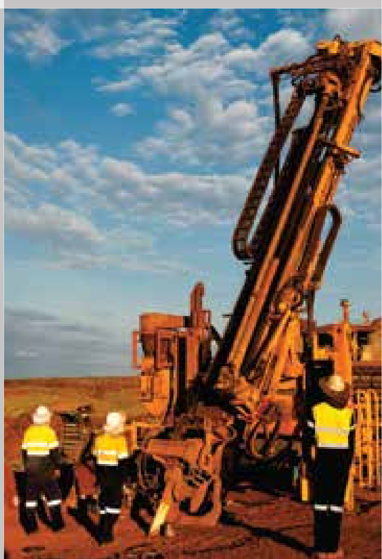
The Driller's Choice Worldwide

MINCON ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

MINCON MOVING IN THE RIGHT DIRECTION

MINCON
The DRILLER'S CHOICE
SINCE 1977



MINCON IS PEOPLE, PERFORMANCE, ENGINEERING

TABLE OF CONTENTS

CORPORATE PROFILE

Mincon Group Plc ("the Company" or "the Group") is an Irish engineering group with its shares trading on the AIM market of the London Stock Exchange and the ESM market of the Irish Stock Exchange. The Company specialises in the design, manufacture, sale and servicing of rock drilling tools and associated products. The Company's strategy is to increase its share of the global rock-drilling consumables market through organic growth and acquisitions. Its manufacturing facilities are located in Ireland, the UK, the USA, South Africa, Canada and Australia. The Company also maintains a network of sales and distribution companies in a number of international markets to provide after sales support and service to customers.

Directors:	Padraig McManus - Non Executive Chairman (Irish) Hugh McCullough – Senior Independent Non-Executive Director (Irish) Kevin Barry – Non Executive Director (Irish) John Doris – Non Executive Director (Irish) Joseph Purcell – Chief Executive Officer (Irish) Thomas Purcell – Sales Director (USA) Patrick Purcell – Non Executive Director (Irish)
Company Secretary:	Mark McNamara (Irish)
Registered Office:	Smithstown Industrial Estate Shannon Co. Clare Ireland
Nominated Adviser, ESM Adviser and Broker:	Davy 49 Dawson Street Dublin 2 Ireland
Legal advisers to the Company:	William Fry 2 Grand Canal Square Dublin 2 Ireland
Auditor:	KPMG 1 Stokes Place St Stephen's Green Dublin 2 Ireland
Registrar:	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland
Principal Bank:	Allied Irish Banks plc Shannon Co. Clare Ireland
Company Website:	www.mincon.com
Ticker Symbols:	ESM: MIO.IR AIM: MCON.L

CHAIRMAN'S STATEMENT

The success of Mincon is predicated on three core principles:

- A continuous programme of product and process development ensuring quality products, profits and positive cash flows,
- Dedicated after sales customer service and support, and
- A recognition of the importance of the role of all our people in the success of our business.

Performance in 2016

2016 was the year we began to see commodity prices recover after several years in the doldrums, through which Mincon has fought hard to maintain growth and profitability. In the past year we have achieved:

- An 8% increase in revenue to €76 million
- Operating profit at 13% of sales revenue
- Profit before tax up 18% to €11.3 million
- Earnings per share up 16%

When deciding to embark on life as a public company in 2013, the objectives were clear – to increase Mincon's share of the rock-drilling consumables market through:

Research and development – we are pleased to report on the development of the Group into large hammers and bits with the design, manufacture and commercialisation of the new twelve inch and eighteen inch hammer. Both sizes are in the market, drilling successfully and attracting interest from a new customer base.

The engineering team has been built up and centrally managed to maintain the development of the current ranges, and on some exciting developments for the coming years. The factories continue to build their modernity and specification to deliver next generation products and reflect new thinking in design.

Organic growth – with the recent additions of two very senior staff to the Executive team, Bob Fassl and Jussi Rautiainen, details of whom are available in the Executive section, the Group has taken a significant step in developing the organic growth ambition. Both have tremendous industry experience and will provide sales and marketing leadership that underlines our commitment to growth.

In conjunction with this, the Executive team are completing the restructuring of the Group into sales regions and have determined this as an important step, with systems investment and development, to improving the efficiency of the inventory delivery and management. The Board supports this commitment.

Acquisition growth – the Group is again actively engaged with several acquisitions with an expectation of completion over the next year. Mincon has been selective in the valuation approach to targets, and while we have continued to build out the organically developed range of products, we have also been careful to husband the investment cash from the IPO and consequently the Group remains in a very healthy condition.

On behalf of the Board I would like to thank all Group management and employees for their contribution to Mincon's successful performance in 2016.

Padraig McManus
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

The Mincon Group took stock in 2016 and decided to focus on assimilating what we had acquired, to begin standardising our management systems, and to develop a commonality in our marketing, brand and sales approach as we move towards building a 2020 strategic plan, and setting aggressive objectives for growth in sales and profits. I have expanded on this comment below after reviewing the performance of the year.

- Revenue up 8% to €76.2 million from €70.3 million
- Mincon manufactured product sales up 7% to €56.4 million
- Third party product sales up 13% to €19.8 million
- Gross profit up 8%, maintained at 40% to €30.6 million from €28.3 million
- Operating profit up 2% to €10.2 million, 13% of sales revenue
- Profit before tax up 18% to €11.3 million from €9.6 million
- Earnings per share up 16%

Overall 74% of the revenue was derived from Mincon Group manufactured product and this overall sales mix helped maintain the gross margin of the business at 40%, and the operating profit margin at 13%. That summary does not explain the progress being made at the Group, though it is a sign of momentum while we set ourselves for the future.

Engineering at the heart of the Group

There has been a tone change in the market in 2016, the prices of commodities are on the rise, the companies in our sector speak with a new confidence and enthusiasm, and we see early evidence of renewed interest in reopening and developing business in some of the markets and sectors in which we operate. We also see substantial investment in sectors in which we are only peripherally involved to date, and in which we believe we should deliver an effective set of new products.

We engaged on some acquisitions and decided they did not offer sufficient value to our Group at this time, while observing some sectors were closed to us without certain key products and people.

Consequently we also began to step change our investment in engineering, our manufacturing processes, in extending our ranges and creating new engineering solutions in efficiency and value for the customer base. The Group invested €5 million in machinery in 2016, and is likely to maintain this investment path in 2017. This is at least twice the depreciation level at this point in the cycle.

Our range of DTH hammers and bits was extended and we now have the capability to drill hole sizes up to 760mm. This broadens reach in our traditional markets and leads us into new sectors such as construction and piling. Since these products were designed, manufactured, tested and commercialised in the same year as they were developed, we expensed the costs in 2016.

We have other products in development and are looking to considerably step up that investment for the current year. Essentially we are building out a new category and are planning a soft release toward the end of the coming year. We have been investing and expensing the R&D spend for some years now and are in the short term development spend prior to launch. Much of our current engineering resource is dedicated to this, to beta testing in the field and to building a sustainable service platform.

We are determined to produce industry leading designs aimed at longevity and economy, which reflect new thinking, and to produce and protect a margin that rewards the skill and investment in the new products.

We have allied this engineering investment with competence in the marketing, sales and finance leadership. Talented people with substantial industry experience have joined us to create our best market opportunities, and to balance the engineering investment with a pragmatic demand for timely, marketable and commercial product.

We also see competition, price pressure, and value for money remaining key drivers in the coming year, as a result our share of business and profit will have to continue to be fought for.

The year has been one of investment for the future, in people, manufacturing capability, engineering design and future products. Mincon is becoming better positioned in the market, and better positioned with innovative products that should see organic growth emerge at a higher level in the coming years. Allied to this we are very active now in filling out our ancillary products by acquisition, in tidying up our channels, and better positioning ourselves for that growth.

We place a premium on people, in our group planning we are collegiate in nature, and we welcome the addition to the team of more senior people to help build our future. We have an experienced management group, adequate funding, excellent products and an exciting product stream and I look forward to reporting on further progress in 2017 and beyond.

Joseph Purcell
Chief Executive Officer

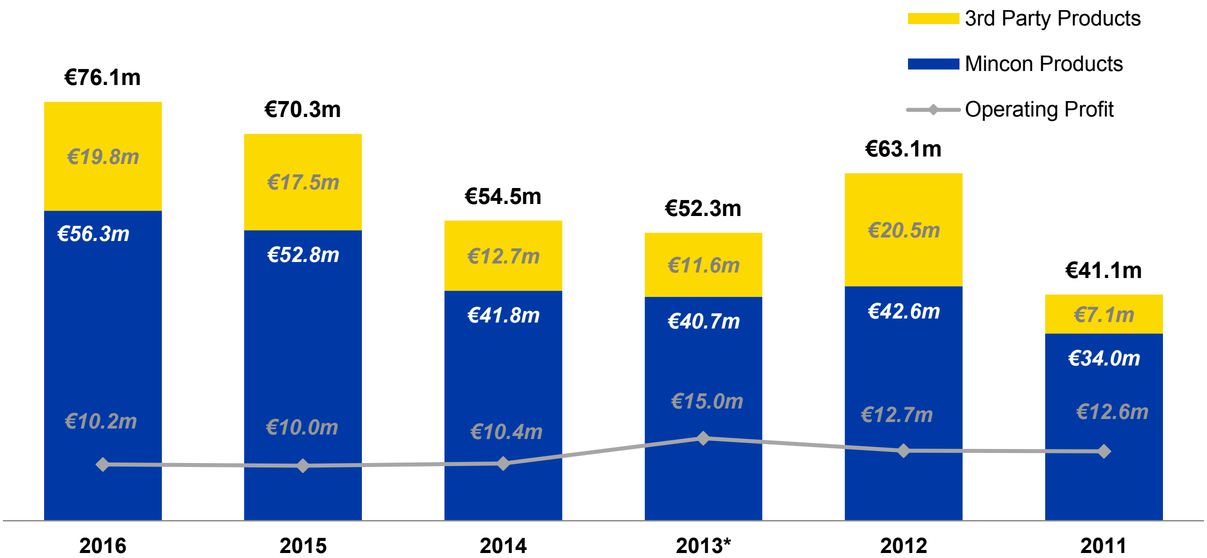
Industry overview

Mincon manufactures and distributes rock drilling consumables. These comprise down the hole (DTH), reverse circulation (RC), horizontal directional drilling(HDD) hammers, bits, and other consumables used in a variety of sectors and sub sectors broadly including mining production, exploration, quarrying, geothermal and seismic drilling. Mincon also produce the tungsten carbide buttons for bits used by the Group and for others in these and like activities.

The sector is recovering after a number of years of a cyclical low following perhaps ten years of tremendous growth. While the recovery is fitful, still commodity prices relevant to the customers of the Group are, in many commodities, indicating strong upticks in pricing.

Income statement	2016 Audited €'000	2015 Audited €'000	2014 Audited €'000	2013* Audited €'000	2012 Audited €'000	2011 Audited €'000
Revenue	76,181	70,266	54,544	52,343	63,143	41,145
Gross profit	30,561	28,277	23,552	25,722	26,891	21,212
Operating profit	10,178	9,990	10,350	15,012	12,724	12,555
Profit before tax	11,333	9,623	11,249	13,732	13,228	11,266
Profit after tax	9,253	8,028	9,264	11,159	10,323	9,005

* Before exceptional items



Revenue and operating margins

Growth in Mincon manufactured product was 7%, not dissimilar from the previous year, in the absence of any significant acquisitions in the period while we concentrated on developing and extending the product ranges organically. Third party sales increased by 13% to just short of €20 million. The margin on this traded product is lower than that of the manufactured product so a mix change in favour of third party reduces our gross margin. However Mincon product has remained steady at 74% of total sales which has supported the gross margin at 40% and so on to the blended operating margin at 13%.

While the Group has weathered the cyclical downturn reasonably well, showing the defensive characteristics of the market position and products, still we will expect to see price pressure, increasing competition, and a demand for rapid delivery of consumables as customers destock to suppliers.

Currency movements

The Group operates across the world in a number of currencies and is consequently exposed to movements in those currencies. There were two major movements in the year.

- A weakening in the GBP average rate against the Euro of 12% compared to 31 December 2015, which resulted in a decrease in reported revenue for the year of approximately €0.3 million. This was offset by the FX impact on the retranslation of underlying GBP costs, as a result, the weakening GBP did not significantly impact reported profit for 2016.

- Due to a significant devaluation in the Rand against the Euro in late 2015 the average FX rate for 2016 decreased by 15% compared to 2015 resulting in a decrease of reported revenue by €1.2 million. This was offset by the FX impact on the retranslation of underlying Rand costs.

The Group introduced new procedures in 2016 to offset the currency exposure caused by the South African Rand in previous years. The closing South African rand rate strengthened by 15% compared with the opening rate and this contributed an FX gain in the Group income statement.

The closing USD rate had strengthened against the Euro by 4% compared with the opening rate in 2016, this contributed an FX gain in the Group income statement of €0.8 million. The Group will undergo further progress in 2017 to offset any FX exposures caused by the movement in the USD.

