



**mastermyne**

Group of Companies

**Production focus – Safety always**

**Annual Report**

**FY2015**



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“The Mastermyne Group has maintained a positive strategy with countercyclical investment and a sensible targeted approach to tendering and winning work and this has seen us finish the year in a strong financial and operating position.”



# Chairman's Report



Dear Shareholder,

*The financial year ending June 30 2015 was a challenging period for all participants in the resources sector, but I am pleased to say that Mastermyne Group Limited continues to perform strongly in difficult times. While many companies in the sector are facing recapitalisation, Mastermyne continues to have a strong balance sheet. The company generated good cash flow, providing dividends for our shareholders and allowing us the flexibility for a countercyclical acquisition.*

Industry conditions have deteriorated across the resources sector. Coal producers have generally responded by maximising production as they chase economies of scale. The vast majority of new projects have stopped, hence the slowdown in construction activity across the sector. The majority of Mastermyne revenue has historically been derived from production rather than construction and this trend continues. As a result, the Company has generally been less impacted as our services are valuable to our clients throughout the cycle.

Mastermyne's largest industry exposure is the high quality metallurgical coal sector in Australia. This sector, despite the challenging conditions, still enjoys significant competitive advantages. These include high quality resources, good infrastructure and proximity to the major markets in Asia. Australian coking coal mines generally enjoy the most favourable position on the industry margin curve. This allows for continued cash generation during periods of low prices. Our company's exposure to this industry is quite diversified with no one mine accounting for more than 15% of overall revenue.

While poor industry conditions exist, the Company has the opportunity to acquire quality assets at low prices. The Board keeps a close watch on acquisitions that provide growth in our existing sector and adjacent sectors that are well aligned with our capabilities. The acquisition of Diversified Mining Services (DMS), which was completed during the financial year, extends our involvement in the coal sector to new mines and port facilities. It also provides an entry into other heavy industry and extends the range of services offered by the Company.

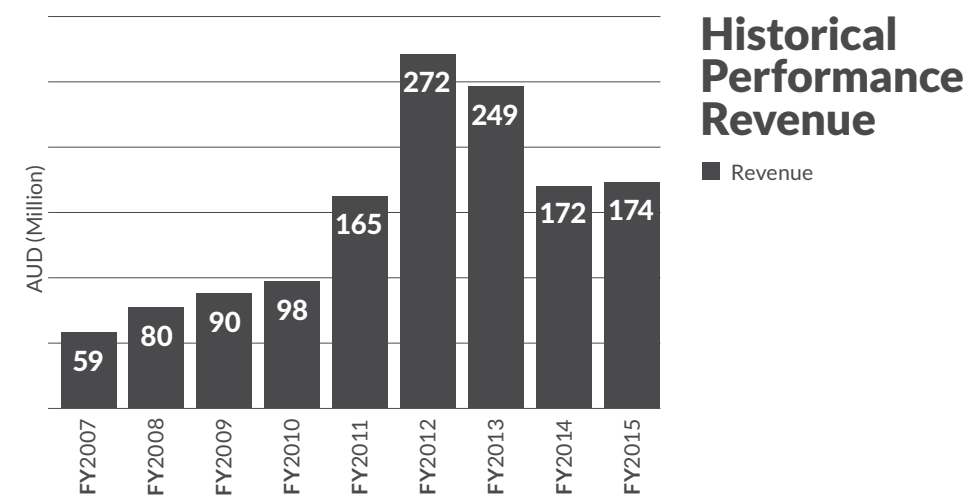
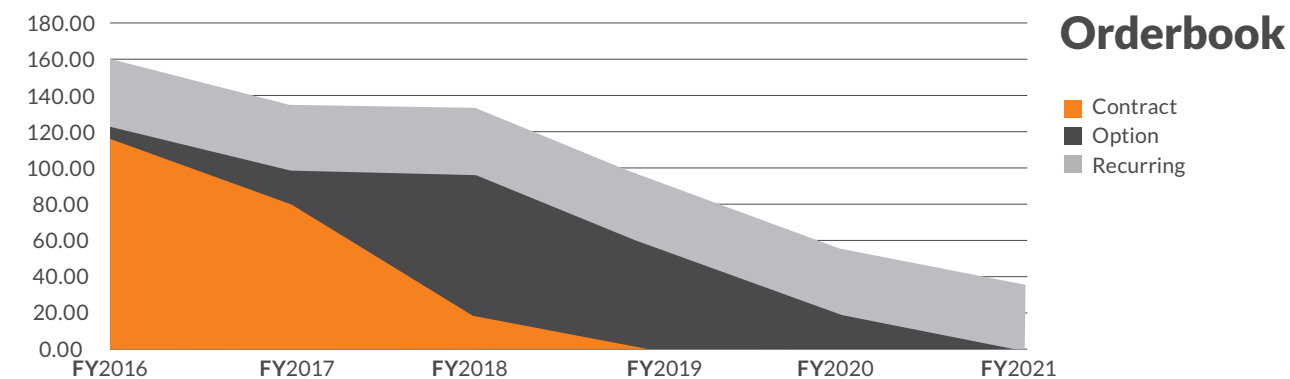
The Company continues to be well served by a deeply experienced Executive team led by the Managing Director, Tony Caruso. Their achievements during the year were significant. None were more important than their personal leadership around safety, which remains a core value of Mastermyne. The acquisition and integration of DMS were completed very effectively allowing a reorganisation of the Company into the Mastermyne Underground and Mastertec Divisions. This structure will provide a strong platform for future growth of both Divisions. I thank them for their energy and the solid results achieved in these difficult times.

During the year some changes were made to the Board. Andrew Watts stepped down from Executive duties but remains on the Board as a Non-Executive Director. Darren Hamblin retired from the Chairman's role, but also remains as a Non-Executive Director. I would like to thank Andrew and Darren for their foresight and leadership. Recently we announced the appointment of Gabe Meena as a Non-Executive Director. Gabe brings a depth of knowledge across the resources and heavy industry sectors along with years of engineering experience, which will help guide the Company's future in these areas. I am honoured to have been appointed as your new Chairman and look forward to serving Mastermyne shareholders in the future. I would also like to thank our outgoing Company Secretary, Bill Lyne, for his great service over many years and welcome the appointment of Chris Kneipp to this role.

In summary, the Company is well capitalised and operating strongly in challenging times. We are optimistic that our proven low risk business model will continue to perform well. The Board will continue to pursue sensible growth while ensuring that shareholders benefit from our ability to generate cash through the cycle.

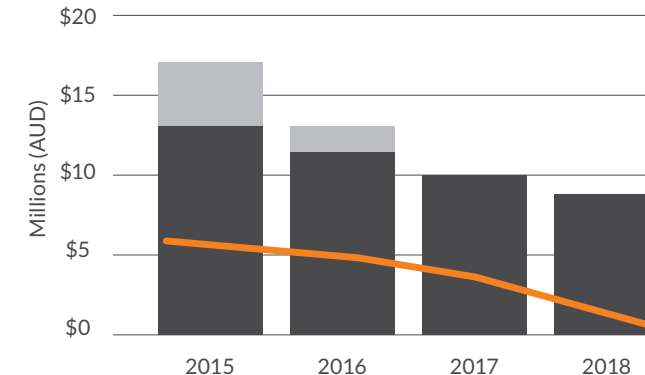
Yours Sincerely,

Colin Bloomfield Chairman  
Mastermyne Group Limited

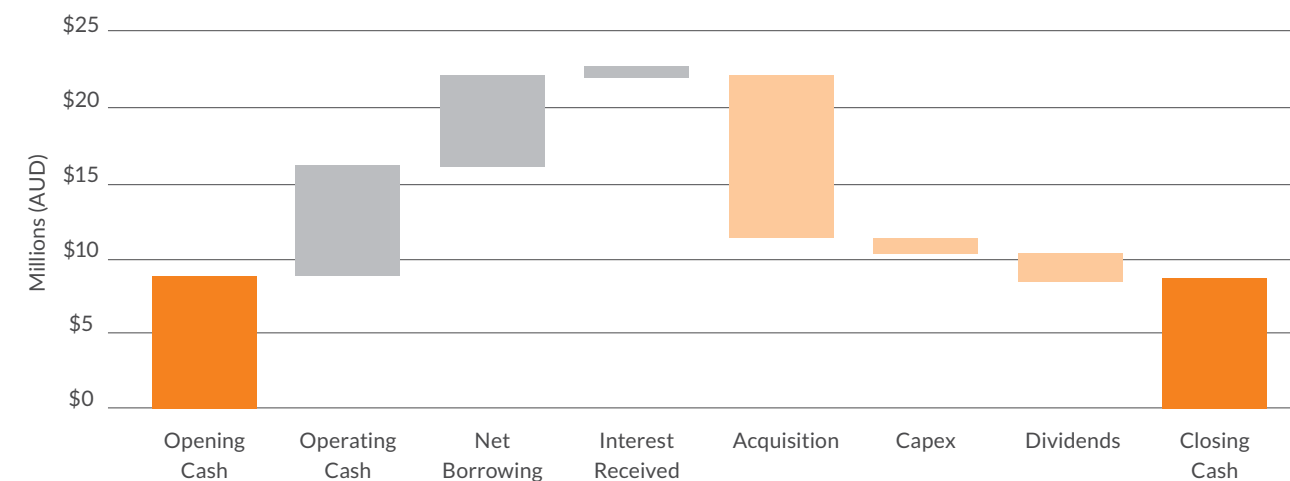


### Debt Profile

■ Cash Advance Debt  
■ Finance Lease Debt  
— Principal Repayments



### FY2015 Cash Flow



# Managing Director's Report



*I am pleased to report to our shareholders that the Mastermyne Group has finished this year in a strong financial and operating position. The year had a number of highlights, with the most notable being the successful acquisition, integration and rebranding of the Diversified Mining Services business, our ongoing commitment to safety excellence and the strong financial outcomes despite a backdrop of low equipment utilisation and contract deferrals.*

FY2015 has largely seen a continuation of market conditions experienced in FY2014. Mine Operators have again been focused on reducing their operating costs whilst also increasing output. We have continued to maintain a positive strategy with countercyclical investment and a sensible targeted approach to tendering and winning work and with this approach we have grown the revenue base slightly from FY2014. This has, in part, been the contribution from the DMS acquisition but also organic growth on our existing projects.

Revenue for the full year was \$174.1 million and in line with market guidance and we reported a small profit of \$0.1 million. Pleasingly, we have maintained a strong balance sheet following the acquisition and continued to generate strong cash returns from our operating activities.

During the period the Company successfully integrated the DMS business into the wider group and the integration led to the rebranding into two divisions, which were focused on underground and above ground activities. The underground activities remained badged as Mastermyne with the above ground activities badged as Mastertec. Both divisions continue to target recurring works linked to production activities as opposed to greenfield construction and one off projects. We are pleased to report that the integration was achieved ahead of schedule and seamlessly with all cost synergies identified at the time of the acquisition implemented and realised.

Our Underground division again delivered a strong operational result through good safety performance and high quality and productive projects. The Underground Division maintained its dominant market share, with a strong bias to metallurgical coal producers in the bottom quartile of the cost curve, and this combination of market share and strong performance underpinned an overall strong result from this division. We continued to secure new contracts over the year highlighted by a new roadway development project with Rio Tinto's Kestrel mine for 2 years with a further one year option. The new contract, which has already mobilised, will employ approx. 50 full-time staff and utilise some of our mobile development equipment.

During the year, Mastermyne has also focused on strategic partnerships to expand its service offering and broaden our pipeline opportunities. Most recently we have bid multiple projects outside of the immediate underground coal sector in a Joint Venture arrangement with a tier one civil tunnelling contractor. This year we have also sought to expand our service offering in the underground coal sector by gaining licences to install chemical injection strata support products used in the management of underground geology. This has already opened up new opportunities on new underground sites and we are forecasting that this will grow to become a material revenue contribution to the underground division.

Equipment utilisation remained low with only a small amount of rubber tyred vehicles and miscellaneous items utilised predominately in our own contracts. This is consistent with the focus by operators to reduce costs and utilise their owned equipment and running it for longer. We haven't seen any improvement in demand for specialised roadway development equipment and as such this continues to keep Mastermyne's equipment utilisation rates at historically low levels. At some point we are expecting utilisation to increase as the equipment currently in situ will require maintenance or replacement.

The newly badged Mastertec division has primarily focused on securing repeat works in the workshops and executing the shutdown projects that came through very late in the financial year. The shutdown projects were forecast to be delivered earlier in the year but were deferred and as the financial year came to a close we were mobilising on 2 shutdown projects. This means that some of the revenue that was forecast in FY2015 won't be recognised until FY2016.

The rebranding to the Mastertec division has allowed the company to develop a much clearer and focused strategic plan with three overarching income streams. The rebranded division has quickly gained traction in the market and tendering activity has increased significantly under this new structure. Mastertec has also benefited from the leverage provided through the strong links and customer base from the underground division. This has already opened up several new tendering opportunities as well as opportunities with new customers.

Both Mastermyne and Mastertec have continued the focus on safety performance throughout the year. The integration of the DMS business saw the statistics initially increase but pleasingly lagging indicators have been trending down since January. The Mastertec division has introduced new risks to the Mastermyne Group that didn't exist previously and the Company has worked quickly and diligently to understand these risks and ensure the appropriate controls are now in place. Over the next financial year the Company will continue to focus on controls of critical risks and the development of the safety culture across the now expanded group.

At the completion of the FY2015 year the Group order book was \$359 million, with approx. \$124 million to be delivered in the FY2016. Recurring and purchase order work sits over and above this order book number. Our tendering pipeline was \$1.99 billion at the end of the year and this was dominated by one major tender in the Galilee basin.

The macro outlook for the coal sector moving into FY2016 remains largely unchanged and we are expecting that coal prices will continue to necessitate the ongoing focus by the operators on reducing costs and increasing production. From experience we know that this will provide further opportunities for the Mastermyne group, as contractors will continue to play a pivotal role in maintaining low cost flexible operations.

The pipeline for our underground business is headlined by a small number of very large projects, which have a high degree of uncertainty. The traditional tendering opportunities in the Mastermyne underground divisions have been replaced with shorter-term contracts and labour supply tenders. As a result, in the coming year our focus will be to seek out opportunities by leveraging off

existing contracts and creating value adding propositions to our customers through the expanded range of services and the strategic partnerships we have formed.

