	297,625
2 April 2019	$0.07	297,182
2 May 2019	$0.17	33,333
6 June 2019	$0.08	29,460
		2,793,420

Directors' Report

INDEMNIFICATION

Under the Company's constitution and subject to section 199A of the *Corporations Act 2001*, the Company indemnifies each of the directors, the company secretary and every other person who is an officer of the Company and its wholly-owned subsidiaries against:

- any liability incurred as an officer of the Company (as the case may be) by that person to any person other than the Company or a related body corporate of the Company, unless that liability arises out of conduct involving a lack of good faith or is a liability for a pecuniary penalty order under certain provisions of the *Corporations Act 2001;* and
- costs and expenses incurred in defending civil or criminal proceedings subject to certain conditions.

The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or its wholly-owned subsidiaries even though the person is not an officer at the time the claim is made.

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with each current and former officer of the Company and its subsidiaries, including each director and company secretary and persons who previously held those roles. Under each Deed, to the extent permitted by law and to the extent and in the amount that the officer is not indemnified under any other indemnity, including an indemnity contained in any insurance policy, the Company indemnifies the relevant officer against all liabilities of any kind (including liabilities for legal expenses) incurred by the officer arising out of:

- the discharge of his or her duties as an officer of the Company or a subsidiary of the Company, or as an officer of any corporation in which the Company holds securities ("Related Corporation") where the officer is representing the interests of the Company in relation to the Related Corporation; and
- the conduct of the business of the Company or a subsidiary of the Company, or a Related Corporation where the officer is representing the interests of the Company in relation to that Related Corporation.

No amount has been paid under any of these indemnities during the financial year under review.

INSURANCE OF OFFICERS

During the financial year, the Company has paid a premium in respect of insuring the directors and officers of the Company and the Group. The insurance contract prohibits disclosure of the premium or the nature of liabilities insured against under the policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in note 21 to the financial statements.

The Board of directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 65.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Mark Alexander John Norwell
Group Managing Director and Chief Executive Officer

Perth
28 August 2019

Auditor's Independence Declaration

Auditor's Independence Declaration

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

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

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

This declaration is in respect of Ausdrill Limited and the entities it controlled during the period.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
28 August 2019

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Corporate governance statement

Perenti and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 Corporate Governance Statement was approved by the Board on 28 August 2019. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at perentigroup.com.

Board Members			
Non-Executive Chairman Ian Cochrane	**Group Managing Director and CEO** Mark Norwell	**Non-Executive Director** Terrence Strapp	**Non-Executive Director** Mark Hine
Non-Executive Director Alex Atkins	**Non-Executive Director** Rob Cole	**Non-Executive Director** Keith Gordon	

Board Committees	
Audit & Risk Committee	People & Remuneration Committee

Charters		
Board Charter	Audit & Risk Committee Charter	People & Remuneration Committee Charter

Corporate Governance Policies			
Disclosure Policy	Anti-Bribery Policy and Anti Corruption Policy	Securities Trading Policy	Employee Code of Conduct
Shareholder Communication Policy	Risk and Opportunity Management Policy	Diversity and Equal Opportunity Policy	Whistleblower and Whistleblower Protection Policy

VOLUNTARY TAX TRANSPARENCY CODE

The Company has chosen to provide additional disclosure of tax information as recommended by the Board of Taxation's Voluntary Tax Transparency Code ("TTC"). The Company is currently classified as a 'large business' for the purposes of the TTC (i.e. The Company's aggregated Australian turnover exceeds A$500 million) and has chosen to disclose the following tax information in this Annual Report:

Part A

- A reconciliation of accounting profit to tax expense. This information is disclosed in note 5(b) to the Consolidated Financial Statements in this Annual Report;
- Identification of material temporary and permanent differences. This information is disclosed in notes 5(b), 5(c), 5(d) and 7(c) to the Consolidated Financial Statements in this Annual Report; and
- Accounting effective company tax rates for Australian and global operations. This information is disclosed in note 5(e) to the Consolidated Financial Statements in this Annual Report.

Part B

- Part B will be disclosed in a taxes paid report.

Consolidated statement of profit or loss

	NOTES	19 $'000	18 $'000
Revenue from continuing operations	2	**1,638,392**	866,281
Other income	4(a)	**208,124**	20,285
Materials expense		**(595,385)**	(346,490)
Labour costs		**(556,288)**	(285,090)
Rental and hire expense	4(b)	**(24,907)**	(14,778)
Depreciation and amortisation expense	4(b)	**(193,891)**	(74,528)
Finance costs	4(b)	**(55,382)**	(31,626)
Finance income		**3,143**	2,983
Other expenses from ordinary activities	4(b)	**(165,961)**	(85,302)
Impairment of assets	4(b)	**(113,635)**	-
Share of net profit of joint ventures accounted for using the equity method	15(b)	**10,709**	22,344
Profit before income tax		**154,919**	74,079
Income tax benefit/(expense)	5	**27,362**	(14,730)
Profit from continuing operations		**182,281**	59,349
Profit from discontinued operations (attributable to equity holders of the Company)	14	**-**	1,701
Profit for the year		**182,281**	61,050
Profit is attributable to:			
Equity holders of the Company		**181,326**	61,050
Non-controlling interests		**955**	-
Profit for the year		**182,281**	61,050
		CENTS	CENTS
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	22	**30.1**	16.9
Diluted earnings per share	22	**29.9**	16.6
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	22	**30.1**	17.4
Diluted earnings per share	22	**29.9**	17.1

Note: 2018 revenue from continuing operations and materials expense were restated due to intra-group eliminations.

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	NOTES	19 $'000	18 $'000
Profit for the year		**182,281**	61,050
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Exchange (losses)/gains on translation of foreign operations	8(b)	**(4,216)**	(1,371)
Exchange gains/(losses) on translation of joint ventures accounted for using the equity method	8(b)	**-**	3,671
Exchange (losses)/gains on translation of foreign operations - non-controlling interest		**21**	-
Items that will not be reclassified to profit or loss			
Gain/(loss) on revaluation of land and buildings, net of tax	8(b)	**490**	4,443
(Loss)/gain on revaluation of FVOCI financial assets, net of tax	8(b)	**3,341**	(1,664)
Other comprehensive (loss)/income for the year, net of tax		**(364)**	5,079
Total comprehensive income for the year		**181,917**	66,129
Total comprehensive income for the year is attributable to:			
Equity holders of the Company		**180,941**	66,129
Non-controlling interests		**976**	-
Total comprehensive income for the year		**181,917**	66,129
Total comprehensive income for the period attributable to owners of Ausdrill Limited arises from:			
Continuing operations		**181,917**	64,428
Discontinued operations		**-**	1,701
		181,917	66,129

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

	NOTES	19 $'000	18 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**223,524**	137,258
Trade and other receivables	6(b)	**399,354**	230,464
Inventories	7(a)	**251,110**	212,600
Assets classified as held for sale	7(b)	**13,626**	-
Current tax receivables		**10,902**	964
Total current assets		**898,516**	581,286
Non-current assets			
Receivables	6(b)	**2,038**	3,314
Joint ventures accounted for using the equity method	15(b)	**-**	71,266
Financial assets at fair value through other comprehensive income	6(c)	**17,581**	11,999
Property, plant and equipment	7(c)	**887,666**	664,347
Intangible assets	7(d)	**743,569**	-
Deferred tax assets	7(e)	**117,396**	35,549
Total non-current assets		**1,768,250**	786,475
Total assets		**2,666,766**	1,367,761
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	**268,525**	122,770
Borrowings	6(e)	**25,762**	3,334
Current tax liabilities		**18,578**	1,196
Employee benefit obligations	7(f)	**65,043**	39,061
Total current liabilities		**377,908**	166,361
Non-current liabilities			
Borrowings	6(e)	**731,681**	401,216
Deferred tax liabilities	7(e)	**143,948**	24,947
Employee benefit obligations	7(f)	**1,617**	486
Total non-current liabilities		**877,246**	426,649
Total liabilities		**1,255,154**	593,010
Net assets		**1,411,612**	774,751
EQUITY			
Contributed equity	8(a)	**1,126,769**	624,571
Other reserves	8(b)	**(10,835)**	(12,459)
Retained earnings	8(c)	**293,836**	162,639
Capital and reserves attributable to owners of the Company		**1,409,770**	774,751
Non-controlling interests		**1,842**	-
Total equity		**1,411,612**	774,751

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 THE COMPANY					
		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 year		-	-	61,050	61,050	-	61,050
Other comprehensive (loss)/income		-	5,079	-	5,079	-	5,079
Total comprehensive income/(loss) for the year		**-**	**5,079**	**61,050**	**66,129**	**-**	**66,129**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		97,516	-	-	97,516	-	97,516
Shares issued on conversion of employee share options		608	(517)	-	91	-	91
Dividends paid	12(b)	-	-	(19,855)	(19,855)	-	(19,855)
Employee share options - value of employee services	8(b)	-	756	-	756	-	756
		98,124	239	(19,855)	78,508	-	78,508
Balance at 30 June 2018		**624,571**	**(12,459)**	**162,639**	**774,751**	**-**	**774,751**
Balance at 1 July 2018		**624,571**	**(12,459)**	**162,639**	**774,751**	**-**	**774,751**
Change in accounting policy on adoption of AASB 15		-	-	(7,527)	(7,527)	-	(7,527)
Restated total equity at 1 July 2018		**624,571**	**(12,459)**	**155,112**	**767,224**	**-**	**767,224**
Profit for the year		-	-	181,326	181,326	955	182,281
Other comprehensive (loss)/ income		-	(385)	-	(385)	21	(364)
Total comprehensive income/(loss) for the year		**-**	**(385)**	**181,326**	**180,941**	**976**	**181,917**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	8(a)	243,537	-	-	243,537	-	243,537
Non-controlling interests on acquisition of subsidiary		-	-	-	-	866	866
Shares issued on conversion of employee share options	8(a)	268	(204)	-	64	-	64
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	13	258,393	-	-	258,393	-	258,393
Employee share options - value of employee services	8(b)	-	2,213	-	2,213	-	2,213
Dividends paid	12(b)	-	-	(42,602)	(42,602)	-	(42,602)
		502,198	2,009	(42,602)	461,605	866	462,471
Balance at 30 June 2019		**1,126,769**	**(10,835)**	**293,836**	**1,409,770**	**1,842**	**1,411,612**

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

Consolidated statement of cash flows

	NOTES	19 $'000	18 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,683,000**	892,394
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,385,320)**	(802,239)
		297,680	90,155
Interest received		**3,143**	2,990
Interest and other costs of finance paid		**(61,035)**	(28,982)
Income taxes (paid)/refunded		**(33,432)**	(12,312)
Management fee received from joint ventures		**556**	742
Net cash inflow from operating activities	9(a)	**206,912**	52,593
Cash flows from investing activities			
Payments for purchase of subsidiaries	13	**(17,205)**	-
Payments for property, plant and equipment	7(c)	**(206,013)**	(173,280)
Payments for intangibles		**(55)**	-
Proceeds from sale of property, plant and equipment		**11,170**	3,319
Payments for assets at FVOCI/available-for-sale financial assets		**(809)**	(9,187)
Proceeds from sale of business	14	**1,565**	4,600
Cash removed on disposal of subsidiary		**-**	(602)
Distribution received from associates		**-**	13,633
Cash acquired on acquisition of subsidiary	13	**100,544**	-
Capital contribution by minority interest on start-up of operation		**866**	-
Net cash outflow from investing activities		**(109,937)**	(161,517)
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**242,338**	97,606
Proceeds from secured borrowings		**232,350**	-
Repayment of unsecured borrowings		**(421,293)**	(3,458)
Repayment of secured borrowings		**(15,762)**	-
Proceeds from unsecured borrowings		**5,072**	3,991
Repayment of hire purchase and lease liabilities		**(21,677)**	-
Dividends paid to Company's shareholders	12(b)	**(42,602)**	(19,855)
Proceeds from hire purchase and lease liabilities		**12**	-
Proceeds from Cross Currency Interest Rate Swaps close-out		**8,421**	-
Net cash (outflow)/inflow from financing activities		**(13,141)**	78,284
Net increase/(decrease) increase in cash and cash equivalents		**83,834**	(30,640)
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		**2,432**	1,188
Cash and cash equivalents at end of year	6(a)	**223,524**	137,258

- Non-cash investing and financing activities (refer note 9(b))
- Cash flows from discontinued operations (refer note 14(b))

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

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Notes to the consolidated financial statements

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 Managing Director that are used to make strategic decisions. The Managing Director assesses the performance of the operating segments based on revenue, EBIT and profit or loss before tax.

The operating segments are identified by the Managing Director based on the nature of the services provided. The Managing Director 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, logistics, exploration drilling, earthmoving and hydrological well drilling in Australia and Africa.

Underground Mining:

The provision of underground mining services in Australia, Africa and India.

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 rental, equipment parts and sales, the provision of energy drilling and mineral analysis.

Group Functions:

This segment includes Group central functions including treasury, accounting, human resources, information technology, procurement, financing and administration.

Intersegment eliminations:

Represents transactions which are eliminated on consolidation.

Restatement of prior year comparable:

The Company undertook an internal reorganisation of its 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 Investments. An entity has also been included in the Investments segment (previously included in the Contract Mining Services Africa). A new segment was also created for Underground Mining.

The new definition has been applied to the year ended 30 June 2018 as if the changes in structures had been effective from 1 July 2017. This has been done to facilitate comparability over multiple reporting periods.