Our primary manufacturing facilities are denominated in Euro, GBP, USD and CAD, and much of our sales are not denominated in those currencies so we will continue to have currency exposures. We will continue to act to mitigate those currency fluctuations but will have difficulty eliminating or significantly reducing some of the exposures.

Operating costs

Operating costs have increased by €2.1 million (11%) to €20.4 million due to increased selling and marketing expenses as the Group increases its footprint in the Americas and Australasia. Sales in those regions increased by €2.6 million (13%) in the Americas and €3.9 million (25%) in Australasia. Operating costs as a percentage of Revenue was27% in 2016 (2015: 26%).

Operating profit and profit attributable to shareholders

Operating profit increased by €0.2 million (2%) in 2016 which reflected the increase in gross profit less the step up in operating expenses.

Profit attributable to shareholders increased by €1.3 million (16%) as a result of;

- an increase of €0.2 million in operating profit
- a reduction in finance income due to very low euro deposit rates
- a foreign exchange gain of €1.1 million
- a minimal movement on contingent consideration

The effective rate of tax was 18% in 2016, up from 17% in 2015 reflective of the rates in the jurisdictions where the Group earned its profit mix in the year.

The Mincon balance sheet

The balance sheet continues to build as accretive profits are earned on the assets in use. The net assets now stand at €106 million with net cash of c. €35 million available for investment.

Balance Sheet	2016 Audited €'000	2015 Audited €'000	2014 Audited €'000	2013 Audited €'000	2012 Audited €'000
Assets employed					
Property, plant & equipment	20,052	17,277	16,399	13,540	14,701
Net working capital	43,359	36,926	34,179	23,415	24,810
Net taxation asset/(liability)	50	359	(488)	(1,259)	(1,537)
Investments and other liabilities					
Intangible assets & other assets	13,358	11,801	10,443	2,041	2,478
Deferred contingent consideration and other liabilities	(6,264)	(7,069)	(6,857)	-	-
Financing assets/(liabilities)					
Net cash/(debt)	34,960	38,610	41,754	48,600	6,451
Total equity	**105,515**	**97,904**	**95,430**	**86,337**	**46,903**

Use of the IPO cash and Group cash flows

We have spent €15.4 million on nine acquisitions in the last three years from the net IPO proceeds of €47 million. During that same period we have distributed over €4 million a year in dividends, but still added €20 million to the balance sheet net value, and added to our net cash outside the IPO proceeds. Our net acquisition cash remains intact and the Group is largely free of debt.

To be quite clear, we do not lack ambition to invest and acquire, but we are keenly interested in buying what adds value to our manufacturing base, to our distribution footprint, to our access to markets and sectors and in bringing people who have a contribution to make, onto our management team.

The Group would still view the IPO cash as being available for acquisitions without reference to debt at this time, but the Group would use debt where the investment was justified by the addition to the Group. Other than that the Group has internally generated its cash for investment in the businesses and to pay dividends.

Capitalisation of development expenditure

We have capitalised €499,000 in development expenditure in 2016, which we expect to begin to release as a particular set of products become commercialised in the next year or so. While this is not hugely material as it stands and we have historically written off R&D as we spend it, we are going to have to step up the expenditure around this project in order to bring it to a commercial proposition with an accelerated timetable. This capitalisation has been in compliance with applicable international accounting standards.

We have addressed the matter in 2016 as otherwise the expenditure in 2017 would potentially cause some distortion of short term earnings. The initial product has been on live testing in a customer location, and with the emphasis that has been placed on the engineering in the last two years, has become viable in design much earlier than anticipated. It is still too early to comment on the revenue or profit value of the additional range being created, but it is expected that we will return to that at the half year in 2017.

Net working capital

Inventory excluding drill rigs

Our inventory rose by €2.7 million in the year, split between Mincon and third party goods, and slightly more than the sales increase in each case. With investment required in our overall internal inventory control systems and with salespeople led demand, we have, to a degree, filled our warehouses with our own product and tied up our cash with the ramp up in our own goods held at cost.

We have perhaps made that investment to suit our customers expected orders, and with an appetite to deliver off the shelf, since initially the systems, procedures and information flows take longer to develop than to make and stock the products. Part of the increase in inventory has occurred as our own carbide replaced that of third party consignment inventory as we adopted our own manufactured buttons.

Over the next year we intend to make the investment in the supply chain, in our systems, and in the transparency required to balance the efficient delivery of our products, with the appropriate investment in the inventory.

Since we manufacture much of what is being held in inventory this may mean amending manufacturing in the Group in a manner that maintains efficient production but brings the overstocking back to the manufacturing hubs for redeployment or rework. The Executive team have set this systems investment path and inventory right-sizing as an objective in 2017.

Inventory – drill rigs
The movement in the capital equipment inventory was a currency movement. The expected sales of these has not materialised in 2016. The market was still very unresponsive in the year and the continuing availability of surplus capital equipment and the poor financial results of many customers meant that potential buyers had considerable choice and little funding in an unpredictable market.

While we see signs of life in the capital market generally still customers and corporate commentators are very wary of making investments or forecasts at this time. We continue to hold these assets until the market provides the options required to move them on. Recent valuations support the carrying cost and a maintenance programme is in place to protect that value.

Receivables
Trade and other receivables amounted to €16.4 million at 31 December 2016, an increase of €3.4 million from 31 December 2015. While part of this is outside standard terms and not of particular concern, there are two debtors on a work out with Group in respect of some €2.5 million including VAT. Of this over €500,000 has been received since the year end.

Long term investments
We have continued to improve our invested plant to maintain the efficiency and quality of our manufactured products, and to extend our ranges. Of course it is not just a simple matter of acquiring equipment, but to commission it, and to develop the tools required to build new ranges is an iterative and time consuming process. This is normal in engineering. We have also begun the investment in our carbide plant, with new multi process machinery for powder production, robotised button pressing, and new machinery to insource components for the rest of the Group.

Other capital equipment allowed us to increase the size of the hammers and bits we make to provide the ranges appropriate for entering other sectors such as construction and piling with more complete ranges with products that maintain the standard of our current ranges. To add products to our ranges we either have to acquire businesses that have those products, or develop them ourselves, sometimes it will be the latter, and sometimes the former, it will depend on the balance of value.

Capital Expenditure	**2014 €'000**	**2015 €'000**	**2016 €'000**
Capital expenditure (Net)	5,019	3,163	5,038
Depreciation	(2,160)	(2,285)	(2,263)

Value embraces not just price, but a number of headings including the quality of the team and the product range, the distribution footprint, any unique characteristics, and need. The nature of the capital investment last year differed from previous years in that it was practically all invested in plant and machinery rather than the fixed asset pool received when businesses were acquired (see note 13).

STRATEGY OF THE GROUP

The Mincon objective is, as stated at the time of the IPO, to grow the business organically and by acquisition to initially double the size of the Group. Being an engineering Group meant that when we had expanded the geographic footprint, which we also continue to do organically, we took a view on companies available to us for acquisition and last year elected to expand our own ranges.

Research and development

The Group has continued to invest in the engineering team in the last eighteen months at a higher level to develop our own ranges for hammers, bits and other consumables, and to engineer the machinery and processes that improve the efficiency of our business. We have extended and commercialised the large hammer range to 18 inch, and improved our bits ranges in the last year. We have additions to those ranges, and a new range in development that should deliver good opportunities to the customers in the second half of the coming year. The engineering team is fully engaged on these activities.

Organic growth

The sales offices are now being gathered under regional management as customer centres responding to the CEO and sales leadership of the Group. The factories are being brought under the operating management of the Group with the CEO. During the coming year we will review where products are best made and from where customers are best serviced to the economic advantage of the Group depending on the skill sets in those businesses.

With a concomitant investment in systems the business will be making longer term decisions about service and manufacturing locations as products and relationships are built. It is important to the Group that the same quality and service is delivered across the product ranges, and this requires standardisation in processes, engineering and systems. We will also wish to apply the same customer metrics and service levels and will build systems that allow us to manage in this format for the future.

These objectives and methodologies are designed to help the Group protect and develop the business margins while reducing our costs and improving the product and customer relationships.

Acquisitions

Mincon continues to be in discussion with companies that have people, products, customers, markets and opportunities that we believe would add value to our Group. In the last year we have elected to provide engineering solutions to our product requirements through our own development capacity, and we continue to do this for the future.

However our engineering team is fully engaged for the foreseeable future, and we are engaged in discussions that we believe will result in further additions to the Group. It is likely that the emphasis in the current year will be to return to making acquisitions with a clear remit to infill the product catalogues where we have gaps, but this is less likely to result in any further geographic distribution points.

Mincon would be able to invest the current net cash of €35 million without recourse to debt, but would be willing to engage debt if the right opportunity can be found. As we noted elsewhere, we do not lack the ambition to invest, just the value proposition.

DIRECTORS AND MANAGEMENT

At 31 December 2016, the Board of Mincon comprised of four non-executive directors and two executive directors. John Doris was appointed to the board in February 2017. Details of the directors are set out below:

NON-EXECUTIVE DIRECTORS

Padraig McManus (Age 66) (Non-Executive Chairman)

Padraig currently serves as Chairman of Eir, Ireland's largest telecommunications company, and was previously chief executive of Ireland's leading energy company, ESB, from 2002 to 2011.

While chief executive of ESB, he oversaw some of the most significant transactions in the group's history including (i) the 2010 acquisition of NIE Networks for Stg£1.2 billion, personally overseeing the financial, political and general stakeholder issues in integrating the business into the ESB Group; (ii) the 2008 sale of a tranche of ESB's Power Generation Portfolio to Endesa of Spain in a ground-breaking deal with trade unions and the Irish energy regulator to reduce dominance and allow competitors into the market; (iii) ESB's first private placement fundraising package in the US of €0.9 billion in 2003; and (iv) the sale of ESB's electrical appliance retail business and outlets to Bank of Scotland Ireland in 2005. He previously worked as a HR manager in ESB and was part of every major restructuring programme in ESB that reduced core staff levels below 6,000. He led projects for ESB in Ghana, Sierra Leone, Gambia, Cambodia, the Philippines and Vietnam.

Padraig is chairman of the Council of the Economic and Social Research Institute of Ireland (ESRI) and the Curragh Racecourse. He has also served on a number of other boards including The Conference Board of the US.

Hugh McCullough (Age 66) (Senior Independent Non-Executive Director)

Hugh has over 40 years' experience in gold and base metal exploration, principally in Ireland, Ghana and Mali. Having previously worked as a project geologist, in 1982 he became chief executive of Glencar Mining plc. Hugh was responsible for the management, financing and strategy of Glencar for over 27 years until it was acquired by Gold Fields Limited in September 2009. Hugh currently serves as a director on the board of Papua Mining plc, an exploration company with projects in Papua New Guinea and which trades on the AIM market of the London Stock Exchange.

Hugh is a professional geologist and holds an honours degree in geology from University College Dublin and the degree of Barrister-at-Law from the King's Inns, Dublin. In 1994, he was appointed by the then Irish Minister for Energy to the National Minerals Policy Review Group to review Irish Minerals Policy and to make recommendations to the Minister for the reform of the fiscal and regulatory policy for the mining industry in Ireland.

Patrick Purcell (Age 79) (Non-Executive Director)

Patrick served an apprenticeship in the Irish Air Corps in the 1950s and later qualified as an accountant in Australia in 1961. When he returned to Ireland in 1967 he joined Shannon Diamond & Carbide Ltd, (later Boart Longyear) and worked in various capacities with their European Group Companies for the next 10 years. His roles with Shannon Diamond & Carbide included that of cost accountant, sales and marketing director and a period as a general manager of their manufacturing plant in Norway before becoming their director for European sales companies and product development.

Patrick set up Mincon in 1977 and developed the group, firstly in Ireland and then into overseas areas including USA, Canada, Australia, South Africa and Sweden. Patrick remained as executive chairman until 2012 but continued to work with the company as an adviser on new projects.

Kevin Barry (Age 61) (Non-Executive Director)

Kevin commenced his career as a trainee accountant in practice in 1973. He joined Kraus & Naimer Ireland Limited as an accountant in 1977. He qualified as a Certified Public Accountant ("CPA") and began working with Mincon International Limited in 1984 as Financial Controller. He was appointed chief executive officer of the Mincon Group of companies in 1991 and was responsible for expanding the Group's activities by extending the product range through organic growth and by setting up the Group's international subsidiaries. Kevin resigned as chief executive officer of Mincon Group plc in May 2015 but remains on the board as a non-executive director.

DIRECTORS AND MANAGEMENT

John Doris (Age 70) (Non-Executive Director)
John Doris joined the board in February 2017. He has broad experience across a number of sectors including manufacturing, lending and corporate finance. He has been an independent consultant and a non-executive director for the past eighteen years. Prior to becoming an independent consultant, he was a director of ABN Amro Corporate Finance (Ireland) Limited where he managed the successful Riada Business Expansion Funds.

John graduated from University College Dublin with a B.Sc. in physics in 1969 and returned to University College Dublin to complete his M.B.A. in 1977. He qualified as an ACCA in 1974 and is a former president of ACCA Ireland.

