Perenti

PERENTI GLOBAL LIMITED

ABN 95 009 211 474

Interim financial report

for the half-year ended 31 December 2019

Perenti Global Limited ABN 95 009 211 474
ASX Half-year information - 31 December 2019

Lodged with the ASX under Listing Rule 4.2A.3
This information should be read in conjunction with the
30 June 2019 Annual report

Contents

Results for announcement to the market

				$'000
Revenue from ordinary activities	Up	61.2%	to	1,006,878
Profit from ordinary activities after tax attributable to members	Down	83.4%	to	36,003
Net profit for the period attributable to members	Down	83.4%	to	36,003

Dividends		Amount per security	Franked amount per security
Interim dividend	(cents)	3.5	3.5
Previous corresponding period	(cents)	3.5	3.5

Payment date of dividend	25 March 2020
Record date for determining entitlements to the interim dividend	11 March 2020

Dividend reinvestment plan

The Company has a dividend reinvestment plan (DRP) which is available for participation by all shareholders (subject to legal restraints applying in countries other than Australia). The Board has determined that the DRP will be suspended until further notice and that all dividends be paid in cash.

Net tangible assets per share

	31 December 2019 Cents	31 December 2018 Cents
Net tangible asset backing per ordinary share	**102.60**	103.52

Explanation of results

For an explanation on the figures reported above please refer to the Interim financial report for the half-year ended 31 December 2019. In the prior comparative period the profit from ordinary activities after tax attributable to members included a step acquisition gain on Perenti Global Limited's existing 50% share of the African Underground Mining Services (AUMS) entities of $198.4 million, as a result of the acquisition of Barminco Holdings Pty Ltd.

Perenti Global Limited ABN 95 009 211 474
Interim financial report - for the half-year ended 31 December 2019

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Perenti Global Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Perenti Global Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 2, 202 Pier Street, Perth, Western Australia 6000. Its shares are listed on the Australian Stock Exchange.

Auditor's Independence Declaration

As lead auditor for the review of Perenti Global Limited for the half-year ended 31 December 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 review; and

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

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

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
25 February 2020

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	Notes	**31 December 2019 $'000**	31 December 2018 $'000
Revenue		**1,006,878**	624,450
Other income	5(a)	**8,950**	200,736
Materials expense		**(331,519)**	(234,795)
Labour costs		**(362,412)**	(211,079)
Rental and hire expense		**(9,997)**	(10,493)
Depreciation and amortisation expense	5(b)	**(130,307)**	(70,428)
Finance costs	5(b)	**(27,060)**	(24,178)
Finance income		**835**	2,333
Other expenses from ordinary activities	5(b)	**(95,173)**	(64,198)
Impairment of assets		**-**	(31,200)
Share of net profits of joint ventures accounted for using the equity method		**-**	10,709
Profit before income tax		**60,195**	191,857
Income tax (expense)/benefit	6	**(21,952)**	25,126
Profit for the half year		**38,243**	216,983
Profit is attributable to:			
Equity holders of Perenti Global Limited		**36,003**	216,990
Non-controlling interests		**2,240**	(7)
		38,243	216,983

Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**5.25**	41.12
Diluted earnings per share	**5.20**	40.70

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.

	Notes	**31 December 2019 $'000**	31 December 2018 $'000
Profit for the half-year		**38,243**	216,983
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains on translation of joint ventures accounted for using the equity method		**-**	2,141
Exchange (losses)/gains on translation of foreign operations		**(5,990)**	9,654
Effective portion of changes in the fair value of cash flow hedges		**-**	3,738
Foreign currency translation reserves derecognised on step acquisition of AUMS	9	**-**	(18,163)
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax		**-**	510
Gain/(loss) on revaluation of FVOCI financial assets, net of tax		**6,368**	(836)
Other comprehensive income/(loss) for the half-year, net of tax		**378**	(2,956)
Total comprehensive income for the half-year		**38,621**	214,027
Total comprehensive income for the half-year is attributable to:			
Equity holders of Perenti Global Limited		**36,436**	214,023
Non-controlling interests		**2,185**	4
		38,621	214,027