Notes to the consolidated financial statements

1 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the year ended 30 June 2019 is as follows:

19	SURFACE MINING $'000	UNDERGROUND MINING $'000	INVESTMENTS $'000	GROUP FUNCTIONS $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue									
Sales to external customers	746,193	747,156	145,043	-	-	1,638,392	-	-	1,638,392
Intersegment sales	3,907	-	17,706	-	(21,613)	-	-	-	-
Total sales revenue	**750,100**	**747,156**	**162,749**	**-**	**(21,613)**	**1,638,392**	**-**	**-**	**1,638,392**
Timing of revenue recognition									
- At a point in time	11,388	-	21,800	-	-	33,188	-	-	33,188
- Over time	738,712	747,156	140,949	-	(21,613)	1,605,204	-	-	1,605,204
	750,100	747,156	162,749	-	(21,613)	1,638,392	-	-	1,638,392
Underlying segment EBIT(A)	**56,803**	**129,215**	**23,636**	**(27,977)**	**-**	**181,677**	**-**	**-**	**181,677**
Transaction, restructuring costs and other	(668)	(6,697)	-	(22,868)	-	(30,233)	-	-	(30,233)
Amortisation expense - customer relationship intangibles & software	-	(29,062)	-	-	-	(29,062)	-	-	(29,062)
Impairment of assets	(57,068)	-	(56,567)	-	-	(113,635)	-	-	(113,635)
Fair value gain on AUMS	-	180,248	-	-	-	180,248	-	-	180,248
Foreign currency translation reserve derecognition on AUMS	-	18,163	-	-	-	18,163	-	-	18,163
Reported segment EBIT	**(933)**	**291,867**	**(32,931)**	**(50,845)**	**-**	**207,158**	**-**	**-**	**207,158**
Interest income									3,143
Interest expense									(55,382)
Profit before tax									**154,919**
Income tax (expense)/benefit									27,362
Profit for the year									**182,281**
Minority interest									(955)
Profit for the year attributable to members									**181,326**
Segment assets	**1,747,048**	**1,393,038**	**231,879**	**744,288**	**(1,449,487)**	**2,666,766**	**-**	**-**	**2,666,766**
Segment liabilities	**353,535**	**847,945**	**215,695**	**975,262**	**(1,137,283)**	**1,255,154**	**-**	**-**	**1,255,154**
Other segment information									
Depreciation and amortisation expenses	(80,571)	(101,739)	(11,207)	(374)	-	(193,891)	-	-	(193,891)
Acquisition of property, plant and equipment, intangibles and other non-current assets	59,733	119,180	26,579	1,385	-	206,877	-	-	206,877
Share of net profits from joint ventures	-	10,709	-	-	-	10,709	-	-	10,709

Notes to the consolidated financial statements

1 SEGMENT INFORMATION (CONTINUED)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the year ended 30 June 2019 is as follows:

18 (restated)	SURFACE MINING $'000	UNDERGROUND MINING $'000	INVESTMENTS $'000	GROUP FUNCTIONS $'000	INTER-SEGMENT ELIMINATIONS $'000	TOTAL CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue									
Sales to external customers	725,825	-	140,456	-	-	866,281	17,924	-	884,205
Intersegment sales	3,301	-	15,532	-	(18,833)	-	-	-	-
Total sales revenue	**729,126**	**-**	**155,988**	**-**	**(18,833)**	**866,281**	**17,924**	**-**	**884,205**
Timing of revenue recognition									
- At a point in time	7,489	-	25,413	-	-	32,902	-	-	32,902
- Over time	721,637	-	130,575	-	(18,833)	833,379	17,924	-	851,303
	729,126	-	155,988	-	(18,833)	866,281	17,924	-	884,205
Underlying segment EBIT(A)	**70,734**	**22,344**	**18,041**	**(13,646)**	**127**	**97,600**	**2,317**	**(127)**	**99,790**
Settlement of claim	-	-	5,250	-	-	5,250	-	-	5,250
Reported segment EBIT	**70,734**	**22,344**	**23,291**	**(13,646)**	**127**	**102,850**	**2,317**	**(127)**	**105,040**
Interest income						2,982	8	-	2,990
Interest expense						(31,753)	(127)	127	(31,753)
Profit before tax						**74,079**	**2,198**	**-**	**76,277**
Income tax (expense)/benefit						(14,730)	(497)	-	(15,227)
Profit for the year attributable to members						**59,349**	**1,701**	**-**	**61,050**
Segment assets	**1,498,540**	**71,266**	**254,358**	**730,019**	**(1,186,422)**	**1,367,761**	**-**	**-**	**1,367,761**
Segment liabilities	**335,496**	**-**	**200,999**	**1,000,818**	**(944,303)**	**593,010**	**-**	**-**	**593,010**
Other segment information									
Depreciation and amortisation expenses	(63,268)	-	(10,977)	(283)	-	(74,528)	(247)	-	(74,775)
Acquisition of property, plant and equipment, intangibles and other non-current assets	159,126	-	13,240	9,363	-	181,729	738	-	182,467
Share of net profits from joint ventures	-	22,344	-	-	-	22,344	-	-	22,344
Investments in joint ventures	-	71,266	-	-	-	71,266	-	-	71,266

Note: 2018 segment revenue restated due to intra-group eliminations.

FINANCIAL REPORT

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 Managing Director 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					
	30 JUNE 2019			30 JUNE 2018		
	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	**212,795**	**(3,541)**	**209,254**	218,221	(3,295)	214,926
- Ghana	**212,978**	**(365)**	**212,613**	256,645	(6)	256,639
- Mali	**159,396**	**-**	**159,396**	117,963	-	117,963
- Burkina Faso	**101,181**	**-**	**101,181**	72,914	-	72,914
- Senegal	**60,839**	**-**	**60,839**	38,716	-	38,716
- Guinea	**988**	**-**	**988**	24,501	-	24,501
- Other foreign countries	**1,928**	**-**	**1,928**	166	-	166
Underground Mining						
- Australia	**355,415**	**-**	**355,415**	-	-	-
- Ghana	**115,594**	**-**	**115,594**	-	-	-
- Burkina Faso	**109,403**	**-**	**109,403**	-	-	-
- Tanzania	**95,572**	**-**	**95,572**	-	-	-
- Egypt	**58,218**	**-**	**58,218**	-	-	-
- India	**12,954**	**-**	**12,954**	-	-	-
Investments						
- Australia	**135,125**	**(3,369)**	**131,756**	131,192	(6,892)	124,300
- Africa	**22,387**	**(10,292)**	**12,095**	18,933	(4,121)	14,812
- Other foreign countries	**5,232**	**(4,046)**	**1,186**	5,863	(4,519)	1,344
Total segment revenue	**1,660,005**	**(21,613)**	**1,638,392**	885,114	(18,833)	866,281

Notes to the consolidated financial statements

1 SEGMENT INFORMATION (CONTINUED)

(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.

	19 NON-CURRENT SEGMENT ASSETS $'000	18 NON CURRENT SEGMENT ASSETS $'000
Surface Mining		
- Australia	**97,629**	115,844
- Ghana	**174,418**	171,630
- Mali	**73,587**	88,333
- Burkina Faso	**80,529**	88,345
- Senegal	**60,600**	54,940
- Guinea	**-**	819
- Other foreign countries	**135**	625
Underground Mining		
- Australia	**481,604**	-
- Ghana	**179,231**	20,094
- Burkina Faso	**220,082**	24,622
- Mali	**20,797**	10,700
- Tanzania	**110,208**	15,851
- Egypt	**14,206**	-
- India	**294**	-
Investments		
- Australia	**117,971**	141,945
- Africa	**118**	75
Group Functions		
- Australia	**19,446**	17,103
Total non-current segment assets	**1,650,855**	750,926

FINANCIAL REPORT

Notes to the consolidated financial statements

2 REVENUE

	19 $'000	18 $'000
From continuing operations		
Sales revenue		
Services	**1,605,204**	833,379
Sale of goods	**33,188**	32,902
	1,638,392	866,281

(a) Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below.

(i) Contract services

Contracts for services includes contract mining (both underground and surface mining), drill and blast, in-pit grade-control, exploration drilling, earthmoving, hydrological well drilling, rental of equipment and mineral assays and analysis. The performance obligation is fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has a right to payment for performance to date and as such revenue is recognised over time. Revenue is recognised monthly based on units of production at agreed contract rates that is aligned with the stand-alone selling prices for each performance obligation. Majority of the Group's revenue is paid one month in arrears and therefore gives rise to an accrued revenue. For rental of equipment, as the customer simultaneously receives and consumes the benefits, the entity has an enforceable right to payment and as such the performance obligation is fulfilled overtime. The total transaction price for contract services may include variable consideration.

(ii) Mining supplies and manufactured goods

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

See note 26(e) for the recognition and measurement of revenue. Amounts disclosed as revenue are net of returns, trade allowances, duties and other taxes paid. Refer note 6(b) for accrued revenue.

(b) Revenue recognised in relation to contract liabilities

On adoption of AASB 15, the Group recognised revenue from the amortisation of deferred revenue liabilities relating to mining services contracts as follows:

	19 $'000	18 $'000
Revenue recognised in relation to contract liabilities	**2,404**	-

Notes to the consolidated financial statements

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	19 $'000	18 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	13	**180,248**	-
Foreign currency translation reserves derecognised on step acquisition of AUMS	13	**18,163**	-
Impairment of property, plant and equipment		**(49,320)**	-
Impairment of inventory		**(54,416)**	-
Impairment other		**(9,899)**	-
Income tax net benefit - transactional and other		**60,632**	-
		145,408	-

(a) Impairment of assets

For the year ended 30 June 2019, 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 2019 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.

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. For the year ended 30 June 2019, this resulted in inventory impairments of $54,416,000 across the Surface and Investments segments (note 7(a)) and $11,083,000 of property, plant and equipment impairments (note 7(c)) across the Surface and Investments segments.

The Company then proceeded to consider 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 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) for certain CGUs, the recoverability of its assets is completed via a fair value less costs of disposal methodology (FVLCD); and

(b) 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 2019, some were assessed by a FVLCD method and some were assessed via the VIU method and resulted in an impairment charge of $48,136,000 for the year ended 30 June 2019. There was no reversal of previous impairments recorded. For the year ended 30 June 2018 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 2019 and 30 June 2018.

Notes to the consolidated financial statements

3 INDIVIDUALLY SIGNIFICANT ITEMS (CONTINUED)

(a) Impairment of assets (continued)

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.

CGU	TRIGGER FOR IMPAIRMENT TESTING 19	18	VALUATION METHOD USED 19	18	IMPAIRMENT EXPENSE/(REVERSAL) OF PPE 19	18
Contract Mining Services Africa (CMSA) CGU	**Y**	Y	**VIU**	VIU	**$16.9m**	-
Energy Drilling Australia (EDA) CGU	**Y**	Y	**FVLCD**	FVLCD	**$31.2m**	-
Kalgoorlie / Synegex CGU	**Y**	Y	**VIU**	VIU	**-**	-
BTP Equipment (BTPE) CGU	**N**	N	**-**	-	**-**	-
Ausdrill Northwest (ANW) CGU	**N**	Y	**-**	FVLCD	**-**	-
Barminco CGU	**N**	N/A	**-**	N/A	**-**	N/A
AUMS CGU	**N**	N/A	**-**	N/A	**-**	N/A

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) 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.

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 Surface Mining operating segment. At 30 June 2019, 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 2019. 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 was recognised at the CGU level at 30 June 2018.

Contract Mining Services Africa (CMSA) CGU

This CGU is included in the Surface Mining operating segment. At 30 June 2019, this CGU had triggers for impairment testing, and a VIU methodology was adopted. Based on the impairment testing performed, an impairment expense of $16,936,000 has been recognised at the CGU level at 30 June 2019. Of this, $7,037,000 related to property, plant and equipment and $9,899,000 related to other assets. 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.

Energy Drilling Australia (EDA) CGU

This CGU is included in the Investments operating segment. As reported at 31 December 2018, this CGU had triggers for impairment testing. To determine the recoverable amount of this CGU, the valuation approach was adopted. The valuation approach, was a combination of Level 1, Level 2, and predominately 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 $31,200,000 has been recognised at the Energy Drilling Australia CGU level.

(b) Income tax net benefit

A net income tax benefit of $60,632,000 arose during the year predominantly relating to the following items: previously unrecognised deferred tax assets for the carry forward of unused tax losses and tax credits $43,156,000, uplift in the tax carrying value of depreciating assets upon the acquisition of the Barminco Group $8,733,000, tax effect of impairment, transaction costs and other amounting to $36,036,000, offset by uncertain tax positions in Africa of $27,293,000.

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

	NOTES	19 $'000	18 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	13	**180,248**	-
Foreign currency transaction reserve derecognised on step acquisition of AUMS	13	**18,163**	-
Insurance proceeds		**1,259**	1,544
Foreign exchange gain (net)		**971**	11,249
Management fee received		**556**	1,047
Gain/(loss) on disposal of non-current assets		**3,918**	(1,635)
Other [(i)]		**3,009**	8,080
		208,124	20,285

(i) The Group settled a claim and received $5.3 million net of GST during the prior period.

(b) Breakdown of expenses by nature

	19 $'000	18 $'000
Depreciation and amortisation expense		
Plant and equipment depreciation	**163,108**	72,825
Buildings depreciation	**1,721**	1,703
Customer relationships intangibles amortisation	**28,770**	-
Software amortisation	**292**	-
Total depreciation and amortisation expense	**193,891**	74,528
Rental and hire expenses		
Rental expense relating to operating leases for equipment	**16,846**	8,514
Rental expense relating to operating leases for properties	**8,061**	6,264
Total rental and hire expenses	**24,907**	14,778
Finance costs		
Hire purchase interest	**2,374**	-
Interest paid	**41,688**	28,856
Derivative fair value and settlement	**5,703**	-
Amortised borrowing cost	**5,617**	2,770
Total finance costs	**55,382**	31,626
Other expenses from ordinary activities		
Staffing, safety and training	**24,502**	11,376
Consultants	**23,410**	15,802
Travel and accommodation	**22,105**	9,581
Freight	**19,181**	18,737
IT and communications	**14,114**	6,927
Insurance	**13,751**	6,645
Other property related expenses	**9,961**	6,734
Witholding tax general, duties and taxes	**6,861**	3,915
Inventory adjustments	**3,402**	1,817
Trade receivable provisions and bad debts	**(50)**	(425)
All other expenses *	**28,724**	4,193
Total other expenses from ordinary activities	**165,961**	85,302

*All other expenses include an amount of $7.2 million in relation to fraudulent payments to invalid suppliers, of which approximately $3.2 million related to payments made in 2018 and $1.0 million to payments prior to 2018.