EXECUTIVE DIRECTORS

Joseph Purcell (Age 50) (Chief Executive Officer)
Joseph qualified as a mechanical engineer in 1988 at University College Galway, in Ireland and since then has worked with Mincon in various capacities. DTH hammer design has been his main area of specialisation although he has extensive experience in manufacturing methods, heat treatment and process development. His hammer design work has included seven years in Perth, Australia where he developed a successful range of reverse circulation and conventional DTH hammers for local and export markets. Joseph was appointed as chief technical officer for the Mincon Group on his return from Australia in 1998. In May 2015, Joseph succeeded Kevin Barry as the chief executive officer of Mincon Group plc.

Thomas Purcell (Age 45) (Sales Director)
Thomas Purcell has a background in accounting prior to emigrating to the USA to work with Mincon on a new joint venture opportunity in the country. He worked for the Mincon Group in the dimensional stone quarrying industry during which time he was key in setting up operations in Virginia and North Carolina. In 1996, Mincon sold its investment in the quarrying entities to Marlin Group of South Africa. He worked in various positions with their USA subsidiary from Purchasing and Safety Manager of four quarrying companies, to CFO and Operations Manager for their Atlanta based operation, Stone Connection. He re-joined the Mincon Group in 1999 as President of Mincon, Inc. and has served as President of Mincon Inc. since 1999.

COMPANY SECRETARY

John Doris acted as company secretary until his resignation on 14 March 2017. He was succeeded by Mincon's group financial controller, Mark McNamara.

EXECUTIVE MANAGEMENT

Mincon has a highly experienced team of senior managers that has helped to drive the development of the Group across its global locations. Brief profiles of the Mincon senior management team are set out below:

Robert Fassl (Age 54) (Vice President of Sales and Managing Director of Rotacan)
Robert joined Mincon in August 2014 after the acquisition of Rotacan - where he was assisting in an advisory role. He has over 30 years' experience of the mining and construction industries. Prior to joining Rotacan, he served as senior executive vice president and president of Mining and Rock Excavation Technique Business at Atlas Copco AB from 1 July, 2011 to 31 July 2013. Mr. Fassl joined the Atlas Copco Group in 1982. From 1982 to 1998 he held several management positions in Atlas Copco Construction and Mining Technique business area in finance, service, logistics, purchasing and manufacturing. Between 1998 and 1999, he was general manager in Atlas Copco Kango, Great Britain, a product company in the Atlas Copco Group. From 1999 to 2004, he was general manager for Atlas Copco Exploration Products and from 2004 to 2011 he served as Divisional President for Atlas Copco Drilling Solutions. He managed the acquisition process of Ingersoll-rand Drilling Solutions and was responsible for its integration into the Atlas Copco Group. Mr. Fassl has a degree in business administration from Ekliden College, Nacka, Sweden.

Peter E. Lynch (Age 59) (Chief Operating Officer)
Peter qualified as a chartered accountant with KPMG in 1985. He previously worked as Managing Director of ABN AMRO Stockbrokers Ireland Limited, as Finance Director of Eircom Group plc where he led and executed circa €10 billion of transactions and as Chairman of Prime Active Capital plc. With colleagues he built up Adare Printing Group plc from €1 million to €200 million turnover through sixteen transactions before its sale to a management team. Peter graduated in economics from Trinity College Dublin in 1981 and is a member of the Chartered Institute for Securities & Investment.

Jussi Rautliainen (Age 52) (SVP – Business Development)
Jussi joined Mincon Group in January 2017. He was chief executive officer of Robit Rocktools Ltd. from 2005 to January, 2016. Prior to that, he held international management positions at Huhtamäki Oyj and UPM Kymmene Corporation. Jussi holds a Bachelor of Economics degree and has also an Executive Master of Business Administration degree.

DIRECTORS REPORT

The Directors present the directors' report and the consolidated financial statements of Mincon Group plc ("Mincon") for the year ended 31 December 2016.

Principal activities of the Group

Mincon is an Irish engineering group, specialising in the design, manufacture, sales and servicing of rock drilling tools and associated products. The Group's manufacturing facilities are located in Shannon, Ireland, in Sheffield, in the UK, in Benton, Illinois in the USA, in North Bay, Ontario in Canada, Johannesburg, South Africa and in Perth, Australia. Mincon also maintains a network of sales and distribution companies in a number of international markets to provide after sales support and service to customers. Products, comprising both Mincon manufactured products and third party products which are complementary to Mincon's own products, are sold directly to the end user or through distributors.

Mincon manufactured product can be broken down into five distinct product lines:

1. Conventional down the hole (DTH) product
2. Reverse circulation (RC) DTH product
3. Horizontal directional drilling (HDD) product
4. Rotary drilling product
5. Tungsten carbide product

Mincon manufactured hammers and bits (including rotary bits) are used for a variety of drilling industries including production and exploration mining, water well, geothermal, construction, oil and gas and seismic drilling. Mincon also provides a hard-rock HDD system to provide access for fibre optic cable laying and similar activities. In addition, Mincon, through its subsidiary Marshalls Carbide Limited, manufactures tungsten carbide inserts, its core markets being mining, construction and the oil & gas industry.

DTH, RC & HDD products have distinct sales lines for associated parts, namely hammers, spares and bits. Bits can be sold separate from the hammer. Mincon manufactures a range of bits to an industry standard size which can be used in conjunction with hammers manufactured by competitors. Rotary bits are made to industry standard size and are used in the same applications and industries as Mincon's DTH hammers and bits. Tungsten carbide high quality impact buttons are used on the face of DTH, drifter & tricone drill bits.

The Mincon hammers and bits are considered consumable items in the drilling industry in contrast with capital items such as truck/track-mounted drilling rigs and large air compressors. As products of a consumable nature, Mincon products have a shorter life cycle than capital goods (such as rigs and compressors).

Business review

Commentaries on performance in the year ended 31 December 2016, including information on recent events and likely future developments, are contained in the Chairman's Statement, Chief Executive Officer's Review and Operating and Financial Review. The performance of the business and its financial position together with the principal risks faced by the Group are reflected in the Operating and Financial Review as well as the risk review section. The following table sets forth for the periods indicated certain financial data and the percentage change in these items compared to the prior period, being the key performance indicators used by management. The trends illustrated in the following table may not be indicative of future results.

	2016	2015	Percentage change in period
Product revenue:	**€'000**	**€'000**	
Sale of Mincon product	56,360	52,786	7%
Sale of third party product	19,821	17,480	13%
Total revenue	76,181	70,266	8%
Operating profit	10,178	9,990	2%
Net profit attributable to shareholders of the parent company	9,234	7,980	16%

Dividend
In September 2016, Mincon Group plc paid an interim dividend in the amount of €0.01 (1 cent) per ordinary share (€2.1 million total payment), which was paid to shareholders on the register at the close of business on 26 September 2016. The Directors recommend the payment of a final dividend of 1 cent per share for the year ended 31 December 2016.

Directors and secretary
The current serving directors and secretary of the Company are set out on page 1. The dates of appointments and resignations of the Company's directors and secretary are set out in the table below:

Director	Date of appointment	Date of resignation
Padraig McManus	23 September 2013	-
Kevin Barry	16 August 2013	-
John Doris	16 February 2017	-
Rose Hynes	22 December 2014	30 November 2016
Hugh McCullough	13 December 2016	
Patrick Purcell	16 August 2013	-
Joseph Purcell	23 September 2013	-
Thomas Purcell	23 September 2013	-
Company Secretary		
John Doris	23 September 2013	14 March 2017
Mark McNamara	14 March 2017	

Substantial shareholders
As at close of business on 20 March 2017, in so far as is known to the Company, the following persons are, directly or indirectly, interested in 3% or more of the issued share capital of the Company:

Shareholder	*Ordinary Shares as at the date of this Document*	*Percentage of Enlarged Issued Ordinary Share Capital*
Kingbell Company	119,671,200	56.84%
Setanta Asset Management	28,466,213	13.52%
Investmentaktiengesellschaft fur langfrist TGV	17,683,140	8.40%
Ballybell Limited	14,917,800	7.09%
FMR LLC	6,526,958	3.10%

None of the Group's major shareholders, as listed above, have different voting rights attaching to ordinary shares held by them in the Group. Both the Purcell and Barry family vehicles (Kingbell Company and Ballybell Limited) have certain board nomination rights for so long as their respective shareholdings remain above certain thresholds.

Financial risk management
The Group's operations expose it to financial risks including credit risk, interest rate risk and foreign currency risk. The Group manages risk in order to reduce the impact of these risks on the performance of the Group and it is the Group's policy to manage these risks on a non-speculative manner. The Group does not utilise derivative financial instruments to hedge economic exposures. Details of the Group's financial risk management objectives and policies are set out in note 20 to the financial statements.

Compliance Statement
The directors acknowledge that they are responsible for securing compliance by Mincon Group plc (the 'Company') with its relevant obligations as are defined in the Companies Act, 2014 (the 'Relevant Obligations'). The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the directors' opinion, are appropriate to the Company with respect to compliance by the Company with its relevant obligations.

The directors further confirm the Company has put in place appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with its relevant obligations including reliance on the advice of persons employed by the company and external legal and tax advisers as considered appropriate from time to time and that they have reviewed the effectiveness of these arrangements or structures during the financial year to which this report relates.

Political donations
The Group and Company did not make any donations during the year disclosable in accordance with the Electoral Act 1997.

Research and development
The Group's strategy around research and development is to set out in the Strategy section of this Annual Report. The Group invested greater than €0.9 million on research and development in 2016, €0.5 million of which has been capitalised.

Corporate governance
The board of Mincon is committed to achieving high standards of corporate governance, integrity and business ethics for all activities as set out in the Directors' Statement on Corporate Governance of this Annual Report.

Accounting records
The directors believe that they have complied with the requirement of Section 281 to 285 of the Companies Act 2014 with regard to keeping adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the company are maintained at the company's offices at Smithstown Industrial Estate, Shannon, Co Clare.

Significant events since year-end
Details of significant events since year-end are set out in note 26 to the financial statements.

Going concern
The directors, having made enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

Each of the Directors individually confirm that:
• In so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
• That they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

Auditor
KPMG, Chartered Accountants continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board

Padraig McManus
Chairman

Joseph Purcell
Chief Executive Officer

20 March 2017

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The board of Mincon is committed to maintaining high standards of corporate governance and has regard to the Quoted Companies Alliance set of governance guidelines for smaller quoted companies (the "QCA Guidelines"), which includes a code of best practice for AIM companies, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The directors recognise the importance of sound corporate governance and has taken account of the main principles of the QCA Guidelines, wherever possible and as appropriate to the size, nature and resources of the Group. It is also our intention to be as open and transparent about our governance arrangements as possible and use the annual report to give details of changes and improvements we have made during the year.

The key aspects of the Company's corporate governance are set out below.

Managing and communicating risk and implementing internal control

The board is responsible for putting in place and communicating a sound system to manage risk and implementing internal control. The directors have outlined in the Principal Risks and Uncertainties section the key risks facing the Group and strategies to manage these risks.

Corporate communication and investor relations

The Group recognises the importance of shareholder communications. There is regular dialogue between the executive directors and institutional shareholders as well as presentations at the time of release of annual and half year results. The board is subsequently briefed on the views and concerns of institutional shareholders. The Group issues its results promptly to shareholders and they are also published on the Group's website, www.mincon.com. The Company's Annual General Meeting will afford each shareholder the opportunity to meet and engage directly with the chairman of the board and all other board members. The annual report, including the notice of the Annual General Meeting, will be sent to all shareholders at least 21 days prior to the meeting.

The Board

The Company is controlled through its board of directors. The board comprises five non-executive directors and two executive directors. Biographical details on the board members are set out in the section entitled "Board of Directors". The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The directors hold board meetings at least quarterly and at other times as and when required. The board has delegated responsibility for the day to day management of the Group to the Group's executive management. There are clear divisions of responsibilities between the roles of the chairman and chief executive officer.

Directors' independence

The board currently comprises five non-executive directors and two executive directors. The board has determined that Padraig McManus, Hugh McCullough and John Doris are independent within the meaning of the QCA Guidelines. Patrick Purcell and Kevin Barry are not considered independent within the requirements of the QCA Guidelines by virtue of their shareholding in the Company. The two executives on the Board are Joseph Purcell and Thomas Purcell.

Board Committees

The board has established an audit committee, a remuneration committee and a nomination committee with formally delegated duties and responsibilities. The board deals with matters relating to health and safety and risk through the board (as opposed to through a separate sub-committee).

Audit committee

The audit committee is chaired by non-executive director Kevin Barry and it consists of two other non-executive directors; Patrick Purcell and Hugh McCullough. On 13 December 2016, Hugh McCullough replaced Rose Hynes who had resigned from the board and Patrick Purcell replaced Padraig McManus on the committee. Kevin Barry replaced Rose Hynes as chairperson of the committee on 13 December 2016. The chairman, chief executive officer and representatives of the finance function may be invited to attend all or part of any meeting of the committee, as appropriate.

The audit committee is required to meet at least three times a year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported , As part of this, it is responsible for meeting with the external auditors and reviewing findings of the audit with them. It meets with the auditors at least once a year without any members of the management being present and is also responsible for considering and making recommendations regarding the identity and remuneration of such auditors. It is authorised to seek any information that it properly requires from any employee and may ask questions of any employee. The terms of reference of the committee are available on our website.