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

	Notes	**31 December 2019 $'000**	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**243,713**	223,524
Trade and other receivables		**407,610**	399,354
Inventories		**259,111**	251,110
Current tax receivables		**4,650**	10,902
Assets classified as held for sale		**-**	13,626
Total current assets		**915,084**	898,516
Non-current assets			
Property, plant and equipment		**863,274**	887,666
Right-of-use assets		**107,348**	-
Intangible assets		**724,292**	743,569
Deferred tax assets		**107,360**	117,396
Financial assets at fair value through other comprehensive income	2	**25,533**	17,581
Receivables		**1,099**	2,038
Total non-current assets		**1,828,906**	1,768,250
TOTAL ASSETS		**2,743,990**	2,666,766
LIABILITIES			
Current liabilities			
Trade and other payables		**222,572**	263,410
Borrowings	7	**28,956**	25,762
Deferred revenue		**4,034**	5,115
Current tax liabilities		**22,712**	18,578
Employee benefit obligations		**66,047**	65,043
Total current liabilities		**344,321**	377,908
Non-current liabilities			
Borrowings	7	**844,245**	731,681
Deferred tax liabilities	12	**125,956**	143,948
Employee benefit obligations		**1,048**	1,617
Provisions		**59**	-
Total non-current liabilities		**971,308**	877,246
TOTAL LIABILITIES		**1,315,629**	1,255,154
NET ASSETS		**1,428,361**	1,411,612
EQUITY			
Contributed equity	10	**1,126,576**	1,126,769
Other reserves		**(7,911)**	(10,835)
Retained earnings		**305,669**	293,836
Capital and reserves attributable to the owners of Perenti Global Limited		**1,424,334**	1,409,770
Non-controlling interests		**4,027**	1,842
TOTAL EQUITY		**1,428,361**	1,411,612

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

		Attributable to owners of Perenti Global Limited					
	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2019		**1,126,769**	**(10,835)**	**293,836**	**1,409,770**	**1,842**	**1,411,612**
Profit for the half-year		-	-	36,003	36,003	2,240	38,243
Other comprehensive income/(loss)		-	433	-	433	(55)	378
Total comprehensive income for the half-year		**-**	**433**	**36,003**	**36,436**	**2,185**	**38,621**
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	151	(151)	-	-	-
Transactions with owners in their capacity as owners:							
Shares issued pursuant to capital raising, net of transaction costs		(193)	-	-	(193)	-	(193)
Shares issued on conversion of employee share options		-	(17)	-	(17)	-	(17)
Dividends paid	8	-	-	(24,019)	(24,019)	-	(24,019)
Employee share options/rights - value of employee services		-	2,357	-	2,357	-	2,357
		(193)	2,340	(24,019)	(21,872)	-	(21,872)
Balance at 31 December 2019		**1,126,576**	**(7,911)**	**305,669**	**1,424,334**	**4,027**	**1,428,361**

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

	Notes	Attributable to owners of Perenti Global Limited					
		Contributed equity $'000	**Other reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2018		**624,571**	**(12,459)**	**162,639**	**774,751**	**-**	**774,751**
Profit for the half-year		-	-	216,990	216,990	(7)	216,983
Other comprehensive (loss)/income		-	(2,967)	-	(2,967)	11	(2,956)
Total comprehensive (loss)/income for the half-year		**-**	**(2,967)**	**216,990**	**214,023**	**4**	**214,027**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax		243,829	-	-	243,829	-	243,829
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		258,393	-	-	258,393	-	258,393
Shares issued on conversion of employee share options		32	(26)	-	6	-	6
Non-controlling interests on acquisition of subsidiary		-	-	-	-	309	309
Dividends paid	8	-	-	(18,629)	(18,629)	-	(18,629)
Employee share options/rights - value of employee services		-	242	-	242	-	242
		502,254	216	(18,629)	483,841	309	484,150
Balance at 31 December 2018		**1,126,825**	**(15,210)**	**361,000**	**1,472,615**	**313**	**1,472,928**