Notes to the consolidated financial statements

4 OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

(b) Breakdown of expenses by nature (continued)

	19 $'000	18 $'000
Impairment of assets		
Impairment of property, plant and equipment	**49,320**	-
Impairment of inventory	**54,416**	-
Impairment other	**9,899**	-
Total impairment of assets	**113,635**	-

5 INCOME TAX (BENEFIT)/EXPENSE

This note provides an analysis of the Group's income tax (benefit)/expense, shows what tax amounts are recognised directly in equity and how the tax (benefit)/expense 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 (benefit)/expense

	NOTES	19 $'000	18 $'000
Current tax on profits for the year		**42,409**	10,823
Deferred tax		**(70,247)**	3,547
Adjustments for current tax of prior periods		**476**	857
		(27,362)	15,227
Income tax (benefit)/expense is attributable to:			
Profit/(loss) from continuing operations		**(27,362)**	14,730
Profit/(loss) from discontinued operations		**-**	497
Aggregate income tax expense/(benefit)		**(27,362)**	15,227
Deferred income tax (benefit)/expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax assets	7(e)(i)	**(97,694)**	3,962
Increase/(decrease) in deferred tax liabilities	7(e)(ii)	**27,447**	(415)
		(70,247)	3,547

(b) Numerical reconciliation of accounting profit to income tax (benefit)/expense

	19 $'000	18 $'000
Profit/(loss) from continuing operations before income tax expense	**154,919**	74,079
Profit/(loss) from discontinuing operations before income tax expense	**-**	2,198
	154,919	76,277
Tax at the Australian tax rate of 30% (Jun 2018 - 30%)	**46,476**	22,883
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit) of joint ventures	**(3,213)**	(6,703)
Share-based payments	**664**	227
Other foreign permanent differences	**2,037**	(192)
Withholding tax	**7,470**	1,233
Other (non-assessable)/non-deductible items	**4,350**	1,121
Step acquisition gain on the Company's existing 50% share of AUMS	**(59,523)**	-

Notes to the consolidated financial statements

5 INCOME TAX (BENEFIT)/EXPENSE (CONTINUED)

(b) Numerical reconciliation of accounting profit to income tax (benefit)/expense (continued)

	NOTES	19 $'000	18 $'000
Difference in overseas tax rates		**(4,195)**	3,004
Under provision in prior years		**476**	857
Current year tax losses not recognised		**1,417**	2,566
Prior year unrecognised deferred tax assets now recognised*		**(44,822)**	(7,378)
Effect of currency translation on tax base		**(2,462)**	(2,935)
Deferred tax recognised on undistributed profits for foreign subsidiaries and joint ventures		**5,007**	544
Uplift in the tax carrying value of depreciating assets upon acquisition of Barminco group		**(8,337)**	-
Uncertain tax positions in Africa	7(e)(ii)	**27,293**	-
Income tax (benefit)/expense		**(27,362)**	15,227

* In 2019 the Group recognised a deferred tax asset for the carry forward of unused tax losses, unused tax credits and other previously unrecognised deductible temporary differences on the basis that it is probable that future taxable profits will be available against which the unused tax losses, unused tax credits and other previously unrecognised other deductible temporary differences can be utilised.

(c) Amounts recognised directly in equity

	19 $'000	18 $'000
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 directly to equity	**1,188**	146

(d) Unrecognised temporary differences

(i) Temporary differences for which deferred tax assets have not been recognised:

	19 $'000	18 $'000
Unused tax losses for which no deferred tax asset has been recognised	**1,388**	134,640
Other temporary differences	**-**	16,837
	1,388	151,477
Unrecognised deferred tax assets relating to the above temporary differences	**416**	45,443

Management is investigating whether Barminco's existing tax losses at the date of acquisition can be transferred to Perenti's income tax consolidated group

(ii) Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

	19 $'000	18 $'000
Undistributed earnings	**121,941**	61,059
Unrecognised deferred tax liabilities relating to the above temporary differences	**11,546**	5,804

The Company has undistributed earnings of $121,941,092 (2018: $61,059,261) in some of it's African subsidiaries which, if paid out as dividends, would attract dividend witholding tax in Africa. 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.

(e) Effective tax rates for the year ended 30 June 2019 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 year ended 30 June 2019 is (111.0%) (30 June 2018: 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 year ended 30 June 2019 is (17.7%) (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 recognition of uncertain tax positions in Africa. The effective tax rate excluding the impact of these items is 29.3% (30 June 2018: 30.2%)

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 FVOCI** $' 000	FINANCIAL ASSETS AT AMORTISED COST $'000	TOTAL $'000
Financial assets 2019				
Cash and cash equivalents	6(a)	**-**	**223,524**	**223,524**
Trade and other receivables*	6(b)	**-**	**386,782**	**386,782**
Financial assets FVOCI	6(c)	**17,581**	**-**	**17,581**
		17,581	**610,306**	**627,887**
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

* Excluding prepayments
** Financial assets at fair value through other comprehensive income were classified as available-for-sale financial assets at 30 June 2018.

	NOTES	LIABILITIES AT AMORTISED COST $'000	TOTAL $'000
Financial liabilities 2019			
Trade and other payables	6(d)	**268,525**	**268,525**
Borrowings	6(e)	**757,443**	**757,443**
		1,025,968	**1,025,968**
2018			
Trade and other payables	6(d)	122,770	122,770
Borrowings	6(e)	404,550	404,550
		527,320	527,320

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

	19 $'000	18 $'000
Current assets		
Cash at bank and in hand	**223,524**	137,258

(i) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	19 $'000	18 $'000
Balance as above	**223,524**	137,258
Balances per consolidated statement of cash flows	**223,524**	137,258

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6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables

	2019 CURRENT $'000	2019 NON- CURRENT $'000	2019 TOTAL $'000	CURRENT $'000	2019 NON- CURRENT $'000	TOTAL $'000
Trade receivables (i)	**195,363**	**-**	**195,363**	141,917	-	141,917
Provision for impairment (see note 11(b))	**(10,827)**	**-**	**(10,827)**	(11,421)	-	(11,421)
	184,536	**-**	**184,536**	130,496	-	130,496
Accrued revenue	**164,064**	**-**	**164,064**	50,973	-	50,973
Net GST / VAT receivables	**17,517**	**-**	**17,517**	12,654	-	12,654
Other receivables (ii)	**19,618**	**1,047**	**20,665**	16,290	3,314	19,604
Prepayments	**13,619**	**991**	**14,610**	20,051	-	20,051
	399,354	**2,038**	**401,392**	230,464	3,314	233,778

(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 loss allowance and other accounting policies for trade and other receivables are outlined in notes 11(b) and 26(l) respectively.

(ii) Other receivables

This amount includes 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

Prepayments of $8,206,000 and other non-current receivables of $1,693,000 were impaired during the year, refer note 3. 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).

(c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include the following classes of financial assets:

	19 $'000	18 $'000
Non-current assets		
Listed securities		
Equity securities	**5,971**	6,336
Unlisted securities		
Equity securities	**11,610**	5,663
	17,581	11,999

These securities were classified as available-for sale as at 30 June 2018.

Refer note 26(a)(ii) for the impact of the change in accounting policy following adoption of AASB 9 on the classification of financial assets and note 26(o)(ii) for the accounting policy.

Notes to the consolidated financial statements

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Financial assets at fair value through other comprehensive income (continued)

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

On disposal of these equity investments, any related balance within the fair value reserve is reclassified to retained earnings.

(ii) Amounts recognised in other comprehensive income

During the year, the following (losses)/gains were recognised in other comprehensive income.

	NOTES	19 $'000	18 $'000
Gains/(losses) recognised in other comprehensive income	8(b)	**4,773**	(2,377)

(iii) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

(iv) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 6(f) below.

All of the financial assets at FVOCI are denominated in either Australian Dollars, Great British Pound or Canadian Dollars. For an analysis of the sensitivity of the assets to price and interest rate risk refer to note 11(a).

(d) Trade and other payables

	19 $'000	18 $'000
Current liabilities		
Trade payables	**130,734**	59,957
Accrued expenses	**92,037**	46,481
Payroll accruals	**25,236**	10,619
Net GST / VAT payables	**10,003**	3,979
Deferred revenue	**5,115**	-
Other creditors and accruals	**5,400**	1,734
	268,525	122,770

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.

(i) Deferred revenue

Movements in deferred revenue for liabilities relating to revenue contracts are as follows:

	19 $'000	18 $'000
Opening balance	**-**	-
Adjustment on adoption of AASB 15	**7,527**	-
Revenue recognised	**(2,404)**	-
Exchange differences	**(8)**	-
Closing balance	**5,115**	-

Notes to the consolidated financial statements

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings

	19 CURRENT $'000	19 NON- CURRENT $'000	19 TOTAL $'000	18 CURRENT $'000	18 NON- CURRENT $'000	18 TOTAL $'000
Secured						
USD notes	-	497,386	497,386	-	-	-
Bank loans	-	225,119	225,119	-	-	-
Prepaid borrowing costs	-	(2,032)	(2,032)	-	(1,235)	(1,235)
Hire purchase liabilities	25,236	8,548	33,784	-	-	-
Total secured borrowings	25,236	729,021	754,257	-	(1,235)	(1,235)
Unsecured						
USD notes	-	-	-	-	404,998	404,998
Loan from minority interest	-	2,660	2,660	-	-	-
Prepaid borrowing costs	-	-	-	-	(2,547)	(2,547)
Insurance premium funding	526	-	526	3,334	-	3,334
Total unsecured borrowings	526	2,660	3,186	3,334	402,451	405,785
Total borrowings	25,762	731,681	757,443	3,334	401,216	404,550

In FY19 the Group capitalised $2.1 million of borrowing costs in relation to secured bank loans.

(i) *Secured liabilities*

At 30 June 2019, the Group had the following facilities that were not drawn at balance date:

	19 $'000	18 $'000
Total unutilised facilities - bank loans	158,343	199,433

Bank loans

In April 2019, the Company refinanced its A$300 million revolving credit facilities. The facilities are dual currency, revolving, mature on 1 July 2023 and has been provided by a number of leading lending institutions in the Australian banking market. As at 30 June 2019, approximately 75% of this facility was drawn down. Drawdown of this facility was to assist in the partial redemption of the US$300 million unsecured notes and ongoing working capital.

In 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 credit facility from A$75 million to A$45 million. Barminco's revolving credit facility matures in October 2020.

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 notes were issued by Barminco Finance Pty Ltd and 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.

Hire purchase and lease facilities

Hire purchases and lease facilities are secured by the specific assets financed.

Notes to the consolidated financial statements

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(e) Borrowings (continued)

(ii) *Unsecured liabilities*

USD notes - unsecured

In September 2018, the Company 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.

Loan from minority interest - unsecured

The loan relates to Underground Mining Alliance Limited, refer note 15(b).

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 Assets are guarantors under various facilities. All banking covenants have been complied with at reporting date.

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.

(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:

	19 CARRYING AMOUNT $'000	19 FAIR VALUE $'000	19 DISCOUNT RATE %	18 CARRYING AMOUNT $'000	18 FAIR VALUE $'000	18 DISCOUNT RATE %
On-balance sheet						
Non-traded financial liabilities						
USD notes - secured	497,386	516,542	5.45	-	-	
USD notes - 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.

(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.

Notes to the consolidated financial statements

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

AT 30 JUNE 2019	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Financial assets FVOCI*				
Australian listed equity securities	**5,059**	-	-	5,059
Australian unlisted equity securities	-	-	11,610	11,610
CAD listed equity securities	**463**	-	-	463
GBP listed equity securities	**449**	-	-	449
Total financial assets	**5,971**	-	11,610	17,581

AT 30 JUNE 2018	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Financial assets FVOCI*				
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

* Financial assets at fair value through other comprehensive income (FVOCI) were classified as available-for-sale financial assets as at 30 June 2018.

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 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.

(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 period ended 30 June 2019:

Consolidated entity	UNLISTED EQUITY SECURITIES $'000	TOTAL $'000
Opening balance 1 July 2018	**5,663**	**5,663**
Gains/(losses) recognised in other comprehensive income	**5,700**	**5,700**
Transfers between levels	**247**	**247**
Closing balance 30 June 2019	**11,610**	**11,610**

Notes to the consolidated financial statements

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(f) Recognised fair value measurements (continued)

(iv) Valuation inputs and relationships to fair value

Changes in the fair value of unlisted equity securities are analysed at least each reporting period by discussion with the Chief Financial Officer and valuation team in the Group finance department. As part of this discussion the team presents a report that explains the reason for any fair value movements based on recent transactions and financial information.

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))
  - assets classified as held for sale (note 7(b))
  - property, plant and equipment (note 7(c))
  - intangible assets (note 7(d))
  - deferred tax balances (note 7(e))
  - employee benefit obligations (note 7(f))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Inventories

	19 $'000	18 $'000
Work in progress	**18,064**	12,558
Finished goods	**15,322**	9,208
Consumables and store items	**217,724**	190,834
	251,110	212,600

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 26(m) 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 $56,109,000 (2018: $2,096,000). These were recognised as an expense during the year ended 30 June 2019, $54,416,000 was included within impairment of assets expense, refer to note 3 for detail, and $1,693,000 which was in the ordinary course of business, was included in materials expense in the consolidated statement of profit or loss.

(b) Assets held for sale

	19 $'000	18 $'000
Current assets		
Property, plant and equipment	**9,866**	-
Inventories	**3,760**	-
	13,626	-

As announced to the ASX on 10 April 2019 the Group has entered into a binding agreement with Pentium Hydro Pty Ltd and Vysarn Limited to sell the Company's hydrological drilling assets which historically operated as "Connector Drilling" for cash consideration of $16 million. The Assets Sale Agreement includes various waterwell drilling assets and associated inventory currently used by the Company's waterwell business. Completion of the Asset Sale Agreement is subject to the satisfaction of various conditions precedent.

Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment

Non-current	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	PLANT AND EQUIPMENT UNDER FINANCE $'000	TOTAL $'000
At 1 July 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
Assets included in a disposal group classified as held for sale and other disposals	-	(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
Year ended 30 June 2019				
Opening net book amount	**58,608**	**605,739**	**-**	**664,347**
Exchange differences	**866**	**13,301**	**109**	**14,276**
Acquisition of subsidiary	**1,001**	**168,458**	**68,813**	**238,272**
Additions	**88**	**205,908**	**17**	**206,013**
Transfers to inventory	**-**	**(3,926)**	**-**	**(3,926)**
Depreciation charge	**(1,721)**	**(143,009)**	**(20,099)**	**(164,829)**
Impairment expense *(iv)*	**-**	**(49,320)**	**-**	**(49,320)**
Disposals	**-**	**(7,301)**	**-**	**(7,301)**
Transfers between classes	**(498)**	**498**	**-**	**-**
Transfers to assets held for sale	**-**	**(9,866)**	**-**	**(9,866)**
Closing net book amount	**58,344**	**780,482**	**48,840**	**887,666**
At 30 June 2019				
Cost or fair value	**60,378**	**1,667,904**	**125,261**	**1,853,543**
Accumulated depreciation and impairment	**(2,034)**	**(887,422)**	**(76,421)**	**(965,877)**
Net book amount	**58,344**	**780,482**	**48,840**	**887,666**

Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment (continued)

(i) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

(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:

	19 $'000	18 $'000
Buildings		
Cost	**40,761**	40,566
Accumulated depreciation	**(16,648)**	(14,734)
Net book amount	**24,113**	25,832

(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 - 15 years
- Power station assets 3 - 20 years

See note 26(q) for the other accounting policies relevant to property, plant and equipment.

(iv) Impairment expense

Impairment expense of $11,083,000 related to individual assets and $38,237,000 related to individual assets tested at the cash generating unit level for property, plant and equipment. 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(g).

(d) Intangible assets

YEAR ENDED 30 JUNE 2019	NOTES	GOODWILL $'000	SOFTWARE $'000	CUSTOMER RELATED INTANGIBLES $'000	TOTAL $'000
Opening net book amount		-	-	-	-
Acquisition of subsidiary	13	449,769	1,349	321,458	772,576
Additions internal development		-	55	-	55
Exchange differences		-	-	-	-
Amortisation charge		-	(292)	(28,770)	(29,062)
Closing net book amount		449,769	1,112	292,688	743,569
AT 30 JUNE 2019					
Cost		449,769	2,487	321,458	773,714
Accumulated amortisation and impairment and impairment		-	(1,375)	(28,770)	(30,145)
Net book amount		449,769	1,112	292,688	743,569

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7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Intangible assets (continued)

(i) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 5-6 years
- Customer related intangibles 2-13 years

See note 26(q) for the other accounting policies relevant to intangible assets, and note 26(j) for the Group's policy regarding impairments.

(ii) Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(iii) Impairment tests for goodwill

On 31 October 2018 the Company acquired Barminco Holdings Pty Limited (Barminco), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa and India. The acquisition of Barminco increased the Group's ownership of the AUMS entities from 50% to 100%. At 30 June 2019, the recoverable amount of the assets have been determined based on fair value less costs of disposal, with reference to the recent purchase price of the acquired interest. There are no indicators to suggest that the fair value of Barminco and AUMS has significantly changed since acquisition.

(e) Deferred tax balances

(i) Deferred tax assets

	NOTES	19 $'000	18 $'000
The balance comprises temporary differences attributable to:			
Employee benefits		**19,810**	11,352
Accruals		**4,055**	1,339
Provision for obsolete stock		**2,632**	2,837
Doubtful debts		**2,656**	3,658
Depreciation		**16,526**	29,611
		45,679	48,797
Other			
Borrowing and business expenses		**4,293**	1,089
Inventory		**2,489**	2,395
Unrealised foreign exchange		**5,392**	-
Current/prior year tax losses recognised		**88,728**	1,361
R&D tax offset recognised		**4,999**	-
Financial assets at fair value through other comprehensive income		**340**	1,772
		106,241	6,617
Total deferred tax assets		**151,920**	55,414
Set off deferred tax liabilities pursuant to set-off provisions	7(e)(ii)	**(34,524)**	(19,865)
Net deferred tax assets		**117,396**	35,549
Deferred tax assets expected to be recovered within 12 months		**55,571**	28,929
Deferred tax assets expected to be recovered after more than 12 months		**96,349**	26,485
		151,920	55,414

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

	EMPLOYEE BENEFITS $'000	DEPRECIATION $'000	ACCRUALS $'000	DOUBTFUL DEBTS $'000	INVENTORY $'000	TAX LOSSES / OFFSETS $'000	OTHER $'000	TOTAL $'000
At 1 July 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
Reclassification between deferred tax balances *	-	25,702	-	-	2,395	-	-	28,097
At 30 June 2018	11,352	29,611	1,339	3,658	2,395	-	7,059	55,414
(Charged)/credited to profit or loss	**8,458**	**(13,085)**	**2,716**	**(1,002)**	**94**	**93,727**	**6,786**	**97,694**
(Charged)/credited directly to equity	**-**	**-**	**-**	**-**	**-**	**-**	**(1,188)**	**(1,188)**
At 30 June 2019	**19,810**	**16,526**	**4,055**	**2,656**	**2,489**	**93,727**	**12,657**	**151,920**

* 28,097,000 reclassification between deferred tax balances due to deferred tax assets and deferred tax liabilities not being able to be offset across different tax jurisdictions.

(ii) Deferred tax liabilities

	NOTES	19 $'000	18 $'000
The balance comprises temporary differences attributable to:			
Foreign entities distributable profits		**14,199**	9,191
Depreciation		**23,712**	25,702
Intangibles - customer relationships		**88,164**	-
Revaluation of land and buildings		**9,174**	9,330
		135,249	44,223
Other			
Receivables		**22**	437
Unrealised foreign exchange		**-**	43
Prepayments		**908**	109
Uncertain tax positions in Africa		**42,293**	-
		43,223	589
Total deferred tax liabilities		**178,472**	44,812
Set off of deferred tax liabilities pursuant to set-off provisions	7(e)(i)	**(34,524)**	(19,865)
Net deferred tax liabilities		**143,948**	24,947
Deferred tax liabilities expected to be settled within 12 months		**13,938**	5,728
Deferred tax liabilities expected to be settled after more than 12 months		**164,534**	39,084
		178,472	44,812

The Group is subject to income taxes in many jurisdictions around the world. Significant judgement is required in determining the provision for income taxes on a worldwide basis. There are some transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts provided, such differences will impact the current and deferred tax provisions in the period in which such outcome is obtained. In addition, the Company regularly assesses the recognition and recoverability of deferred tax assets. This requires judgements about the application of income tax legislation in jurisdictions in which the Company operates. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Deferred tax balances (continued)

(ii) *Deferred tax liabilities* (continued)

	FOREIGN ENTITIES DISTRIBUTABLE PROFITS $'000	INVENTORIES $'000	INTANGIBLES CUSTOMER RELATIONSHIP $'000	REVALUATION OF LAND & BUILDINGS $'000	DEPRECIATION $'000	UNCERTAIN TAX POSITIONS IN AFRICA $'000	OTHER $'000	TOTAL $'000
At 1 July 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**
Reclassification between deferred tax balances *	-	2,395	-	-	25,702	-	-	**28,097**
At 30 June 2018	9,191	-	-	9,330	25,702	-	589	**44,812**
(Credited)/charged to profit or loss	**5,008**	**-**	**(8,273)**	**-**	**(1,990)**	**27,293**	**5,409**	**27,447**
Charged/(credited) directly to equity	**-**	**-**	**-**	**(156)**	**-**	**-**	**-**	**(156)**
Charged/(credited) from acquisition of subsidiary	**-**	**-**	**96,437**	**-**	**-**	**15,000**	**(5,068)**	**106,369**
At 30 June 2019	**14,199**	**-**	**88,164**	**9,174**	**23,712**	**42,293**	**930**	**178,472**

* 28,097,000 reclassification between deferred tax balances due to deferred tax assets and deferred tax liabilities not being able to be offset across different tax jurisdictions.

(f) Employee benefit obligations

	19 CURRENT $'000	19 NON- CURRENT $'000	19 TOTAL $'000	18 CURRENT $'000	18 NON- CURRENT $'000	18 TOTAL $'000
Leave obligations	**65,043**	**1,617**	**66,660**	39,061	486	39,547

(i) *Leave obligations*

Leave obligations cover the Group's liabilities for long service leave, annual leave and other employee benefit obligation.

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 amount of the current provision of $65,043,000 (2018: $39,061,000) 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.

	19 $'000	18 $'000
Current leave obligations expected to be settled after 12 months	**28,919**	23,379

Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) 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(g)(ii)-(v).

At 30 June 2019	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Land and buildings				
Office buildings	**-**	**-**	**7,512**	**7,512**
Industrial sites	**-**	**-**	**50,832**	**50,832**
Total non-financial assets	**-**	**-**	**58,344**	**58,344**

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

There were no transfers between any levels for recurring fair value measurements during the current or prior period.

Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) 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, see note 7(g)(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.

(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 2018 and 30 June 2019 for recurring fair value measurements:

Consolidated entity	OFFICE BUILDINGS $'000	INDUSTRIAL SITES $'000	TOTAL $'000
Opening balance 1 July 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
Acquisitions	**-**	**88**	**88**
Acquisition of subsidiary	**-**	**1,001**	**1,001**
Depreciation and impairment	**(699)**	**(1,280)**	**(1,979)**
Transfers between classes	**(653)**	**155**	**(498)**
Gains/(losses) recognised in other comprehensive income	**1,169**	**(44)**	**1,125**
Closing balance 30 June 2019	**7,512**	**50,832**	**58,344**

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Notes to the consolidated financial statements

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) 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 2019 $'000	FAIR VALUE AT 30 JUNE 2018 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS*	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2019	RANGE OF INPUTS (PROBABILITY-WEIGHTED AVERAGE) 2018	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Industrial Sites - Australia	**38,160**	38,140	Income capitalisation	Capitalisation rate	**7.25-11.75% (7.77%)**	7.25-11.75% (7.77%)	The higher the capitalisation rate, the lower the fair value
				Market rental value per (m^2)	**\$18-104 per m^2 (\$48)**	\$18-104 per m^2 (\$48)	The higher the market rate, the higher the fair value
Industrial Sites - Ghana	**12,672**	12,772	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**\$24-1,284 per m^2 (\$335)**	\$24-1,284 per m^2 (\$335)	The higher the rate per square metre, the higher the fair value
Office Buildings-Ghana	**7,512**	7,695	Direct comparison m^2	Selection of industrial sites with similar approximate utility	**\$1,850 per m^2 (\$1,850)**	\$1,850 per m^2 (\$1,850)	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. The fair values of the industrial sites properties have been determined by members of the Australian Property Institute, and the Ghana Institute of Surveyors in the prior year excluding acquisitions.

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.

Notes to the consolidated financial statements

8 EQUITY

(a) Contributed equity

	19 SHARES	18 SHARES	19 $'000	18 $'000
Fully paid ordinary shares	**685,706,153**	362,197,492	**1,126,769**	624,571

(i) Movements in ordinary share capital:

Details	NUMBER OF SHARES (THOUSANDS)	TOTAL $'000
Opening balance 1 July 2018	362,197,492	624,571
Contribution of equity, net of transaction costs and tax	170,048,778	243,537
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	150,666,463	258,393
Exercise of options under the Employee Option Plan	2,793,420	268
Balance 30 June 2019	685,706,153	1,126,769

(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 Company Employee Option Plan, including details of options issued, exercised and forfeited during the financial year and options outstanding at the end of the financial year, is set out in note 20.

(v) Rights

Information relating to the Company Incentive Rights Plan, including details of rights issued, vested and forfeited during the financial year and rights outstanding at the end of the financial year, is set out in note 20.

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	FINANCIAL ASSETS AT FVOCI $'000	SHARE- BASED PAYMENTS $'000	TRANSACTIONS WITH NCI $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
Balance at 1 July 2017		19,518	(1,431)	-	6,207	(2,664)	(39,407)	(17,777)
Revaluation - gross	7(c), 6(c)	5,717	(2,377)	-	-	-	-	3,340
Deferred tax		(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 payments expense	20	-	-	-	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)**

CONSOLIDATED ENTITY	NOTES	REVALUATION SURPLUS $'000	AVAILABLE- FOR-SALE FINANCIAL ASSETS $'000	FINANCIAL ASSETS AT FVOCI $'000	SHARE- BASED PAYMENTS $'000	TRANSACTIONS WITH NCI $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
Balance at 1 July 2018		23,961	(3,095)	-	6,446	(2,664)	(37,107)	(12,459)
Reclassification on adoption of AASB 9		-	3,095	(3,095)	-	-	-	-
Revaluation - gross	6(c)	-	-	4,773	-	-	-	4,773
Deferred tax		-	-	(1,432)	-	-	(1,018)	(2,450)
Foreign currency translation reserves derecognised on step acquisition of AUMS	3	-	-	-	-	-	(18,163)	(18,163)
Currency translation differences		490	-	-	-	-	14,965	15,455
Other comprehensive income		**490**	**3,095**	**246**	**-**	**-**	**(4,216)**	**(385)**
Transactions with owners in their capacity as owners								
Share-based payments expense	20	-	-	-	2,213	-	-	2,213
Shares issued on conversion of employee share options		-	-	-	(204)	-	-	(204)
At 30 June 2019		**24,451**	**-**	**246**	**8,455**	**(2,664)**	**(41,323)**	**(10,835)**

(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 26(p) for details.

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 6(c). These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Notes to the consolidated financial statements

8 EQUITY (CONTINUED)

(b) Other reserves (continued)

(i) Nature and purpose of other reserves (continued)

Available-for-sale financial assets - until 30 June 2018

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. On adoption of AASB 9 on 1 July 2018, the balance of this reserve was transferred to financial assets at FVOCI reserve.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and rights issued to employees that are expensed in the statement of comprehensive income each year and conversion of options/rights.