During 2016, the committee met on three occasions and all members were present at these meetings.

Remuneration Committee

The remuneration committee consists of three non-executive directors; Padraig McManus (chairman), Kevin Barry and Patrick Purcell (appointed 11 December 2016). Patrick Purcell replaced Rose Hynes who resigned from the board on 30 November 2016.
It meets at least once per year, it considers and recommends to the board the framework for the remuneration of the chief executive officer, chairman, company secretary, chief financial officer, executive directors and such other officers as it is designated to consider and, within the terms of the agreed policy, considers and recommends to the board the total individual remuneration package of each executive director including bonuses, incentive payments and share awards. The committee reviews the design of all incentive plans for approval by the board and shareholders and, for each such plan, recommends whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors and the performance targets to be used. No director is involved in decisions concerning his/her own remuneration. The terms of reference of the committee are available on our website. The committee met three times during 2016 and all members were present at these meetings.

Nomination Committee

The nomination committee consists of three non-executive Directors; Padraig McManus, Patrick Purcell and Kevin Barry. Padraig McManus is chairman of the committee and Kevin Barry joined the committee on 11 December 2016. It met twice during 2016. It identifies and nominates candidates for all board vacancies and reviews regularly the structure, size and composition (including the skills, knowledge and experience) of the board and makes recommendations to the board with regard to any changes. The terms of reference of the committee are available on our website. The committee met twice during 2016 and all members attended these meetings.

Share Ownership and Dealing

Mincon has adopted a share dealing policy that complies with Rule 21 of the AIM Rules and Rule 21 of the ESM Rules relating to directors' dealings as applicable to AIM and ESM companies respectively. Mincon takes all reasonable steps to ensure compliance by applicable employees.

Directors' Remuneration

Details of individual remuneration of directors are set out in the table below:

		31 December 2016				31 December 2015			
Name	**Title**	**Salary €'000**	**Fees €'000**	**Pension €'000**	**Total €'000**	**Salary €'000**	**Fees €'000**	**Pension €'000**	**Total €'000**
Padraig McManus	Non-Executive Chairman	-	45	-	45	-	45	-	45
Patrick Purcell	Non-Executive Director	-	-	-	-	-	10	-	10
Rose Hynes	Non-Executive Director	-	37	-	37	-	40	-	40
Kevin Barry*	Non-Executive Director	-	-	-	-	92	-	11	103
Hugh McCullough	Non-Executive Director	-	3	-	3	-	-	-	-
Joseph Purcell	Chief Executive Officer	193	-	23	216	193	-	23	216
Thomas Purcell	Sales Director	207	-	2	209	206	-	5	211
Total executive and non-executive remuneration		**400**	**85**	**25**	**510**	**491**	**95**	**39**	**625**

* *This includes remuneration as an executive director until 28 May 2015*

Patrick Purcell and Kevin Barry waived FY2016 board fees available to them in the amount of €40,000 each. All directors are paid directly by the company with the exception of Thomas Purcell who is paid by Mincon Inc.

The executive directors employment contracts include the ability to earn performance bonuses dependent on the performance of the group and payable at the discretion of the remuneration committee. Each executive directors' service contracts allows the company to terminate their employment by making a lump sum payment of one year's base salary.

The executive directors received no bonuses for the year-ended 31 December 2016 (2015: €Nil).

DIRECTORS' AND COMPANY SECRETARY'S SHARE INTERESTS

The beneficial interests of the Directors and Company Secretary (including those of their spouses and children) who held office at 31 December 2016 in the share capital of the Company was as follows:

Name	*Ordinary Shares held*	*Percentage of Issued Ordinary Share Capital*
Patrick Purcell	119,671,200[1]	56.84%
Kevin Barry	14,917,800[2]	7.09%
Joseph Purcell	119,671,200[1]	56.84%
Thomas Purcell	119,671,200[1]	56.84%

No Director or member of a Director's family has a related financial product referenced to the Company's share capital. There are no outstanding loans as at 31 December 2016 (2015: €Nil) granted or guarantees provided by any company in the Group to or for the benefit of any of the Directors other than amounts disclosed in note 25 to the financial statements. There have been no changes in the interests of the Directors and the Company Secretary in the period to 20 March 2017.

Other transactions with the directors are set out in note 25 to the consolidated financial statements.

[1] Kingbell Company, a company controlled by Patrick Purcell and members of the Purcell family (including Joseph Purcell and Thomas Purcell) holds 119,671,200 Ordinary Shares of €0.01 in the capital of the Company

[2] Ballybell Limited, a company controlled by Kevin Barry holds 14,917,800 Ordinary Shares of €0.01 in the capital of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are outlined in this section. Mincon has adopted appropriate controls and recruited management with the necessary skills and experience to manage and mitigate these risks where possible and thus enable execution of the Group's business strategy as outlined in the Strategy section.

PRINCIPAL RISKS RELATING TO THE COMPANY'S INDUSTRY

The Group's products are used in industries which are either cyclical or affected by general economic condition

The demand for the Group's products and services is affected by changes in customers' investment plans and activity levels. Customers' investment plans could change depending on global, regional and national economic conditions or in the case of a widespread financial crisis or economic downturn. The demand for the Group's products is affected by the level of construction and mining activities as well as mineral prices. Financial crises may also have an impact on customers' ability to finance their investments. In addition, changes in the political situation in a region or country or political decisions affecting an industry or country could also materially impact on investments in consumable equipment. Although the Company believes that its sales are well diversified with customers located in disparate geographic markets, it is likely that the Group would be affected by an economic downturn in the markets in which it operates.

The Group is exposed to risks associated with operations in emerging markets

The Group's international operations may be susceptible to political, social and economic instability and civil disturbances. Risks of the Group operating in such areas may include:

- disruption to operations, including strikes, civil actions, international conflict or political interference;
- changes to the fiscal regime including changes in the rates of income and corporation taxes;
- reversal of current policies encouraging foreign investment or foreign trade by the governments of certain countries in which the Group operates;
- limited access to markets for periods of time;
- increased inflation; and
- expropriation or forced divestment of assets.

Any of the above factors could result in disruptions to the Group's business, increased costs or reduced future growth opportunities. Potential losses caused by these disruptions may not be covered by insurance.

The Group operates in countries with less developed legal systems

The countries in which the Group operates may have less developed legal systems than countries with more established economies, which may result in risks such as:

- effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain;
- a higher degree of discretion on the part of governmental authorities;
- a lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- an inability on the part of the Group to adequately protect its assets in these jurisdictions;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

PRINCIPAL RISKS AND UNCERTAINTIES

RISKS RELATING TO THE COMPANY'S BUSINESS

If the Group fails to develop, launch and market new products, respond to technological development or compete effectively, its business and revenues may suffer

The Group's long-term growth and profitability is dependent on our ability to develop and successfully launch and market new products. The Group's revenues and market share may suffer if it is unable to successfully introduce new products in a timely fashion or if any new or enhanced products or services are introduced by our competitors that customers find more advanced and/or better suited to their needs. While the Group continuously invests in research and development to develop products in line with customer demand and expectations, if it is not able to keep pace with product development and technological advances, including also shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on the efficiency of our distribution network

The Group distributes products primarily through distributors and also directly to end customers. Should the distribution network be subject to disruptions, it could have a material adverse effect on the Group's revenues and results of operations.

If the Group's manufacturing and production facilities are damaged, destroyed or closed for any reason, our ability to distribute products will be significantly affected

The Group has five manufacturing facilities located in Ireland, the UK, Australia, Canada, South Africa and the United States and an assembly facility in the United States. Should any of these facilities be destroyed or closed for any reason, or the equipment in the facilities be significantly damaged, the Group is likely to face setbacks in our ability to manufacture and distribute products to customers. Such circumstances, to the extent that it is not possible to find an alternative manufacturing and production facility, or transfer manufacturing to other Group facilities or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the availability of manufacturing components is dependent on suppliers to the Group and, if they suffer interruptions or if they do not have sufficient capacity, this could have an adverse effect on the Group's business and results of operations.

Financial Condition Risks

Future Revenues

The Group relies on the ability to secure orders with new customers as well as maintain relationships with existing customers to generate most of our revenue. Investors should not rely on period to period comparisons of revenue as an indicator of future performance.

Competition

The markets for the Group's products are highly competitive in terms of pricing, product design, service and quality, the timing and development and introduction of new products, customer services and terms of financing. The Group faces intense competition from significant competitors and to a lesser extent small regional companies. If we do not compete successfully in all of our business areas and do not anticipate and respond to changes in evolving market demands, including new products, we will not be able to compete successfully in our markets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to competition in the markets in which it operates and some of its competitors are significantly larger and have significantly greater resources than the Group. The Group's principle competitors are Atlas Copco which is headquartered in Stockholm, Sweden with a global reach spanning more than 170 countries and Sandvik which is also headquartered in Stockholm, Sweden with business activities in more than 130 countries. There can be no guarantee that the Group's competitors or new market entrants will not introduce superior products or a superior service offering. Such competitors may have greater development, marketing, personnel and financial resources than the Group. Should these or other competitors decide to compete aggressively with the Group on price in the markets and industries in which it operates while offering comparable or superior quality products this could have a material adverse effect on the Group's financial position, trading performance and prospects.

RISKS RELATING TO THE COMPANY'S BUSINESS *(continued)*
Financial Condition Risks *(continued)*

The Group is exposed to the risk of currency fluctuation

The Group's financial condition and results of operations are reported in euro but a large proportion of its revenues are denominated in currencies other than euro, including the US dollar, the Australian dollar and the South African rand. Adverse currency exchange rate movements may hinder the Group's ability to procure important materials and services from vendors and suppliers, may affect the value of its level of indebtedness, and may have a significant adverse effect on its revenues and overall financial results. In the past, the Group has experienced gains and losses from exchange rate fluctuations, including foreign exchange gains and losses from transactions risks associated with assets and liabilities denominated in foreign currencies, including inter-company financings. The Group has introduced measures to improve its ability to respond to currency exchange rate risks. However, these measures may prove ineffective, and exchange rate volatility, particularly between currency pairs that have traditionally been rather stable, may develop. As a result, the Group may continue to suffer exchange rate losses, which could cause operating results to fluctuate significantly and could have a material adverse effect on the Group's business and financial condition.

Contractual Arrangements

The Group derives some of its revenue from large transactions (which may be non-recurring in nature). Prospective sales are subject to delays or cancellation over which the Group has little or no control and these delays could adversely affect results. Also to address the non-recurring nature of some of these transactions, the Group needs to focus on securing new lines of business on a regular basis.

Customer Concentration

Over the past three years, the Group's top ten customers have accounted for approximately 27% of its revenues. If, in the future, these customers fail to meet their contractual obligations, decide not to purchase the Group's products or decide to purchase few products, this could disrupt the Group's business and require it to expend time and effort to develop relationships with new customers, which could have a material adverse effect on the Group's business, results of operations and financial condition. There can be no assurance that, even if the Group could find alternate customers, the Group could receive the same price for its products.

The Group is exposed to fluctuations in the price of raw materials

The Group's operations give rise to risks due to changes in the price of market-quoted raw materials, mainly steel and tungsten. The prices can vary significantly during a year. If the market does not permit a transfer of the effects of changing raw material prices into the end-price of the products, this may have a material adverse effect on the Group's business, results of operations and financial condition.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with AIM/ESM Rules, the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Padraig McManus
Chairman

Joseph Purcell
Chief Executive Officer

20 March 2017

We have audited the Group and Company financial statements ("financial statements") of Mincon Group plc for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial Statements.

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 22 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK & Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company' s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company' s members as a body, for our audit work, for this report, or for the opinions we have formed.

