

**Mastermyne Group Limited
and its Controlled Entities**

ABN 96 142 490 579

Interim Financial Report

31 December 2010

Mastermyne Group Limited and its Controlled Entities

Contents

Directors' report	2
Lead auditor's independence declaration	4
Condensed consolidated interim statement of financial position	5
Condensed consolidated interim statement of comprehensive income	6
Condensed consolidated interim statement of changes in equity	7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9
Directors' declaration	22
Independent auditor's report	23

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2010

The directors present their report together with the consolidated report of Mastermyne Group Limited, for the 6 month period ended 31 December 2010 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are:

Mr P. Slaughter - Chairman (independent)

Mr I. Hall - Non - executive Director (independent)

Mr D. Hamblin - Non - executive Director

Mr A. Watts - Executive Director

Mr A. Caruso - Managing Director

Operating and financial review

Financial Overview

Profit for the Period

Mastermyne Group Limited and its controlled subsidiaries recorded a profit after tax of \$4.425 million for the half year ended 31 December 2010, up 18% on the previous corresponding period. Included in the NPAT are some one off adjustments, summarised as follows:

- Impairment of Continuous Miner at Pike River Mine in New Zealand \$3.034 million (\$2.124 million after tax)
- Bad debt expense of \$0.525 million also in relation to Pike River (\$0.368 million after tax)
- Income Tax benefit of \$2.362 million as a result of forming a tax consolidated group

Revenue was up 59.6% to \$73.626 million on the previous corresponding period, as a result of new contracts in the underground division. Contracts were ramped up in the short term through reallocation of labour and the use of subcontractors. This resulted in a reduction of margins while the contracts are in their ramp up phase, with margins expected to return to normal over the life of these contracts.

Balance Sheet and Cash Flow

Net Assets of the Group increased \$4 million to \$37 million at the end of December. Working capital requirements increased for the period to meet the needs of the growing business and to service new contracts; as a result the Group had operating cash outflows of \$0.55 million. Cashflows from all activities are summarised as follows:

- net cash outflows from operating activities for the half year ended 31 December 2010 of \$0.545 million
- net cash outflows from investing activities for the half year ended 31 December 2010 of \$1.524 million
- net cash outflows from financing activities for the half year ended 31 December 2010 of \$4.397 million

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2010

Operational Overview

The first half of the year has seen significant continued growth in Mastermyne Group Limited's (MGL) activities. The Group continues to reduce its Total Recordable Injury Frequency Rate (TRIFR) while at the same time increasing its exposure or worked hours. At the end of December the Group TRIFR was 18.6 against the target of 22.4. Since June 2010 the group has increased its workforce by 221 people to 739 at the end of December. Recruitment activities have been successful and the recently established training facility has added in excess of 50 people to the workforce. The training centre continues to gain industry recognition for the high quality employees and the quality of training delivered. Domestic and Overseas recruitment are both working well and we have identified and tapped into skilled workers similar sectors. The Group forecasts to have a workforce of in excess of 1000 people by the end of the financial year.

During the period July to December Mastermyne Underground has added two new contracts to its order book, being the Oak Creek Conveyor Contract and the Moranbah North Roadway Development Contract. Both projects have been successfully mobilised and are at full manning or very close to. All other major Underground projects are performing well and the relationships with our major customers remains strong and reputation continues to develop. Expansion in the Hunter Valley region is gaining momentum and recurring works is increasing. Of most significance has been the recent announcement that the Underground Division has been awarded preferred tenderer status on a large roadway development contract in the Hunter. This will provide the springboard for further growth in this region.

Mastermyne Engineering has also experienced good growth to December with the last 4 months producing record throughput in both the Qld and NSW workshops. Both the NSW and Qld workshops are being relocated to larger premises to accommodate the growth in this area of the business.

Mastermyne Services has successfully completed the installation of 2 conveyors at BHP's Crinum North Mine and the work was completed to a very high standard. Other projects are continuing and the Services workshop providing support to the Underground operations as well as the wider mining sector.