Transactions with non-controlling interests (NCI)

This reserve is used to record the differences described in note 26(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:

	NOTE	19 $'000	18 $'000
Balance 1 July		**162,639**	121,444
Adoption of new accounting standard	6(d), 26(a)	**(7,527)**	-
Dividends paid	12(b)	**(42,602)**	(19,855)
Net profit for the year		**181,326**	61,050
Balance 30 June		**293,836**	162,639

Notes to the consolidated financial statements

9 CASH FLOW INFORMATION

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	19 $'000	18 $'000
Profit for the year	**182,281**	61,050
Depreciation and amortisation expense	**193,891**	74,775
Impairment of property, plant and equipment	**49,320**	-
Impairment of inventory	**54,416**	-
Impairment of other	**9,899**	-
(Gain)/loss on sale of non-current assets	**(3,918)**	1,626
Net (gain)/loss on sale of businesses	**-**	(390)
Net exchange differences	**(495)**	(961)
Trade receivable provisions and bad debts	**(50)**	(588)
Share of profits of joint ventures	**(10,709)**	(22,344)
Non-cash employee benefits expense - share-based payments	**2,213**	756
Borrowing costs	**4,768**	-
Derivative fair value and settlement	**5,703**	-
Step acquisition gain on ASL's existing 50% share of AUMS	**(180,248)**	-
FCTR derecognised on step acquisition	**(18,163)**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	**(28,184)**	(53,540)
(Increase)/decrease in inventories	**(4,774)**	(20,074)
(Increase)/decrease in deferred tax assets	**(69,247)**	2,065
(Increase)/decrease in other operating assets	**12,187**	(6,883)
(Decrease)/increase in trade creditors	**458**	20,215
(Decrease)/increase in provision for income taxes payable	**4,204**	(1,108)
(Decrease)/increase in deferred tax liabilities	**8,304**	883
(Decrease)/increase in other provisions	**(4,944)**	(2,889)
Net cash inflow from operating activities	**206,912**	52,593

(b) Non-cash investing and financing activities

	NOTE	19 $'000	18 $'000
Acquisition of plant and equipment by means of finance leases or hire purchases		**13**	-
Issue of shares for Barminco acquisition	13	**(258,393)**	-
		(258,380)	-

Notes to the consolidated financial statements

9 CASH FLOW INFORMATION (CONTINUED)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt.

	19 $'000	18 $'000
Net debt		
Cash and cash equivalents	**223,524**	137,258
Borrowings - repayable within one year	**(25,762)**	(831)
Borrowings - repayable after one year	**(731,681)**	(403,719)
Net debt	**(533,919)**	(267,292)
Cash and cash equivalents	**223,524**	137,258
Gross debt - fixed interest rates	**(757,443)**	(404,550)
Net debt	**(533,919)**	(267,292)

	CASH $'000	FINANCE LEASES DUE WITHIN 1 YEAR $'000	FINANCE LEASES DUE AFTER 1 YEAR $'000	BORROWINGS DUE WITHIN 1 YEAR $'000	BORROWINGS DUE AFTER 1 YEAR $'000	TOTAL $'000
Net debt as at 1 July 2018	**137,258**	**-**	**-**	**(831)**	**(403,719)**	**(267,292)**
Cash flows	83,829	7,465	14,200	2,809	196,825	305,128
Business combination	-	(32,491)	(22,633)	-	(487,642)	(542,766)
Foreign exchange adjustments	2,437	(210)	(115)	47	(26,345)	(24,186)
Other non-cash movements	-	-	-	(2,551)	(2,252)	(4,803)
Net debt as at 30 June 2019	**223,524**	**(25,236)**	**(8,548)**	**(526)**	**(723,133)**	**(533,919)**

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	106
11	Financial risk management	106
12	Capital management	112

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 2 to 26 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.

Significant estimates and judgements

- Recognition of revenue - note 2 and note 26(c)
- Impairment of assets - note 3
- Estimated fair value of financial assets at fair value through other comprehensive income - note 6(c)
- Estimation of fair values of land and buildings - note 7(g)
- Estimation of useful life of property, plant and equipment - note 7(c)
- Estimated goodwill impairment - note 7(d)
- Estimated useful life of intangible assets - note 7(d)
- Recognition of deferred tax asset for carried forward tax losses - note 7(e)
- Acquisition of Barminco purchase price allocation - note 13 and 26(i)
- Assets held for sale classification - note 7(b)
- Share based payments - note 20
- Uncertain tax positions in Africa - note 7(e)

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.

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 debt instruments, investments and contract assets	Aging analysis Credit rating	Diversification of bank deposits, 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 2019	USD $'000	GHS $'000	GBP $'000	EUR $'000	INR $'000	EGP $'000	TZS $'000	ZMW $'000	ZAR $'000	XOF $'000
Cash	**15,893**	**7,824**	**-**	**6,169**	**5,016**	**228**	**2,513**	**-**	**-**	**-**
Trade and other assets	**24,200**	**1,142**	**-**	**19,179**	**3,380**	**1,568**	**-**	**-**	**-**	**481**
Other non-current receivables	**3,742**	**-**	**-**	**60,120**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets FVOCI	**-**	**-**	**449**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trade payables	**(21,801)**	**(7,650)**	**(53)**	**(33,546)**	**-**	**-**	**-**	**-**	**(170)**	**(117)**
Borrowings	**(10,910)**	**-**	**-**	**(60,120)**	**-**	**-**	**-**	**-**	**-**	**-**

30 JUNE 2018	USD $'000	GHS $'000	GBP $'000	EUR $'000	INR $'000	EGP $'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)	-	-	-	-	-	-

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:

	19 $'000	18 $'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	**971**	11,249
Total net foreign exchange gain/(loss) recognised in profit or loss before income tax for the year	**971**	11,249

Notes to the consolidated financial statements

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 2018.

	PROFIT OR (LOSS) A$'000
30 June 2019	
USD	**(1,011)**
GHS	**(120)**
GBP	**(36)**
EUR	**760**
TZS	**(228)**
XOF	**(33)**
INR	**(763)**
EGP	**(163)**
	(1,594)
30 June 2018	
USD	186
GHS	471
GBP	(59)
EUR	(299)
TZS	(2)
ZAR	6
CAD	(47)
XOF	99
	355

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. As at the end of the reporting period, the Group had no variable interest rate borrowings.

Refer to note 11(c) Liquidity risk for cash, cash equivalents and variable rate exposure.

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 at fair value through other comprehensive income (FVOCI).

34% (2018: 53%) of the Group's investments in equity securities are publicly traded on the Australian Securities Exchange, the London Stock Exchange and the Canadian Stock Exchange.

Sensitivity analysis

The table below summarises the impact of an increase/(decrease) of the financial assets FVOCI on the Group's equity for the year after tax. The analysis is based on the assumption that the FVOCI financial assets had increased by 10% or decreased by 10% with all other variables held constant.

CONSOLIDATED ENTITY	IMPACT ON OTHER COMPONENTS OF EQUITY	
	19 $'000	18 $'000
FVOCI - increase 10%	**1,231**	840
FVOCI - decrease 10%	**(1,231)**	(840)

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

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.

(ii) Credit quality

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

	19 $'000	18 $'000
(AUD)		
Australia	**127,784**	73,902
Africa	**243,202**	139,392
Asia	**11,766**	263
India	**3,336**	-
Europe	**694**	170
	386,782	213,727

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality (continued)

	19 $'000	18 $'000
Trade and other receivables		
Counterparties with external credit rating (Moody's)		
A2	**12,137**	212
A3	**-**	11,941
Ba1	**187**	77
Ba2	**154**	-
Ba3	**15,273**	7,773
Baa1	**71**	-
Baa2	**17,206**	9,502
Baa3	**65,706**	2,377
B2	**75**	-
B3	**-**	331
	110,809	32,213
Counterparties without external credit rating		
Group 1	**20,184**	13,893
Group 2	**255,789**	167,621
Group 3	**-**	-
	275,973	181,514
Total trade and other receivables *	**386,782**	213,727
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
AA-	**113,897**	107,149
A+	**-**	1,114
A	**30,403**	4
BBB+	**-**	1,474
BBB-	**-**	874
BB+	**3,333**	-
B	**75,530**	26,422
Other	**361**	121
	223,524	137,258

* Total trade and other receivables above exclude prepayments.

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.

(iii) Trade receivable provisions

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

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

The creation and release of the provision for impaired and expected credit loss receivables has been included in other expenses in the consolidated statement of profit or loss.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Trade receivable provisions (continued)

As at 30 June 2019, current trade receivables of $195,363,000 were assessed for expected credit losses. Of this $93,166,000 were past due. The amount of the provision for impaired and expected credit loss receivables was $10,827,000 (2018: $11,420,000). The Group expects that a portion of the receivables is to be recovered.

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

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

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

	19 $'000	18 $'000
3 to 6 months	**7,735**	422
Over 6 months	**15,552**	12,826
	23,287	13,248

Movements in the provision for impairment and expected credit losses of trade receivables that are assessed collectively are as follows:

	$'000	$'000
At 1 July	**11,421**	14,361
Provision (reversed)/recognised during the year	**(654)**	(2,901)
Receivables written off during the year as uncollectible	**(55)**	43
Discontinued operations removed	**-**	(163)
Unused amounts reversed (including currency impact)	**115**	81
At 30 June	**10,827**	11,421

(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:

	19 $'000	18 $'000
Floating rate		
- Bank loans	**158,343**	199,433
	158,343	199,433

In November 2018, the Company increased its revolving credit facility from A$200 million to A$300 million. Refer note 6(e).

Notes to the consolidated financial statements

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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 2019							
Trade payables	**268,524**	**-**	**-**	**-**	**-**	**268,524**	**268,524**
Fixed rate borrowings	**28,709**	**30,989**	**41,345**	**761,121**	**-**	**862,164**	**757,443**
Total	**297,233**	**30,989**	**41,345**	**761,121**	**-**	**1,130,688**	**1,025,967**
Group - at 30 June 2018							
Trade payables	122,770	-	-	-	-	122,770	122,770
Fixed rate borrowings	15,037	13,685	417,640	-	-	446,362	404,550
Total	137,807	13,685	417,640	-	-	569,132	527,320

Details about the financial guarantee contracts are provided in note 25. 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 2019 and 30 June 2018 were as follows:

	19 $'000	18 $'000
Total borrowings	**757,443**	404,550
Less: cash and cash equivalents	**(223,524)**	(137,258)
Net debt	**533,919**	267,292
Total equity	**1,411,612**	774,751
Total capital	**1,945,531**	1,042,043
Gearing ratio	**27%**	26%

See note 6(e) for information on financial covenants on borrowings.

Notes to the consolidated financial statements

12 CAPITAL MANAGEMENT (CONTINUED)

(b) Dividends

(i) Ordinary shares

	19 $'000	18 $'000
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 October 2017).	**18,629**	7,188
Interim ordinary fully franked dividend for the year ended 30 June 2019 of 3.5 cents (2018: 3.5 cents) per fully paid share paid on 27 March 2019 (30 March 2018)	**23,973**	12,667
Total dividends provided for or paid	**42,602**	19,855
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2019 and 2018 were as follows:		
Paid in cash	**42,602**	19,855

(ii) Dividends not recognised at the end of the reporting period

	19 $'000	18 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3.5 cents per fully paid ordinary share (2018: 1.5 cents and 2.0 cents special dividend). The aggregate amount of the proposed dividend expected to be paid on 23 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at year end.	**24,000**	12,677

(iii) Franked dividends

	19	18
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018 - 30%)	**31,065**	26,501

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 15. This note also discloses details about the Group's equity accounted investments.

13	Business combination	115
14	Discontinued operations	117
15	Interests in other entities	119

Notes to the consolidated financial statements

13 BUSINESS COMBINATION

(a) Summary of acquisition

On 31 October 2018 the Company acquired Barminco Holdings Pty Limited (Barminco), a specialist underground hard-rock mining contractor with operations predominantly in Australia as well as in Africa and India. The acquisition of Barminco increased the Group's ownership of the AUMS entities from 50% to 100%. The Company 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 FY19 results in late August 2019.

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)	351,116
Customer related intangibles (Barminco and 50% AUMS)	204,894
Deferred tax liability on customer related intangibles	(61,468)
Net assets acquired	**275,598**

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 has been allocated to the Underground Mining segment. Deferred tax of $61,468,000 has been provided in relation to these fair value adjustments.

Notes to the consolidated financial statements

13 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (continued)

(i) Acquired receivables

The fair value of receivables was $91,970,000. This includes trade receivables with a fair value of $25,166,000. The gross contractual amount for trade receivables due was $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 $20,860,000 are included in the consolidated statement of profit or loss, in other expenses from ordinary activities and labour costs.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $426,587,000 and net profit of $15,084,000 to the group from the period for 1 November 2018 to 30 June 2019.

If the acquisition had occurred on 1 July 2018, consolidated revenue and consolidated profit for the acquired group for the period ended 30 June 2019 would have been $634,949,000 and $20,909,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for any transaction costs.

(iv) Step acquisition of the Company's exisiting 50% share of AUMS

As a result of the acquisition of Barminco, the Company increased it's investment in the Africa Underground Mining Services (AUMS) entities (refer note 15) 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 the Company's existing 50% share of AUMS	180,248
Foreign currency translation reserves decreognised on step acquisition of AUMS	18,163
Total gain	198,411
Goodwill on acquisition	98,653
Customer related intangibles	116,564
Deferred tax liability on customer related intangibles	(34,969)
Step acquisition gain on the Company'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.

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 indentifiable 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 has been allocated to the Underground Mining segment. Deferred tax has been provided in relation to these fair value adjustments.

Notes to the consolidated financial statements

13 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (continued)

(v) Purchase consideration - net cash inflow

	$'000
Net inflow of cash from acquisition of subsidiaries	
Cash consideration	(17,205)
Add: cash acquired	
Cash - Barminco	61,391
Cash - AUMS	39,153
Net inflow of cash - investing activities	83,339

14 DISCONTINUED OPERATIONS

Diamond Communications

(a) 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.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months ended 30 June 2018.