Ruaidhri Gibbons 20 March 2017
For and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2, Ireland

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Continuing operations			
Revenue	4	76,181	70,266
Cost of sales	6	(45,620)	(41,989)
Gross profit		**30,561**	**28,277**
General, selling and distribution expenses	6	(20,383)	(18,287)
Operating profit	9	**10,178**	**9,990**
Finance cost		(140)	(183)
Finance income		170	297
Foreign exchange gain/(loss)		1,129	(1,203)
Movement on contingent consideration	20(e)	(4)	722
Profit before tax		**11,333**	**9,623**
Income tax expense	10	(2,080)	(1,595)
Profit for the year		**9,253**	**8,028**
Profit attributable to:			
- owners of the Parent		9,234	7,980
- non-controlling interests		19	48
Earnings per Ordinary Share			
Basic earnings per share, €	18	4.39c	3.79c
Diluted earnings per share, €	18	4.38c	3.79c

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

	2016 €'000	2015 €'000
Profit for the year	**9,253**	**8,028**
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation – foreign operations	2,495	(1,344)
Other comprehensive income/(loss) for the year	2,495	(1,344)
Total comprehensive income for the year	**11,748**	**6,684**
Total comprehensive income attributable to:		
- owners of the Parent	**11,729**	**6,636**
- non-controlling interests	**19**	**48**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 €'000	2015 €'000
Non-Current Assets			
Intangible assets	11	13,120	11,459
Property, plant and equipment	13	20,052	17,277
Deferred tax asset	10	529	480
Other non-current assets	12	238	342
Total Non-Current Assets		**33,939**	**29,558**
Current Assets			
Inventory	14	35,310	32,045
Trade and other receivables	15	16,437	13,021
Other current assets		996	649
Current tax asset		954	733
Short term deposits	20	-	30,781
Cash and cash equivalents	20	36,836	10,644
Total Current Assets		**90,533**	**87,873**
Total Assets		**124,472**	**117,431**
Equity			
Ordinary share capital	17	2,105	2,105
Share premium	17	67,647	67,647
Undenominated capital		39	39
Merger reserve		(17,393)	(17,393)
Share based payment reserve	19	89	16
Foreign currency translation reserve		1,035	(1,460)
Retained earnings		51,509	46,485
Equity attributable to owners of Mincon Group plc		**105,031**	**97,439**
Non-controlling interests		484	465
Total Equity		**105,515**	**97,904**
Non-Current Liabilities			
Loans and borrowings	16	1,142	2,141
Deferred tax liability	10	714	556
Deferred contingent consideration	20	5,669	6,347
Other liabilities		595	722
Total Non-Current Liabilities		**8,120**	**9,766**
Current Liabilities			
Loans and borrowings	16	734	674
Trade and other payables		6,561	6,780
Accrued and other liabilities		2,823	2,009
Current tax liability		719	298
Total Current Liabilities		**10,837**	**9,761**
Total Liabilities		**18,957**	**19,527**
Total Equity and Liabilities		**124,472**	**117,431**

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Padraig McManus
Chairman

Joseph Purcell
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2016

	2016 €'000	2015 €'000
Operating activities:		
Profit for the period	9,253	8,028
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation	2,332	2,346
Fair value movement on deferred contingent consideration	4	(722)
Finance cost	140	183
Finance income	(170)	(297)
Income tax expense	2,080	1,595
Other non-cash movements	(3,356)	1,075
	10,283	12,208
Changes in trade and other receivables	(1,708)	(1,572)
Changes in prepayments and other assets	669	(438)
Changes in inventory	281	(2,753)
Changes in capital equipment inventory	-	(338)
Changes in trade and other payables	(394)	2,264
Cash provided by operations	9,131	9,371
Interest received	170	297
Interest paid	(140)	(183)
Income taxes paid	(1,943)	(2,084)
Net cash provided by operating activities	**7,218**	**7,401**
Investing activities		
Purchase of property, plant and equipment	(5,246)	(1,768)
Disposal of property, plant and equipment	-	-
Acquisitions, net of cash acquired	(979)	(4,149)
Payment of deferred contingent consideration	(682)	(421)
Former short term deposit	30,781	(151)
Proceeds from former joint venture investments	116	266
Net cash used in investing activities	**23,990**	**(6,223)**
Financing activities		
Dividends paid	(4,210)	(4,210)
Repayment of loans and finance leases	(1,052)	(1,352)
Drawdown of loans	-	1,100
Net cash provided by/(used in) financing activities	**(5,262)**	**(4,462)**
Effect of foreign exchange rate changes on cash	246	(154)
Net increase/(decrease) in cash and cash equivalents	**26,192**	**(3,438)**
Cash and cash equivalents at the beginning of the year	10,644	14,082
Cash and cash equivalents at the end of the year	**36,836**	**10,644**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital €'000	Share premium €'000	Merger reserve €'000	Un-denominated capital €'000	Share based payment reserve €'000	Foreign currency translation reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balances at 1 January 2015	**2,105**	**67,647**	**(17,393)**	**39**	**16**	**(116)**	**42,715**	**95,013**	**417**	**95,430**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	7,980	**7,980**	48	**8,028**
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	(1,344)	-	**(1,344)**	-	**(1,344)**
Total comprehensive income						**(1,344)**	**7,980**	**6,636**	**48**	**6,684**
Transactions with Shareholders:										
Dividends	-	-	-	-	-	-	(4,210)	**(4,210)**	-	**(4,210)**
Balances at 31 December 2015	**2,105**	**67,647**	**(17,393)**	**39**	**16**	**(1,460)**	**46,485**	**97,439**	**465**	**97,904**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	9,234	**9,234**	19	**9,253**
Other comprehensive income/(loss):										
Foreign currency translation	-	-	-	-	-	2,495	-	**2,495**	-	**2,495**
Total comprehensive income						**2,495**	**9,234**	**11,729**	**19**	**11,748**
Transactions with Shareholders:										
Share-based payments	-	-	-	-	73	-	-	**73**	-	**73**
Dividends	-	-	-	-	-	-	(4,210)	**(4,210)**	-	**(4,210)**
Balances at 31 December 2016	**2,105**	**67,647**	**(17,393)**	**39**	**89**	**1,035**	**51,509**	**105,031**	**484**	**105,515**

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Description of business

The consolidated financial statements of Mincon Group Plc (also referred to as "Mincon" or "the Company") comprises the Company and its subsidiaries (together referred to as "the Group").

The Group is an Irish engineering group, specialising in the design, manufacturing, sale and servicing of rock drilling tools and associated products. Mincon Group Plc is domiciled in Shannon, Ireland.

On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Basis of Preparation

These consolidated financial statements has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB).

The individual financial statements of the Company have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014 which permit a company that publishes its Group and Company financial statements together to take advantage of the exemption in Section 304 of the Companies Act 2014 from presenting to its members its Company income statement, statement of comprehensive income and related notes that form part of the approved Company financial statements.

The accounting policies set out in note 3 have been applied consistently in preparing the Group and Company financial statements for the years ended 31 December 2016 and 31 December 2015.

The Group and Company financial statements are presented in euro, which is the functional currency of the Company and also the presentation currency for the Group's financial reporting. Unless otherwise indicated, the amounts are presented in thousands of euro. These financial statements are prepared on the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates. The areas involving a high degree of judgement and the areas where estimates and assumptions are critical to the consolidated financial statements are discussed in note 3.

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to continue to prepare our consolidated financial statements on a going concern basis.

3. Significant accounting principles, accounting estimates and judgements

The accounting principles as set out in the following paragraphs have, unless otherwise stated, been consistently applied to all periods presented in the consolidated financial statements and for all entities included in the consolidated financial statements.

The following are amendments to existing standards and interpretations that are affective for the Group's financial year from 1 January 2016:

Annual Improvements to IFRSs 2012-2014 cycle
IFRS 11: Accounting for acquisitions of interests in Joint Operations
IFRS 14: Regulatory Deferral Accounts
IAS 16 & IAS 38: Acceptable methods of depreciation/ amortisation
IAS 16: Property, Plant and Equipment
IAS 41: Bearer Plants
IAS 27: Equity method in Separate Financial Statements
IAS 1: Disclosure initiative
IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the consolidation exception.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

The adoption of the above and interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

New IFRSs and amendments

Annual Improvements to IFRSs 2014-2016 cycle*
IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2018 Consolidated Financial Statements)
IFRS 9, 'Financial Instruments' (effective for the Group's 2018 Consolidated Financial Statements)
IFRS 16 'Leases' (effective for the Group's 2019 Consolidated Financial Statements)*
IFRS 2: Classification and measurement of share based payments*
IAS 7: Disclosure initiative*
IAS 12: Recognition of deferred tax assets for unrealised losses.*
* Not yet EU Endorsed

The Directors do not believe that any of the above standards have a significant impact on Group reporting.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, goods returned, and discounts and other similar deductions. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which in most cases occurs on delivery. Revenue is recognised when recovery of the consideration is considered probable and the revenue and associated costs can be measured reliably. No revenue is recognised if there are significant uncertainties regarding the possible return of goods.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Board of Directors, the chief operating decision maker, to make decisions about allocation of resources to the segments and also to assess their performance. See Note 5 for additional information.

Earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to owners of the Company and the basic weighted average number of shares outstanding. Diluted earnings per share is calculated based on the profit for the year attributable to owners of the Company and the diluted weighted average number of shares outstanding.

Income taxes

Income taxes include both current and deferred taxes in the consolidated financial statements. Income taxes are reported in profit or loss unless the underlying transaction is reported in other comprehensive income or in equity. In those cases, the related income tax is also reported in other comprehensive income or in equity. A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current or prior years.

Deferred tax is recognised using the statement of financial position liability method. The calculation of deferred taxes is based on either the differences between the values reported in the statement of financial position and their respective values for taxation, which are referred to as temporary differences, or the carry forward of unused tax losses and tax credits. Temporary differences related to the following are not provided for: the initial recognition of goodwill, the initial recognition (other than in business combinations) of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiary companies to the extent that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the calculation of deferred taxes, enacted or substantively enacted tax rates are used for the individual tax jurisdictions. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in, first-out principle and includes the costs of acquiring inventories and bringing them to their existing location and condition. Inventories manufactured by the Group and work in progress include an appropriate share of production overheads based on normal operating capacity. Inventories are reported net of deductions for obsolescence.

Intangible Assets

Goodwill

The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 Business Combinations. Group management has determined that the Group has multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level and this is tested for impairment annually.

Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies (those which are denominated in a currency other than the functional currency) are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the foreign exchange rate at the statement of financial position date. Exchange gains and losses related to trade receivables and payables, other financial assets and payables, and other operating receivables and payables are separately presented on the face of the income statement.

Exchange rate differences on translation to functional currency are reported in profit or loss, except when reported in other comprehensive income for the translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation.

Exchange rates for major currencies used in the various reporting periods are shown in Note 20.

Translation of accounts of foreign entities

The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on consolidation, are translated to Euro at the exchange rates ruling at the reporting date. Revenues, expenses, gains, and losses are translated at average exchange rates, when these approximate the exchange rate for the respective transaction. Foreign exchange differences arising on translation of foreign entities are recognised in other comprehensive income and are accumulated in a separate component of equity as a translation reserve. On divestment of foreign entities, the accumulated exchange differences, are recycled through profit or loss, increasing or decreasing the profit or loss on divestments.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Business combinations and consolidation

The consolidated financial statements include the financial statements of the Group and all companies in which Mincon Group plc, directly or indirectly, has control. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements have been prepared in accordance with the acquisition method. According to this method, business combinations are seen as if the Group directly acquires the assets and assumes the liabilities of the entity acquired. At the acquisition date, i.e. the date on which control is obtained, each identifiable asset acquired and liability assumed is recognised at its acquisition-date fair value.

Consideration transferred is measured at its fair value. It includes the sum of the acquisition date fair values of the assets transferred, liabilities incurred to the previous owners of the acquiree, and equity interests issued by the Group. Deferred contingent consideration is initially measured at its acquisition-date fair value. Any subsequent change in such fair value is recognised in profit or loss, unless the deferred contingent consideration is classified as equity. In that case, there is no remeasurement and the subsequent settlement is accounted for within equity.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Goodwill is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Goodwill is not amortised but tested for impairment at least annually.

Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. This means that goodwill is either recorded in "full" (on the total acquired net assets) or in "part" (only on the Group's share of net assets). The choice of measurement basis is made on an acquisition-by-acquisition basis.

Earnings from the acquirees are reported in the consolidated income statement from the date of control.

Intra-group balances and transactions such as income, expenses and dividends are eliminated in preparing the consolidated financial statements. Profits and losses resulting from intra-group transactions that are recognised in assets, such as inventory, are eliminated in full, but losses are only eliminated to the extent that there is no evidence of impairment.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost of an item of property, plant and equipment comprises the purchase price, import duties, and any cost directly attributable to bringing the asset to its location and condition for use. The Group capitalises costs on initial recognition and on replacement of significant parts of property, plant and equipment, if it is probable that the future economic benefits embodied will flow to the Group and the cost can be measured reliably. All other costs are recognised as an expense in profit or loss when incurred.

Depreciation

Depreciation is calculated based on cost using the straight-line method over the estimated useful life of the asset.

The following useful lives are used for depreciation:

	Years
Buildings	20–30
Leasehold improvements	3–10
Machinery and equipment	3–10
Vehicles	3–5
Computer hardware and other	3–5

The depreciation methods, useful lives and residual values are reassessed annually. Land is not depreciated.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Leased assets

In the consolidated financial statements, leases are classified as either finance leases or operating leases. A finance lease entails the transfer to the lessee of substantially all of the economic risks and benefits associated with ownership. If this is not the case, the lease is accounted for as an operating lease.

For the lessee, a finance lease requires that the asset leased is recognised as an asset in the statement of financial position. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Initially, a corresponding liability is recorded. Assets under finance leases are depreciated over their estimated useful lives, while the lease payments are reported as interest and amortisation of the lease liability. For operating leases, the lessee does not account for the leased asset in its statement of financial position. In profit or loss, the costs of operating leases are recorded on a straight-line basis over the term of the lease.

Financial assets and liabilities

Recognition and derecognition

Financial assets and liabilities are recognised at fair value when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognised on delivery of product. Liabilities are recognised when the other party has performed and there is a contractual obligation to pay. Derecognition (fully or partially) of a financial asset occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been removed from the Group. The Group derecognises (fully or partially) a financial liability when the obligation specified in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Borrowing costs

All borrowing costs are expensed in accordance with the effective interest rate method.