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

	Notes	**31 December 2019 $'000**	31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,049,043**	697,528
Payments to suppliers and employees (inclusive of goods and services tax)		**(897,752)**	(604,455)
		151,291	93,073
Interest received		**835**	2,333
Interest and other costs of finance paid		**(25,673)**	(36,952)
Income taxes paid		**(22,532)**	(8,075)
Management fee received from joint ventures		**-**	357
Net cash inflow from operating activities	13	**103,921**	50,736
Cash flows from investing activities			
Payments for purchase of subsidiaries		**-**	(17,205)
Payments for property, plant and equipment		**(152,458)**	(76,587)
Proceeds from sale of property, plant and equipment		**13,842**	1,962
Payments for assets at FVOCI		**-**	(650)
Proceeds from sale of assets held for sale		**16,000**	-
Proceeds from sale of assets at FVOCI		**1,208**	-
Cash acquired on acquisition of subsidiary		**-**	100,544
Capital contribution by minority interest on start-up of operation		**-**	309
Net cash (outflow)/inflow from investing activities		**(121,408)**	8,373
Cash flows from financing activities			
Proceeds from issues of shares, net of transaction costs		**17**	244,127
Proceeds from secured borrowings		**72,178**	195,116
Repayment of secured borrowings		**(517)**	(470)
Proceeds from unsecured borrowings		**7,807**	3,402
Repayment of unsecured borrowings		**(6,749)**	(419,036)
Proceeds from hire purchase and lease liabilities		**-**	13
Repayment of hire purchase and lease liabilities		**(9,820)**	(4,781)
Dividends paid to Company's shareholders	8	**(24,019)**	(18,629)
Net cash inflow/(outflow) from financing activities		**38,897**	(258)
Net increase in cash and cash equivalents		**21,410**	58,851
Cash and cash equivalents at the beginning of the financial year		**223,524**	137,258
Effects of exchange rate changes on cash and cash equivalents		**(1,221)**	2,749
Cash and cash equivalents at the end of the half-year		**243,713**	198,858

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

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 200*1.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Perenti Global Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Estimates

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

Recoverable amounts for non-current assets

The recoverable amount of the Surface Mining Australia CGU was estimated having regard to value in use (VIU). The VIU calculation was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU's assets.

The recoverable amount of the Surface Mining Africa CGU was calculated as the higher of fair value less costs of disposal (FVLCD) or its VIU. The Company has sourced an external valuation along with its own internal valuation where a FVLCD has been used. Please refer to note 4 for further information.

In the event that management's future earnings and growth assumptions are not achieved, impairment of non-current assets allocated to CGU's may occur in future periods.

Recoverable amounts for trade receivables

Trade receivables are considered for impairment where there is a risk of non-receipt, or a risk that the company may not receive the total balance of the outstanding trade receivable within a 12-month period from the balance sheet date. Where there is a risk of non-receipt management consider whether a specific provision for doubtful debts is required and as at 31 December 2019 a provision for doubtful debts of $11.1 million had been recorded (30 June 2019 $10.8 million).

If there is a risk that receipt may be in a period greater than twelve months from the balance sheet date judgement is required to make an estimate of the likely date of future receipt and the discount rate to be used. At 31 December 2019 a provision has been recorded to reflect the risk which totalled $0.93 million (30 June 2019 $nil). This amount relates to Ghana Manganese Corporation for an undisputed committed receivable for which a payment plan has been entered into.

As part of the overall assessment in relation to the recoverability of trade receivables management considered expected credit losses and determined that they were not material.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies

New or amended Accounting Standards and Interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 16 Leases.
The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Adoption of AASB 16

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

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.48%.

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

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

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

	31 December 2019 \$'000	**1 July 2019 \$'000**
Properties	29,488	28,030
Equipment	77,723	67,380
Motor Vehicles	137	242
Total right-of-use assets	107,348	95,652

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:
• property, plant and equipment - decrease by $48.8 million
• right-of-use assets - increase by $95.7 million
• hire purchase liabilities - decreased by $33.8 million
• lease liabilities - increase by $80.3 million
• prepayments - decrease by $0.3 million
There was no impact on retained earnings on 1 July 2019.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies (continued)

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:
• right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payment
• the Group has chosen not to separate contracts into lease and non lease components
• the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
• reliance on previous assessments on whether leases are onerous
• the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
• the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
• the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

The Group's leasing activities and how these are accounted for

The group leases various offices, warehouses, equipment and vehicles across various countries. Rental contracts are made for fixed periods of up to 25 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable
• variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
• amounts expected to be payable by the group under residual value guarantees
• the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
• payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the Group’s incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies (continued)

To determine the incremental borrowing rate, the Group:
• where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
• uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Perenti Global Limited, which does not have recent third party financing, and
• makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability
• any lease payments made at or before the commencement date less any lease incentives received
• any initial direct costs, and
• restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, small items of office furniture and some small accommodation units.