Outlook

The outlook for MGL is very positive. We are evidencing a focus by our major customers on their underground assets. There are a number of new projects which will come on line over the next 3 years which all present opportunities for the Mastermyne Group of Companies. In the short term our order book for the second half of the financial year remains fully contracted to meet our prospectus forecast and longer term we have seen the FY12 order book increase from \$105 million to \$138 million. For the remainder of this year we will continue to focus on zero harm in the workplace by continuing to build on our safety culture. Other priorities will focus around the retention of our skilled workforce and continued recruitment to support ongoing growth. We have several opportunities to increase capacity at existing projects and will focus on this organic growth.

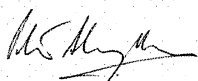
Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for 6 months ended 31 December 2010.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors:



P. Slaughter
Chairman

Dated at Mackay this 23rd day of February 2010.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Mastermyne Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

M J Jeffery
Partner

Brisbane

23 February 2011

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of financial position

As at 31 December 2010

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 December 2010	30 June 2010
Assets			
Cash and cash equivalents	17	2,252	8,718
Trade and other receivables	16	23,854	11,928
Inventories	15	1,183	1,357
Current tax assets		-	-
Total current assets		27,289	22,003
Deferred tax assets		985	652
Property, plant and equipment	13	22,450	19,670
Intangible assets	14	20,546	20,584
Total non-current assets		43,981	40,906
Total assets		71,270	62,909
Liabilities			
Trade and other payables	21	13,950	10,419
Loans and borrowings	19	5,453	6,184
Employee benefits	20	3,139	2,503
Current tax payable		192	2,026
Total current liabilities		22,734	21,132
Loans and borrowings	19	11,308	7,847
Employee benefits	20	63	28
Deferred tax liabilities		0	823
Total non-current liabilities		11,371	8,698
Total liabilities		34,105	29,830
Net assets		37,165	33,079
Equity			
Share capital		49,124	48,610
Reserves		(23,012)	(23,034)
Retained earnings		11,053	7,503
Total equity		37,165	33,079

The subsequent notes are an integral part of these consolidated financial statements

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of comprehensive income

For the six months ended 31 December 2010

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 December 2010	31 December 2009
Continuing operations			
Revenue	7	73,626	46,142
Other income	8	54	31
Contract disbursements		(13,092)	(7,803)
Personnel expenses	10	(48,012)	(28,366)
Office expenses		(2,600)	(1,406)
Depreciation and amortisation expense	13,14	(2,537)	(2,255)
Impairment loss	13	(3,034)	-
Other expenses	9	(978)	(699)
Results from operating activities		3,427	5,644
Finance income		43	67
Finance expense		(661)	(522)
Net finance expense	11	(618)	(455)
Profit before income tax		2,809	5,189
Income tax expense	12	1,616	(1,461)
Profit for the period		4,425	3,728
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		4,425	3,728
Attributable to:			
Equity holders of the Company		4,425	3,728
Minority interest		-	-
Profit for the period		4,425	3,728
Earnings per share			
Basic earnings per share (AUD)		0.06	0.08
Diluted earnings per share (AUD)		0.06	0.05

The subsequent notes are an integral part of these consolidated financial statements

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated statement of changes in equity For the six months ended 31 December 2010