Investments in subsidiaries - Company

Investments in subsidiary undertakings are stated at cost less provision for impairment in the Company's statement of financial position. Loans to subsidiary undertakings are initially recorded at fair value in the Company statement of financial position and subsequently at amortised cost using an effective interest rate methodology.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Equity

Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

Contingent liabilities

A contingent liability is a possible obligation or a present obligation that arises from past events that is not reported as a liability or provision, as it is not probable that an outflow of resources will be required to settle the obligation or that a sufficiently reliable calculation of the amount cannot be made.

Financial instruments carried at fair value: Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial income and expenses

Finance income and expense are included in profit or loss using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

3. Significant accounting principles, accounting estimates and judgements *(continued)*

Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the outflow can be estimated reliably. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly. Future operating losses are not provided for.

Defined contribution plans

A defined contribution pension plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when employees provide services entitling them to the contributions.

Share-based payment transactions

The Group operates a long term incentive plan which allows the Company to grant Restricted Share Awards ("RSAs") to executive directors and senior management. All schemes are equity settled arrangements under IFRS 2 Share-based Payment.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Critical accounting estimates and judgements

The preparation of financial statements requires management's judgement and the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual results may differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which they are revised and in any future periods affected.

Following are the estimates and judgements which, in the opinion of management, are significant to the underlying amounts included in the financial reports and for which there is a significant risk that future events or new information could entail a change in those estimates or judgements.

Deferred contingent consideration

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof.

Trade and other receivables

The Group estimates the risk that receivables will not be paid and provides for doubtful accounts based on specific provisions for known cases and collective provisions for losses based on historical profit levels.

Total trade and other receivables as of 31 December 2016 amounted to €18.1million (2015: €13.7 million) with a corresponding total allowance for estimated losses of €1.6 million (2015: €0.6 million).

4. Revenue

	2016 €'000	2015 €'000
Product revenue:		
Sale of Mincon product	56,360	52,786
Sale of third party product	19,821	17,480
Total revenue	**76,181**	**70,266**

5. Operating Segment

Results are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Our CODM has been identified as the Board of Directors.

The Group has determined that it has one reportable segment. The Group is managed as a single business unit that sells drilling equipment, primarily manufactured by Mincon manufacturing sites.

The CODM assesses operating segment performance based on a measure of operating profit.
Segment revenue for the year ended 31 December 2016 of €76.2 million (2015: €70.3 million) is wholly derived from sales to external customers.

Entity-wide disclosures

The business is managed on a worldwide basis but operates manufacturing facilities and sales offices in Ireland, South Africa, UK, Western Australia, the United States and Canada and sales offices in ten other locations including Eastern & Western Australia, South Africa, Senegal, Spain, Namibia, Tanzania, Sweden, Chile and Peru. Sales offices in Ghana and Poland have been closed down in 2016 and a distribution model has been adopted for sales in these jurisdictions. In presenting information on geography, revenue is based on the geographical location of customers and non-current assets based on the location of these assets.

Revenue by region (by location of customers):

	2016 €'000	2015 €'000
Region:		
Ireland	669	651
Americas	23,389	20,771
Australasia	19,101	15,230
Europe, Middle East, Africa	33,022	33,614
Total revenue from continuing operations	**76,181**	**70,266**

Non-current assets by region (location of assets):

	2016 €'000	2015 €'000
Region:		
Ireland	6,752	5,681
Americas	14,423	12,303
Australasia	7,237	6,846
Europe, Middle East, Africa	4,998	4,248
Total non-current assets(1)	**33,410**	**29,078**

(1) Non-current assets exclude deferred tax assets.

6. Cost of Sales and operating expenses

Included within cost of sales, selling and distribution expenses and general and administrative expenses were the following major components:

Cost of sales

	2016 €'000	2015 €'000
Raw materials	16,473	15,166
Third party product purchases	15,562	13,772
Employee costs	7,162	6,714
Depreciation	1,752	1,720
Other	4,671	4,617
Total cost of sales	**45,620**	**41,989**

General, selling and distribution expenses

	2016 €'000	2015 €'000
Employee costs (including director emoluments)	12,026	10,787
Depreciation	580	626
Acquisition costs	-	175
Other	7,777	6,699
Total other operating costs	**20,383**	**18,287**

The Group invested approximately €0.9 million on research and development projects in 2016, of this €0.4 million has been expensed in the period with the balance of €0.5 capitalised (note 11).

7. Employee information

	2016 €'000	2015 €'000
Wages and salaries – excluding directors	16,207	15,012
Wages, salaries, fees and pensions – directors	510	625
Termination payments	349	166
Social security costs	1,317	1,132
Pension costs of defined contribution plans	732	566
Share based payment expense (note 19)	73	-
Total employee costs	**19,188**	**17,501**

The Group capitalised payroll costs of €0.2 million in 2016 in relation to research and development.

The average number of employees was as follows:

	2016 Number	2015 Number
Sales and distribution	76	74
General and administration	58	55
Manufacturing, service and development	164	141
Average number of persons employed	**298**	**270**

Pension and Other Employee Benefit Plans

The Group operates various defined contribution pension plans. During the year ended 31 December 2016, the Group recorded €0.8million (2015: €0.6 million) of expense in connection with these plans.

8. Acquisitions

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	Total €'000
Cash	**979**
Deferred contingent consideration	**-**
Total consideration transferred	**979**

In September 2016, Mincon acquired the net assets of Premier Drilling Equipment, a drill pipe manufacturer located in Johannesburg South Africa. Mincon also acquired the assets of Rockdrill Engineering Ltd., a reseller of Mincon product, located in Hebden Bridge, UK in November 2016.

In the final quarter of 2016, Premier Drilling Equipment and Rockdrill Engineering Ltd contributed additional revenue of €477,000 to the Group and €9,000 in net profit to the Group results. If these companies were purchased on 01 January 2016 they would have contributed sales of €2.9 million to the Group and €54,000 in net profit to the Group results.

Ozmine
The previous owners of Ozmine received final payment of €672,000 during 2016, based on certain profits that had to be achieved during the years ending 31 December 2015, 2016 & 2017. The payment had been fully provided for as part of the opening deferred consideration balance at 1 January 2016.

Deferred contingent consideration

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

	Total €'000
Property, plant and equipment	68
Inventories	199
Trade receivables	476
Cash and cash equivalents	2
Other assets	9
Trade and other payables	(54)
Fair value of identifiable net assets acquired	**700**

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation Technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

If the information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisitions, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Total
Consideration transferred	979
Fair value of identifiable net assets	(700)
Goodwill	**279**

The goodwill created in the acquisition in the period is primarily related to the synergies expected to be achieved from integrating these companies into the Group's existing structure. Manufactured coring product will be sold through the Group's existing sales offices.

9. Statutory and other required disclosures

Operating profit is stated after charging the following amounts:

	2016 €'000	2015 €'000
Directors' remuneration		
Fees	85	95
Wages and salaries	400	491
Other emoluments	-	-
Pension contributions	25	39
Total directors' remuneration	**510**	**625**

Auditor's remuneration:	2016 €'000	2015 €'000
Auditor's remuneration – Fees payable to lead audit firm		
Audit of the Group financial statements	127	122
Audit of the Company financial statements	12	10
Other assurance services	10	10
Tax advisory services (a)	46	73
Other non-audit services	2	3
	197	**218**
Auditor's remuneration – Fees payable to other firms in lead audit firm's network		
Audit services	47	50
Other assurance services	10	-
Tax advisory services	8	-
Total auditor's remuneration	**262**	**268**

(a) Includes tax compliance work on behalf of Group companies.

10. Income tax

Tax recognised in income statement:

	2016	2015
Current tax expense	**€'000**	**€'000**
Current year	1,971	1,998
Adjustment for prior years	-	-
Total current tax expense	1,971	1,998
Deferred tax expense		
Origination and reversal of temporary differences	109	(403)
Total deferred tax (credit)/expense	109	(403)
Total income tax expense	**2,080**	**1,595**

A reconciliation of the expected income tax expense for continuing operations is computed by applying the standard Irish tax rate to the profit before tax and the reconciliation to the actual income tax expense is as follows:

	2016	2015
	€'000	€'000
Profit before tax from continuing operations	11,333	9,623
Irish standard tax rate (12.5%)	*12.5%*	*12.5%*
Taxes at the Irish standard rate	1,417	1,203
Foreign income at rates other than the Irish standard rate	436	95
Losses creating no income tax benefit	274	287
Other	(47)	10
Total income tax expense	**2,080**	**1,595**

The Group's net deferred taxation liability was as follows:

	2016	2015
	€'000	€'000
Deferred taxation assets:		
Reserves, provisions and tax credits	377	98
Tax losses and unrealised FX gains	152	382
Total deferred taxation asset	529	480
Deferred taxation liabilities:		
Property, plant and equipment	(523)	(459)
Accrued income	-	-
Profit not yet taxable	(191)	(97)
Total deferred taxation liabilities	(714)	(556)
Net deferred taxation liability	(185)	(76)

10. Income tax *(continued)*

The movement in temporary differences during the year were as follows:

1 January 2015 – 31 December 2015	Balance 1 January €'000	Recognised in Profit or Loss €'000	Balance 31 December €'000
Deferred taxation assets:			
Reserves, provisions and tax credits	95	3	98
Tax losses	183	199	382
Total deferred taxation asset	278	202	480
Deferred taxation liabilities:			
Property, plant and equipment	(570)	111	(459)
Accrued income and other	(108)	108	-
Profit not yet taxable	(79)	(18)	(97)
Total deferred taxation liabilities	(757)	201	(556)
Net deferred taxation liability	(479)	403	(76)

1 January 2016 – 31 December 2016	Balance 1 January €'000	Recognised in Profit or Loss €'000	Balance 31 December €'000
Deferred taxation assets:			
Reserves, provisions and tax credits	98	279	377
Tax losses	382	(230)	152
Total deferred taxation asset	480	49	529
Deferred taxation liabilities:			
Property, plant and equipment	(459)	(64)	(523)
Accrued income	-	-	-
Profit not yet taxable	(97)	(94)	(191)
Total deferred taxation liabilities	(556)	(158)	(714)
Net deferred taxation liability	(76)	(109)	(185)

Deferred taxation assets have not been recognised in respect of the following items:

	2016 €'000	2015 €'000
Tax losses	2,631	2,472
Total	2,631	2,472

11. Intangible Assets

	Product development	Goodwill	Total
	€'000	€'000	€'000
Balance at 1 January 2015	**-**	**9,870**	**9,870**
Acquisitions	-	2,426	2,426
Translation differences	-	(837)	(837)
Balance at 31 December 2015	**-**	**11,459**	**11,459**
Investments	499	-	499
Acquisitions	-	279	279
Translation differences	-	883	883
Balance at 31 December 2016	**499**	**12,621**	**13,120**

Goodwill relates to the acquisition of the remaining 60% of DDS-SA Pty Limited in November 2009, the 60% acquisition of Omina Supplies in August 2014 and the 65% acquisition of Rotacan and ABC products in August 2014, the acquisition of Ozmine in January 2015, the acquisition of Mincon Chile and Mincon Tanzania in March 2015 and the acquisition of Premier and Rockdrill Engineering in November 2016 being the dates that the Group obtained control of these businesses. The Group accounts for acquisitions using the purchase accounting method as outlined in IFRS 3 *Business Combinations*.

The businesses acquired were integrated with other Group operations soon after acquisition. Impairment testing (including sensitivity analyses) is performed at each period end. Group management has determined that the Group has multiple cash generating units, which are aggregated into one operating segment and therefore all goodwill is tested for impairment at Group level.

The recoverable amount of goodwill has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a five-year period and terminal value (based on three year plans prepared annually). The most significant assumptions are revenues, operating profits, working capital and capital expenditure. A growth rate of 3% was applied for all periods after the three years budgeted. The discount rate in 2016 was assumed to amount to 13% (2015: 11%) after tax (approximately 16% before tax) and has been used in discounting the cash flows to determine the recoverable amounts. Goodwill impairment testing did not indicate any impairment during any of the periods being reported. Sensitivity in all calculations implies that the goodwill would not be impaired even if the discount rate increased substantially or the long-term growth was lowered to zero.

12. Other non-current assets

	2016	2015
	€'000	€'000
Other non-current assets:		
Loan to former joint venture partner (1)	238	342
Total other non-current assets	**238**	**342**

(1) In September 2008, the Group invested in TJM, a drilling equipment and supplies company based in Pennsylvania. The Group disposed of its investment in March 2012. The consideration for sale of the Group's shareholding was a US$700,000 interest bearing loan note repayable over 6 years. As at 31 December 2016, an amount of US$251,000 was outstanding on this loan.