The Mastertec pipeline remains active with good activity over the short-term. This driver in this pipeline is the increased activity in the maintenance area, which is expected to continue through FY2016 as deferred maintenance is carried out over the next 12 to 24 months. The Mastertec pipeline will also benefit from the addition of new services, entry into new sectors and a larger geographical footprint.

The resources sector will rely heavily on contractors to maintain low cost operations that provide flexibility in an uncertain economic environment and the Mastermyne Group is well positioned with its diversifying range of services and geographical footprint. We maintain a strong balance sheet and order book and we are executing on our strategy to build a more resilient and diversified service offering that will steer the company back to strong profitability as the resources cycle reaches its bottom and starts its recovery.

In finishing up, I would like to thank all the staff and management across the Mastermyne group who have been at the core of delivering this year's result. Their dedication to safe and productive operations are a real differentiation for our organisation and I look forward to working with them again in FY2016 to deliver an even stronger outcome.

**Tony Caruso** Managing Director & CEO  
Mastermyne Group Limited



# Financial Performance

“While many companies in the sector are facing recapitalisation, Mastermyne continues to have a strong balance sheet. The company has generated good cash flow, providing dividends for our shareholders and allowing us the flexibility for a countercyclical acquisition”

## Income Statement

- Revenue of \$174m, up 1.3% (FY14: \$172m)
  - in line with guidance
- Statutory EBITDA of \$6.2m (FY14: \$12.2m)
- Underlying EBITDA of \$8.7 million (FY14: \$12.2m)
  - Underground division contributed with a strong result
  - Equipment utilisation continue to impact margins
- Statutory NPAT loss of \$4.5m (FY14: \$3.0m)
- Underlying NPAT of \$0.1m (FY14: \$2.6m)
- Final dividend of 1cps resulting in dividends of 2 cps for FY2015

## Summary Income Statement

(\$'000)	FY 2015	FY 2014	Change(%)
Total Revenue	174,195	171,977	1.3%
EBITDA	6,182	12,224	(49.4%)
EBITA	(1,141)	5,269	(121.6%)
Goodwill Impairment	(4,538)	-	
Gain on bargain purchase	2,221	-	
Profit before tax	(4,549)	3,935	(215.6%)
Tax (expense)/benefit	195	(943)	(120.7%)
Statutory Profit after tax	(4,354)	2,992	(245.5%)
Adjustments <sup>1</sup>	4,824	(353)	
Adjusted EBITDA	8,689	12,224	(28.9%)
Adjusted Profit after tax	99	2,639	(96.2%)
Adjusted EBITDA Margins	5.0%	7.1%	(2.1%)
EPS	(5.2)	3.9	(234.3%)
Adjusted EPS	0.1	3.4	(96.5%)
DPS	2.0	2.4	(16.7%)

<sup>1</sup> Adjustments are for non-operational related expenditure and include the following:

- Goodwill impairment of \$4.538 million;
- Acquisition, integration and restructuring costs of \$1.872 million;
- Gain on bargain purchase (\$2.221) million
- Significant one off tendering costs \$0.635 million

Not all of these expenses are deductible for tax purposes, resulting in a total after tax adjustment of \$4.453 million.



# Results Summary

## Balance Sheet

- Net Debt \$8.4 million post the DMS acquisition
- Loans and borrowings increased to fund the DMS acquisition
- Increase in deferred tax asset as a result of tax losses brought in with DMS acquisition

Balance Sheet		
\$AUD (000's)	Jun-15	Jun-14
<b>Assets</b>		
Cash and cash equivalents	8,723	8,810
Trade and other receivables	38,568	37,917
Inventories	3,002	2,742
Current tax asset	259	-
<b>Total current assets</b>	<b>50,552</b>	<b>49,469</b>
Deferred tax assets	7,146	-
Property, plant and equipment	29,070	27,732
Intangible assets	14,912	19,642
<b>Total non-current assets</b>	<b>51,128</b>	<b>47,374</b>
<b>Total assets</b>	<b>101,680</b>	<b>96,843</b>
<b>Liabilities</b>		
Trade and other payables	18,101	16,265
Loans and borrowings	4,363	5,102
Employee benefits	7,725	6,655
Current tax payable	-	10
<b>Total current liabilities</b>	<b>30,189</b>	<b>28,032</b>
Loans and borrowings	12,793	5,941
Employee benefits	197	145
Deferred tax liabilities	-	2,063
<b>Total non-current liabilities</b>	<b>12,990</b>	<b>8,149</b>
<b>Total liabilities</b>	<b>43,179</b>	<b>36,181</b>
<b>Net assets</b>	<b>58,501</b>	<b>60,662</b>

## FY2015 Working Capital and Cash Flow

- Generated \$7.1 million of operating cash flow
- Net Capex remained low at \$0.9 million
- Net borrowings of \$6 million to fund the DMS acquisition
- \$10.6 million cash component of DMS acquisition
- Committed debt repayments reducing into the future

FY2015 Working Capital and Cash Flow		
\$AUD (000's)	Jun-15	Jun-14
EBITDA (Statutory)	6,182	12,224
Movements in Working Capital	2,571	1,486
Non cash items	41	63
Net Interest Costs	(1,101)	(1,199)
Income tax payments	(558)	(1,907)
<b>Net Operating Cash Flow</b>	<b>7,135</b>	<b>10,667</b>
Proceeds from exercise of share options		146
Net Capex (includes intangibles)	(914)	(1,891)
Net borrowings/(repayments)	6,039	(7,130)
Interest Received	202	263
Acquisition of Subsidiary	(10,581)	
<b>Free Cash Flow</b>	<b>1,881</b>	<b>2,055</b>
Dividends	(1,968)	(3,468)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(87)</b>	<b>(1,413)</b>
Cash and cash equivalents at beginning of period	8,810	10,223
<b>Cash and cash equivalents at end of period</b>	<b>8,723</b>	<b>8,810</b>



# Board of Directors



**Colin Bloomfield**  
Non-executive Chairman

Colin brings to the Company over 27 years of mining experience in technical, operations, management and corporate roles.

Until recently Colin led BHP Billiton's Illawarra Coal Group as President Illawarra Coal, a role he was appointed to in 2004. He holds a First and Second Class Certificate of Competency in Mine Management and has managed underground coal mines in Australia. His former roles at BHP Billiton include Vice President: Health, Safety and Environment and Project Director for the BHP Billiton merger integration.

Colin has previous experience as a Director at the NSW Minerals Council for almost nine years including three as Chairman. He was also Chairman of Port Kembla Coal Terminal for over eight years. He is also a non-executive director with The Flagstaff Group.



**Anthony (Tony) Caruso**  
CEO & Managing Director

Tony was appointed CEO in 2005 and Managing Director in 2008. Tony has overall corporate responsibility for the Mastermyne Group. He has more than 20 years' experience in mining services working on major underground mining projects across QLD and NSW before moving into management roles. He has worked alongside several mining services contractors and has a comprehensive understanding of the sector. Tony's qualifications are a combination of a trade background with a degree in Business Management.

Tony's propensity for Project Management drives Mastermyne's focus for safe and productive projects. He is highly regarded for his innovative approach to solving complex issues and for actively turning issues into opportunities.

Known for being strategic as well as results-focused, Tony has presided over a period of significant growth in the Mastermyne business.



**Andrew Watts**  
Non-executive Director

Andrew co-founded Mastermyne in 1996 and has been involved in the mining services sector since 1994. Prior to moving to a board role, Andrew was directly responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO.

Andrew's detailed understanding of mining and construction projects has been an invaluable contribution in shaping Mastermyne's operating systems. This experience will be relied on as Mastermyne continues to grow and diversify its business.



**Gabriel (Gabe) Meena**  
Non-Executive Director  
(as of 15 September 2015)

Gabe brings to the Company over 30 years' experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Currently Mr Meena is General Manager Operations with Patrick Terminals.

Gabe has held senior operational and management roles with Bluescope Steel as General Manager Mills and Coating, Bluescope Steel China as President China Coated and BHP Collieries as General Manager of a number of coal mines. He brings a wealth of experience to Mastermyne from working across multiple sectors and his skill set is valuable in helping the Group grow the Mastertec Products and Services division across a number of sectors.



**Darren Hamblin**  
Non-executive Director

Darren co-founded Mastermyne in 1996 and has been involved in the mining industry since graduating as a Mechanical Engineer in 1991. Darren has a significant interest as a director, founder and major shareholder of Mastermyne.

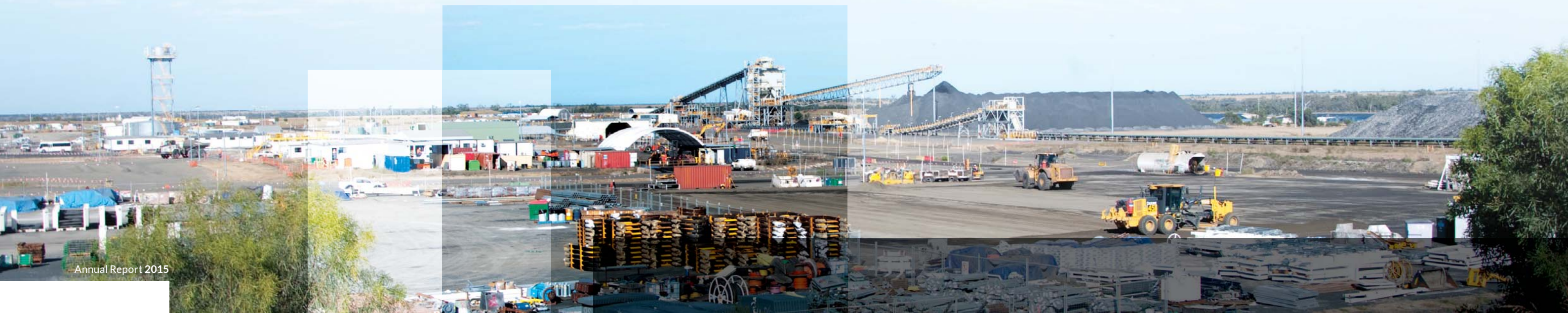
He has worked directly for mine owners as well as contractors in operations, planning and maintenance roles. In 2008 Darren became a non-executive Director and in 2014 he was appointed as Chairman until February 2015.



**James Wentworth**  
Non-executive Director

James is a highly regarded financial services executive with nearly 20 years' experience in mergers and acquisitions, structuring, arranging and securing finance, business strategy and board representation. James brings international experience and a background in the legal profession. He is currently Finance Director with ASX listed Finders Resources Ltd.

James has experience across the full investment lifecycle from strategy development, identification of opportunities, execution, management and exit. He specialises in sectors such as mining and mining services, private equity, growth-stage businesses, aviation and training.





# Corporate Overview

## Capital Structure

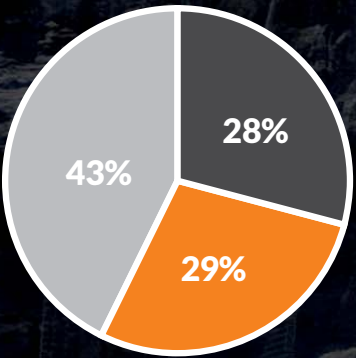
Share price as at 30 June (\$)	0.18
Shares on issue (m)	91.1
Market cap (\$m)	16.4
Net Debt as at 30 June 2014 (\$m)	8.4
Enterprise value (\$m)	24.8

## Board

Col Bloomfield	Non-executive Chairman
Anthony Caruso	Managing Director
Andrew Watts	Non-Executive Director
James Wentworth	Non-executive Director
Darren Hamblin	Non-executive Director
Gabriel Meena	Non-executive Director

## Substantial Shareholders (as of 25 September 2015)

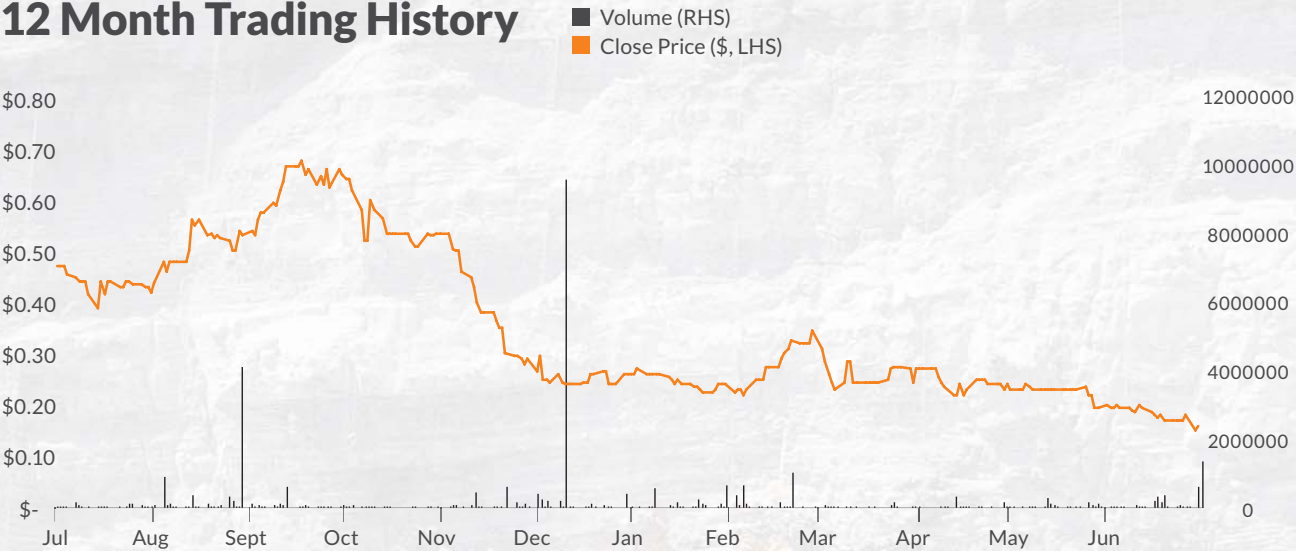
Andrew Watts	12,262,245
Kenneth Kamon	10,039,646
Darren Hamblin	9,702,658
Maui Capital	6,288,279
Paradise Investment Management	5,837,257
Boyles Asset Management	5,105,238



## Shareholder Composition

- Board & Management
- Institutional Investors
- Retail Investors

## 12 Month Trading History





# Mastermyne Group Structure

For the past 19 years **The Mastermyne Group Ltd** has been a leading provider of a range of specialist contracting services to the Mining sector.