Variable lease payments

Some equipment leases contain variable payment terms that are linked to units of use of the particular asset. Often these will include a minimum usage charge each month which is considered the fixed element, and then items over and above the minimum is considered the variable element. Variable lease payments that depend on units of use are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of warehouses, offices and equipment, the following factors are normally the most relevant:
• If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
• If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
• Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

1 Basis of preparation of half-year report (continued)

(b) Significant accounting policies (continued)

Extension options in offices and vehicles leases have been included in the lease liability, where the group is reasonably certain to extend these. These have been considered and included on a lease by lease basis.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2 Fair value measurements

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 30 June 2019 on a recurring basis:

At 31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through other comprehensive income				
Australian listed equity securities	**6,038**	**-**	**-**	**6,038**
Australian unlisted equity securities	**-**	**-**	**18,735**	**18,735**
CAD listed equity securities	**384**	**-**	**-**	**384**
GBP listed equity securities	**376**	**-**	**-**	**376**
Total financial assets	**6,798**	**-**	**18,735**	**25,533**

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through other comprehensive income				
Australian listed equity securities	**5,059**	**-**	**-**	**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**

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.

2 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

• The use of quoted market prices or dealer quotes for similar instruments.

All remaining valuation techniques (level 3) are explained in (c) (i) below.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2019 for recurring fair value measurements:

	Unlisted equity securities $'000	Total $'000
Opening balance 01 July 2019	**11,610**	**11,610**
Gains recognised in other comprehensive income	**7,125**	**7,125**
Closing balance 31 December 2019	**18,735**	**18,735**

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2019. There were also no changes made to any of the valuation techniques applied as of 30 June 2019.

(i) 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, based on recent transactions and financial information.

3 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 and EBIT.

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, exploration drilling and earthmoving in Australia and Africa.

Underground Mining:
The provision of underground mining services in Australia, Africa, India and Canada.

Investments:
Operating segments which do not meet the aggregation criteria for the current segments. This includes the provision of mining supplies, products and services including equipment hire, equipment parts and sales 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.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

3 Segment information (continued)

(b) Segment information provided to the Board

Half-year ended 31 December 2019	**Surface Mining**	**Underground Mining**	**Investments**	**Group Functions**	**Inter-segment Eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue						
Sales to external customers	307,155	626,207	73,516	-	-	1,006,878
Intersegment sales	1,657	-	11,826	-	(13,483)	-
Total sales revenue	**308,812**	**626,207**	**85,342**	**-**	**(13,483)**	**1,006,878**
Timing of revenue recognition						
- At a point in time	682	-	24,369	-	-	25,051
- Over time	308,130	626,207	60,973	-	(13,483)	981,827
	308,812	626,207	85,342	-	(13,483)	1,006,878
Underlying segment EBIT(A)	**10,892**	**97,706**	**15,152**	**(12,736)**	**-**	**111,014**
Transaction, restructuring costs and other	-	(2,735)	-	(310)	-	(3,045)
Amortisation expense - customer relationship intangibles & software	-	(19,277)	-	-	-	(19,277)
Boungou/Bissa project exit costs	(3,288)	-	-	-	-	(3,288)
Profit on sale of Connector	2,374	-	-	-	-	2,374
Foreign exchange (loss)/gain, net	715	(574)	(334)	(1,165)	-	(1,358)
Reported segment EBIT	**10,693**	**75,120**	**14,818**	**(14,211)**	**-**	**86,420**
Interest income						835
Interest expense						(27,060)
Profit before tax						**60,195**
Income tax expense						(21,952)
Profit for the period						**38,243**
Minority interest						(2,240)
Profit for the period attributable to members						**36,003**
Segment assets	**1,684,433**	**1,449,312**	**250,556**	**777,159**	**(1,417,470)**	**2,743,990**
Segment liabilities	**384,203**	**654,694**	**208,461**	**1,004,510**	**(936,239)**	**1,315,629**
Other segment information						
Depreciation and amortisation expenses	(38,494)	(81,256)	(10,361)	(196)	-	(130,307)
Acquisition of property, plant and equipment, intangibles and other non-current assets	31,949	107,774	11,218	1,517	-	152,458