13. Property, Plant and Equipment

	Land & Buildings €'000	Plant & Equipment €'000	Total €'000
Cost:			
At 1 January 2015	8,280	20,192	28,472
Acquisitions	725	943	1,668
Additions	180	1,588	1,768
Disposals	-	(370)	(370)
Foreign exchange differences	(28)	125	97
At 31 December 2015	9,157	22,478	31,635
Acquisitions	-	68	68
Additions	316	4,930	5,246
Disposals	(288)	(683)	(971)
Foreign exchange differences	81	614	695
At 31 December 2016	**9,266**	**27,407**	**36,673**
Accumulated depreciation:			
At 1 January 2015	(1,727)	(10,346)	(12,073)
Charged in year	(244)	(2,102)	(2,346)
Disposals	-	235	235
Foreign exchange differences	(23)	(151)	(174)
At 31 December 2015	(1,994)	(12,364)	(14,358)
Charged in year	(247)	(2,085)	(2,332)
Disposals	31	453	484
Foreign exchange differences	(28)	(387)	(415)
At 31 December 2016	**(2,238)**	**(14,383)**	**(16,621)**
Carrying amount: 31 December 2016	**7,028**	**13,024**	**20,052**
Carrying amount: 31 December 2015	7,163	10,114	17,277
Carrying amount: 1 January 2015	6,553	9,846	16,399

The depreciation charge for property, plant and equipment is recognised in the following line items in the income statement:

	2016 €'000	2015 €'000
Cost of sales	1,752	1,720
General, selling and distribution expenses	580	626
Total depreciation charge for property, plant and equipment	2,332	2,346

14. Inventory

	2016 €'000	2015 €'000
Finished goods and work-in-progress	25,603	23,408
Capital equipment	4,473	3,805
Raw materials	5,234	4,832
Total inventory	35,310	32,045

The company recorded write-downs of €0.17 million against inventory to net realisable value during the year ended 31 December 2016 (2015: €0.45 million). Write-downs are included in cost of sales. Included in capital equipment inventory are third party rigs held for resale in Southern Africa.

15. Trade and other receivables

	2016 €'000	2015 €'000
Gross receivable	18,068	13,669
Provision for impairment	(1,631)	(648)
Net trade and other receivables	16,437	13,021

	2016 €'000	2015 €'000
Less than 60 days	11,148	9,607
61 to 90 days	1,844	1,931
Greater than 90 days	3,445	1,483
Net trade and other receivables	16,437	13,021

At 31 December 2016, €3.4 million (21%) of trade receivables balance was past due but not impaired (2015: €1.5 million (11%)).

16. Loans and borrowings

	Maturity	2016 €'000	2015 €'000
Bank loans	2017-2021	1,183	1,684
Finance leases	2017-2020	693	1,131
Total Loans and borrowings		**1,876**	**2,815**
Current		734	674
Non-current		1,142	2,141

The Group has a number of bank loans and finance leases in the United States and Australia with a mixture of variable and fixed interest rates. The Group has not been in default on any of these debt agreements during any of the periods presented. None of the debt agreements carry restrictive financial covenants.

In January 2014, Mincon Rockdrills Pty Limited drew down AUS$2.4 million (circa €1.6 million) on a 15 year variable interest loan which is secured on land & buildings of that company with a net book value of approximately AUS$3,500,000 (circa €2.3 million). This loan was fully repaid in August 2016.

In April 2015, Mincon Rockdrills USA Inc. drew down US$1,200,000 (circa €1.2 million) on a 5 year fixed finance lease which is secured on plant and equipment of that company with a net book value of approximately USD$727,000 (circa €0.6 million).

17. Share capital and reserves

At 31 December 2015 and 2016

Authorised Share Capital	Number	€000
Ordinary Shares of €0.01 each	500,000,000	5,000

Allotted, called-up and fully paid up shares	Number	€000
Ordinary Shares of €0.01 each	210,541,102	2,105

Share Issuances
On 26 November 2013, Mincon Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

Voting rights
The holders of Ordinary Shares have the right to receive notice of and attend and vote at all general meetings of the Company and they are entitled, on a poll or a show of hands, to one vote for every Ordinary Share they hold. Votes at general meetings may be given either personally or by proxy. Subject to the Companies Act and any special rights or restrictions as to voting attached to any shares, on a show of hands every member who (being an individual) is present in person and every proxy and every member (being a corporation) who is present by a representative duly authorised, shall have one vote, so, however, that no individual shall have more than one vote for every share carrying voting rights and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

Dividends
On 26 September 2015, Mincon Group plc paid an interim dividend for 2015 of €0.01 (1 cent) per ordinary share. On 23 June 2016, Mincon Group plc paid a final dividend for 2015 of €0.01 (1 cent) per ordinary share. On 25 September 2016, Mincon Group plc paid an interim dividend for 2016 of €0.01 (1 cent) per ordinary share. The directors are recommending a final dividend of €0.01 (1 cent) per ordinary share for 2016 which will be subject to approval at the company's AGM on 28 April 2017.

Share premium and other reserve
As part of a Group reorganisation the Company, Mincon Group plc, became the ultimate parent entity of the Group. On 30 August 2013, the Company acquired 100% of the issued share capital in Smithstown Holdings and acquired (directly or indirectly) the shareholdings previously held by Smithstown Holdings in each of its subsidiaries.

18. Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets forth the computation for basic and diluted net profit per share for the years ended 31 December:

	2016	2015
	€'000	**€'000**
Numerator (amounts in €'000):		
Profit attributable to owners of the Parent	9,234	7,980
Earnings per Ordinary Share		
Basic earnings per share, €	4.39c	3.79c
Diluted earnings per share, €	4.38c	3.79c
Denominator (Number):		
Basic shares outstanding	210,541,102	210,541,102
Diluted weighted average shares outstanding	211,041,102	210,541,102

There were a number of outstanding restricted share awards (RSAs) in issue at 31 December 2015 and 2016 (Note 19).

19. Share based payment

During the year ended 31 December 2016, the Remuneration Committee made a grant of approximately 500,000 Restricted Share Awards (RSAs) to members of the senior management team. The vesting conditions include both service and performance targets. The performance target condition is an average growth of 5% of EPS over three years. The fair value of the RSA's granted is equal to the company's share price on grant date which was €0.70c.

20. Financial Risk Management

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to changes in foreign currency exchange rates and interest rates, as well as the creditworthiness of our counterparties.

a) Liquidity and Capital

The Group defines liquid resources as the total of its cash, cash equivalents and short term deposits. Capital is defined as the Group's shareholders' equity and borrowings.

The Group's objectives when managing its liquid resources are:

- To maintain adequate liquid resources to fund its ongoing operations and safeguard its ability to continue as a going concern, so that it can continue to create value for investors;
- To have available the necessary financial resources to allow it to invest in areas that may create value for shareholders; and
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

Liquid and capital resources are monitored on the basis of the total amount of such resources available and the Group's anticipated requirements for the foreseeable future. The Group's liquid resources and shareholders' equity at 31 December 2016 were as follows:

	2016 €'000	2015 €'000
Cash and cash equivalents	36,836	10,644
Short term deposits	-	30,781
Loans and borrowings	1,876	2,815
Shareholders' equity	105,031	97,439

During 2016, funds held on long term deposits matured. The Group frequently assess its liquidity requirements, together with this requirement and the rate return of long term euro deposits, the Group has decided to keep all cash readily available that is accessible within a month or less. Cash at bank earns interest at floating rates based on daily bank deposits. The fair value of cash and cash equivalents equals the carrying amount.

At year-end, the Group's total cash and cash equivalents were held in the following jurisdictions:

	31 December 2016 €'000	31 December 2015 €'000
Ireland	29,373	34,134
Americas	1,543	2,371
Australasia	1,740	1,198
Europe, Middle East, Africa	4,180	3,722
Total cash, cash equivalents and short term deposits	36,836	41,425

There are currently no restrictions that would have a material adverse impact on the Group in relation to the intercompany transfer of cash held by its foreign subsidiaries. The Group continually evaluates its liquidity requirements, capital needs and availability of resources in view of, among other things, alternative uses of capital, the cost of debt and equity capital and estimated future operating cash flow.

20. Financial Risk Management *(continued)*

a) Liquidity and Capital (continued)

In the normal course of business, the Group may investigate, evaluate, discuss and engage in future company or product acquisitions, capital expenditures, investments and other business opportunities. In the event of any future acquisitions, capital expenditures, investments or other business opportunities, the Group may consider using available cash or raising additional capital, including the issuance of additional debt. The maturity of the contractual undiscounted cash flows (including estimated future interest payments on debt) of the Group's financial liabilities were as follows:

	Total Carrying Value €'000	Total Contractual Cash Flows €'000	Less than 1 Year €'000	1-3 Years €'000	3-5 Years €'000	More than 5 Years €'000
At 31 December 2015:						
Deferred contingent consideration	6,347	6,990	344	1,371	5,275	-
Loans and borrowings	1,684	1,892	270	811	541	270
Finance leases	1,131	1,255	420	835	-	-
Trade and other payables	6,780	6,780	6,780	-	-	-
Accrued and other financial liabilities	2,009	2,009	2,009	-	-	-
Total at 31 December 2015	17,951	18,926	9,823	3,017	5,816	270
At 31 December 2016:						
Deferred contingent consideration	5,669	5,870	-	5,870	-	-
Loans and borrowings	1,183	1,226	345	682	173	26
Finance leases	693	726	418	308	-	-
Trade and other payables	6,561	6,561	6,561	-	-	-
Accrued and other financial liabilities	2,823	2,823	2,823	-	-	-
Total at 31 December 2016	16,929	17,206	10,147	6,860	173	26

b) Foreign currency risk

The Group is a multinational business operating in a number of countries and the euro is the presentation currency. The Group, however, does have revenues, costs, assets and liabilities denominated in currencies other than euros. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the reporting date and the resulting gains and losses are recognised in the income statement. The Group manages some of its transaction exposure by matching cash inflows and outflows of the same currencies. The Group does not engage in hedging transactions and therefore any movements in the primary transactional currencies will impact profitability. The Group continues to monitor appropriateness of this policy.

The Group's global operations create a translation exposure on the Group's net assets since the financial statements of entities with non-euro functional currencies are translated to euro when preparing the consolidated financial statements. The Group does not use derivative instruments to hedge these net investments.

The principal foreign currency risks to which the Group is exposed relate to movements in the exchange rate of the euro against US dollar, South African rand, Australian dollar and Swedish krona.

The Group has material subsidiaries with a functional currency other than the euro, such as US dollar, Australian dollar, South African rand, Canadian dollar, British pound and Swedish krona.

20. Financial Risk Management *(continued)*

b) Foreign currency risk (continued)

The Group's worldwide presence creates currency volatility when compared year on year. In 2016, there were two major movements in Mincon's operational currencies:

- A weakening in the GBP average rate against the Euro of 12% compared to 31 December 2015, which resulted in a decrease in reported revenue for the year of approximately €0.3 million. This was offset by the FX impact on the retranslation of underlying GBP costs, as a result, the weakening GBP did not significantly impact reported profit for 2016.
- Due to a significant devaluation in the Rand against the Euro in late 2015 the average FX rate for 2016 decreased by 15% compared to 2015 resulting in a decrease of reported revenue by €1.2 million. This was offset by the FX impact on the retranslation of underlying rand costs.

In 2016 46% (2015: 45%) of Mincon's revenue, €35 million (2015: approx.€31.6 million) was generated in ZAR, AUD and SEK, compared to 15% (2015:10%) of the Group's cost of sales. The majority of the group's manufacturing base has a euro or US dollar cost base. While Group management makes every effort to reduce the impact of this currency volatility, it is impossible to eliminate or significantly reduce given the fact that the highest grades of our key raw materials are either not available or not denominated in these markets and currencies. Additionally, the ability to increase prices for our products in these jurisdictions is limited by the current market factors.

	2016		2015	
Euro exchange rates	**Closing**	**Average**	**Closing**	**Average**
US Dollar	1.05	1.11	1.09	1.11
Australian Dollar	1.46	1.49	1.49	1.48
Great British Pound	0.85	0.82	0.74	0.73
South African Rand	14.41	16.27	16.93	14.16
Swedish Krona	9.54	9.46	9.18	9.35

The table below shows the Group's net monetary asset/(liability) exposure. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved. These exposures were as follows:

Net Foreign Currency

	2016	2015
Monetary Assets/(Liabilities)	**€'000**	**€'000**
Euro	(1,001)	258
US Dollar	12,016	10,385
Australian Dollar	1,865	6,925
South African Rand	11,979	10,406
Other	368	229
Total	25,226	28,203

A 10% strengthening of the Euro against the Group's primary operating currencies at 31 December 2016 would have increased/(decreased) shareholders' equity and net profit by approximately the amounts shown below. This analysis assumes that all other variables, remain constant.

	2016		2015	
	OCI*	**Net Profit**	**OCI***	**Net Profit**
	€'000	**€'000**	**€'000**	**€'000**
US dollar	(983)	(1,202)	(1,007)	(410)
Australian dollar	(1,302)	(186)	(1,219)	(90)
South African Rand	(1,323)	(1,197)	(632)	(635)

* Includes net investment exposure

A 10% weakening of the Euro against the above currencies 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.