	19 $'000	18 $'000
Revenue	-	17,931
Expenses	-	(16,123)
Profit before income tax	-	1,808
Income tax (expense)/benefit	-	(497)
Profit after income tax of discontinued operation	-	1,311
Gain on sale of the subsidiary after income tax	-	390
Profit from discontinued operation	-	1,701
Other comprehensive income/(loss) from discontinued operation	-	1,701
Net cash inflow/(outflow) from operating activities	-	524
Net cash (outflow)/inflow from investing activities	-	(746)
Net cash (outflow)/inflow from financing activities	-	(805)
Net (decrease)/increase in cash generated by the subsidiary	-	(1,027)

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14 DISCONTINUED OPERATIONS (CONTINUED)

Diamond Communications (continued)

(c) Details of the sale of the subsidiary

	19 $'000	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	-	(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 was settled in 2019.

The carrying amounts of assets and liabilities as at the date of sale, 1 May 2018, were:

	19 $'000	18 $'000
Property, plant and equipment	-	1,899
Cash	-	602
Trade and other receivables	-	4,811
Inventories	-	164
Total assets	-	7,476
Trade and other creditors	-	1,140
Employee benefits obligations	-	561
Total liabilities	-	1,701
Net assets	-	5,775

Notes to the consolidated financial statements

15 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 26(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2019 %	EQUITY HOLDING 2018 %
African Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	**100**	100
African Mining Services (Ghana) Pty Ltd *	Australia	Ordinary	**100**	100
African Mining Services Guinee Sarl	Guinea	Ordinary	**100**	100
African Mining Services Mali Sarl	Mali	Ordinary	**100**	100
African Mining Services Senegal Suarl	Senegal	Ordinary	**100**	100
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	**100**	100
ACN 103534087 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 Finance Pty Ltd *	Australia	Ordinary	**100**	100
AMCG Ltd	Ghana	Ordinary	**100**	100
Ausdrill Tanzania Limited	Tanzania	Ordinary	**100**	100
Ausdrill Utilities 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
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
African Mining Services Cote D'Ivoire Sarl	Cote d'Ivoire	Ordinary	**100**	100
African Mining Services Ghana Ltd	Ghana	Ordinary	**100**	-
Ausdrill AMS UK Ltd	UK	Ordinary	**100**	-
Barminco Mining Services Botswana Pty Ltd	Botswana	Ordinary	**100**	-
Barminco Mining Services Canada Limited	Canada	Ordinary	**100**	-
Barminco Holdings Pty Ltd	Australia	Ordinary	**100**	-
Barminco Finance Pty Ltd	Australia	Ordinary	**100**	-
Barminco Limited	Australia	Ordinary	**100**	-
Barminco South Africa Pty Ltd	South Africa	Ordinary	**100**	-
Barholdco (EIS) Pty Ltd	Australia	Ordinary	**100**	-
Barminco Egypt LLC	Egypt	Ordinary	**100**	-
Barminco Egypt Underground Mining Services SAE Investment Commercial	Egypt	Ordinary	**100**	-
SLR Australia Pty Ltd	Australia	Ordinary	**100**	-
Barminco India Holdings Pty Ltd	Australia	Ordinary	**100**	-
Barminco India Investments Pty Ltd	Australia	Ordinary	**100**	-

Notes to the consolidated financial statements

15 INTERESTS IN OTHER ENTITIES (CONTINUED)

(a) Material subsidiaries (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2019 %	EQUITY HOLDING 2018 %
Barminco AUMS Holding Pty Ltd	Australia	Ordinary	**100**	-
Barminco Indian Underground MIning Services LLP	India	Ordinary	**100**	-
African Underground Mining Services Ghana	Ghana	Ordinary	**100**	-
African Underground Mining Services Ltd Mali Sarl	Mali	Ordinary	**100**	-
African Underground Mining Services Burkina Faso Sarl	Burkina Faso	Ordinary	**100**	-
AUMS (T) Ltd	Tanzania	Ordinary	**100**	-
Underground Mining Alliance Ltd	Ghana	Ordinary	**70**	-

* 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 24.

Underground Mining Alliance (UMA) is a 70/30 operation between AUMS and Rocksure International, a Ghanaian Mining contractor and has been included in material subsidiaries above.

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2019 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 2019 %	% OF OWNERSHIP INTEREST 2018 %	NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT 2019 $'000	CARRYING AMOUNT 2018 $'000
African Underground Mining Services (AUMS)	Ghana, Mali, Burkina Faso and Tanzania	**100**	50	Joint ventures	Equity method	**-**	71,266

Refer to note 13 for information about the Group's step acquisition of African Underground Mining Services (AUMS). African Underground Mining Services was not a consolidated entity of the Company in the prior year because the Group was 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

Commitments - joint ventures

	19 $'000	18 $'000
Share of African Underground Mining Services capital commitments	**-**	9,604

Contingent liabilities - joint ventures

African Underground Mining Services did not have any contingent liabilities as at 30 June 2019 (30 June 2018: nil).

Notes to the consolidated financial statements

15 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

(ii) Summarised financial information for joint ventures (continued)

Financial information for those joint ventures that were 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 the Group'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 19 $'000	18 $'000
Summarised balance sheet		
Current assets		
Cash and other cash equivalents	**-**	33,272
Other current assets	**-**	98,420
Total current assets	**-**	131,692
Non-current assets	**-**	90,588
Current liabilities		
Financial liabilities (excluding trade payables)	**-**	17,992
Other current liabilities	**-**	40,440
Total current liabilities	**-**	58,432
Non-current liabilities	**-**	21,316
Net assets	**-**	142,532
Reconciliation to carrying amounts:		
Opening net assets 1 July	**142,532**	117,768
Profit for the year	**21,419**	44,688
Other comprehensive income/(loss)	**4,281**	7,342
Dividends paid	**-**	(27,266)
Step acquisition of existing 50% share of AUMS	**(168,232)**	-
Closing net assets at 30 June	**-**	142,532
Group share in %	**100.0%**	50.0%
Group share in $	**-**	71,266
Carrying amount	**-**	71,266

Notes to the consolidated financial statements

15 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

(ii) Summarised financial information for joint ventures (continued)

	AFRICAN UNDERGROUND MINING SERVICES	
	19 $'000	18 $'000
Summarised statement of comprehensive income		
Revenue	**125,656**	290,434
Interest income	**465**	1,874
Depreciation and amortisation expense	**(14,812)**	(37,070)
Interest expense	**(1,559)**	(4,338)
Income tax expense	**(6,745)**	(14,762)
Profit from continuing operations	**21,419**	44,688
Profit for the year	**21,419**	44,688
Other comprehensive income/(loss)	**4,281**	7,342
Total comprehensive income	**25,700**	52,030

Summarised financial information in 2019 is presented for the period to step acquisition being 31 October 2018.

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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 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 25.

(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 2019 as receipt of this amount is dependent on the outcome of the litigation.

17 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	19 $'000	18 $'000
Property, plant and equipment		
Payable:		
Within one year	**76,200**	10,393

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 equipment under non-cancellable operating leases expiring within one to 17 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	19 $'000	18 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**11,985**	3,476
Later than one year but not later than five years	**33,311**	2,642
Later than five years	**1,650**	15
	46,946	6,133

Notes to the consolidated financial statements

17 COMMITMENTS (CONTINUED)

(c) Finance leases

The Group leases various plant and equipment with carrying amount of $48,840,000 (2018: Nil) under finance leases expiring within one to three years.

	19 $'000	18 $'000
Commitments in relation to finance leases payable are as follows:		
Within one year	**26,645**	-
Later than two years but no later than five years	**8,819**	-
Minimum lease payments	**35,464**	-
Future finance charges	**(1,680)**	-
Recognised as liability	**33,784**	-
Representing lease liabilities		
Current	**25,236**	-
Non-current	**8,548**	-
	33,784	-

18 EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 28 August 2019, the directors declared the payment of a final ordinary dividend of $23,999,715 (3.5 cents per fully paid share) to be paid on 23 October 2019 out of retained profits at 30 June 2019. The financial effect of this transaction has not been brought to account at 30 June 2019.

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.

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OTHER DISCLOSURE

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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19 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 15(a).

(c) Key management personnel compensation

	19 $	18 $
Short-term employee benefits	**5,439,523**	4,025,797
Post-employment benefits	**247,247**	168,791
Long-term benefits	**38,618**	108,070
Termination benefits	**1,366,368**	-
Share-based payments	**899,260**	64,797
	7,991,016	4,367,455

Detailed remuneration disclosures are provided in the remuneration report on pages 45 to 62.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	19 $	18 $
Sales of goods and services		
Joint ventures	**2,567,618**	11,606,354
Entities related to key management personnel	**1,535,764**	42,675,518
	-	-
Management fee received / receivable		
Joint ventures	**418,393**	651,001
Purchase of goods and services		
Rental office buildings	**-**	89,508
Other property related expenses-electricity	**614,166**	-

(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
- electricity services

For detailed disclosures please refer to the remuneration report on page 61.

Notes to the consolidated financial statements

19 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:

	19 $	18 $
Current receivables (sales of goods and services)		
Joint ventures	-	6,560,666
Entities related to key management personnel	-	10,786,785
Current payables (purchases of goods and services)		
Entities related to key management personnel	-	-

(f) Loans to/from related parties

	19 $	18 $
Loans to key management personnel		
Balance at 1 July	-	-
Loans on acquisition of Barminco	192,550	-
Loans repayments made	(2,141)	-
Interest charged	5,581	-
Interest received	(5,581)	-
End of period	190,409	-

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions. The loans on acquisition of the Barminco group are repayable by 22 October 2022. Interest was payable at the rate of 5.20% on loans advanced. Outstanding balances are unsecured and are repayable in cash.

20 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 the Company'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.

Notes to the consolidated financial statements

20 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

Set out below are summaries of options granted under the plan:

	19 Average exercise price per share option	19 Number of options	18 Average exercise price per share option	18 Number of options
As at 1 July	$0.39	7,766,682	$0.66	13,833,346
Granted during the year	$0.17	500,000	$1.37	800,000
Exercised during the year	$0.25	(3,333,323)	$1.09	(5,733,329)
Forfeited during the year	$0.54	(1,200,005)	$0.85	(1,133,335)
As at 30 June	$0.00	3,733,354	$0.39	7,766,682
Vested and exercisable at 30 June	$0.17	1,033,328	$0.52	899,999

The weighted average share price at the date of exercise of options during the year ended 30 June 2019 was $1.35 (2018: $2.35).

No options expired unexercised 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 2019	Share options 30 June 2018
07/10/2013	07/10/2018	$1.63	-	166,668
23/12/2015	23/12/2020	$0.17	3,166,686	6,800,014
20/04/2018	21/11/2021	$1.19	266,667	400,000
20/04/2018	22/05/2022	$1.25	-	200,000
20/04/2018	12/06/2022	$1.55	133,334	200,000
01/04/2019	23/12/2019	$0.17	166,667	-
			3,733,354	7,766,682

Following the equity raising in August and September 2018 the exercise prices of unquoted options over fully paid shares were recalculated.

	2019	2018
Weighted average remaining contractual life of options outstanding at end of period	1.60 years	2.56 years

(i) *Fair value of options granted*

There were 500,000 options granted during the year ended 30 June 2019 (2018: 800,000).

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2019 was $0.07 per option.

The options granted during the year was a one-off offer to rectify an administrative oversight which meant that one of the executives who participated in the offer of options under the Company Executive Share Option Plan announced to the ASX on 21 December 2015 was inadvertently issued fewer options under the 2015 ESOP. The first and second tranche of the options were exercisable immediately given performance hurdles had been met.

The fair value at the original grant date of 23 December 2015 was independently determined using a Monte Carlo simulation valuation model.

The model inputs for the options granted during the year ended 30 June 2019 are the same as the original grant except for the recalculation of the exercise price as mentioned above.

Notes to the consolidated financial statements

20 SHARE-BASED PAYMENTS (CONTINUED)

(a) Employee Option Plan (continued)

The model inputs for options granted during the year ended 30 June 2019 included:

(a) Options are granted for no consideration and vest based on the Company's TSR rating with a peer group of selected companies for the vesting periods below:

(b)	vesting period - tranche 1 - 1/3 of options	1 April 2019
(c)	vesting period - tranche 2 - 1/3 of options	1 April 2019
(d)	vesting period - tranche 3 - 1/3 of options	23 December 2019
(e)	exercise price	$0.17
(f)	grant date	1 April 2019
(g)	expiry date	23 December 2020
(h)	share price at original grant date	$0.23
(i)	expected price volatility of company shares	60.0%
(j)	expected dividend yield	4.3%
(k)	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.

(b) Rights Plan

The Board has established a new Incentive Rights Plan for eligible employees holding senior executive and senior management roles with a focus on delivering outcomes that create value for shareholders. The plan allows for three different types of incentive rights; retention rights, performance rights and short-term incentive rights. Retention rights and performance rights were granted during the year and are treated as in substance options and are accounted for as share based payments. Participation under the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or receive any guaranteed benefits. Rights granted for nil consideration under the plan carry no dividend or voting rights.

Retention rights

Each retention right issued under the plan converts into one ordinary share of the Company on exercise. The retention rights granted will vest on 31 October 2020; vesting is conditional on continued employment. Retention rights are not subject to performance hurdles.

Performance rights

Each performance right issued under the plan converts into one ordinary share of the Company on exercise. Performance rights vest and become exercisable when the applicable performance, service or other vesting conditions specified at the time of grant are satisfied within a predetermined performance period.

The performance period for the rights granted during the period will run from 1 November 2018 until 30 June 2021. In addition to continued service, the Board has set the following performance criteria for rights granted:

- 50% of the performance rights will vest if the total shareholder return (TSR) vesting condition is met; and
- 50% of the performance rights will vest if the return on average capital employed (ROACE) vesting condition is met

Set out below is a summary of rights granted under the above plans.