3 Segment information (continued)

(b) Segment information provided to the Board (continued)

Half-year ended 31 December 2018	**Surface Mining $'000**	**Underground Mining $'000**	**Investments $'000**	**Group Functions $'000**	**Inter-segment Eliminations $'000**	**Consolidated $'000**
Segment revenue						
Sales to external customers	390,339	172,678	61,433	-	-	624,450
Intersegment sales	2,322	-	6,490	-	(8,812)	-
Total sales revenue	**392,661**	**172,678**	**67,923**	**-**	**(8,812)**	**624,450**
Timing of revenue recognition						
- At a point in time	4,551	-	11,366	-	-	15,917
- Over time	388,110	172,678	56,557	-	(8,812)	608,533
	392,661	172,678	67,923	-	(8,812)	624,450
Underlying segment EBIT(A)	**28,806**	**36,086**	**11,030**	**(8,973)**	**-**	**66,949**
Transaction, restructuring costs and other	(309)	(1,640)	-	(11,967)	-	(13,916)
Amortisation expense - customer relationship intangibles & software	-	(6,793)	-	-	-	(6,793)
Impairment of assets	-	-	(31,200)	-	-	(31,200)
Fair value gain on AUMS	-	180,248	-	-	-	180,248
Foreign currency translation reserve derecognition on AUMS	-	18,163	-	-	-	18,163
Foreign exchange (loss)/gain, net	(267)	(47)	(204)	769	-	251
Reported segment EBIT	**28,230**	**226,017**	**(20,374)**	**(20,171)**	**-**	**213,702**
Interest income						2,333
Interest expense						(24,178)
Profit before tax						**191,857**
Income tax benefit						25,126
Profit for the period						**216,983**
Minority interest						7
Profit for the period attributable to members						**216,990**
Segment assets	**1,805,514**	**1,337,214**	**234,836**	**735,057**	**(1,449,084)**	**2,663,537**
Segment liabilities	**359,819**	**807,797**	**23,985**	**963,314**	**(964,306)**	**1,190,609**
Other segment information						
Depreciation and amortisation expenses	(40,608)	(24,034)	(5,613)	(173)	-	(70,428)
Acquisition of property, plant and equipment, intangibles and other non-current assets	41,307	22,856	12,184	890	-	77,237
Share of net profits from joint ventures	-	10,709	-	-	-	10,709

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

3 Segment information (continued)

(c) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss.

Total revenue by geographical location is as follows:

	31 December 2019			31 December 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	**96,824**	**(1,354)**	**95,470**	107,557	(2,194)	105,363
- Ghana	**57,059**	**(303)**	**56,756**	133,576	-	133,576
- Burkina Faso	**40,336**	**-**	**40,336**	46,930	-	46,930
- Mali	**76,574**	**-**	**76,574**	73,335	-	73,335
- Senegal	**37,847**	**-**	**37,847**	25,594	-	25,594
- Other foreign countries	**173**	**-**	**173**	5,669	(128)	5,541
Underground Mining						
- Australia	**289,734**	**-**	**289,734**	86,598	-	86,598
- Ghana	**122,908**	**-**	**122,908**	22,324	-	22,324
- Burkina Faso	**106,265**	**-**	**106,265**	23,696	-	23,696
- Tanzania	**48,893**	**-**	**48,893**	22,379	-	22,379
- Egypt	**43,892**	**-**	**43,892**	13,715	-	13,715
- India	**11,888**	**-**	**11,888**	3,966	-	3,966
- Canada	**1,661**	**-**	**1,661**	-	-	-
- Botswana	**966**	**-**	**966**	-	-	-
Other Investments						
- Australia	**66,565**	**(3,197)**	**63,368**	55,953	(1,056)	54,897
- Africa	**16,497**	**(6,895)**	**9,602**	9,538	(3,697)	5,841
- Other foreign countries	**2,279**	**(1,734)**	**545**	2,432	(1,737)	695
Total segment revenue	**1,020,361**	**(13,483)**	**1,006,878**	633,262	(8,812)	624,450