The Company has grown through delivering a broad range of quality, competitive services to the underground mining sector and has an established presence in all major coal producing regions on the east coast of Australia. Today Mastermyne is listed on the ASX and employs in the region of 1000 people operating across mine sites and other locations both in Queensland and New South Wales.

During the first half the Company undertook the acquisition of a niche engineering and maintenance business, Diversified Mining Services (DMS), which was transacted on the 23rd of December 2014. The acquisition has diversified the Company's revenue streams through the range of services predominately targeted at above ground infrastructure in coal and other adjacent sectors. There are substantial synergies between the organisations resulting in increased tendering opportunities and we continue to explore the cross selling opportunities, as well as look for new tender opportunities.

On completion of the acquisition and integration of DMS, Mastermyne has rebranded its operations to now operate under two main business divisions – Mastermyne Mining Services and Mastertec Products and Services. Mastertec Products and Services Group integrates the services previously provided through DMS and incorporates the existing Mastermyne Services and Engineering divisions. This group comprises three project based divisions: Industrial and Maintenance - includes piping, protective coatings and access solutions; Fabrication and Machining - includes design, drafting and manufacture of high quality machined products, and Engineering and Technical - includes project scoping, design and management.

The acquisition of DMS supports the Company's strategy of expanding its services and to compliment and leverage from the very strong position that the Company has in the underground coal sector. The acquisition will also provide some diversification from coal and will leverage MYE to the forecast growth in ongoing maintenance works across a range of industries.

**The rebranded and expanded service offering now presents a compelling strategic position for the Mastermyne Group:**

- Diversification of services; providing growth opportunities.
- Enhances Mastermyne's current capabilities and specialities to existing customers.
- Provides a platform for Mastermyne to pursue new opportunities in maintenance.
- Low capital intensity.
- Synergy benefits.

**DMS seamlessly integrated ahead of schedule**

- \$3.5m in annualised savings achieved as per guidance
- Gain on bargain purchase of \$2.2 million
- \$26 million of unused tax losses available to the Mastermyne Group
- Further synergies expected as business develops.





# Operations Overview



Structure, Mechanical & Electrical



Access Solutions  
(Scaffolding & Rigging)



Protective Coatings (Blast & Paint)



Pipeline Services



Fabrication



Machining



Consumables



Engineering & Technical

## QLD

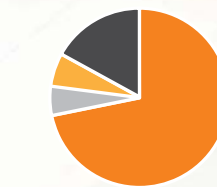
1. Dalrymple Bay Coal Terminal
2. Saraji Coal Mine
3. Peak Downs Mine
4. Hail Creek Mine
5. Blackwater Mine
6. Caval Ridge Mine
7. Goonyella – Riverside Mine
8. South Walker Creek Mine
9. Grosvenor Mine
10. Kestrel Mine
11. Fairbairn Dam
12. Moorvale Mine
13. Isaac Plains Mine
14. Norwich Park Mine
15. German Creek Mine
16. Middlemount Mine

## NSW

1. Wambo Mine



## Mastertec Operation Locations



## Work in hand

- Mastermyne Contracts
- Mastertec Contract
- Mastermyne Recurring
- Mastertec Recurring



Roadway Development



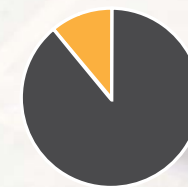
Conveyor Installations,  
Recoveries and Maintenance



Outbye services including  
maintenance works

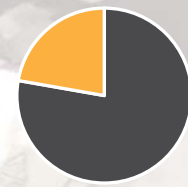


Project Management  
and Engineering Support



## Revenue by division FY2014

- Mastermyne Mining
- Mastertec



## Revenue by division FY2015

- Mastermyne Mining
- Mastertec



Longwall Relocations, Installations,  
Recoveries and Maintenance



Ventilation Control Device



In-seam Directional Drilling



Fleet

## QLD

1. Moranbah North Mine
2. Grasree Mine
3. Grosvenor Mine
4. Kestrel Mine
5. Crinum Mine
6. Broadmeadow Mine
7. Carborough Downs Mine

## NSW

1. Whitehaven Mine
2. Ulan West Mine
3. Austar Mine
4. Metropolitan Mine
5. Wambo Mine
6. Angus Place Mine
7. Appin Mine
8. Westcliff Mine
9. Dendrobium Mine



## Mastermyne Mining Operation Locations





# Mastermyne Mining

*“Mastermyne’s largest industry exposure is to the high quality metallurgical coal sector in Australia and despite the challenging conditions, this sector still enjoys significant competitive advantages”*

## Overview of Mastermyne Mining

Mastermyne Mining continues to maintain its market leading position in Queensland’s Bowen Basin and in the Illawarra and Hunter Valley regions. The majority of Mastermyne underground revenue continues to be driven from producing mines that have been in operation for long periods and operate in the bottom quartile of the cost curve. The underground division continues to have no exposure to construction or greenfield operations and as a result, the Company has generally been less impacted as our services are valuable to our clients throughout the cycle.

Mastermyne’s largest industry exposure is to the high quality metallurgical coal sector in Australia and despite the challenging conditions, this sector still enjoys significant competitive advantages. These include high quality resources, good infrastructure and proximity to the major markets in Asia and as a result Australian coking coal mines generally enjoy the most favourable position on the industry margin curve.

Whilst we are expecting FY2016 to remain challenging due to continuing low coal prices, we have a clear and well-articulated strategy which will focus on organic growth in the Mastermyne Division where winning market share through competitive tendering will be the priority but also continuing to build new revenue through partnerships with other companies and to deliver a wider range of services to the underground coal sector. The Company will also continue to peruse its strategy to become a coal mine operator.

At the completion of FY2015 the Group order book was \$359 million, with approx. \$124 million to be delivered in the FY2016. Recurring and purchase order work sits over and above this order book number. The tendering pipeline was \$1.99 billion at the end of the year and this was dominated by one major tender in the Galilee basin.

(\$'000)	FY15	FY14	Change(%)
Total Revenue	146,463	154,367	(5.1%)
Underlying EBITDA	10,165	11,880	(4.4%)
EBITDA margins	6.9%	7.7%	(0.8%)
Depn	(6,082)	(6,299)	(3.4%)
Underlying EBIT	4,083	5,581	(26.8%)



*“Our engineering and maintenance services position the division well to service a number of sectors adjacent to the coal sector and we remain committed to our long-term market growth strategy of underground and above ground activities in coal and outside of coal”*

## Overview of Mastertec Operations

Mastertec Products and Services Group integrates the services recently acquired and previously provided through Diversified Mining Services (DMS) and incorporates the existing Mastermyne Services and Engineering divisions. In the Mastertec Division we are continuing to build a brand and focus on both coal and non-coal sectors.

Our engineering and maintenance services position the division well to service a number of sectors adjacent to the coal sector and we remain committed to our long-term market growth strategy of underground and above ground activities in coal and outside of coal. We have successfully commenced tendering new markets including; sugar, marine, municipal and major infrastructure with a tender pipeline now in excess of \$26 million.

Since Mastertec’s launch a number of new strategic partnerships have been formed and the access solutions capabilities have expanded into Newcastle and Gladstone ports. The focus on winning new port infrastructure projects has progressed well evidenced by some initial work undertaken in the Gladstone region along with tendering on port maintenance in the Bowen region and the base now created in the Hunter region.

Work in the water infrastructure area has also increased during the period and similar to the underground division the forming of strategic partnerships has opened up several new markets and regions for the Mastertec division.

Mastertec’s Access Solutions team continued work on the long-term contract at Dalrymple Bay Coal Terminal (DBCT) providing access services across the port facility. We continue to expand our service offering on site through undertaking various blast and paint projects along with electrical and mechanical opportunities

Our Fabrication and Machining shops in Mackay, Rockhampton and Cardiff continued to support our mining clients throughout QLD and NSW with customised fabricated and machined items, repairs, overhauls and consumables. The Mastertec workshop in Gladstone is successfully producing custom high quality fabricated and machined items, servicing a non-mining client base including Boyne Smelters, Queensland Alumina and NRG Gladstone.



(\$'000)	FY15	FY14	Change(%)
Total Revenue	35,133	25,148	39.7%
Underlying EBITDA	936	431	117.2%
EBITDA margins	2.7%	1.7%	1.0%
Depn	(1,464)	(863)	69.7%
Underlying EBIT	(528)	(432)	(22.2%)



# Health, Safety, Environmental and Quality



### Overview

We remain committed to the principle that all workplace injuries can be prevented and our goal is to deliver safe projects and services. In FY2015 we completed 1,614,455 man-hours and completed the year with a Total Recordable Injury Frequency Rate of 4.34. This TRIFR was up from the previous corresponding period, which is attributed to merging of the DMS data and the Mastermyne data. Pleasingly since the integration of the businesses we have seen a downward trend in the frequency rates as a result of the significant work invested in safety management since the integration.

With the introduction of the new work streams the Company has undertaken extensive risk reviews to ensure that all newly identified risks are being adequately managed. The introduction of the new risks associated with the new business activities are well understood and controls are in place and operating.

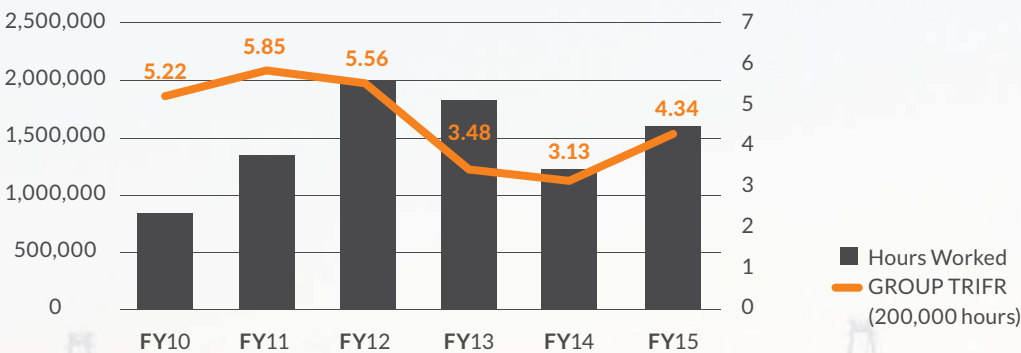
Over the next financial year, the Company will continue to focus on controls of critical risks and the development of the safety culture across the now expanded group.

### Compliance and accreditation

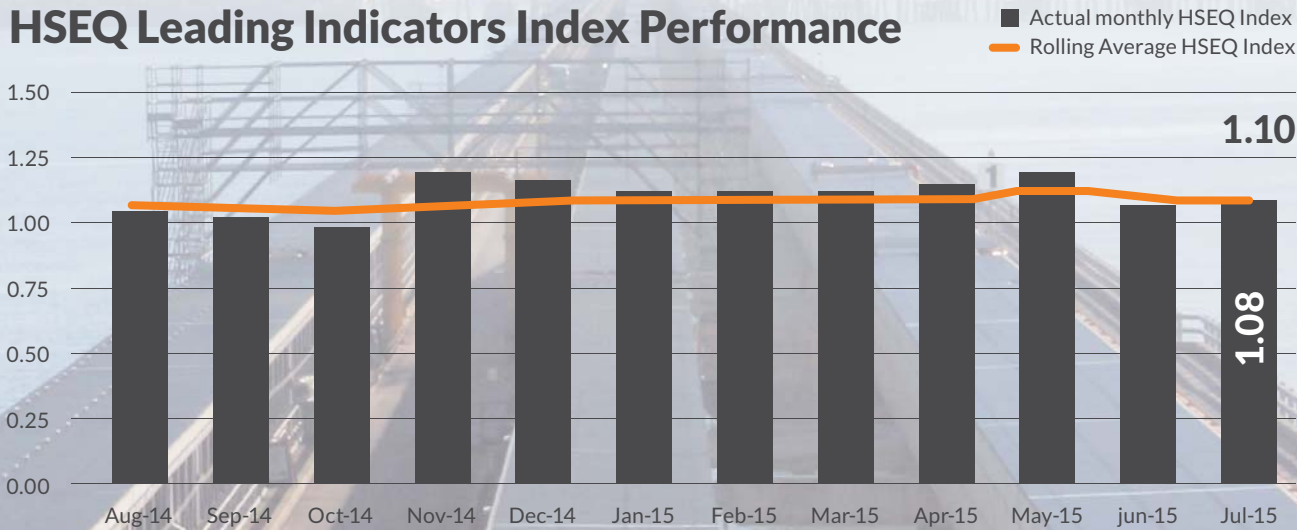
The Company has retained third-party accreditation to AS4801 Health and Safety and ISO14001 Environmental management systems, completing the annual audit in May/June with no major non-conformances.

During the year the Company also received ISO9001 Quality Management System certification across the entire group. In August FY16 we achieved ISO9001 certification across the entire Mastermyne Group business.

### Project hours worked and TRIFR



### HSEQ Leading Indicators Index Performance

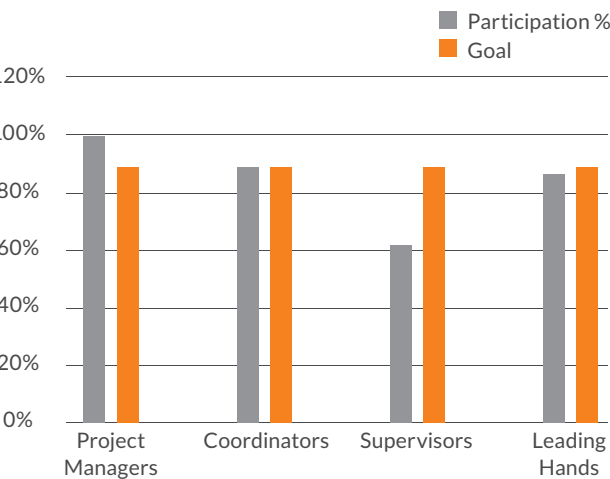


Mastermyne continue to operate with a ‘**Production focus, Safety Always**’ mindset.