	19 NUMBER OF RIGHTS
As at 1 July	-
Granted during the year	**5,661,178**
Vested during the year	-
Forfeited during the year	-
As at 30 June	**5,661,178**

Notes to the consolidated financial statements

20 SHARE-BASED PAYMENTS (CONTINUED)

(b) Rights Plan (continued)

There were 4,721,353 performance rights and 939,825 retention rights granted during the year ended 30 June 2019. The above number of rights includes 3,193,801 performance rights granted but not yet issued as at 30 June 2019.

Weighted average remaining contractual life of rights outstanding at the end of the year 1.89 years.
Weighted fair value of rights granted during the year $1.28.

Valuation model inputs used to determine the fair value of rights at the grant date included:

RIGHT	GRANT DATE	31 OCT VESTING DATE	SHARE PRICE GRANT DATE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE GRANT DATE
Performance - ROACE	28 Feb 2019	30 Jun 2021	$1.74	54.92%	3.74%	1.67%	$1.60
Performance - TSR	28 Feb 2019	30 Jun 2021	$1.74	54.92%	3.74%	1.67%	$1.22
Retention	28 Feb 2019	31 Oct 2020	$1.74	54.92%	3.74%	1.67%	$1.64
Performance - ROACE	10 Jun 2019	30 Jun 2021	$1.33	52.07%	3.74%	1.07%	$1.23
Performance - TSR	10 Jun 2019	30 Jun 2021	$1.33	52.07%	3.74%	1.07%	$0.82

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as a part of employee benefit expense were as follows:

	19 $'000	18 $'000
Options issued under employee option plan	**319**	756
Rights issued under employee rights plan	**1,894**	-
	2,213	756

For further information on the above options and rights, refer the Remuneration Report on pages 45 to 62.

The total amount to be expensed for share based payments is determined by reference to the fair value at grant date, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options or rights that are expected to vest. The total expense is recognised over the vesting period. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payments reserve.

Significant judgement is required in determining the achievement of non-market conditions.

Notes to the consolidated financial statements

21 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:

	19 $	18 $
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**736,226**	449,286
(ii) Taxation services		
Tax compliance services	**548,345**	64,229
(iii) Other services		
Advisory and accounting consulting services *	**1,552,275**	198,401
Total remuneration of PricewaterhouseCoopers Australia	**2,836,846**	711,916
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and other assurance services	**376,935**	257,582
(ii) Taxation services		
Tax compliance services	**189,741**	55,625
(iii) Other services		
Advisory and accounting consulting services	**37,788**	19,854
Total remuneration of network firms of PricewaterhouseCoopers Australia	**604,464**	333,061
(c) Non PricewaterhouseCoopers audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**150,143**	46,677
(ii) Taxation services		
Tax compliance services	**11,546**	-
(iii) Other services		
Advisory and accounting consulting services	**56,037**	-
Total remuneration of non PricewaterhouseCoopers audit firms	**217,726**	46,677
Total auditors' remuneration	**3,659,036**	1,091,654

* $961,777 relates to fees for services provided in relation to the Barminco acquisition.

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

22 EARNINGS PER SHARE

(a) Basic earnings per share

	19 CENTS	18 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**30.1**	16.9
From discontinued operations	**-**	0.5
Total basic earnings per share attributable to the ordinary equity holders of the Company	**30.1**	17.4

(b) Diluted earnings per share

	19 CENTS	18 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**29.9**	16.6
From discontinued operations	**-**	0.5
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**29.9**	17.1

(c) Reconciliation of earnings used in calculating earnings per share

	19 $'000	18 $'000
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	**182,281**	59,349
From discontinued operations	**-**	1,701
	182,281	61,050

(d) Weighted average number of shares used as denominator

	19 NUMBER	18 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**605,817,725**	351,782,137
Adjustments for calculation of diluted earnings per share:		
Effect of share options on issue	**3,015,922**	5,932,674
Effect of share rights on issue	**20,546**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**608,854,193**	357,714,811

(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 20.

(ii) Rights

Rights 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 rights have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 20.

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23 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	19 $'000	18 $'000
Current		
Floating charge		
Cash and cash equivalents	**223,524**	133,294
Receivables	**399,354**	204,448
Inventory	**254,871**	198,440
Total current assets pledged as security	**877,749**	536,182
Non-current		
Floating charge		
Plant and equipment	**790,347**	544,807
Freehold land and buildings	**58,344**	58,607
Receivables	**1,047**	3,314
Investment	**17,581**	83,265
Total non-current assets pledged as security	**867,319**	689,993
Total assets pledged as security	**1,745,068**	1,226,175

24 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;
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 the Group, 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

24 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)

	19 $'000	18 $'000
Consolidated statement of profit or loss		
Revenue from continuing operations	**550,993**	632,219
Other income	**206,735**	20,463
Materials expense	**(224,303)**	(290,441)
Labour costs	**(199,319)**	(200,111)
Rental and hire expense	**(15,798)**	(12,587)
Depreciation and amortisation expense	**(47,457)**	(49,222)
Management fee income/(expense)	**5,644**	5,473
Finance costs	**(23,999)**	(31,724)
Finance income	**5,423**	9,384
Other expenses from ordinary activities	**(74,022)**	(47,166)
Share of net profits of joint ventures accounted for using the equity method	**38,062**	22,344
Profit from discontinued operations	**-**	1,701
Impairment of assets	**(71,461)**	-
Profit/(loss) before income tax	**150,498**	60,333
Income tax (expense)/benefit	**72,583**	(6,919)
Profit/(loss) for the year	**223,081**	53,414
Consolidated statement of comprehensive income		
Other comprehensive income		
Profit/(loss) for the year	**223,081**	53,414
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(5,952)**	4,404
Items that will not be reclassified to profit or loss		
Gain/(loss) on revaluation of land and buildings	**-**	4,443
(Loss)/gain on revaluation of financial assets FVOCI, net of tax	**3,341**	(1,664)
Other comprehensive income/(loss) for the year, net of tax	**(2,611)**	7,183
Total comprehensive income/(loss) for the year	**220,470**	60,597
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**72,683**	39,124
Profit/(loss) for the year	**223,081**	53,414
Dividends paid	**(42,602)**	(19,855)
Retained earnings at the end of the financial year	**253,162**	72,683

Notes to the consolidated financial statements

24 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.

	19 $'000	18 $'000
Current assets		
Cash and cash equivalents	**58,458**	113,000
Trade and other receivables	**307,295**	164,846
Inventories	**66,696**	153,868
Assets classified as held for sale	**13,626**	-
Current tax receivables	**8,551**	186
Total current assets	**454,626**	431,900
Non-current assets		
Receivables	**126,023**	31,202
Joint ventures accounted for using the equity method	**332,479**	71,266
Investments in other Perenti Group companies	**511,848**	224,942
Financial assets at fair value through other comprehensive income	**17,581**	11,999
Property, plant and equipment	**213,893**	430,175
Deferred tax assets	**106,240**	49,928
Total non-current assets	**1,308,064**	819,512
Total assets	**1,762,690**	1,251,412
Current liabilities		
Trade and other payables	**62,647**	91,426
Borrowings	**529**	3,334
Current tax liabilities	**12,329**	228
Employee benefit obligations	**15,004**	31,564
Total current liabilities	**90,509**	126,552
Non-current liabilities		
Borrowings	**225,790**	403,770
Deferred tax liabilities	**78,321**	35,820
Employee benefit obligations	**836**	486
Total non-current liabilities	**304,947**	440,076
Total liabilities	**395,456**	566,628
Net assets	**1,367,234**	684,784
Equity		
Contributed equity	**1,126,769**	624,571
Reserves	**(12,697)**	(12,470)
Retained earnings	**253,162**	72,683
Total equity	**1,367,234**	684,784

FINANCIAL REPORT

Notes to the consolidated financial statements

25 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	19 $'000	18 $'000
Balance sheet		
Current assets	**51,955**	65,511
Non-current assets	**890,253**	465,422
Total assets	**942,208**	530,933
Current liabilities	**21,087**	26,072
Non-current liabilities	**6,580**	6,392
Total liabilities	**27,667**	32,464
Shareholders' equity		
Issued capital	**1,126,769**	624,571
Reserves		
Asset revaluation reserve	**909**	909
Share-based payments reserve	**8,454**	6,446
Pre-2015 reserve	**42,446**	85,048
Accumulated losses - 2015 reserve	**(183,177)**	(183,177)
Retained earnings	**(80,860)**	(35,328)
Total equity	**914,541**	498,469
(Loss)/profit for the period	**(45,533)**	(92,879)
Total comprehensive (loss)/income	**(45,533)**	(92,674)

The financial information for the parent entity has been prepared in accordance with note 26(ac).

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees (2018: nil).

However, there are cross guarantees given by the Company as described in note 24. 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 2019 or 30 June 2018. 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 2019, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $426,000 (30 June 2018: $4,829,000). 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

26 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 trading as Perenti Global ("Perenti" or "the Company") 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*. Perenti is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Perenti and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) 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 year ended 30 June 2019.

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

Adoption of AASB 9

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

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

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

As disclosed in note 6(c), 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 have been presented in the annual financial report.

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

Adoption of AASB 15

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

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

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

Management has assessed the effect of the new standard and on subsequent review, there was an impact on adoption in opening retained earnings (refer notes 6(d) and 8(c)) and in disclosure in the Group's financial statements.

The new revenue accounting policies have been reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019, note 26(e).

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

AASB 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $46,900,000. Of these commitments, approximately $1,000,000 relate to short-term and low value leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize lease liabilities and associated right-of-use assets of approximately $42,900,000 on 1 July 2019. All future cash flows in respect of lease payments, except short-term and low value leases, will be treated as operating activities. There will be no overall cash flow impact from the adoption of AASB 16.

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

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

(iv) Historical cost convention

These financial statements have been prepared on a historical cost basis except for the following:

- certain classes of property, plant and equipment measured at fair value,
- assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, and
- certain financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

(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 26(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an 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 profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation (continued)

(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. The Group 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 26(j).

(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 the Company.

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 Managing Director.

(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 dollar ($), which is the Group'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.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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 at fair value through other comprehensive income 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

Policies applied from 1 July 2018.

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

Contract assets and liabilities

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

Variable consideration

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

Contract fulfilment costs

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

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year and/or which contain other material financing components. Therefore, the Group does not adjust any of the transaction prices for the time value of money or other financing components.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (continued)

Warranties and defect periods

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

Other income

(i) 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 26(o).

(ii) Rental income

Rental income is recognised on either a straight-line or machine hours basis over the term of the operating lease.

(f) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets after deduction of the loss allowance.

(g) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of 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.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

(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.

(h) 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(c)). 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 either straight-line or machine hours basis over the lease term.

(i) 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.

Under the acquisition method, the Group has up to 12 months post the acquisition date to finalise the fair values of identifiable assets and liabilities.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment and loss allowance. 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.

(m) 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.

(n) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments and other financial assets

Classification

The Group classifies its investments in the following categories:

- loans and receivables measured at amortised cost, and
- financial assets at fair value through other comprehensive income (FVOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Loans and receivables are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 6(f).

(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) Financial assets at fair value through other comprehensive income (FVOCI)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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. 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.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(p) Property, plant and equipment

The Group's accounting policy for land and buildings is explained in note 7(c). 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.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Property, plant and equipment (continued)

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(c).

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 26(j)).

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.

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 26(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it 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).

(ii) Customer related intangibles

Customer related intangibles acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer related intangibles are amortised over the life of contract.

(iii) IT development and software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation is calculated using the straight-line method over estimated useful lives.

(iv) 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.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Intangible assets (continued)

(v) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (continued)

(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

Equity settled share-based compensation benefits are provided to employees via the Employee Option Plan, an employee share scheme and Incentive Rights Plan. Information relating to these schemes is set out in note 20. Equity settled share-based payments are measured at the fair value of the equity instruments at grant date.

The fair value at grant date is independently determined using a Monte Carlo simulation or an amended Black Scholes Merton methodology valuation model.

The fair value at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payments reserve.

(w) 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.

(x) 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 26(p).

(y) 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.

(z) 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.

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Earnings per share (continued)

(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.

(aa) 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.

(ab) 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.

(ac) Parent entity financial information

The financial information for the parent entity, Ausdrill Limited, disclosed in note 25 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 the Group. 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

Perenti 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, the Company 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 the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Group 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.

Notes to the consolidated financial statements

26 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Parent entity financial information (continued)

(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 and rights 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

In the directors' opinion:

(a) the financial statements and notes set out on pages 67 to 150 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 2019 and of its performance for the financial year ended on that date, and

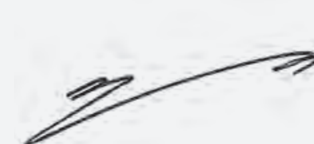
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 24 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 24.

Note 26(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.



Mark Alexander John Norwell
Group Managing Director and Chief Executive Officer

Perth
28 August 2019

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Independent auditor's report to the members

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 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of 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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Independent auditor's report to the members

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	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of \$5.4 million, which represents approximately 5% of the Group's profit before tax adjusted for significant unusual or infrequently occurring items including the impairment expense and the gain on the 50% step up acquisition. • 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.	• 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. • The group engagement team performed audit procedures on the financial information of the Ausdrill, Ausdrill International, Ausdrill International & Management Services, Ausdrill Northwest, BTP Parts, BTP Equipment, and Barminco businesses because these were	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment of assets – Accounting for the acquisition of the Barminco group – Payments to invalid suppliers – Inventory existence – Calculation of current and deferred tax balances • These are further described in the *Key audit matters* section of our report.

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- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

financially significant or contained financially significant balances.

- Component auditors performed audit procedures on the financial information of AMS Burkina Faso, AUMS Burkina Faso, AMS Ghana, AUMS Ghana, AMS Mali, AMS Senegal, and AUMS Tanzania.
- The Group engagement team and component auditors had active dialogue throughout the year through discussions and written instructions and reporting.