20. Financial Risk Management *(continued)*

c) Credit Risk

The majority of the Group's customers are third party distributors of drilling tools and equipment. The maximum exposure to credit risk for trade and other receivables at 31 December by geographic region was as follows:

	2016 €'000	2015 €'000
Ireland	27	51
Americas	5,340	3,693
Australasia	3,559	2,746
Europe, Middle East, Africa	7,511	6,531
Total amounts owed	**16,437**	**13,021**

The Group is also exposed to credit risk on its liquid resources (cash), of which €27.1 million (2015: €30.8 million) was held with Irish financial institutions in Ireland. The Directors actively monitor the credit risk associated with this exposure.

d) Interest Rate Risk

Interest Rate Risk on financial liabilities
The Group is primarily equity and cash funded and has drawn down small amounts of debt for natural hedging purposes. Movements in interest rates had no significant impact on our financial liabilities or finance cost recognised in either 2015 or 2016.

Interest Rate Risk on cash and cash equivalents
Our exposure to interest rate risk on cash and cash equivalents is actively monitored and managed with an average duration of less than three months. Interest rate risk on cash and cash equivalents is not considered material to the Group.

e) Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than in a forced or liquidation sale. The contractual amounts payable less impairment provision of trade receivables, trade payables and other accrued liabilities approximate to their fair values. Under IFRS 7, the disclosure of fair values is not required when the carrying amount is the reasonable approximation of fair value.

There are no material differences between the carrying amounts and fair value of our financial liabilities as at 31 December 2015 or 2016.

20. Financial Risk Management *(continued)*

e) Fair values (continued)

Financial instruments carried at fair value

The deferred contingent consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential pay-out scenarios. The fair value of deferred contingent consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase or decrease of 10% in management's expectation as to the amounts that will be paid out would increase or decrease the value of contingent deferred contingent consideration at 31 December 2016 by €0.6 million.

The significant unobservable inputs are the performance of the acquired businesses and the timing of the pay-out.

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December 2016 are as follows:

	Deferred contingent consideration
	€'000
Balance at 1 January 2016	6,347
Arising on acquisition	-
Cash payment	(682)
Fair value movement	(431)
Foreign currency translation adjustment	435
Balance at 31 December 2016	**5,669**

21. Subsidiary Undertakings

At 31 December 2016, the Group had the following subsidiary undertakings:

Company	Nature of Business	Group Share %	Registered Office & Country of Incorporation
Mincon International Limited	Manufacturer of rock drilling equipment	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Rockdrills USA Inc.	Manufacturer of rock drilling equipment	100%*	107 Industrial Park, Benton, IL 62812, USA
Mincon Rockdrills PTY Ltd	Manufacturer of rock drilling equipment	100%	8 Fargo Way, Welshpool, WA 6106, Australia
1676427 Ontario Inc. (Operating as Rotacan)	Manufacturer of rock drilling equipment	65%*(1)	400B Kirkpatrick Steet, North Bay, Ontario, P1B 8G5, Canada
Marshalls Carbide Ltd	Manufacturer of tungsten carbide	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Mincon Inc.	Sales company	100%	603 Centre Avenue, N.W. Roanoke, VA 24016, USA
Premier Drilling Equipment Ltd	Manufacturer of rock drilling equipment	100%	P.O. Box 30094, Kyalami, 1684, Gauteng, South Africa
Mincon Sweden AB	Sales company	100%	Industrivagen 2-4, 61202 Finspang, Sweden
DDS-SA (Proprietary) Ltd	Sales company	100%	1 Northlake, Jetpark 1469, Gauteng, South Africa
ABC Products (Rocky) Pty Ltd	Sales company	95%	2/57 Alexandra Street, North Rockhampton, Queensland, 4701 Australia
Mincon West Africa SARL	Sales company	80%	Villa TF 4635 GRD, Almadies, Dakar B.P. 45534, Senegal
Mincon West Africa SL	Sales Company	80%	Calle Adolfo Alonso Fernández, s/n, Parcela P-16, Planta 2, Oficina 23, Zona Franca de Gran Canaria, Puerto de la Luz, Código Postal 35008, Las Palmas de Gran Canari
Mincon Poland	Sales company	100%	ul.Mickiewicza 32, 32-050 Skawina, Poland
Mincon Rockdrills Ghana Limited	Sales company	80%	P.O. Box CT5105, Accra, Ghana
Mincon S.A.C.	Sales company	100%	Calle La Arboleda 151, Dpto 201, La Planicie, La Molina, Peru
Ozmine International Pty Limited	Sales company	100%	Gidgegannup, WA 6083, Australia
Mincon Chile	Sales company	100%	Av. La Dehesa #1201, Torre Norte, Lo Barnechea, Santiago, Chile
Mincon Tanzania	Sales company	70%(1)	Plot 1/3 Nyakato Road, Mwanza, Tanzania
Mincon Namibia Pty Ltd	Sales company	60%(1)	Ausspannplatz, Windhoek, Namibia
Mincon International UK Ltd	Sales Company	100%	Windsor St, Sheffield S4 7WB, United Kingdom
Mincon Mining Equipment Inc.	Sales company	100%*	19789-92a Avenue, Langley, British Columbia V1M3B3, Canada
Mincon Exports USA Inc.	Group finance company	100%	603 Centre Ave, Roanoke VA 24016, USA
Mincon International Shannon	Dormant company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Smithstown Holdings	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Canada Drilling Products Inc.	Holding company	100%	Suite 1800-355 Burrard Street, Vancouver, BC V6C 268, Canada
Lotusglade Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Floralglade Company	Holding company	100%	Smithstown, Shannon, Co. Clare, Ireland
Mincon Microcare Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland
Castle Heat Treatment Limited	Holding company	100%*	Smithstown, Shannon, Co. Clare, Ireland

* Indirectly held shareholding

(1) Non-controlling shareholder has a put option and consequently recorded as a liability rather than non-controlling interest.

22. Leases

Operating Leases

The Group leases certain of its facilities and equipment under non-cancellable operating lease agreements. However, annual obligations under these operating leases has not exceeded €100,000 in any of the periods presented, and is not expected to do so in the foreseeable future.

Finance Leases

At 31 December 2016, the net book value of assets acquired under finance leases was €2.3 million (2015: €2.6 million), which included €2 million (2015: €1.8 million) of accumulated depreciation. The depreciation expense related to assets under finance leases for 2016 was €0.3 million (2015: €0.1 million).

23. Commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the directors at 31 December:

	31 December 2016 €'000	31 December 2015 €'000
Contracted for	3,889	2,110
Not-contracted for	-	-
Total	3,889	2,110

For information on lease commitments, refer to Note 22.

24. Litigation

The Group is not involved in legal proceedings that could have a material adverse effect on its results or financial position.

25. Related Parties

As at 31 December 2016, the share capital of Mincon Group plc was 56.84% (2015: 56.84%) owned by Kingbell Company which is ultimately controlled by Patrick Purcell and members of the Purcell family. Patrick Purcell is also a director of the Company. Ballybell Limited, a company controlled by Kevin Barry, holds 7.09% (2015: 14.21%) of the equity of the Company.

In September 2016, the Group paid an interim dividend for 2016 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,712 (September 2015: €1,196,712) and €149,178 (September 2015: €299,178) respectively.

In June 2016, the Group paid a final dividend for 2015 of €0.01 to all shareholders. The total dividend paid to Kingbell Company and Ballybell Limited was €1,196,712 (September 2015: €1,196,712 and €299,178 (September 2015: €299,178) respectively.

The Group has a related party relationship with its subsidiary and its joint venture undertakings (see Note 21 for a list of these undertakings), directors and officers. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

25. Related Parties *(continued)*

Transactions with Directors

The Group is owed €Nil from directors and shareholders at 31 December 2016 and 2015. The Group has amounts owing to directors of €Nil as at 31 December 2016 and 2015.

Key management compensation

The profit before tax from continuing operations has been arrived at after charging the following key management compensation:

	2016 €'000	2015 €'000
Short term employee benefits	1,346	1,284
Bonus and other emoluments	100	-
Post-employment contributions	31	53
Total	**1,477**	**1,337**

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group, which comprises the Board of Directors and executive management (eight in total at year end). Amounts included above are time weighted for the period of the individuals employment.

26. Events after the reporting date

The Board of Mincon Group plc is recommending the payment of a final dividend for the year ended 31 December 2016 in the amount of €0.01 (1 cent) per ordinary share, which will be subject to approval at the Annual General Meeting of the Company in April 2017. This final dividend, when added to the interim dividend of 1 cent paid on 26 September 2016, makes a total distribution for the year of 2 cent per share. Subject to Shareholder approval at the Company's annual general meeting, the final dividend will be paid on 23 June 2017 to Shareholders on the register at the close of business on 26 May 2017.

27. Approval of financial statements

The Board of Directors approved the consolidated financial statements on 20 March 2017.

MINCON SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Company Statement of Financial Position
As at 31 December 2016

	Notes	2016 €'000	2015 €'000
Non-Current Assets			
Investments in subsidiary undertakings	2	38,065	36,595
Total Non-Current Assets		**38,065**	**36,595**
Current Assets			
Loan amounts owing from subsidiary companies	3	7,814	8,542
Other assets		62	24
Short term deposits	4	-	29,964
Cash and cash equivalents		27,712	1,013
Total Current Assets		**35,588**	**39,543**
Total Assets		**73,653**	**76,138**
Equity			
Ordinary share capital	1	2,105	2,105
Share premium	1	67,647	67,647
Undenominated capital		39	39
Share based payment reserve		89	16
Retained earnings		3,535	6,139
Total Equity		**73,415**	**75,946**
Current Liabilities			
Accrued and other liabilities		80	34
Amounts owed to subsidiary companies	3	158	158
Total Current Liabilities		**238**	**192**
Total Liabilities		**238**	**192**
Total Equity and Liabilities		**73,653**	**76,138**

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Padraig McManus
Chairman

Joseph Purcell
Chief Executive Officer

Company Statement of Cash Flows
For the year ended 31 December 2016

	2016 €'000	2015 €'000
Operating activities:		
Profit for the period	1,606	8,809
Share based payments	73	-
Loans to subsidiaries	728	1,599
Movement in other current assets	(38)	-
Movement in accruals and intercompany creditors	46	(271)
Net cash provided/(used in) by operating activities	**2,415**	**10,137**
Investing activities		
Redemption of/(investment in) short term deposits	29,964	(224)
Investment in subsidiary undertakings	(1,470)	(5,227)
Net cash provided by/(used in) investing activities	**28,494**	**(5,451)**
Financing activities		
Dividends	(4,210)	(4,210)
Receipt of capital contribution	-	-
Net cash provided by/(used in) financing activities	**(4,210)**	**(4,210)**
Effect of foreign exchange rate changes on cash	-	-
Net increase/(decrease) in cash and cash equivalents	**26,699**	**476**
Cash and cash equivalents at the beginning of the period	1,013	537
Cash and cash equivalents at the end of the period	**27,712**	**1,013**

The accompanying notes are an integral part of these financial statements.

Company Statement of Changes in Equity for the year ended 31 December 2016

	Share capital €'000	Share premium €'000	Other reserve €'000	Undenominated Capital €'000	Share based payment reserve €'000	Capital contribution €'000	Retained earnings €'000	Total equity €'000
Balance at 31 December 2014	**2,105**	**67,647**	**-**	**39**	**16**	**-**	**1,540**	**71,347**
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	8,809	**8,809**
Total comprehensive income							10,349	**80,156**
Transactions with Shareholders:								
Share based payments............................								
Dividends	-	-	-	-	-	-	(4,210)	**(4,210)**
Balances at 31 December 2015	**2,105**	**67,647**	**-**	**39**	**16**	**-**	**6,139**	**75,946**
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	1,606	**1,606**
Total comprehensive income							7,745	**77,552**
Transactions with Shareholders:								
Share based payments............................	-	-	-	-	73	-	-	**73**
Dividends	-	-	-	-	-	-	(4,210)	**(4,210)**
Balances at 31 December 2016	**2,105**	**67,647**	**-**	**39**	**89**	**-**	**3,535**	**73,415**

The accompanying notes are an integral part of these financial statements.

Notes to the Company Financial Statements

1. Share Capital

See note 17 of the Mincon Group plc consolidated financial statements for details of the authorised and issued share capital of the company.

2. Investments in subsidiary undertakings

During the year ended 31 December 2016, Mincon Group plc subscribed for further equity in its existing subsidiaries as follows:

- €0.7 million investment in Ozmine
- €0.6 million investment in Peru
- €0.1 million investment in Mincon Inc.

During 2016, the Group took steps to relocate its West Africa sales office from Dakar, Senegal to Las Palmas, Spain, and invested a further €80,000 equity into the Las Palmas subsidiary.

3. Transactions with subsidiary companies

At 31 December 2016, the Company had advanced €7.8 million (2015: €6.7 million) to subsidiary companies by way of loans. These loans are interest free and repayable on demand, however these are unlikely to be recalled in the foreseeable future.

At 31 December 2016, the Company owed €158,000 (2015: €158,000) to subsidiary companies in relation to costs incurred on its behalf.

4. Short term deposits

During 2016, funds held on long term deposits matured (2015: €29.9 million) and at 31 December 2016, the Company had €27.7 million cash readily available.

5. Approval of financial statements

The Board of Directors approved the financial statements on 20 March 2017.

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