In thousands of AUD

	Share capital	Retained earnings	Share-based payment reserve (note 18)	Other contributed equity	Common Control Reserve	Total
Consolidated						
Balance at 1 July 2009	9,686	6,446	450	8,083	-	24,665
Total comprehensive income for the period						
Profit for the period	-	3,728	-	-	-	3,728
Total comprehensive income for the period	-	3,728	-	-	-	3,728
Transactions with owners recorded directly in equity						
Issue of 681 "B" Ordinary Shares	291					291
Dividends to equity holders		(239)				(239)
Total contributions by and distributions to owners	291	(239)	-	-	-	52
Balance at 31 December 2009	9,977	9,935	450	8,083	-	28,445
Balance at 1 July 2010	48,610	7,503	1,203		(24,237)	33,079
Total comprehensive income for the period						
Profit for the period	-	4,425	-	-	-	4,425
Total comprehensive income for the period	-	4,425	-	-	-	4,425
Transactions with owners recorded directly in equity						
Issue of ordinary shares for cash						-
Issue of ordinary shares to settle contingent consideration	514					514
Share options exercised						-
Capital Paid up						-
Share-buy back						-
Share-based payment transactions			22			22
Dividends to equity holders		(875)				(875)
Total contributions by and distributions to owners	514	(875)	22	-	-	(339)
Balance at 31 December 2010	49,124	11,053	1,225	-	(24,237)	37,165

The subsequent notes are an integral part of these consolidated financial statements

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2010

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 December 2010	31 December 2009
Cash flows from operating activities			
Cash receipts from customers		68,298	48,267
Cash paid to suppliers and employees		(66,854)	(42,763)
Cash generated from operations		1,444	5,504
Interest paid		(615)	(534)
Income tax paid		(1,374)	(812)
Net cash flows from/(used in) operating activities	22	(545)	4,158
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		104	722
Acquisition of property, plant and equipment		(1,671)	(1,678)
Interest received		43	67
Business acquisition, net of cash acquired		-	(1,720)
Net cash flows used in investing activities		(1,524)	(2,609)
Cash flows from financing activities			
Proceeds from uncalled capital			194
Proceeds from exercise of share options		-	2,469
Repayment of borrowings		(1,265)	(2,153)
Payment of finance lease liabilities		(2,789)	(2,399)
Dividends paid		(875)	(1,636)
Net cash flows used in financing activities		(4,397)	(3,525)
Net increase decrease in cash and cash equivalents		(6,466)	(1,976)
Cash and cash equivalents at beginning of period		8,718	5,600
Cash and cash equivalents at end of period	17	2,252	3,624

The subsequent notes are an integral part of these consolidated financial statements

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements

For the six months ended 31 December 2010

1 Reporting entity

Mastermyne Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 45 River Street, Mackay Qld 4740. The consolidated interim financial statements of the Company as at 31 December 2010 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is primarily involved in providing contracting services to the underground long wall mining operations and open cut electrical and mechanical services in the coalfields of Queensland's Bowen Basin and New South Wales.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at www.mastermyne.com.au.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2010.

The financial statements were authorised for issue by the Board of Directors on 23 February 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of each entity in the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 13 – property, plant & equipment
- note 14 – intangible assets

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements

For the six months ended 31 December 2010

3 Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the year ended 30 June 2010.

(a) Tax Consolidation

On 20 December 2010 the Directors resolved that the Company and its wholly-owned Australian resident entities form a tax-consolidated group with Mastermyne Group Limited as the nominated head entity. The implementation date for the tax-consolidated group was 7 May 2010.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

(b) Nature of tax funding and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's estimate of market value at the date of acquisition.

ii Inventories

The fair value of inventories acquired in a business combination is determined based on its 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.

iii Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes formula and Monte-Carlo Sampling. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

5 Financial risk management

Overview

The Company and Group have exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate risk
- liquidity risk

These and other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2010.

6 Segment information

Business segments

The group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services and products and are managed separately because they require different skill bases and marketing strategies. For each of the strategic business units, the Group's Managing Director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Underground mining services:** The provision of project management and engineering services; labour and equipment hire; underground conveyor installation, extension and maintenance; underground roadway development; underground ventilation device installation; bulk materials handling system installation and relocation and underground mine support services.
- **Services:** The Services division specialises in all facets of above ground electrical and mechanical services, including construction, maintenance and overhaul of draglines, wash plants, materials handling systems and other surface infrastructure.
- **Engineering and Fabrication:** The design and fabrication of attachments for underground equipment; general engineering and fabrication; supply of consumables for underground coal mines.