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

4 Individually significant items

According to AASB 136 Impairment of Assets, impairment testing is required at the end of each reporting period or where there is an indication of possible impairment. For the half-year ended 31 December 2019, the Company assessed whether there were any indicators of impairment. In doing this management considered the profitability of the Cash Generating Units (**CGU's**) against their budgets. Where a business was performing significantly below its budget and forecast and had high under utilisation of property, plant and equipment, management considered that there was an impairment indicator and performed an impairment assessment for those CGUs. This was the case for the Surface Mining Australia CGU and Surface Mining Africa CGU. For these two CGUs, management has made estimates associated with the recoverable amount of the relevant CGU to determine whether there was any impairment or reversal of previous impairment in relation to its carrying value. Determining a CGU's recoverable amount was completed via the following methods:

(i) assets are firstly considered individually to determine whether there is any impairment related to specific assets due to factors such as technical obsolescence, declining market value, physical condition or saleability within a reasonable timeframe;
(ii) for certain CGUs the recoverability of its assets is completed via a fair value less costs of disposal calculation (**FVLCD**); and
(iii) for certain CGUs the recoverability of its assets is completed via a value in use methodology (**VIU**).

The recoverable amount of a CGU is calculated as the higher of its FVLCD or its VIU. The Company has sourced an external valuation along with its own internal valuation where a FVLCD has been used. In the instances where this has been adopted, the valuation technique and fair value hierarchy is noted below.

The recoverable amount of a CGU determined by a VIU calculation requires the use of assumptions. Cash flow projections are calculated using EBITDA, changes in working capital and capital expenditure to get to a "free cash flow" estimate. These projections are based on actual operating results, a Board approved business plan, and subsequent financial forecasts prepared by management. Future cash flows are extrapolated by applying conservative growth rates for each segment and terminal growth rates not exceeding 3%. This methodology is consistently applied in reporting periods.

For the Surface Mining Australia CGU, which had impairment triggers at 31 December 2019, a VIU methodology was adopted. Based on our impairment testing performed, no impairment expense has been recognised at the CGU level.

For the Surface Mining Africa CGU, which had impairment triggers at 31 December 2019, a fair valuation approach was adopted. The valuation approach, was a combination of Level 1, Level 2 and predominantly Level 3 inputs in the fair value hierarchy. The directors assessed the fair value of each asset, taking into account the independent valuation and determined the assets' fair value within a range of reasonable fair value estimates. No impairment expense has been recognised at the Surface Africa CGU level.

Key assumptions used for value in use calculations

For certain CGUs the recoverability of its assets is completed via a VIU methodology. The calculation of VIU for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins
(b) Capital expenditure
(c) Discount rates and growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margin

EBITDA margin is based on management's best estimate of the CGU's performance, taking into account past performance with changes where appropriate for expected market conditions and efficiency improvements.

Working capital has been adjusted, in particular inventory levels, to return to and reflect what would be considered a normal operating level to support the underlying business.

4 Individually significant items (continued)

Capital expenditure

Capital expenditure with an emphasis on replacement capital only, has been kept to a minimum as idle machinery will gradually return to work to sustain the assumed levels of activity. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

Growth rate estimates and discount rates

Future cash flows are extrapolated by applying conservative growth rates for each segment, terminal rates not exceeding 3% and appropriate discount rates to the CGU. This methodology is consistently applied in reporting periods.

5 Other income and expense items

(a) Other income

	31 December 2019 $'000	31 December 2018 $'000
Step acquisition gain on ASL's existing 50% share of AUMS	**-**	180,248
Foreign currency translation reserves derecognised on step acquisition of AUMS	-	18,163
Gain on disposal of non-current assets	**5,250**	55
Profit on disposal of assets held for sale	**2,374**	-
Other items	**1,326**	1,913
Management fee received from joint ventures	**-**	357
	8,950	200,736