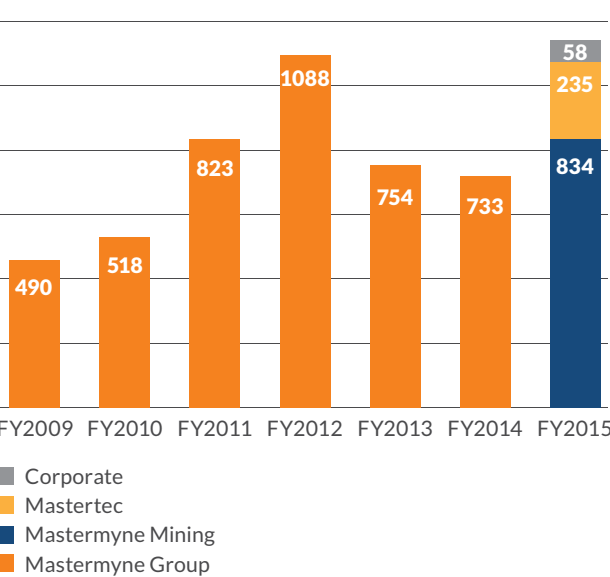


# Human Resources

## Professional Development Total participation (Mastermyne)



## Group Total Labour



### Overview

During the year the Company has experienced a high volume resourcing on new contracts. This required the mobilisation of 520 additional employees across the Group and resulted in the labour force peaking at 1127 FTE in June. The recruitment and mobilisation process has been modified to respond to the changing needs of the sector which is predominately to deliver labour for shorter duration projects and within very tight timeframes, without compromising the skill quality and fitness for work standard of our workforce.

The DMS acquisition saw the integration of more than 220 employees into the Group and the need to harmonise various employment and industrial relations platforms all of which was carefully planned and well executed. The major area attributed to the seamless integration of the workforce was a sound communication strategy for both new employees being integrated and the existing Mastermyne Group workforce.

With the introduction of the expanded workforce a strong focus was placed on ensuring that the strong Mastermyne culture was not diluted or eroded. The Company set out to define a clear set of Values to ensure that the principles the business was built on are maintained as we grow, and so any changes to our culture are positive. A mixed group of employees were involved in defining the values that have been communicated to both employees and clients. The values are:

- **Safety Always** - We are trained and competent to look after our environment, our workmates and ourselves, to ensure we all safely return to family and friends.
- **Proactive & Passionate** - Our team work together, are passionate about the business, are bold and encouraged to act, and take pride in what they do.
- **Delivering Customer Excellence** - We build strong relationships with our customers by providing a reliable service of the highest quality.
- **Innovation & Continuous Improvement** - We lead change to meet the needs of an evolving market and seek to improve what we do every day.

### Training & Development

Mastermyne maintained a strong focus on developing and building the capability of our leaders. 80% of our leaders participated in our Workforce Development Program many of whom have completed nationally accredited Certificate IV and Diploma programs, or under-graduation and post-graduate tertiary qualifications. As an Assessment component of the Group Development Programs, participants have created and implemented business improvement initiatives and innovations that've brought about cost reduction, safety or productivity improvements for Mastermyne or our clients; effectively meaning the investment in the training is self-funded.

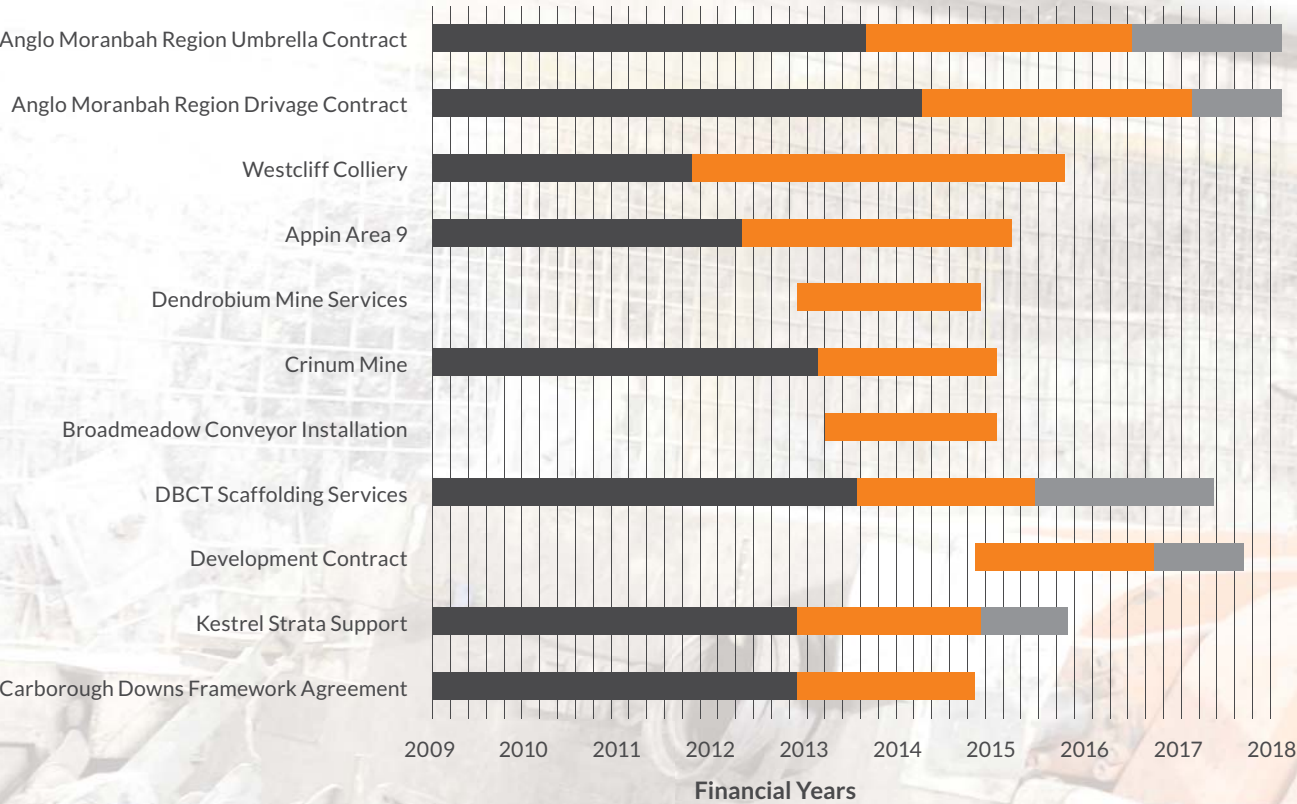
### Awards & Recognition

Mastermyne Group were finalists in three categories of the Resource Industry Network Chairman's Awards and won the "Standing out from the Crowd Award" (for demonstrating resilience and innovation within a changing market) and the "Leading from the Front Award" (an award recognising quality and innovative market relevant employee engagement strategies).



# Orderbook and Pipeline

## Orderbook




- Total Order Book - \$359 million (Work in hand)
- \$124 million to be delivered in FY2016 (excludes Mastertec recurring revenue)

■ Previous Contracts  
■ Current Contracts  
■ Option

## Pipeline

- Contract order book remains strong with \$359 million of work in hand with \$124 million to be delivered in FY2016 (excludes Mastertec recurring revenue)
- Total Group pipeline is \$1.99 billion (Mastertec Pipeline \$26m, Mastermyne Mining \$1.97 billion)
- Mastermyne Mining pipeline includes 3 substantial projects that make up 80% of the pipeline value
- Mastertec pipeline has increased significantly over the past 6 months and is expected to grow as the division expands
- Mastertec tendering new markets in sugar, marine, municipal and major infrastructure





# Mastermyne Group Limited and its Controlled Entities

ABN 96 142 490 579

Annual Report 30 June 2015

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# Corporate Governance Statement

The Company and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council (“Recommendations”) in the reporting period. These Recommendations are guidelines, designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive, but if a company considers that a recommendation should not be followed having regard to its own circumstances, the company has the flexibility not to follow it but in its Annual Report it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement (“Statement”) and the Company’s suite of corporate governance documents referred to in the Statement, and other relevant information for stakeholders, are displayed on the Company’s website [www.mastermyne.com.au](http://www.mastermyne.com.au). The Company has complied with the Recommendations, to the extent outlined in this Statement, throughout the year or as otherwise noted.

## 1.1 Scope of Responsibility of Board

Responsibility for the Company’s proper corporate governance rests with the Board. The Board’s guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Mastermyne Group’s Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders. The Board’s broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- oversight of the Company including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management’s performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

## 1.2 Composition of Board

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the Council’s guidelines.

The Board currently comprises six Directors as follows:

- Colin Bloomfield  
– Independent non-executive Chairman
- Darren Hamblin  
– Non-executive Director
- James Wentworth  
– Independent non-executive Director
- Andrew Watts  
– Non-executive Director
- Tony Caruso  
– Managing Director
- Gabriel Meena  
(appointed post reporting period on 15 September 2015)

Details of each Director’s qualifications, experience and expertise, their involvement in Board and committee meetings, and the period for which they have been in office, are set out in the Directors’ Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company’s annual general meeting.

The Board’s view is that an independent Director is a non-executive Director who does not have a relationship affecting independence on the basis set out in the Council’s guidelines. Subsequent to the reporting period the Company has appointed another independent non-executive director resulting in a total of 3 independent directors and 3 non-independent directors. Whilst this does not meet the council’s recommendation requiring a majority of independent Directors, the company believes the current skills & experience of the current board members is more important than independence at this time.

The Board periodically conducts a review of the skills and experience Directors to ensure they are appropriate for the Company’s activities. The results of the most recent review conducted in the last period are shown below having been updated for the appointment of Gabriel Meena.

Skill or Experience Requirement	Assessed Level
Governance	
Risk Management Systems	High
Financial Risk Management	High
Legal	Medium
Organisational	
Industrial Relations	High
Human Resource Management	Medium
Organisational Leadership	High
Remuneration	Medium
Health and Safety Management Systems	High
Quality Management Systems	Medium
Operations	
Underground Coal Production Activities	High
Underground Coal Infrastructure	Medium
Underground Coal Mine Management	Medium
Engineering Services	Medium
Project Management	High
Port Operations	Low
Heavy Industry (eg. Steel, Gas, Alumina, etc)	Low
Contract Management	High
Information Systems	Medium
Strategic	
Strategy Development	High
Business Planning and Execution	High
Mergers and Acquisitions	High
Valuation	Medium
Government Relations	Low
Stakeholder Management	High
Marketing	Medium

In each area assessed as “Low” the Board has at least one “subject matter expert” who the Board considers provides adequate coverage in the current circumstances. Where appropriate, external advice is sought to supplement Board skills and experience.

## 1.3 Board Charter

The Board has adopted a Board Charter to give formal recognition to the matters outlined above. This Charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of “independence” for the purposes of appointment of Directors;
- a framework for annual performance review and evaluation;
- approval of criteria for monitoring and evaluating the performance of senior executives;
- approving and monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company’s governing documents and Codes of Conduct;



1.3 Board Charter (continued)

- risk management – identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;
- establishment of Board committees: Audit & Risk Management Committee, Remuneration & Nomination Committee; and
- communications with Shareholders and the market.

These initiatives, together with other matters provided for in the Board Charter, are designed to promote good corporate governance and generally build a culture of best practice in Mastermyne Group's own internal practices and in its dealings with others.

1.4 Audit & Risk Management Committee

The Company has established this committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The committee comprises the following members:

- James Wentworth (Chair)
- Darren Hamblin
- Gabriel Meena

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- qualifications of committee members;
- review and approve and update internal audit and external audit plans;
- review financial reports or financial information, including such information as is to be distributed externally and where appropriate recommend these for Board approval;
- review the effectiveness of the compliance function;
- investigate any matter brought to its attention;
- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- review and approve accounting policies;
- report to the Board and make recommendations to the Board;
- periodically meet separately with management, internal auditors and external auditors to discuss:
  - the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor,

and manage business risk, and legal and ethical compliance programs;

- issues and concerns warranting audit and risk management committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement;
- corporate risk assessment and compliance with internal controls;
- assessment of the internal audit function and financial management processes supporting external reporting;
- review of the effectiveness of the external audit function;
- review of the performance and independence of the external auditors and make suggestions to the Board;
- review any significant legal matters and corporate legal reports;
- review areas of greatest compliance risk;
- assess the adequacy of external reporting for the needs of Shareholders; and
- monitor compliance with the Company's Codes of Conduct, risk management policies and compliance function.

Meetings are held often enough to undertake the Audit & Risk Management Committee's role effectively, being at least four times each year. The committee may invite such other persons to its meetings as it deems necessary

1.5 Remuneration & Nomination Committee

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executives and to oversee the remuneration framework for Directors and senior executives. The Board does not consider separate committees to cover these matters are warranted at this stage of the Company's evolution. The committee comprises the following members:

- Colin Bloomfield (Chair)
- Andrew Watts
- Gabriel Meena

Functions performed by the committee include the following:

- obtaining independent advice and making recommendations in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- reviewing the Company's recruitment, retention and termination policies;

- reviewing the Company's superannuation arrangements;
- reviewing succession plans of senior executives and Directors;
- recommending individuals for nomination as members of the Board and its committees;
- considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- monitoring the size and composition of the Board;
- development of suitable criteria (with regard to skills, qualifications and experience) for Board candidates, whose personal attributes should encompass relevant industry experience and/or sound commercial or financial background;
- identification and consideration of possible candidates, and recommendation to the Board accordingly;
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- ensuring the performance of each Director and of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board. A review has been carried out for the most recent reporting period.

The Remuneration & Nomination Committee will meet as often as necessary, but must meet at least twice a year.

1.6 Good Corporate Governance Commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Statement, which are designed to achieve this objective. Mastermyne Group's suite of corporate governance documents is intended to develop good corporate governance and, generally, to build a culture of best practice both in Mastermyne Group's own internal practices and in its dealings with others. The following are a tangible demonstration of Mastermyne Group's corporate governance commitment.

Independent Professional Advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Mastermyne Group.

Code of Conduct

Mastermyne Group has developed and adopted detailed Codes of Conduct to guide Directors, Senior Executives and employees in the performance of their duties.

Securities Trading Policy

Mastermyne Group has developed and adopted a formal Securities Trading Policy to regulate dealings in securities by Directors, key management personnel and other employees, and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice. The policy includes restrictions and clearance procedures in relation to when trading can and cannot occur during stated 'closed' and 'prohibited' periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated 'trading windows'. The Board will ensure that restrictions on dealings in securities are strictly enforced.