There are varying levels of integration between the Underground and Services reportable segments. This integration includes transfers of human resources and shared overhead resources.

Information regarding the results of each reportable segment is included on the following page. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

6 Segment information (continued)

Business Segments

	Underground mining services		Engineering and fabrication		Electrical and Mechanical Services		Consolidated	
<i>In thousands of AUD</i>	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
External revenues	66,452	40,567	6,243	4,222	931	1,353	73,626	46,142
Intersegment revenue	49	53	1,141	374	3,021	324	-	-
Reportable Segment profit/(loss) before income tax	2,926	5,204	319	165	(146)	(10)	2,809	5,189

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

In thousands of AUD

	31 December 2010	31 December 2009
Revenues		
Total revenue for reportable segments	77,837	46,893
Elimination of inter-segment revenue	(4,211)	(751)
Elimination of discontinued operations		
Consolidated revenue	73,626	46,142
Profit or loss		
Total profit or loss for reportable segments	3,099	5,359
Other profit or loss		
Elimination of inter-segment profits	(77)	20
Elimination of discontinued operations		
Unallocated amounts: other corporate expenses	(213)	(190)
Share of profit of equity accounted investees		
Consolidated profit before income tax	2,809	5,189

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

7 Revenue

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	31 December 2009
Contracting revenue	65,103	37,101
Sale of goods	6,243	4,194
Machinery hire	2,280	4,847
	<u>73,626</u>	<u>46,142</u>

8 Other income

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	31 December 2009
Administration revenue	52	31
Gain on sale of property, plant and equipment	2	-
	<u>54</u>	<u>31</u>

9 Other expenses

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	31 December 2009
Loss on sale of property, plant and equipment	45	108
Options expense/(income)	-	-
IPO expense	(4)	65
Business acquisition costs	-	137
Business Development Costs	29	97
Hire		25
Insurance	383	267
Provision for Bad Debt	525	-
	<u>978</u>	<u>699</u>

10 Personnel expenses

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	31 December 2009
Wages and salaries	43,088	25,100
Other associated personnel expenses	2,798	2,028
Contributions to defined contribution superannuation funds	2,104	1,238
Equity-settled share-based payment transactions	22	-
	<u>48,012</u>	<u>28,366</u>

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

11 Finance income and expense

Recognised in profit or loss

In thousands of AUD

	Consolidated	
	31 December 2010	31 December 2009
Interest income	43	67
Finance income	43	67
Bank Charges	-	(16)
Interest expense	(661)	(506)
Finance expense	(661)	(522)
Net finance expense recognised in profit or loss	(618)	(455)

12 Income tax expense

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD

	Consolidated	
	31 December 2010	31 December 2009
Profit for the period	4,425	3,728
Total income tax expense/(benefit)	(1,616)	1,461
Profit excluding income tax	2,809	5,189
Income tax using the Group's statutory income tax rate of 30% (2009: 30%)	843	1,557
Non-deductible expenses	234	32
Effects of entering into tax consolidation	(2,362)	-
Under/(over) provision of previous year	(331)	(128)
	(1,616)	1,461