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*
Impairment of assets *(Refer to note 3)* As required by Australian Accounting Standards, the Group performed an assessment of impairment of assets. The assessment first focussed on considering whether any specific assets were impaired due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe. This exercise resulted in an impairment charge of $54.4 million relating to specific items of inventory and $11.1 million relating to specific items of property, plant and equipment (PP&E). The Group then considered whether there were any overall indicators of impairment in any of its cash generating units (CGU).	We considered the results of the Group's specific asset impairment exercise by: • Assessing the strategic rationale driving the determination that the inventory and PP&E items identified for impairment were no longer planned to be used in the normal course of operations and instead should be valued on a scrap or fair value basis. • Agreeing the pre-impairment balances of all the identified assets back to underlying books and records. • Examining the external expert's report obtained by the Group, which was used by the Group to assist in determining a revised fair value for the identified inventory items. • Recalculating the impairment charge based on the revised fair values.

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Key audit matter	*How our audit addressed the key audit matter*
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 & Synegex and Contract Mining Services Africa CGUs. Following the identification of possible indicators of impairment, the Group used value in use (VIU) methodology to assess the recoverable amount for each CGU. The assessment resulted in an impairment charge of $16.9 million for the Contract Mining Services Africa CGU and no charge for the Ausdrill Kalgoorlie & Synegex CGU. The Group also considered whether any reversal of prior period impairment charges was necessary at 30 June 2019 and concluded it was not. In addition, as reported at 31 December 2018, an impairment assessment was performed by the Group over the Energy Drilling Australia (EDA) CGU. This was driven by the existence of indicators of impairment as a result of the assets being in care and maintenance and being actively prepared for a 'fire sale'. The Group engaged an external valuer to assist in assessing the recoverable amount of this CGU using a fair value less cost of disposal (FVLCoD) methodology. The assessment resulted in an impairment of $31.2 million in the EDA CGU. The assessment of impairment 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 material impact on the financial report.	We also assessed the Group's evaluation of impairment indicators. For Ausdrill Kalgoorlie & Synegex and Contract Mining Services Africa CGUs, we: • 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 requirements. • 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 market 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. ○ Comparing inflation rate assumptions in the impairment models to 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 models' calculations. • Considered the method of allocating the Contract Mining Services Africa impairment across assets within the CGU. • Considered whether the Ausdrill Kalgoorlie & Synegex model indicated a reversal of previously booked impairment charges. • Considered the adequacy of the disclosures made in note 3 of the financial statements, including key assumptions and sensitivities to changes in such

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Key audit matter	How our audit addressed the key audit matter
	assumptions, in light of the requirements of Australian Accounting Standards. For the Energy Drilling Australia CGU, we: • Examined the external valuation report obtained by the Group to assist their estimation of the recoverable value. • 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 CGU to test completeness of the valuation. • Utilised PwC valuation experts to consider the methodologies and key assumptions adopted in the valuations obtained.
Accounting for the acquisition of the Barminco Limited Group *(Refer to note 13)* The Group completed the acquisition of the Barminco Limited Group during the year ended 30 June 2019 for total consideration of $275.6 million. The acquisition increased the Group's ownership of their previously equity accounted joint venture African Underground Mining Services (AUMS) from 50% to 100%. A step acquisition gain of $198.4 million was recognised on revaluation of the Group's prior interest. The accounting for the acquisition and step acquisition gain was a key audit matter due to the magnitude of the acquired assets and liabilities, the quantum of the step gain and the judgement involved. The key areas of judgement by the Group included assessing: • The fair value of the acquired assets and liabilities recognised at acquisition date.	Our procedures in relation to the accounting for the acquisition included, amongst others: • Testing of the initial consideration paid to bank statements and the purchase agreement. • Obtaining and considering the purchase agreement to assess whether any consideration is contingent on future events. • Agreeing the acquisition date assets and liabilities of the Barminco Group to an audited completion statement. • Assessing with the support of PwC valuation experts, the Group's valuation methodology for the recognition of customer relationship and customer contract intangible assets and the key assumptions therein, including forecast future financial performance and discount rates. • Assessing the mathematical accuracy of the Group's calculation of goodwill arising on acquisition. • Considering the appropriate accounting treatment for the step acquisition of AUMS.

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Key audit matter	How our audit addressed the key audit matter
• The valuation of customer relationship and customer contract intangible assets at acquisition date. • The valuation ascribed to AUMS and the resultant impact on the revaluation of the Group's prior equity accounted interest.	• Assessing the accuracy and completeness of business combination disclosures in the financial statements.
Payments to invalid suppliers *(Refer to note 4)* As announced to the market on 17 April 2019, through routine checks of compliance with the Group's policies and procedures, a number of payments to invalid suppliers were identified. The Group engaged an external expert to assist in analysing the financial records and quantifying the extent of the matter. As a result, it was identified that approximately $11 million of fraudulent payments had been made to invalid suppliers over a period of eight years. An expense of $7.2 million has been recorded in the year to 30 June 2019 in respect of this matter, of which an amount of approximately $4.2 million relates to payments made in prior years. This was a key audit matter due to its nature.	Our procedures included, amongst others: • Obtaining an understanding of the matter and the response by management since identifying the matter. • Considering the expert's methods, competency objectivity and results of their investigation. • Obtaining and testing the listing of invalid payments to bank statement to corroborate the timing. • Performing manual journals testing to assess accounting entries that could be indicative of further fraudulent activity. • Considering the judgements applied by the Group in assessing the impact on the financial statements.
Inventory existence *(Refer to note 7(a))* The Group recognised inventory of $251.1 million at 30 June 2019. Inventory is held by 29 entities across the Group in various countries including Australia, Burkina Faso, Ghana, Guinee, Mali, Tanzania, Senegal, South Africa, Zambia, Egypt, India and the United Kingdom. Within each country, inventory is stored in warehouses, sheds, containers and yards, attached to drill rigs and at	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, Burkina Faso, Ghana, 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.

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Key audit matter	How our audit addressed the key audit matter
mine sites, often situated in very remote locations due to the nature of the mining services industry. This was a key audit matter 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 increased the number of locations of inventory during the year with the acquisition of Barminco Limited and its subsidiaries but there is a similar mix of inventory held from the prior year.	• 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. We have also evaluated a selection of controls over inventory existence across the Group.
Calculation of current and deferred taxation balances *(Refer to note 7(e))* The calculation of taxation balances was a key audit matter because the Group operates in a number of jurisdictions with different laws, regulations and authorities resulting in complex tax calculations. In particular, judgement is required in assessing the recoverability of the $93.7 million deferred tax asset in respect of tax losses at 30 June 2019 and the appropriateness of $42.3 million of provisions for uncertain tax positions across Africa.	Our procedures included, amongst others: • Assessing with the support of PwC tax specialists the rationale on which current tax was calculated and deferred tax assets and liabilities were recognised. • Assessing whether deferred tax assets had been appropriately recognised in the financial report as at 30 June 2019 based on the extent to which they can be recovered by forecast taxable profits. Including performing the following: ○ 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.

Independent auditor's report to the members

Key audit matter	How our audit addressed the key audit matter
	○ 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. • We also considered and challenged the assumptions made by the Group in making judgemental tax provisions. We utilised the expertise of a PwC tax specialist who liaised directly with local PwC tax specialists in the relevant territories.

Other information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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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 45 to 62 of the directors’ report for the year ended 30 June 2019.

In our opinion, the remuneration report of Ausdrill Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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

Craig Heatley
Partner

Perth
28 August 2019

Shareholder information

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 23 July 2019:

	ORDINARY SHARES	
HOLDING	NUMBER OF HOLDERS	SHARES
1 - 1,000	2,394	831,315
1,001 - 5,000	2,216	6,001,788
5,001 - 10,000	994	7,472,242
10,001 - 100,000	1,419	39,017,228
100,001 and over	175	632,383,580
	7,198	**685,706,153**

There were 1,286 holders of less than a marketable parcel of 296 ordinary shares.

B. SECURITIES SUBJECT TO VOLUNTARY ESCROW

At the date of this report there were 150,666,463 shares on issue subject to voluntary escrow until 1 September 2019.

C. EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities as at 23 July 2018 are listed below:

	ORDINARY SHARES	
NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1. HSBC Custody Nominees (Australia) Limited	152,814,346	22.29%
2. J P Morgan Nominees Australia Pty Limited	83,489,283	12.18%
3. Citicorp Nominees Pty Limited	80,186,306	11.69%
4. Gresham Partners Capital Limited <Wholesale Investors A/C>	43,784,997	6.39%
5. National Nominees Limited	36,782,025	5.36%
6. Nebraska Pty Limited <R G Sayers Family A/C>	24,687,087	3.60%
7. Bremerton Pty Limited <PM Bartlett Family A/C>	24,687,087	3.60%
8. Gresham Nominees 2 Pty Limited <Gresham Private Equity Fund No 2A>	19,594,716	2.86%
9. Gresham Nominees 1 Pty Limited <Gresham Private Equity Fund No 2B>	19,594,716	2.86%
10. Perpetual Corporate Trust Limited <Gresham Private Equity Co-INV FD A/C>	15,728,495	2.29%
11. CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	13,904,426	2.03%
12. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	13,244,226	1.93%
13. Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	9,183,525	1.34%
14. BNP Paribas Noms Pty Ltd <DRP>	8,750,054	1.28%
15. Zero Nominees Pty Ltd	7,500,000	1.09%
16. Mr BG Wright + Mrs WJ Wright <BG Wright Super Fund A/C>	5,051,035	0.74%
17. CTS Funds Pty Ltd <Civic Super Fund A/C>	4,613,687	0.67%
18. Mrs Patricia Gladys Wright	3,623,553	0.53%
19. Royale Blue Pty Ltd	3,597,400	0.52%
20. CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	3,416,628	0.50%
Total held by the twenty largest shareholders	**574,233,592**	**83.75%**

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C. EQUITY SECURITY HOLDERS (CONTINUED)

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options issued under the Employee Option Plan to take up ordinary shares	3,733,354	33
Rights issued under the Employee Incentive Rights Plan	2,467,377	7

As at 30 June 2019 the above number of rights excludes 3,193,801 performance rights granted but not yet issued.

D. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below as at 23 July 2019:

	ORDINARY SHARES	
	NUMBER HELD	PERCENTAGE
1. Gresham Partners	98,702,924	14.40%
2. FMR LLC	50,782,319	7.40%
3. Dimensional Fund Advisors	38,085,296	5.60%

E. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares: every member present at a meeting of the Company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

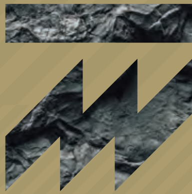
(b) Options: no voting rights.

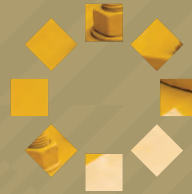
(c) Rights: no voting rights.

Financials table

		15	16	17	18	19
Revenue						
Sales revenue (from continuing operations)	**$'000**	719,832	743,003	762,566	866,281	**1,638,392**
Profit/(Loss)						
EBITDA	**$'000**	110,793*	126,536*	135,791	177,378	**401,049**
Depreciation and amortisation expense	**$'000**	(73,598)	(67,894)	(62,172)	(74,528)	**(193,891)**
EBIT	**$'000**	37,195*	58,642*	73,619	102,850	**207,158**
Net interest expense	**$'000**	(35,131)	(32,064)	(28,997)	(28,771)	**(52,239)**
Operating profit before income tax*	**$'000**	2,064	26,578	44,622	74,079	**268,554**
Impairment expense	**$'000**	(184,244)	(1,485)	-	-	**(113,635)**
Profit / (loss) before income tax	**$'000**	(182,180)	25,093	44,622	74,079	**154,919**
Income tax (expense) / benefit	**$'000**	21,866	(4,581)	(13,671)	(14,730)	**27,362**
Profit / (loss) from discontinued operations	**$'000**	(15,306)	37,638	250	1,701	**-**
Profit / (loss) for the year	**$'000**	(175,620)	58,150	31,201	61,050	**182,281**
Profit for the year attributable to equity holders	**$'000**	(175,620)	58,150	31,201	61,050	**181,326**
Number of ordinary shares at year end	**000's**	312,277	312,277	312,277	362,197	**685,706**
Weighted number of ordinary shares	**000's**	312,277	312,277	312,277	351,782	**605,818**
Basic earnings / (loss) per share	**cents**	(56.2)	18.7	10.0	17.4	**30.1**
Diluted earnings / (loss) per share	**cents**	(56.2)	18.2	9.7	17.1	**29.9**
Statement of Financial Position						
Total assets	**$'000**	1,130,034	1,150,381	1,187,362	1,367,761	**2,666,766**
Total liabilities	**$'000**	576,741	543,785	557,248	593,010	**1,255,154**
Shareholders' equity	**$'000**	553,293	606,596	630,114	774,751	**1,411,612**
Net tangible assets per share	**$**	1.77	1.94	2.02	2.14	**0.97**
Cash Flows						
Gross cash flows from operating activities	**$'000**	138,486	123,158	132,111	90,155	**297,680**
Net cash flows from operating activities	**$'000**	117,936	91,006	94,613	52,593	**206,912**
Net cash flows from investing activities	**$'000**	(738)	60,853	(101,127)	(161,517)	**(109,937)**
Net cash flows from financing activities	**$'000**	(104,693)	(47,772)	(6,965)	78,283	**(13,141)**
Closing cash balance	**$'000**	77,865	181,857	166,710	137,258	**223,524**
Gross debt	**$'000**	433,789	398,540	388,617	404,550	**757,443**
Net debt	**$'000**	355,924	216,683	221,907	267,292	**533,919**
Dividends						
Total dividends per share (interim and final declared)	**cents**	1.00	-	4.00	7.00	**7.00**
Total dividends paid	**$'000**	9,369	-	6,246	19,855	**42,602**
Net Debt / Total Capital	**%**	39	26	26	26	**27**
EBIT to Sales Revenue	**%**	5.17	7.89	9.65	11.59	**12.64**
EBITDA to Sales Revenue	**%**	15.39	17.03	17.81	19.99	**24.48**
Employees at Year End	**#**	4,441	4,521	5,206	6,103	**8,270**

* EBITDA, EBIT and operating profit before income tax excludes impairment expense and discontinued operations.





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