1.7 Compliance with the Asx Corporate Governance Council Recommendations

The Board has assessed the Company's current practices against the Recommendations and outlines its assessment below:

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described in this Statement and the Board Charter, and will continue to be refined, in accordance with the Recommendations, in light of practical experience gained in operating as a listed company.

Mastermyne ensures that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election, as a director. Information about a candidate standing for election or re-election as a director is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

Directors are provided with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company. The Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The processes for evaluating the performance of senior executives, the board and its committees and individual directors, are set out in the Board Charter, Audit & Risk Management Committee Charter and Remuneration & Nomination Committee Charter. All reviews have taken place in accordance with these charters. Mastermyne Group complies with the Recommendations in this area.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.



**Principle 2**  
**– Structure the board to add value**

The Board currently consists of six directors, including one executive Director. Profiles of each Director (other than Mr Gabriel Meena who was appointed after the reporting date) outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the 3 years immediately before the end of the financial year), experience and expertise, are set out in the Directors' Report.

Three Directors, Mr Colin Bloomfield, Mr Gabriel Meena and Mr James Wentworth, are independent (in terms of the criteria detailed in the Recommendations), giving the Board the benefit of independent and unfettered judgment. The other three Directors, comprising the two founders who are non-executive Directors and the Managing Director, are not independent.

The Board considers that a six person board is appropriate for a company with the size and growth profile of Mastermyne Group. It believes the skills and industry knowledge of the three non-independent Directors is beneficial in growing the Company and to assist with maintaining its current culture and focus. The Board further considers that to add additional independent directors at this time would increase the Board's size beyond an efficient working level. However, the Board may seek to add additional independent directors in the future and/or replace an existing non-independent Director.

There are procedures in place to allow Directors to seek, at Mastermyne Group's expense, independent advice concerning any aspect of Mastermyne Group's operations.

A Remuneration & Nomination Committee has been established with its own charter, as detailed above.

The Board is committed to a performance evaluation process, with a self-assessment evaluation being undertaken during each year.

**Principle 3**  
**– Promote ethical and responsible decision making**

The Board has adopted detailed Codes of Conduct to guide Directors, executives and employees in the performance of their duties.

The codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Recommendations.

The Company recognises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. So, the Board has approved a Diversity Policy which details the Company's approach to promoting a corporate culture that embraces diversity

when selecting and appointing its employees and Directors.

This policy outlines measurable objectives for achieving gender diversity throughout the Company over the longer-term, and progress towards achieving them has been assessed as follows:

- 5% of the organisation's employees are women
- 25% of Senior Executives are women
- 4 women are working in non-traditional roles
- 2 women on succession path for Senior Executive Roles
- equal pay has been achieved in all positions regardless of gender
- flexible working arrangements offered to facilitate family needs and return to work arrangements after maternity leave
- women's networking business functions are attended across all employee levels.
- At this stage there are no women on the Board as no suitable candidates have been identified. The Board considers the present number of Directors as appropriate for current and immediately foreseeable requirements.

**Principle 4**  
**– Safeguard integrity in financial reporting**

The Audit & Risk Management Committee, with its own charter, complies with the Recommendations. All the members of this committee are required to be financially literate.

**Principle 5**  
**– Make timely and balanced disclosure**

Mastermyne Group's current practice on disclosure is consistent with the Recommendations. Policies for compliance with ASX Listing Rule disclosure requirements are included in the Company's Board Charter and Continuous Disclosure Policy.

**Principle 6**  
**– Respect the rights of shareholders**

The Board recognises the importance of this principle and strives to communicate with Shareholders regularly and clearly, both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors are required to attend the annual general meeting and are available to answer Shareholder's questions relevant to the audit. Security holders are able to ask questions of the company or the auditors electronically as detailed in the company's notice of meeting. Security holders can also request to receive communications electronically via the Company's share registry Link Market Services.

As part of the Company's management of investor relations the CEO does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

The Company has not published a formal communications policy because it sees no need as its stated practices generally comply with the Recommendations, and it has covered a number of aspects of this principle in its Continuous Disclosure Policy, including in relation to briefings with investors and analysts.

**Principle 7**  
**– Recognise and manage risks**

The company operates under an enterprise wide risk management framework summarised in the risk management policy adopted by the board which can be found on the Company's website. The framework in place ensures the company identifies and keeps an up-to-date understanding of areas where it may expose itself to risk and implement effective management of those risks.

Oversight of the risk management framework is undertaken by the Audit and Risk Committee which assists the board in its oversight role by:

- the implementation and review of risk management and related internal control and compliance systems
- monitoring the companies policies and procedures, ensuring compliance with the relevant laws and company's code of conduct; and
- annual review of the risk management framework, to evaluate and continually look to improve the effectiveness of the Company's risk management and internal control processes. Such a review has been undertaken during the most recent reporting period

The Board considers that the Company does not currently have any material exposure to economic, environmental and social sustainability risks which require active management.

The Company does not have a separate internal audit function due to its relatively small size and less complex financial and organisational structures. The board does engage a third party annually to conduct forensic testing on the Company's internal controls.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Principle 8**  
**– Remunerate fairly and responsibly**

Remuneration of Directors and executives is fully disclosed in the Remuneration Report (contained in the Directors' Report) and any material changes with respect to key executives will be announced in accordance with continuous disclosure principles. In accordance with the Recommendations, the Remuneration & Nomination Committee has three non-executive Director members of which two are independent including its Chair, and the committee oversees the ambit of this principle.

The aggregate level of non-executive Directors' remuneration is currently set at \$300,000 approved on 22 March 2010 and any increase must be approved by shareholders. Non-executive Directors are not provided with any retirement benefits, other than statutory superannuation.



# Directors' report

## For the year ended 30 June 2015

The directors present their report together with the financial report of Mastermyne Group Limited ('the Company') and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2015 and the auditor's report thereon.

### 1. Directors

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

#### Mr C. Bloomfield

(appointed 6 March 2014,  
appointed Chairman 26 February 2015)

Independent Chairman

#### Experience and other directorships

Colin brings to the Company over 27 years of mining experience in technical, operations, management and corporate roles. Until recently, Mr Bloomfield led BHP Billiton's Illawarra Coal Group as President Illawarra Coal, a role he was appointed to in 2004. During his time as President Illawarra Coal, Mr Bloomfield oversaw a marked improvement in safety performance, steered Illawarra Coal towards growth and secured, with his team, a number of critically important approvals. He holds a First Class Certificate of Competency in Mine Management and has managed underground coal mines in Australia.

Colin's former roles include Vice President Health, Safety and Environment for BHP Billiton where he had global responsibility for the function. Previously he was Project Director for the BHP Billiton merger integration and a member of the BHP deal team for that transaction. In total he spent over five years working in various roles in BHP Billiton's corporate office.

Colin has previous experience as a Director at the NSW Minerals Council for almost nine years including three as Chairman. He was also Chairman of Port Kembla Coal Terminal for over eight years.

#### Special Responsibilities

Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

#### Mr D. Hamblin

(appointed 10 March 2010)  
- Bachelor of Engineering (Mechanical)

Non - executive Director

#### Experience and other directorships

Darren has been involved in the mining industry since graduating as a mechanical engineer in 1991. He has worked directly for mine owners as well as contractors in operations, planning and maintenance roles. Darren co-founded Mastermyne in 1996.

Following the appointment of Tony Caruso as CEO in 2005, Darren focused on developing Mastermyne's longer-term business strategies and systems. Darren became a non-executive Director in 2008.

#### Special Responsibilities

Member of the Audit and Risk Management Committee  
Chair of the Remuneration and Nomination Committee

#### Mr J. Wentworth

(appointed 30 March 2011)  
- Bachelor of Laws (Hons), Bachelor of Commerce

Non - executive Director (independent)

#### Experience and other directorships

James has been CFO of ASX listed Finders Resources Ltd since 2010. In that role he has managed the financing of the company's Wetar Copper Project. Prior to that, James had over 15 years' experience in financial services, including private equity transactions, acquisitions and integration, management and exit of investments, strategy development, structuring and finance. He has previously worked at Champ Ventures, Goldman Sachs and Macquarie Bank. He has international experience and a background in the legal profession.

#### Special Responsibilities

Chairman of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

#### Mr A. Watts

(appointed 10 March 2010)

Non - executive Director

#### Experience and other directorships

Andrew has been involved in contracting within the mining industry since 1994 and co-founded Mastermyne in 1996.

Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO in 2005. Andrew's current focus is on business development and acquisitions. Andrew relocated to Sydney in early 2010 to focus on the New South Wales market.

#### Mr A. Caruso

(appointed 10 March 2010)  
- Post Graduate Degree in Business Management

Managing Director

#### Experience and other directorships

Tony was appointed CEO of Mastermyne in 2005 and Managing Director in 2008 and has overall corporate responsibility for Mastermyne.

Tony has over 20 years experience in underground mine contracting services. Prior to joining Mastermyne, Tony was the General Manager of Allied Mining in Queensland and a consultant to the underground mining sector. He has a trade background plus a post graduate degree in Business Management and is a Fellow of the Australian Institute of Management.

### 2. Company secretary

Mr C Kneipp was appointed Joint Company Secretary of the Company on 24 August 2011 and appointed Sole Company Secretary on 26 February 2015. Chris has a Bachelor in Commerce, is a Certified Practicing Accountant and is a graduate of the Australian Institute of Company Directors. Chris has been with the Group since March 2006 and has over 11 years experience in the mining industry.

### 3. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B
Mr C. Bloomfield	15	15	4	4	4	4
Mr D. Hamblin	15	15	4	4	4	4
Mr J. Wentworth	15	15	4	4	4	4
Mr A. Watts	15	15	-	-	-	-
Mr A. Caruso	15	15	-	-	-	-

A - Number of meetings held during the time the director held office during the year  
B - Number of meetings attended



# 4. Operating and financial review

## Financial Overview

### Profit for the year

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$4.354 million for the year ended 30 June 2015, down on the previous corresponding period (net profit after tax for the year ended 30 June 2014 of \$2.992 million). The result included a non-cash goodwill impairment of \$4.538 million (2014:nil), a gain on bargain purchase of \$2.221 million (2014: nil) as a result of the acquisition of Diversified Mining Services Limited (DMS) and transaction costs associated with the acquisition of DMS of \$1.272 million (2014: nil). The impact of these items reduced the profit after tax by \$3.589 million.

The Group's revenues were up by 1.29% to \$174.195 million (2014: \$171.977 million) as a result of the six month's revenue contribution from the DMS acquisition. The remainder of the Group's revenue decreased on the previous corresponding period as a result of lower contracting activity. Profit margins have also decreased resulting from the lower contracting activity, lower equipment utilisation and contraction in margins due to the current market climate.

### Balance Sheet and Cash Flows

*The overall cash position remained steady during the year ended 30 June 2015 with a net decrease in cash and cash equivalents of \$0.087 million (2014: net decrease of \$1.413 million). Total cash flow movements were as follows:*

- net cash inflows from operating activities for the year were \$7.135 million (2014: net cash inflows of \$10.667 million), the reduction on last year is largely driven by decreased operating activity;
- net cash outflows from investing activities for the year of \$11.293 million (2014: net cash outflows of \$1.628 million), primarily as a result of the cash investment in DMS during the period of \$10.581 (2014: nil); and
- net cash inflows from financing activities for the year of \$4.071 million (2014: net cash outflows of \$10.452 million), resulting from increased borrowings associated with the acquisition of DMS of \$11.500 million (2014:nil), repayment of borrowings of \$5.461 million (2014: \$7.130 million), and paying dividends of \$1.968 million (2014: \$3.468 million).

The balance sheet remains strong with net debt increasing by \$6.200 million to \$8.433 million (2014: \$2.233 million), largely as a result of increasing total bank debt to \$17.156 million (2014: \$11.043 million) due to the DMS acquisition. The Group still maintains headroom in its current bank facilities with Equipment facility limits of \$15.000 million (\$2.965 million drawn) and working capital facilities of \$10.270 million (\$2.040 million drawn in bank guarantees).

### Operational Overview

FY2015 has seen a continuation of market conditions experienced in FY2014. Mine Operators have again focused on reducing costs and increasing productivity. The Mastermyne Group has continued to maintain a positive strategy with counter cyclic investment and a sensible targeted approach to tendering and winning work.

During the period the Company successfully integrated the DMS business into the Mastermyne Group. The integration led to the rebranding of the business into two divisions focused on underground and above ground activities. The underground activities remained badged as Mastermyne with the above ground activities badged as Mastertec. Both divisions continue to target recurring work linked to production activities as opposed to construction and one off projects. The integration was achieved ahead of schedule and seamlessly, with all cost synergies identified at the time of the acquisition implemented and realised.

The Mastermyne division continues to deliver strong results and maintains its strong market share. Over the period Mine Operators have remained focused on reducing cash costs and increasing production. This has resulted in increased short duration contracts and the use of labour hire models, where the mine is less dependent on the outcome, or the scope of the work is less complex to deliver. Mastermyne has focused its efforts on contracts that are more complex in scope or have greater influence and impact if not delivered to a standard and on time. Mastermyne continued to secure new contracts and expand and roll existing contracts.

The most recent new contract win is a roadway development project on a 2 year term, with further one year option which will employ approximately 60 full time staff. Overall employee numbers have increased in the second half to 703 in the Mastermyne division.

The Mastertec division has primarily been focused on executing the existing work and securing shutdown contracts that were expected to roll through in the second half of the year. Much of this forecast shutdown work did not occur until very late in the financial year and this division was mobilising on 2 shutdowns at year end. The rebranding to the Mastertec division has allowed the Company to develop a much clearer and focused strategic plan with the three project based income streams being Industrial and Maintenance (includes piping, protective coatings and access solutions); Fabrication and Machining (includes design, drafting and manufacture of high quality machined and fabricated products), and Engineering and Technical (includes project scoping, design and management).

The rebranded division has quickly gained traction in the market place and tendering activity has increased significantly under the new structure. Mastertec has also benefited from the leverage provided through the strong links and customer base in the underground division. This has already opened up several new tendering opportunities as well as new opportunities with new

customers. The focus on winning new port infrastructure projects has progressed well evidenced by some initial work undertaken in the Gladstone region, tendering on a port maintenance contract in the Bowen region and a base now created in the Hunter region. Work in the water area has also increased substantially during the period and similar to the underground division the forming of strategic partnerships has opened up several new markets and regions for the Mastertec division.

