2 December 2019

Update on African Mining Services operations

Diversified mining services company Perenti (ASX: PRN) provides an operational update on its wholly owned African Mining Services (**AMS**) surface mining business following the tragic security incident in Burkina Faso earlier this month and in the context of the broader transformation program that is underway, as previously communicated.

Burkina Faso operations

Perenti advises that, following the security incident that occurred close to Canadian-based miner SEMAFO's Boungou mine site in Burkina Faso on 6 November 2019 and SEMAFO's suspension of operations at the mine, AMS has finished demobilising its workforce from the Boungou mine via helicopter. Perenti continues to do everything possible to ensure that all injured employees, work colleagues and impacted families are receiving the best possible care and support.

Given the heightened security risk in the region following the recent attack on the Boungou convoy, AMS has issued a notice of "force majeure" in relation to the Boungou project. AMS is in discussions with SEMAFO regarding the force majeure event and will work with SEMAFO to ensure an orderly termination of the contract should the force majeure circumstances continue.

Perenti has, after consultation with, and after consideration of advice received from external security consultants and government agencies, assessed the security landscape of Burkina Faso more broadly and taken the decision to exit the AMS Bissa contract in northern Burkina Faso. The Bissa contract was due for renewal at 31 December 2019, however, AMS has, in accordance with its rights under the contract, notified its client, Nordgold, that it will exit by 14 December 2019. AMS is currently working through a plan to exit and assist Nordgold with the transition.

Perenti notes that the combined NPAT contribution from Bissa and Boungou continued operations is not material to the Company's FY20 underlying NPAT guidance.

Perenti has three further Burkina Faso contracts – Sanbrado, Siou and Yaramoko – all located in central Burkina Faso which is considered to be a lower risk region than where Boungou and Bissa are located. Perenti will continue to operate these sites while closely monitoring the ongoing security situation and has precautionary controls in place commensurate with the stated threat assessment.

AMS will work with Nordgold (and with SEMAFO in the event the Boungou contract is terminated) to give them the opportunity to buy or hire property, plant and equipment (**PPE**), including inventory deployed at these projects. The total written down value of PPE across the two sites is circa $85 million.

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AMS expects equipment not utilised by Boungou or Bissa will be either utilised at existing projects, including West African Resources Limited's Sanbrado Gold Project, disposed of to third parties, or held for deployment to existing and new projects in the future to offset new capital.

If both Boungou and Bissa are terminated, AMS will target a position where a material level of cash is liberated from the assets deployed at Boungou and Bissa, whilst also removing planned capital expenditure of $10 million in FY20 at those sites. Additional capital expenditure savings are likely if those assets are redeployed, however, the ultimate quantum cannot be determined at this time.

Perenti Managing Director, Mark Norwell, said the attack near Boungou was unprecedented and has prompted the Company to re-assess where and how it is prepared to operate.

"We have decided to take steps to move towards ceasing operations in Burkina Faso's higher risk locations given the current security situation. We believe it is necessary to act swiftly and decisively in the wake of the attack earlier this month," Mr Norwell said.

"We'll work closely with SEMAFO and Nordgold as required to ensure minimal disruption to their operations. We expect our cessation of operations at these sites to have an immaterial impact on our FY20 earnings guidance. We do see potential upside through reducing the need for new capital and increasing our cash position, driven by the sale or relocation to Sanbrado of assets currently deployed."

Surface ISG and AMS Transformation

A key initiative under Perenti's 2025 Group strategy, launched in March 2019, has been to transform AMS, delivering enhanced earnings and cash conversion from the Company's Surface Industry Sector Group (**ISG**).

This strategy is well underway and remains appropriate, with the Burkina Faso developments outlined above essentially now representing a broadening of the focus of the AMS transformation efforts.

Several structural changes are being made to support the transformation of AMS. This includes a continued focus on portfolio rationalisation and asset intensity within the region.

In respect of current AMS contracts, AMS is in discussion with its customer Ghana Manganese Company (**GMC**) regarding a temporary suspension of operations at its Nsuta site in Ghana, which has been driven by GMC's current commercial position. AMS, which has an equipment hire contract at Nsuta, will continue to engage with GMC in relation to the temporary suspension and payment of amounts due by GMC under the contract, and will, upon receiving clarity from GMC, assess the financial impact, if any.

AMS continues to target a strong pipeline of surface mining projects across Africa, with recent developments including:

- Signing of a contract with West African Resources Limited for a $235m 5 year contract at the Sanbrado Gold Project located in central Burkina Faso, announced on 6 August 2019.
- Receiving a letter of provisional award for a twelve-month contract extension generating revenue of $45m for open pit mining services, equipment supply and maintenance at the Iduapriem Gold Mine in Ghana from AngloGold Ashanti, which is subject to the parties executing an amendment by 13 December 2019 to extend the contract.
- Equipment hire agreement generating revenue of circa $17m finalised with E&P for the Gold Fields Tarkwa site in Ghana.
- A 1+1 year extension to the B2Gold Fekola exploration activities with an expected annual revenue of $12m.

The project wins build on the $79 million in new contracts recently awarded to the Surface ISG in Australia through Ausdrill. Details have been separately announced to the ASX today.

Mr Norwell said the transformation program within AMS, coupled with the exit of Bissa and potentially Boungou, subject to the force majeure circumstances continuing, would see the business reduce operational risk, free up capital and enhance profitability.

"We identified earlier this year that the performance of AMS was a key strategic priority for the Group and have taken a number of positive steps to address the challenges," Mr Norwell said.

"We have invested significantly to ensure we have a team and systems in place to drive improvement across the business and we expect this to flow through during 2020.

"We continue to see significant organic growth opportunities for our Surface ISG in both Australia and Africa, with a strong tender pipeline being targeted."

For and on behalf of Perenti
Mark Norwell
Managing Director and CEO

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