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

13 Property, plant and equipment

In thousands of AUD

	Low value pool	Plant and equipment	Motor vehicles	Computer equipment	Capital WIP	Office furniture and equipment	Leasehold improvements	Total
Cost or deemed cost								
Balance at 1 July 2009	805	25,413	1,785	777	406	192	172	29,550
Additions	25	3,901	205	123	1,754	23	-	6,031
Disposals	-	(3,179)	(6)	(5)	-	-	-	(3,190)
Acquired through business combination	3	878	227	-	-	32	-	1,140
Transfers	-	(180)	-	1	(139)	318	-	-
Balance at 30 June 2010	833	26,833	2,211	896	2,021	565	172	33,531
Balance at 1 July 2010	833	26,833	2,211	896	2,021	565	172	33,531
Additions	50	5,492	464	146	2,051	27	-	8,230
Disposals	(23)	(37)	(212)	(16)	-	-	-	(288)
Acquired through business combination	-	-	-	-	-	-	-	-
Transfers	47	439	(72)	56	(381)	(89)	-	-
Balance at 31 December 2010	907	32,727	2,391	1,082	3,691	503	172	41,473
Depreciation and impairment losses								
Balance at 1 July 2009	646	8,838	786	489	-	73	67	10,899
Depreciation for the year	58	3,524	276	145	-	78	43	4,124
Disposals	-	(1,152)	(5)	(5)	-	-	-	(1,162)
Acquired through business combination	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance at 30 June 2010	704	11,210	1,057	629	-	151	110	13,861
Balance at 1 July 2010	704	11,210	1,057	629	-	151	110	13,861
Depreciation for the year	32	1,881	163	69	-	78	21	2,244
Disposals	(11)	(15)	(80)	(10)	-	-	-	(116)
Impairment loss	-	3,034	-	-	-	-	-	3,034
Acquired through business combination	-	-	-	-	-	-	-	-
Transfers	13	35	(39)	35	-	(44)	-	0
Balance at 31 December 2010	738	16,145	1,101	723	-	185	131	19,023
Carrying amounts								
At 1 July 2009	159	16,575	999	288	406	119	105	18,651
At 30 June 2010	129	15,623	1,154	267	2,021	414	62	19,670
At 1 July 2010	129	15,623	1,154	267	2,021	414	62	19,670
At 30 December	169	16,582	1,290	359	3,691	318	41	22,450

Impairment

During the period to the half year ending 31 December 2010, Mastermyne Pty Ltd a legal entity in the Underground division of the Group, entered into a dry hire arrangement for an underground continuous miner (ABM20) with Pike River Coal in New Zealand.

On 19 November 2010 there was an explosion underground ceasing mining operations and subsequently commencing a recovery effort at the mine. By 31 December 2010 the mine experienced 3 more explosions, increasing gas levels and temperatures and significantly hampering efforts to re-enter the mine. Initially, Directors were of the view that it was probable that the asset could be recovered. Following a thorough investigation, conducted since early January to determine the probability of recovery of the asset, the main conclusions are that:-

1. There has been insufficient physical evidence as to the condition of the machine and;
2. There has been no indication that the likelihood of re-entry to the mine has substantially improved.

As a result of this investigation it was determined that recovery of the machine was not probable, the Directors have come to the view that the full carrying value of the asset \$3,034 thousand should be impaired as at the 31 December 2010.

Mastermyne has commenced correspondence for the purpose of lodging an insurance claim for this loss event. Insurers have acknowledged that Mastermyne is an insured under the Industrial Special Risks (ISR) insurance policy issued by the insurers in favour of Pike River Coal Ltd. Mastermyne have been advised that it is entitled to make a claim under the policies in respect of the continuous miner.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

14 Intangible assets

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	30 June 2010
<i>Goodwill</i>		
Cost (gross carrying amount)	18,268	18,013
Net carrying amount	18,268	18,013
<i>Customer relationships</i>		
Cost (gross carrying amount)	2,669	2,669
Accumulated amortisation and impairment	(1,402)	(1,169)
Net carrying amount	1,267	1,500
<i>Intellectual property</i>		
Cost (gross carrying amount)	1,483	1,483
Accumulated amortisation and impairment	(472)	(412)
Net carrying amount	1,011	1,071
<i>Total intangible assets</i>		
Cost (gross carrying amount)	22,420	22,165
Accumulated amortisation and impairment	(1,874)	(1,581)
Net carrying amount	20,546	20,584