(b) Breakdown of expenses by nature

	31 December 2019 $'000	31 December 2018 $'000
Depreciation and amortisation expense		
Plant and equipment depreciation	**110,594**	62,699
Buildings depreciation	**436**	936
Customer relationships intangibles amortisation	**19,051**	6,720
Software amortisation	**226**	73
Total depreciation and amortisation expense	**130,307**	70,428
Finance costs		
Interest paid	**23,052**	20,096
Lease contracts interest	**2,937**	806
Amortised borrowing cost	**442**	3,014
Other finance costs	**629**	262
Total finance costs	**27,060**	24,178
Other expenses from ordinary activities		
Travel and accommodation	**16,392**	7,989
Staffing, safety and training	**17,446**	9,494
Freight	**13,171**	8,081
Consultants	**9,190**	12,650
Insurance	**8,176**	5,083
IT and communications	**7,726**	6,036
Other property related expenses	**5,856**	4,510
Duties and taxes	**4,776**	3,828
Foreign exchange loss/(gain), net	**1,358**	(251)
Trade receivable provisions and bad debts	**226**	104
All other expenses	**10,856**	6,674
Total other expenses from ordinary activities	**95,173**	64,198

6 Income tax (expense)/benefit

Effective tax rates for the half-year ended 31 December 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 half-year ended 31 December 2019 is (0.3%) (30 June 2019: (111.0%)). 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 and recognition of previously unrecognised tax losses. The effective tax rate excluding the impact of these items is 30.0% (30 June 2019: 30.0%).

(ii) Global operations

The accounting effective company tax rate for the half-year ended 31 December 2019 is 36.4% (30 June 2019: (17.7%)). This effective tax rate is higher 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, derecognition of previously recognised deferred tax assets and the recognition/derecognition of uncertain tax positions in Africa. The effective tax rate excluding the impact of these items is 30.0% (30 June 2019: 29.3%).

7 Borrowings

	31 December 2019			30 June 2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
USD notes	**-**	**497,912**	**497,912**	-	497,386	497,386
Bank loans	**-**	**296,531**	**296,531**	-	225,119	225,119
Capitalised borrowing costs	**-**	**(1,856)**	**(1,856)**	-	(2,032)	(2,032)
Lease liabilities	**27,373**	**48,996**	**76,369**	-	-	-
Hire purchase liabilities	**-**	**-**	**-**	25,236	8,548	33,784
Total secured borrowings	**27,373**	**841,583**	**868,956**	25,236	729,021	754,257
Unsecured						
Loan from minority interest	**-**	**2,662**	**2,662**	-	2,660	2,660
Insurance premium funding	**1,583**	**-**	**1,583**	526	-	526
Total unsecured borrowings	**1,583**	**2,662**	**4,245**	526	2,660	3,186
Total borrowings	**28,956**	**844,245**	**873,201**	25,762	731,681	757,443

	31 December 2019 $'000	30 June 2019 $'000
Total unutilised facilities - bank loans, hire purchase and lease facilities	**180,791**	158,343

7 Borrowings (continued)

Bank loans

In April 2019, the Group refinanced its A$300 million revolving credit facilities (RCF) and subsequently increased the facility by additional A$100 million in the half-year ended 31 December 2019. The facilities are dual currency, revolving, matures on 1 July 2023 and has been provided by a number of leading lending institutions in the Australian banking market. As at 31 December 2019, approximately 74% of this facility was drawn down.

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.

Lease liabilities

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

Loan from minority interest - unsecured

The loan relates to Underground Mining Alliance Limited.

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.

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.

Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	31 December 2019			30 June 2019		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	Carrying amount $'000	Fair value $'000	Discount rate %
On-balance sheet						
Non-traded financial liabilities						
USD note - secured	**497,912**	**512,998**	**5.36**	**497,386**	**516,542**	**5.45**

The fair values of non-current borrowings are based on discounted cash flows using the rates disclosed in the table above.

8 Dividends

(a) Ordinary shares

	31 December 2019 $'000	31 December 2018 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2019 and 2018 were as follows:		
Final ordinary fully franked dividend for the year ended 30 June 2019 of 3.5 cents per fully paid ordinary share (2018: 1.5 cents and 2.0 cents special dividend) paid on 23 October 2019.	**24,019**	18,629

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

	31 December 2019 $'000	31 December 2018 $'000
In addition to the above dividends, since half-year end the directors have recommended the payment of an interim dividend of 3.5 cents per fully paid ordinary share (2018: 3.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 25 March 2020 out of retained earnings at 31 December 2019, but not recognised as a liability at the end of the half-year, is as follows:	**24,023**	23,907

9 Business combination

Prior period

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%. Details of this business combination were disclosed in note of the Group's annual financial statements for the year ended 30 June 2019.