Both Mastermyne and Mastertec have continued the focus on safety in the second half. The integration of the DMS business saw the statistics increase slightly but pleasingly lagging indicators have been trending down since the integration of DMS into the Mastermyne Group. The Mastertec division has introduced new risks to the Mastermyne Group that didn't exist previously but the Company has worked diligently to understand these risks and ensure the appropriate controls are now in place. Over the next financial year the Company will continue to focus on controls of critical risks and the development of the safety culture across the now expanded group.

At the completion of the FY2015 year the Group order book is \$359 million, with approx. \$124 million to be delivered in the FY2016. Recurring and purchase order work sits over and above this order book number.

The significant operational highlights for the financial year include:

- Group revenue \$174.195 million (2014: \$171.977)
- Net loss after tax of \$4.354 million (net profit after tax for the year ended 30 June 2014 of \$2.992 million)
- Net cash inflows from operating activities for the year were \$7.135 million
- Net debt \$8.433 million after DMS acquisition
- Successful integration and rebranding of DMS Business
- Mastermyne Division mobilised new 2+1 roadway development contract
- Group Order Book at financial year end \$359 million with \$124 million to be delivered in the FY2016 (excludes recurring and purchase order work)
- Tendering Pipeline at \$1.7 billion

### Outlook

The outlook moving into FY2016 remains unchanged with coal prices continuing to drive ongoing focus on reducing costs and increasing production. The project pipelines for the two divisions are distinctly different with the Mastermyne pipeline made up from larger longer-term tenders, and the Mastertec pipeline made up from a larger quantity of smaller shorter-duration projects as well as the jobbing style recurring revenue generated through the workshops. The pipeline for the Mastermyne business is headlined by a small number of very large projects, which have a high degree of uncertainty. The traditional tendering opportunities in the Mastermyne business have been replaced with shorter-term labour supply

tenders. The Mastertec pipeline remains active with strong visibility over the short-term. This driver in this pipeline is the increased activity in the maintenance area. This is expected to continue through FY2016 as deferred maintenance is carried out over the next 12 to 24 months. The Mastertec pipeline will also benefit from the addition of new services, new sectors and a larger footprint.

The Company has a clear and well-articulated strategy, which will focus on organic growth in the Mastermyne Division, where winning market share through competitive tendering will be the priority but also continuing to build new revenue through partnerships with other companies to deliver a wider range of services to the underground coal sector. The Company will also continue with its strategy to become a coal mine operator. The Mastertec Division will continue to build its brand in the market place and focus on both coal and non coal sectors. The engineering and maintenance services, provided by Mastertec, position the division well to service a number of sectors adjacent to the coal sector. The Company remains committed to our long-term market growth strategy, which is based around underground and above ground activities in coal and outside of coal.



5. Remuneration report

5.1 Principles of remuneration - audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives listed below.

- Mr C. Kneipp, Chief Financial Officer (appointed 20 March 2006)
- Ms V. Gayton, Executive General Manager Human Resources (appointed 11 August 2010)
- Ms B. Jooste, Executive General Manager HSEQ (appointed 14 June 2011)
- Mr D. Sykes, Executive General Manager Mastermyne (appointed 24 April 2012)
- Mr N. O'Hare, General Manager Engineering (appointed 26 May 2014, resigned 9 November 2014)
- Mr J. Sleeman, General Manager Services (appointed 25 November 2013, resigned 17 October 2014)
- Mr P. Mills, Executive General Manager Mastertec (appointed 29 September 2014)

Compensation levels for Key Management Personnel (KMP) of the Group are competitively set to attract, retain and motivate appropriately qualified and experienced directors and executives. The remuneration committee obtains independent data on the appropriateness of remuneration packages of the Group given trends in comparative companies and sectors both locally and nationally and the objectives of the Company's compensation strategy.

The remuneration structures of the group are designed to attract and reward suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures consist of both a fixed and variable component, designed around KPI's aligned with the short and long-term strategic objectives of the Group. Remuneration structures reflect:

- the capability and experience of the key management personnel;
- the Key Management Personnel's ability to control the relevant segment/s' performance; and
- the recognition of the Key Management Personnel's contribution to the Group's performance.

In addition to their salaries, the Group also provides non-cash benefits to its KMP, and contributes to a post-employment defined contribution superannuation plan on their behalf. The reviews are conducted under the terms of reference set down for the Remuneration and Nomination Committee (RNC).

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels of the CEO/Managing Director are reviewed annually by the RNC through a process that considers individual, segment and overall performance of the Group. In addition, external data is provided for analysis of KMP's remuneration to ensure it remains competitive by benchmarking against the market place. The Chairman of the RNC sources data independently of management from appropriate independent advisors. For other key executive management, the CEO/Managing Director will submit recommendations to the RNC along with relevant supporting data and externally independent comparative information. A senior executive's compensation may also be reviewed upon promotion or in line with movements in the market place during the period.

Performance linked remuneration

Non-executive Directors are not eligible to participate in performance linked remuneration of either a short or long-term nature.

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward KMP for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash.

Short-term incentive bonus

The Mastermyne short-term incentive plan was introduced as a structured incentive to reward Key Management Personnel's (KMP) performance against predetermined KPIs. The KPIs include measures aligned with the strategic objectives of the Group, with specific measures (normally 5 or 6) for individual performance, group performance and underlying performance of the relevant segment. The measures are chosen to align the individual's reward to the strategic goals of the Group.

The financial performance objectives may vary by individual and are broadly based on profitability compared to budgeted amounts approved by the board each year. The non-financial objectives vary dependent upon position and responsibility and are aligned with the measures and targets set to achieve the strategic objectives of the group on an annual basis. STI payments must be self-funding.

At the end of the financial year the RNC assess the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. Payment of individual bonuses is based on the assessment of the RNC with recommendations from the Managing Director (for employees other than the Managing Director) taking into consideration the overall performance of the individual for the period.

The Managing Director's STI bonus is set by the Board based on assessment of his/her performance against agreed KPIs as assessed by the RNC and recommended to the Board. In all cases, the Board retains the discretion not to pay any STI; the Board also has the discretion to modify (down or up) payments based on recommendations from the RNC.

Long-term incentive

An Employee Performance Rights Plan was adopted by the Board on 22 March 2010 and the plan was activated by resolution of the Board as of 1 July 2010. The purpose of the Employee Performance Rights Plan is to attract, motivate and retain executives, encouraging individuals to participate in the Company through ownership of shares. The objective is to improve Mastermyne's performance by aligning the interests to those of the shareholders and the Group.

The Managing Director was issued 1,050,000 performance rights during the financial period ending 30 June 2013, which vest in three tranches at 30 June 2014, 30 June 2015 and 30 June 2016. The grant of these rights was made in accordance with the Company's Employee Rights Plan voted upon by shareholders at the 2010 AGM, with specific details to the issue of these rights voted upon by shareholders at the 2012 AGM. The ability to exercise the rights is conditional on the Group meeting its performance hurdles.

The performance hurdles for the vesting of the rights are as set out below, and are in both cases, subject to the Managing Director continuing to be employed by the Group on the relevant vesting dates:

- Total Shareholder Return (TSR) Performance Criteria: The performance right subject to the TSR relative ranking performance condition will wholly vest if Mastermyne's TSR Ranking over the performance period (i.e. 1 July 2013 to 30 June 2014, 30 June 2015 and 30 June 2016) is at least in the top 20th percentile. If the TSR relative ranking performance condition is between the 20th and 40th percentile of S&P ASX 300, 50% of rights will vest. Below this range no rights will vest. The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation as it includes share price growth, dividends and other capital adjustments. FY2014 and FY2015 rights are subject to non-lapse provisions, which dictate that if the respective hurdle is not met at the initial test date, they are eligible for re-tests at the following test dates (30 June 2015 and 30 June 2016 for FY 2014, 30 June 2016 for FY2015). The TSR rights represent 70% of the total performance rights.
- Earnings Per Share (EPS) Performance Criteria: The performance right subject to the EPS relative ranking performance condition will wholly vest if Mastermyne's EPS growth ranking relative to the S&P ASX 300 accumulation index over the performance period (i.e. 1 July 2013 to 30 June 2014, 30 June 2015 and 30 June 2016) is at least in the top 20th percentile. If the EPS growth ranking is between the top 20th and 35th percentile of S&P ASX 300, 50% of rights will vest. Below this range no rights will vest. EPS will be calculated on the basis of basic earnings per share in accordance with Accounting Standard AASB 133 Earnings per share. EPS growth compared to other companies was chosen as it is a good indicator of the Company's growth in earnings and is aligned to shareholder wealth objectives. FY2014 and FY2015 rights are subject to non-lapse provisions which dictate that if the respective hurdle is not met at the initial test date, they are eligible for re-tests at the following test dates (30 June 2015 and 30 June 2016 for FY 2014, 30 June 2016 for FY2015).The EPS rights represent 30% of the total performance rights.

Short-term and long-term incentive structure

The RNC considers that the above performance-linked compensation structures will achieve the objectives of attracting, retaining and motivating suitably experienced executives. In the current year the financial linked targets representing a minimum of 50% of each KMP performance criteria were adversely affected by the slow down in the coal sector, resulting in no short-term incentives being approved by the Board.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholders wealth, the RNC have regard to the following indices in respect of the current financial year and the previous four financial years.

	2015	2014	2013	2012	2011
Profit attributable to owners of the Company	\$(4,376,000)	\$2,963,000	\$11,514,000	\$14,664,000	\$11,742,000
Dividends paid	\$1,968,121	\$3,468,406	\$6,105,000	\$5,050,000	\$2,636,000
Change in share price	-65%	-35%	-67%	48%	42%
Return on capital employed	-6.28%	8.08%	29.66%	45.60%	34.99%

Profit is considered as one of the financial performance targets in setting the STI. Profit amounts for 2011 to 2015 have been calculated in accordance with Australian Accounting Standards (AASBs).



5.1 Principles of remuneration - audited (continued)

The overall level of KMP compensation takes into account the performance of the Group over a number of years. Over the past two years, the Group's profit margins have declined as a result of reduced equipment utilisation, as detailed in section 4 of the Directors' Report, resulting in profit from ordinary activities after income tax declining at a compound annual rate of -28.95% for the 4 years to June 2014. The declining equipment utilisation coupled with an impairment of Goodwill and acquisition costs, as detailed in section 4 of the Directors' Report, has resulted in a loss from ordinary activities after income tax in the current year. However, Group revenue over the past four years, driven by increased contracting activity, has grown at a compound annual growth rate of 1.39%. During the same period, compound annual growth of Key Management Personnel compensation was 0.84%.

Other benefits

Key Management Personnel can receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicle benefits, and the Company pays fringe benefits tax on these benefits.

Executive Service Agreements

The RNC recommends Group remuneration policies for Key Management Personnel. The committee focuses mainly on the CEO's remuneration but reviews agreements made with other KMP. In recommending the CEO remuneration package, the RNC takes advice from independent advisors in executive and non-executive remuneration as noted below.

The Group has entered into service agreements with each key management person that are capable of termination on 3 month's notice. The Group retains the right to terminate an agreement immediately by making payment equal to 3 month's pay in lieu of notice. The CEO/ Managing Director's contract has no fixed term and is capable of termination on 9 month's notice.

Key Management Personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave, long service leave and sick leave, together with any superannuation benefits. Non-executive Directors are not eligible for annual leave, long service leave nor sick leave, although they may be granted leave of absence in specific circumstances.

The service agreements outline the components of remuneration paid to the Key Management Personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the RNC and take into consideration any change in the scope of the role performed by the senior executive or with any changes made to the remuneration policy during the period. Remuneration is benchmarked against the external market place with the objective to ensure senior

executives are rewarded equitably by reference to their individual performance and the Group's overall performance.

Services from remuneration consultants

In the current year the RNC relied upon data provided by McDonald & Company Australasia (McDonald) with some detailed analysis of remuneration circumstances in Mastermyne. No specific recommendations were sought on director or KMP remuneration due to the Board's view that market circumstances were too fluid to allow historical information to provide a useful guide to appropriate remuneration levels.

During the year McDonald's was paid a total of \$0 for analytical data, reports on Mastermyne KMP and director remuneration, and a total of \$7,150 for all other services.

Directors' Fees

As with the Executives, remuneration of non-executive directors (NED) for the current period was reviewed based on comparative roles in the market place, with no changes recommended to the current levels of remuneration previously stated as follows:

- Chairman of the Board and the remuneration and Nomination Committee \$93,468 per annum
- NED and Chair of Audit and Risk Committee \$54,250 per annum
- NED with no chair responsibilities \$52,456 per annum

In future years, the aggregate remuneration of non executive directors will be an amount determined by the shareholders from time to time in the annual general meeting. The fees will be divided between directors in proportions agreed to from time to time by the total Board. Given the diversification of the Group's revenue base following the purchase of Diversified Mining Services Ltd, the Board is actively recruiting for a non executive director with skills aligned to new industries representing new growth opportunities. This may lead to an increase to the current limit based on the remuneration levels set above.