Reconciliation of carrying amount at beginning and end of the period

<i>In thousands of AUD</i>	Consolidated	
	6 months ended 31 December 2010	12 months ended 30 June 2010
<i>Goodwill</i>		
Carrying amount - opening	18,013	17,181
Increase in contingent consideration	255	832
Carrying amount - closing	18,268	18,013
<i>Customer relationships</i>		
Carrying amount - opening	1,500	1,679
Acquired in business combination	-	259
Amortisation	(233)	(438)
Carrying amount - closing	1,267	1,500
<i>Intellectual property</i>		
Carrying amount - opening	1,071	-
Acquired in business combination	-	1,151
Amortisation	(60)	(80)
Carrying amount - closing	1,011	1,071
<i>Total intangible assets</i>		
Carrying amount - opening	20,584	18,860
Acquired in business combination	-	1,410
Increase in contingent consideration	255	832
Amortisation	(293)	(518)
Carrying amount - closing	20,546	20,584

Goodwill relates to the acquisitions of Mastermyne Engineering Pty Ltd, Mastermyne Services Pty Ltd and Mastermyne Underground Pty Ltd.

Mastermayne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

14 Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the group's operating segments as reported in note 6.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	30 June 2010
Underground mining services	6,429	6,174
Engineering and fabrication	7,301	7,301
Electrical services	4,538	4,538
	<u>18,268</u>	<u>18,013</u>

15 Inventories

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	30 June 2010
Inventory on hand	1,183	1,357
	<u>1,183</u>	<u>1,357</u>

16 Trade and other receivables

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	30 June 2010
Trade receivables	17,882	9,431
Prepayments	1,344	476
Unbilled revenue	4,503	1,679
Other receivables	125	342
	<u>23,854</u>	<u>11,928</u>

17 Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated	
	31 December 2010	30 June 2010
Bank balances	2,251	8,713
Cash on hand	1	5
Cash and cash equivalents in the statement of cash flows	<u>2,252</u>	<u>8,718</u>

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

18 Capital and reserves

Insertion of Mastermyne Group Limited as the parent entity

On 30 April 2010, Mastermyne Group Limited acquired all of the issued capital of Mastermyne Pty Ltd, resulting in Mastermyne Group Limited becoming the new parent entity. The acquisition of the issued capital of Mastermyne Pty Ltd occurred pursuant to a cash-for-scrip and scrip-for-scrip offer.

The share capital of Mastermyne Group Limited is as follows:

	Ordinary Class shares	
	31 December 2010	30 June 2010
On issue at 1 July	72,897,598	-
Issued for cash	-	40,000,000
Shares issued in common control transaction	-	32,897,598
Shares issued to settle contingent consideration	469,916	-
On issue at 31 December – fully paid	<u>73,367,514</u>	<u>72,897,598</u>

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Reserves

Share-based payments reserve

The Share-based Payments Reserve represents the grant date fair value of options granted to senior managers or key management personnel of the Company.

Common Control Reserve

As a result of combinations of entities under common control, an equity account was created called the common control reserve. The balance of this account represents the excess of the fair value of Mastermyne Group Limited securities as at 7 May 2010 over the initial carrying value of Mastermyne Pty Ltd as at the date of Mastermyne Group Limited becoming the new parent entity of the Group.

Other contributed equity

Other contributed equity represents the excess of the fair value of the convertible preference shares over their face value upon modification of their terms to convert them to equity. The face value upon modification was recognised as share capital.

Dividends

Dividends recognised in the current year by the Group are:

In thousands of AUD

	Dollars per share	Total amount	Franked / unfranked	Date of payment
2011				
2011 Ordinary - Ordinary Shares	\$ 0.01	<u>875</u>	Franked	5/10/2010
Total amount		<u>875</u>		
2010				
2009 Ordinary - A&B Ordinary Shares	\$ 1.94	<u>118</u>	Franked	30/09/2009
2009 Ordinary - A&B Ordinary Shares	\$ 1.94	<u>121</u>	Franked	31/12/2009
2009 Ordinary - A&B Ordinary Shares	\$ 1.94	<u>120</u>	Franked	30/04/2010
Total amount		<u>359</u>		