10 Contributed equity

(a) Share capital

	31 December 2019 Shares	30 June 2019 Shares	**31 December 2019 $'000**	30 June 2019 $'000
Ordinary shares				
Fully paid ordinary shares	**686,383,141**	685,706,153	**1,126,576**	1,126,769

(b) Movements in ordinary share capital

Details	**Number of shares (thousands)**	**Total $'000**
Opening balance 1 July 2019	685,706,153	1,126,769
Contribution of equity, net of transaction costs and tax	-	(292)
Exercise of options under the Employee Option Plan	676,988	99
Balance 31 December 2019	**686,383,141**	**1,126,576**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The Board has determined that the dividend reinvestment plan will be suspended until further notice and that all dividends be paid in cash.

(e) Options

Information relating to the Company Employee Option Plan, including details of options issued, exercised and forfeited during the financial year ended 30 June 2019 and options outstanding at the end of the financial year ended 30 June 2019, is set out in the 2019 Annual Report.

(f) Rights

Information relating to the Company Incentive Rights Plan is included in the 2019 Annual Report.

11 Events occurring after the balance sheet date

On 25 February 2020, the directors declared the payment of an interim dividend of 3.5 cents (fully franked) per fully paid share to be paid on 25 March 2020 out of retained earnings at 31 December 2019. See note 8(b) for further information.

On 20 February 2020, the Group announced that its Surface Mining Industry Sector Group (ISG), had been awarded $155.5 million in new and extended contracts across Africa and Australia.

The financial effect of the above transaction has not been brought to account at 31 December 2019.

On 30 January 2020, the Group announced that its subsidiary, leading hard-rock underground miner Barminco (Underground Mining ISG), had been selected as preferred contractor by Panoramic Resources at the Savannah Project in the Kimberley. The contract is worth approximately $200 million over a three-year term, with work expected to commence in March 2020.

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.

12 Deferred tax liabilities

The deferred tax liability of $125.9 million (30 June 2019: $143.9 million) includes an amount of $36.3 million (30 June 2019: $42.3 million) relating to the uncertain tax provision in Africa.

13 Cash flow information

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

	Notes	**31 December 2019 $'000**	31 December 2018 $'000
Profit for the half year		**38,243**	216,983
Adjusted for			
Depreciation and amortisation expense	5(b)	**130,307**	70,428
Impairment of assets	4	**-**	31,200
Gain on sale of non-current assets		**(5,250)**	(55)
Gain on disposal of assets held for sale		**(2,374)**	-
Net exchange differences		**(2,641)**	1,837
Trade receivable provisions and bad debts		**226**	104
Share of profits of joint ventures		**-**	(10,709)
Non-cash employee benefits expense - share-based payments		**2,357**	242
Borrowing costs		**442**	3,014
Step acquisition gain on ASL's existing 50% share of AUMS		**-**	(180,248)
Foreign currency translation reserves derecognised on step acquisition of AUMS		**-**	(18,163)
Derivatives ineffectiveness		**-**	33
Change in operating assets and liabilities:			
(Increase)/decrease in trade debtors		**(7,056)**	28,959
(Increase)/decrease in inventories		**(8,856)**	(18,806)
(Increase)/decrease in deferred tax assets		**9,982**	(48,067)
(Increase)/decrease in other operating assets		**(5,650)**	(138)
(Decrease)/increase in trade creditors		**(38,577)**	(37,924)
(Decrease)/increase in provision for income taxes payable		**10,352**	5,341
(Decrease)/increase in deferred tax liabilities		**(18,120)**	8,853
(Decrease)/increase in other provisions		**536**	(2,148)
Net cash inflow from operating activities		**103,921**	50,736

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 37 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards including AASB 134 *Interim Financial reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date,

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the directors.

Mark Alexander John Norwell
Group Managing Director and Chief Executive Officer

Perth
25 February 2020

Independent auditor's review report to the members of Perenti Global Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Perenti Global Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Perenti Global Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Perenti Global Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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Craig Heatley
Partner

Perth
25 February 2020