5.2 Directors' and executive officers' remuneration - audited

Details of the nature and amount of each major element of remuneration of each director of the company and other key management personnel of the consolidated entity are:

2015	Short-term				Post-Employment		Share based payments		
in AUD	Salary & Fees (\$)	STI cash bonus (\$)	Non-monetary benefits	Total (\$)	Super-annuation Benefits (\$)	Termination Benefits (\$)	Rights (\$)	Total (\$)	Proportion of remuneration performance related (%)
Non -executive directors									
Mr C Bloomfield	59,924	-	-	59,924	5,693	-	-	65,617	0.00%
Mr D Hamblin	50,875	-	-	50,875	4,833	-	-	55,708	0.00%
Mr A Watts	44,555	-	-	44,555	4,233	-	-	48,788	0.00%
Mr J Wentworth	54,250	-	-	54,250	-	-	-	54,250	0.00%
Executive Directors									
Mr A Caruso	347,004	-	19,500	366,504	27,697	-	35,307	429,508	8.22%
Executives									
Mr C Kneipp	221,840	-	19,500	241,340	23,196	-	-	264,536	0.00%
Mr D Sykes	304,837	-	-	304,837	30,067	-	-	334,904	0.00%
Mrs B Jooste	169,749	-	19,500	189,249	18,501	-	-	207,750	0.00%
Mr P Mills	119,597	-	-	119,597	10,791	-	-	130,388	0.00%
Ms V Gayton	168,286	-	-	168,286	17,855	-	-	186,141	0.00%
Mr N O'Hare	92,877	-	-	92,877	7,631	8,032	-	108,540	0.00%
Mr J Sleeman	65,784	-	-	65,784	7,235	20,769	-	93,788	0.00%
Totals	1,699,578	-	58,500	1,758,078	157,732	28,801	35,307	1,979,918	

Notes in relation to the 2015 tables of directors' and executive officers' remuneration

- Mr C Bloomfield was appointed Chairman on 26 February 2015
- Mr P Mills was appointed Executive General Manager Mastertec 29 September 2014
- Mr N O'Hare resigned as General Manager Engineering on 9 November 2014
- Mr J Sleeman resigned as General Manager Services on 17 October 2014
- No short-term incentive bonuses were awarded in the current financial year. The short-term incentive bonus is for performance during the respective financial year. The amount was finally determined on 13 August 2015 after performance reviews were completed and approved by the RNC.
- The fair value of the rights is calculated at the date of grant using a binomial and Monte Carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.



## 5.2 Directors' and executive officers' remuneration - audited (continued)

2014	Short-term				Post-Employment	Termination Benefits (\$)	Share based payments	Total (\$)	Proportion of remuneration performance related (%)
in AUD	Salary & Fees (\$)	STI cash bonus (\$)	Non-monetary benefits	Total (\$)	Super-annuation Benefits (\$)		Rights (\$)		
Non -executive directors									
Mr P Slaughter	36,957	-	-	36,957	3,419	-	-	40,376	0.00%
Mr D Hamblin	49,898	-	-	49,898	4,616	-	-	54,514	0.00%
Mr C Bloomfield	13,327	-	-	13,327	1,233	-	-	14,560	0.00%
Mr J Wentworth	54,250	-	-	54,250	-	-	-	54,250	0.00%
Executive Directors									
Mr A Watts	150,182	-	-	150,182	13,892	-	-	164,074	0.00%
Mr A Caruso	343,181	25,000	15,000	383,181	27,648	-	63,428	474,257	18.65%
Executives									
Mr A Purse	28,410	-	1,932	30,342	2,462	75,213	-	108,017	0.00%
Mr N O'Hare	21,489	-	1,438	22,927	1,857	-	-	24,784	0.00%
Mr D Fitzpatrick	123,877	-	-	123,877	16,074	90,425	-	230,376	0.00%
Mr C Kneipp	221,458	25,000	15,000	261,458	22,709	-	8,400	292,567	11.42%
Ms V Gayton	165,051	25,000	-	190,051	17,321	-	5,040	212,412	14.14%
Mrs B Jooste	166,528	25,000	15,000	206,528	18,175	-	5,616	230,319	13.29%
MR J Stuart-Robertson	117,452	-	15,000	132,452	1,472	40,246	-	174,170	0.00%
Mr D Sykes	302,082	25,000	-	327,082	29,354	-	15,960	372,396	11.00%
Mr K Lonergan	83,613	-	-	83,613	7,396	13,608	-	104,617	0.00%
Mr J Sleeman	101,770	-	-	101,770	9,414	-	-	111,184	0.00%
<b>Totals</b>	<b>1,979,524</b>	<b>125,000</b>	<b>63,370</b>	<b>2,167,894</b>	<b>177,041</b>	<b>219,492</b>	<b>98,444</b>	<b>2,662,873</b>	

Notes in relation to the 2014 tables of directors' and executive officers' remuneration - audited

- Mr P Slaughter retired as Chairman on 25 November 2013
- Mr D Hamblin was appointed Chairman on 25 November 2013
- Mr C Bloomfield was appointed Non Executive Director on 6 March 2014
- Mr J Stuart-Robertson terminated as Chief Operating Officer on 17 July 2013
- Mr A Purse terminated as General Manager Technical Services on 16 August 2013
- Mr D Fitzpatrick terminated as General Manager Engineering on 7 February 2014
- Mr N O'Hare was appointed as General Manager Engineering on 26 May 2014
- Mr K Lonergan terminated as General Manager Services on 13 December 2013
- Mr J Sleeman was appointed as General Manager Services on 25 November 2013
- The short-term incentive bonus is for performance during the respective financial year. The amount was finally determined on 29 July 2014 after performance reviews were completed and approved by the RNC.
- The fair value of the rights is calculated at the date of grant using a binomial monte carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.

## 5.3 Analysis of bonuses included in remuneration - audited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Group and other Key Management Personnel are detailed below.

	Included in remuneration \$ (A)	% vested in year	% forfeited in year (B)
Directors			
Mr A. Caruso	-	0.0%	100.0%
Executives			
Mr C Kneipp	-	0.0%	100.0%
Mr D Sykes	-	0.0%	100.0%
Mrs B Jooste	-	0.0%	100.0%
Mr P Mills	-	0.0%	100.0%
Ms V Gayton	-	0.0%	100.0%

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2015 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

## 5.4 Equity Instruments - audited

All rights refer to rights to acquire one ordinary share of Mastermyne Group Limited, which upon exercise are exchangeable on a one-for-one basis.

### 5.4.1 Rights over equity instruments granted as compensation - audited

No rights were granted as compensation to any key management person during the reporting period.

No rights have been granted since the end of the financial year.

### 5.4.2 Modification of terms of equity-settled share-based payments transactions - audited

No terms of equity-settled share-based payment transactions (including rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

### 5.4.3 Exercise of rights granted as compensation - audited

During the reporting period no shares were issued on the exercise of rights previously granted as compensation

### 5.4.4 Analysis of rights over equity instruments granted as compensation - audited

Details of vesting profiles of the rights granted as remuneration to each key management person of the Group are detailed below.

Executives	Number of rights granted	Grant date	% vested in year	% forfeited in year	Financial year in which grant vests	Rights Tranche
Mr A.Caruso	245,000	26/11/2012	0%	0%	2016	FY2014 TSR
Mr A.Caruso	245,000	26/11/2012	0%	0%	2016	FY2015 TSR
Mr A.Caruso	245,000	26/11/2012	0%	0%	2016	FY2016 TSR
Mr A.Caruso	105,000	26/11/2012	0%	0%	2016	FY2014 EPS
Mr A.Caruso	105,000	26/11/2012	0%	0%	2016	FY2015 EPS
Mr A.Caruso	105,000	26/11/2012	0%	0%	2016	FY2016 EPS

### 5.4.5 Analysis of movements in rights - audited

During the period there was no movement in performance rights either granted, exercised or lapsed.



5.4.6 Rights over equity instruments - audited

The movement during the reporting period in the number of rights exchangeable for ordinary shares in Mastermyne Group Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

Rights in Mastermyne Group Limited								
	Held at 1 July 2014	Granted as compensation	Exercised	Forfeited or Lapsed During the Year	Held at 30 June 2015	Vested and exerciseable at 1 July 2014	Lapsed or Exercised during the year	Vested and exerciseable at 30 June 2015
Directors	1,050,000	-	-	-	1,050,000	-	-	-
Mr A. Caruso								

5.5 Key Management Personnel Transactions - audited

5.5.1 Individual directors and executives compensation disclosures - audited

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors’ interests existing at year-end.

5.5.2 Loans to key management personnel - audited

No loans were made, guaranteed or secured by the Company to key management personnel for the year.

5.5.3 Key management personnel and director transactions - audited

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key managements persons related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction value year ended 30 June (in AUD)		Balance outstanding as at 30 June (in AUD)		
Transaction	Note	2015	2014	2015	2014	
Andrew Watts - Watty Pty Ltd	(i)	255,536	255,536	-	-	(i) The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
Andrew Watts - Watty Pty Ltd	(ii)	276,096	276,096	-	-	(ii) The Group is paying for leasehold improvements made by Watty Pty Ltd to the premises at 45 River Street, Mackay which is owned by Non - executive Director, Andrew Watts through his company Watty Pty Ltd.
Andrew Watts - Watty Pty Ltd	(iii)	93,600	93,600	-	-	(iii) The Group rents a duplex at 56 Grosvenor Drive, Moranbah which is owned by Non - executive Director, Andrew Watts through his company Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
Andrew Watts - Two Dots Ltd	(iv)	-	39,850	-	-	(iv) The Group rented machinery storage and laydown area at Christensen's Road, Sandy Creek which is owned by Andrew Watts through his company Two Dots Pty Ltd. Amounts paid for rent were at arm's length and were due and payable under normal payment terms. This rental agreement was ceased as at 31 May 2014.
		625,232	665,082	-	-	

From time to time key management personnel and directors of the Group, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

5.5.4 Movements in shares - audited

The movement during the reporting period in the number of ordinary shares in Mastermyne Group Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

Shares in Mastermyne Group Limited					
	Shares held at 30 June 2014	Purchases	Received on exercise of options	Sales	Shares held at 30 June 2015
Directors					
Mr C. Bloomfield	-	100,000	-	-	100,000
Mr D. Hamblin	9,702,658	-	-	-	9,702,658
Mr A. Watts	11,262,245	-	-	-	11,262,245
Mr A. Caruso	1,419,693	-	-	-	1,419,693
Executives					
Ms V. Gayton	13,366	-	-	-	13,366
Ms B. Jooste	30,000	-	-	-	30,000

6. Principal activities

The principal activities of the Group during the course of the financial year were to provide contracting services to the underground long wall mining operations and industrial products and services in the coalfields and supporting industries of Queensland's Bowen Basin and New South Wales.

Significant changes in the state of affairs

There have not been any significant changes in the state of affairs of the Group for the financial year ended 30 June 2015.

7. Environmental regulation

The Group is subject to various environmental regulations under both Commonwealth and State legislation in relation to its involvement in the operation of mines.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

8. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	\$ per share	Total amount \$'000s	Franked/unfranked	Date of payment
Declared and paid during the year 2015				
2014 Ordinary - Ordinary Shares Final Dividend	0.014	1,057	Franked	16/10/14
2015 Ordinary - Ordinary Shares Interim Dividend	0.010	911	Franked	2/04/15
Total amount		1,968		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

After balance sheet date a dividend of 1.0 cents per share was declared with a record date of 25 September 2015, and payment date of 15 October 2015.



9. Events subsequent to reporting date

Subsequent to year-end the directors declared a dividend of 1.0 cents per share as per the details set out in note 20 of the annual financial report.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years

10. Likely developments

The outlook moving into FY2016 remains unchanged with coal prices continuing to drive ongoing focus on reducing costs and increasing production. The project pipelines for the two divisions are distinctly different with the Mastermyne pipeline made up from larger longer-term tenders and the Mastertec pipeline made up from a larger quantity of smaller-shorter duration projects as well as the jobbing style recurring revenue generated through the workshops. The pipeline for the Mastermyne business is headlined by a small number of very large projects, which have a high degree of uncertainty. The traditional tendering opportunities in the Mastermyne business have been replaced with shorter-term labour supply tenders. The Mastertec pipeline remains active with strong visibility over the short-term. This driver in this pipeline is the increased activity in the maintenance area. This is expected to continue through FY2016 as deferred maintenance is carried out over the next 12 to 24 months. The Mastertec pipeline will also benefit from the addition of new services, new sectors and a larger footprint.

Further information about likely developments in the operations of the Group, and the expected results of those operations in future financial years, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

11. Directors’ interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group, as notified by the directors to the

Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Mastermyne Group Limited		
	Ordinary shares	Options and Rights over ordinary shares
Mr C. Bloomfield	100,000	-
Mr J. Wentworth	-	-
Mr D. Hamblin	9,702,658	-
Mr A. Watts	11,262,245	-
Mr A. Caruso	1,419,693	1,050,000

12. Share options

Unissued shares under options

At the date of this report there were no unissued ordinary shares of the Company under option.

13. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the company, Mr P Slaughter, Mr C Bloomfield, Mr A Caruso, Mr D Hamblin, Mr A Watts and Mr J Wentworth for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position within the Company and its controlled entities, except where liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

The Company has not made a relevant agreement, or indemnified against a liability, for any person who is or has been an auditor of the company.

Insurance premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors’ and officers’ liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

The company has agreed to indemnify the current directors and all officers of the parent entity and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where liability arises out of conduct involving a lack of good faith.

14. Non-audit services

During the year KPMG, the Company’s auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor, and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

Consolidated		
In AUD	2015	2014
Audit services:		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	180,000	171,750
	180,000	171,750
Services other than statutory audit:		
Other services (KPMG Australia)	11,000	-
Taxation compliance services (KPMG Australia)	75,000	30,000
	86,000	30,000

15. Proceedings on behalf of the Company

No person has applied for leave for Court to bring proceeding on behalf of the company or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a part to any such proceedings during the year.

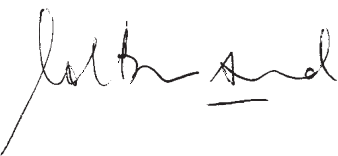
16. Lead auditor’s independence declaration

The Lead auditor’s independence declaration is set out on page 18 and forms part of the Directors’ report for financial year ended 30 June 2015.

17. 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 in accordance with a resolution of the Directors:



C. Bloomfield Chairman

Dated at Brisbane this 18th day of August 2015.



# Lead auditor's independence declaration



### 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 our audit for the financial year ended 30 June 2015, there have been:

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



KPMG



**ML Gray** Partner

Brisbane August 2015.