Franked dividends declared or paid during the year were franked at the tax rate of 30 percent.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

19 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

In thousands of AUD

	Consolidated	
	31 December 2010	30 June 2010
Current liabilities		
Insurance premium funding (unsecured)	483	326
Finance lease liabilities (secured)	3,970	3,686
Commercial bill facility (secured)	1,000	1,400
Contingent consideration (unsecured)	-	773
Loan - Mynesight	-	(1)
	<u>5,453</u>	<u>6,184</u>
Non-current liabilities		
Finance lease liabilities (secured)	6,308	2,847
Commercial bill facility (secured)	5,000	5,000
	<u>11,308</u>	<u>7,847</u>

Security

Finance lease

Finance lease facilities are drawn with the Westpac Banking Corporation, and are secured by a charge over the asset to which the facility relates to and a fixed and floating charge over the assets of the Group.

Westpac Commercial Bill Facility

The Westpac Commercial bill is drawn with the Westpac Banking Corporation for the purpose of working capital, and is secured by a fixed and floating charge over all assets and uncalled capital of the Group.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Consolidated					
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
<i>In thousands of AUD</i>	31 December 2010	31 December 2010	31 December 2010	30 June 2010	30 June 2010	30 June 2010
Less than one year	4,671	(701)	3,970	4,107	(421)	3,686
Between one and five years	7,028	(720)	6,308	3,091	(244)	2,847
More than five years	-	-	-	-	-	-
	<u>11,699</u>	<u>(1,421)</u>	<u>10,278</u>	<u>7,198</u>	<u>(665)</u>	<u>6,533</u>

20 Employee benefits

In thousands of AUD

	Consolidated	
	31 December 2010	30 June 2010
Current		
Wages payable	383	299
Liability for annual leave	1,433	1,111
Liability for vesting sick leave	1,239	1,024
Liability for long service leave	84	69
	<u>3,139</u>	<u>2,503</u>
Non-current		
Liability for long service leave	63	28
	<u>63</u>	<u>28</u>

21 Trade and other payables

In thousands of AUD

	Consolidated	
	31 December 2010	30 June 2010
Trade payables	5,336	4,693
Sundry creditors and accruals	8,614	5,726
	<u>13,950</u>	<u>10,419</u>

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2010

22 Reconciliation of cash flows from operating activities

In thousands of AUD

Cash flows from operating activities

Profit for the period

Adjustments for:

Depreciation

Amortisation of intangible assets

Impairment loss

Gain/(loss) on sale of property, plant and equipment

Net finance expense

Income tax expense/(benefit)

Operating profit before changes in working capital and provisions

Change in trade and other receivables*

Change in inventories

Change in trade and other payables*

Change in provisions and employee benefits*

Interest paid

Income taxes paid

Net cash from operating activities

*Excluding changes due to business combinations

Note	Consolidated	
	31 December 2010	31 December 2009
	4,424	3,728
13	2,244	2,058
14	293	197
13	3,034	-
8,9	43	108
11	618	455
	(1,616)	1,460
	9,040	8,006
16	(12,046)	(2,976)
15	174	(249)
21	3,605	586
20	671	137
	1,444	5,504
	(615)	(534)
	(1,374)	(812)
	(545)	4,158

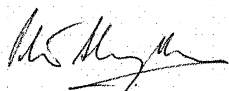
Mastermyne Group Limited and its Controlled Entities

Directors' declaration

In the opinion of the directors of Mastermyne Group Limited (the "Company"):

1. the financial statements and notes set out on pages 5 to 21, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



P. Slaughter
Chairman

Dated at Mackay this 23rd day of February



Independent auditor's review report to the members of Mastermyne Group Limited

We have reviewed the accompanying interim financial report of Mastermyne Group Limited, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mastermyne Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

M J Jeffery
Partner

Brisbane

23 February 2011