# Consolidated statement of financial position

As at 30 June 2015

Consolidated			
In thousands of AUD	Note	2015	2014
<b>Assets</b>			
Cash and cash equivalents	19	8,723	8,810
Trade and other receivables	18	38,568	37,917
Inventories	17	3,002	2,742
Current tax assets	16	259	-
Total current assets		50,552	49,469
Deferred tax assets	16	7,146	-
Property, plant and equipment	14	29,070	27,732
Intangible assets	15	14,912	19,642
Total non-current assets		51,128	47,374
<b>Total assets</b>		<b>101,680</b>	<b>96,843</b>
<b>Liabilities</b>			
Trade and other payables	25	18,101	16,265
Loans and borrowings	22	4,363	5,102
Employee benefits	23	7,725	6,655
Current tax payable	16	-	10
Total current liabilities		30,189	28,032
Loans and borrowings	22	12,793	5,941
Employee benefits	23	197	145
Deferred tax liabilities	16	-	2,063
Total non-current liabilities		12,990	8,149
Total liabilities		43,179	36,181
<b>Net assets</b>		<b>58,501</b>	<b>60,662</b>
<b>Equity</b>			
Share capital		55,234	51,108
Reserves		(21,944)	(21,979)
Retained earnings		24,783	31,127
Total equity attributable to equity holders of the Company		58,073	60,256
Non-controlling interests		428	406
<b>Total equity</b>		<b>58,501</b>	<b>60,662</b>

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



# Consolidated statement of profit or loss and other comprehensive income

## For the year ended 30 June 2015

Consolidated			
<i>In thousands of AUD</i>	Note	2015	2014
Revenue	8	174,195	171,977
Other income	9	35	257
Contract disbursements		(31,929)	(30,090)
Personnel expenses	11	(126,061)	(123,188)
Office expenses		(7,790)	(5,698)
Depreciation and amortisation expense	14,15	(7,515)	(7,353)
Gain on bargain purchase	7	2,221	-
Impairment loss	15	(4,538)	-
Other expenses	10	(2,268)	(1,034)
<b>Results from operating activities</b>		<b>(3,650)</b>	<b>4,871</b>
Finance income		202	263
Finance expense		(1,101)	(1,199)
<b>Net finance expense</b>	<b>12</b>	<b>(899)</b>	<b>(936)</b>
<b>Profit / (loss) before income tax</b>		<b>(4,549)</b>	<b>3,935</b>
Income tax (expense) / benefit	13	195	(943)
<b>Profit / (loss) for the period</b>		<b>(4,354)</b>	<b>2,992</b>
Other comprehensive income for the period, net of income tax		-	-
<b>Total comprehensive income for the period</b>		<b>(4,354)</b>	<b>2,992</b>
Attributable to:			
Owners of the Company		(4,376)	2,963
Non-controlling interests		22	29
<b>Profit / (loss) for the period</b>		<b>(4,354)</b>	<b>2,992</b>
Earnings per share			
Basic earnings per share (AUD)	21	(0.05)	0.04
Diluted earnings per share (AUD)	21	(0.05)	0.04

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

# Consolidated statement of changes in equity

## For the year ended 30 June 2015

Attributable to owners of the Company							
<i>In thousands of AUD</i>	Share capital	Retained earnings	Share-based payment reserve (note 20)	Common Control Reserve (note 20)	Total	Non-Controlling interests	Total
Consolidated							
<b>Balance at 1 July 2013</b>	<b>50,964</b>	<b>31,632</b>	<b>2,160</b>	<b>(24,237)</b>	<b>60,519</b>	<b>377</b>	<b>60,896</b>
<b>Total comprehensive income for the period</b>							
Profit / (loss) for the period	-	2,963	-	-	2,963	29	2,992
Total comprehensive income for the period	-	2,963	-	-	2,963	29	2,992
Transactions with owners recorded directly in equity							
Share options exercised	144	-	-	-	144		144
Share-based payment transactions	-	-	98	-	98	-	98
Dividends to equity holders	-	(3,468)	-	-	(3,468)	-	(3,468)
Total contributions by and distributions to owners	144	(3,468)	98	-	(3,226)	-	(3,226)
<b>Balance at 30 June 2014</b>	<b>51,108</b>	<b>31,127</b>	<b>2,258</b>	<b>(24,237)</b>	<b>60,256</b>	<b>406</b>	<b>60,662</b>
Balance at 1 July 2014	51,108	31,127	2,258	(24,237)	60,256	406	60,662
<b>Total comprehensive income for the period</b>							
Profit / (loss) for the period	-	(4,376)	-	-	(4,376)	22	(4,354)
Total comprehensive income for the period	-	(4,376)	-	-	(4,376)	22	(4,354)
Transactions with owners recorded directly in equity							
Issue of ordinary shares in relation to business combinations	4,126	-	-	-	4,126	-	4,126
Share-based payment transactions	-	-	35	-	35	-	35
Dividends to equity holders	-	(1,968)	-	-	(1,968)	-	(1,968)
Total contributions by and distributions to owners	4,126	(1,968)	35	-	2,193	-	2,193
<b>Balance at 30 June 2015</b>	<b>55,234</b>	<b>24,783</b>	<b>2,293</b>	<b>(24,237)</b>	<b>58,073</b>	<b>428</b>	<b>58,501</b>

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



# Consolidated statement of cash flows

For the year ended 30 June 2015

Consolidated			
In thousands of AUD	Note	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		199,535	196,116
Cash paid to suppliers and employees		(190,741)	(182,343)
Cash generated from operations		8,794	13,773
Interest paid		(1,101)	(1,199)
Income tax paid		(558)	(1,907)
Net cash flows from operating activities	29	7,135	10,667
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		104	1,464
Acquisition of property, plant and equipment		(1,018)	(3,355)
Interest received		202	263
Acquisition of subsidiary, net of cash acquired		(10,581)	-
Net cash flows used in investing activities		(11,293)	(1,628)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		-	146
Proceeds from borrowings		11,500	-
Repayment of borrowings		(5,461)	(7,130)
Dividends paid	20	(1,968)	(3,468)
Net cash flows from / (used in) financing activities		4,071	(10,452)
Net decrease in cash and cash equivalents		(87)	(1,413)
Cash and cash equivalents at beginning of period		8,810	10,223
Cash and cash equivalents at end of period	19	8,723	8,810

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

# Notes to the financial statements

For the year ended 30 June 2015

## 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 financial statements of the Company, as at and for the year ended 30 June 2015, comprise the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’).

The Group is a for-profit entity and primarily is involved in providing contracting services to the underground long wall mining operations and industrial products and services in the coalfields and supporting industries of Queensland’s Bowen Basin and New South Wales.

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 18 August 2015.

### (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 the consolidated 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 that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 15 – key assumptions used in discounted cash flow projections
- note 16 – recoverability of deferred tax assets
- note 24 – measurement of share-based payments



3. Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 3(a)(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 3(h)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group’s controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group. Any cash paid for the acquisition is recognised directly in equity.

(iv) Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(vi) Non-controlling interests

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(m).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(h)(i)).

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within “other income” or “other expenses” in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates, which reflect the estimated useful lives for the current and comparative periods, are as follows:

	2015	2014
Plant and equipment	7.50 - 50.00%	7.50 - 50.00%
Motor vehicles	12.50 - 30.00%	12.50 - 30.00%
Computer equipment	37.50 - 50.00%	37.50 - 50.00%
Office furniture and equipment	25.00 - 66.66%	25.00 - 66.66%
Leasehold improvements	7.50 - 15.00%	7.50 - 15.00%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Leasehold improvements

The cost of improvements to, or in, leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Group, whichever is shorter.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of the subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3 (a)(i).

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.



3. Significant accounting policies (continued)

(d) Intangible assets (continued)

(iii) Subsequent expenditure

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.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	2015	2014
Customer related intangibles	3-7 years	3-7 years
Intellectual Property	8-10 years	8-10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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 minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and, as such, the leased assets are not recognised in the Group's statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Unbilled revenue

Unbilled revenue is the estimated amount recoverable from customers in relation to unbilled services rendered as at balance date.

(h) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset, or Cash-Generating Unit (CGU), is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing

use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity 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 plans are recognised as an expense in profit or loss in periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation, in respect of long-term employee benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If the benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These liabilities are calculated on an undiscounted basis on remuneration wage and salary rates that the Group expects to pay as at reporting date, including related on-costs, such as workers compensation, insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

(v) Bonus plans

A liability and an expense for employee benefits in the form of profit sharing and bonus plans is recognised in "sundry creditors and accruals" when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the financial report; or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(vi) Share-based payment transactions

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 unconditionally become 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 vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.



3. Significant accounting policies (continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date for fixed price work and as services are provided for work completed on a schedule of rates. The stage of completion for fixed price work is assessed by reference to the tasks completed as per the agreed schedule of work provided. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred, tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accrual for tax liabilities are adequate based on its assessment of several factors, including interpretations of tax law and prior experience. This assessment relies on estimates and

assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of exiting tax liabilities; such changes to tax liabilities will impact income tax expense in the period that such a determination is made.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group formed with effect from 7 May 2010. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Mastermyne Group Limited.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Group's statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, however, the Group has not applied the following new or amended standards in preparing these consolidated statements.

AASB 9 Financial Instruments

Summary of the requirements

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible impact on consolidated financial statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.



3. Significant accounting policies (continued)

(r) New standards and interpretations not yet adopted (continued)

AASB 15 Revenue from Contracts with Customers

Summary of the requirements

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts, and Interpretation 13 Customer Loyalty Programs.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

Possible impact on consolidated financial statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

Standards not expected to have a significant impact on consolidated financial statements

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138).

4. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant, unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit and Risk Management Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset, or a liability, fall into different levels of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 - acquisition of subsidiary;
- Note 24 - share based payment arrangements; and
- Note 26 - financial instruments;

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management framework

The Board, together with management, seeks to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. Risk management is identified in the Group's various corporate governance policies and will continue to be kept under regular review. Review takes place at both the Audit and Risk Management Committee level, with meetings at least four times a year, and at the Board level.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The majority of the Group's customers are large multinational mining companies with strong payment track records and credit history. There is no formal credit policy in place, however, each customer is assessed individually for creditworthiness before the Group's standard payment and delivery terms and conditions (30 days) are offered. The Group operates under signed contracts, purchase orders and forward purchase agreements, which all have agreed payment terms included.

The aged receivables are reviewed on a weekly basis by senior management and overdue amounts followed up with customers for payment. The Group does not require collateral in respect of trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will maintain sufficient liquidity levels to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand and undrawn facilities to meet expected operational cash flows for a period of 70 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Group maintains the following lines of credit:

Facility	Facility Limit	Amount Drawn
Flexible Options Facility	in thousands of AUD	
Overdraft Facility	3,000	nil
LC Facility	3,270	2,040
Cash Advance Facility	4,000	nil
Total Flexible Options Facility	10,270	2,040
Revolving Equipment Finance Facility	15,000	2,965
Amortising Cash Advance Facility	11,150	11,150
Amortising Cash Advance Facility	2,229	2,229
Amortising Equipment Finance Facility	812	812
Total All Facilities	39,461	19,196

Interest rate risk

The Group ensures that interest rates for equipment finance are fixed at the time each individual equipment loan is entered into for the term of the loan; and the interest rates for commercial bills are fixed for the term of the commercial bills.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total capital. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



6. Segment information

Business segments

Following the acquisition of Diversified Mining Services Ltd (DMS) (see note 7), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated its operating segments information for the year ended 30 June 2015 as follows:

- Mastermyne - This segment incorporates the provision of project management; 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.
- Mastertec - Mastertec integrates the services recently acquired through Diversified Mining Services (DMS) and incorporates the previous capabilities of Mastermyne Services and Engineering divisions. Mastertec provides a wide range of above-ground contracting services to industry sectors such as Ports, Resources, Industrial and Infrastructure. The divisions offerings include scaffolding and rigging, blast and paint, pipeline services, sustainable capital works, fabrication and machining, training and engineering and technical services.

Prior to the Acquisition of DMS, the Group had 3 segments; Underground, Electrical and Mechanical Services and Engineering. During the period the Group changed its internal organisation, re-structuring management and the way in which it markets itself to clients under two distinct segments; Mastermyne and Mastertec. This has resulted in a restatement of the 30 June 2014 segment information, with a small portion of the Underground segment revenues, all of the Engineering segment revenues and all of the Electrical and Mechanical Services segment revenues being restated and included in the Mastertec segment.

There are varying levels of integration between the Mastermyne and Mastertec reportable segments. This integration includes transfers of human resources and shared overhead resources. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

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.

	Mastermyne		Mastertec		Consolidated	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
<i>In thousands of AUD</i>						
External revenues	140,863	148,029	33,332	23,948	174,195	171,977
Intersegment revenue	5,600	6,338	1,801	1,200	7,401	7,538
Reportable segment revenue	146,463	154,367	35,133	25,148	181,596	179,515
Depreciation and amortisation	(6,082)	(6,299)	(1,463)	(863)	(7,515)	(7,353)
Net finance costs	(827)	(932)	(72)	(3)	(899)	(935)
Goodwill Impairment	-	-	(4,538)	-	(4,538)	-
Reportable Segment profit/(loss) before income tax	3,256	4,649	(5,137)	(435)	(1,881)	4,214
Segment assets	60,400	74,150	35,441	22,691	95,841	96,841
Capital expenditure	752	2,945	347	410	1,018	3,355
Segment liabilities	(26,368)	(26,509)	(14,469)	(8,849)	(40,837)	(35,358)

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

<i>in thousands of AUD</i>	2015	2014
<b>Revenues</b>		
Total revenue for reportable segments	181,596	179,515
Elimination of inter-segment revenue	(7,401)	(7,538)
Consolidated revenue	174,195	171,977
<b>Profit or loss</b>		
Total profit or loss for reportable segments	(1,881)	4,214
Elimination of inter-segment profits	(159)	(191)
Unallocated amounts: net corporate expenses	(2,509)	(88)
Consolidated profit before income tax	(4,549)	3,935
<b>Assets</b>		
Total assets for reportable segments	95,841	96,841
Other assets	3,014	-
Unallocated amounts: corporate tax asset	2,825	-
Consolidated total assets	101,680	96,841
<b>Liabilities</b>		
Total liabilities for reportable segments	40,837	35,358
Unallocated amounts: corporate tax liability	-	823
Other liabilities	2,342	-
Consolidated total liabilities	43,179	36,181

Geographical information

The Group has only operated in Australia during the current and comparative periods. All assets are held within Australia as at 30 June 2015 and 30 June 2014.

Major customers

The Group has two (2014: three) customers that individually represent in excess of 10% of Group revenues. The total revenue from these customers represents \$134,364 thousand (2014: \$86,440 thousand) of the Group’s total revenues, reported in the Mastermyne and the Mastertec segments as follows:

- Mastermyne \$117,875 thousand (2014: \$85,183 thousand)
- Mastertec \$16,489 thousand (2014: \$1,257 thousand)

7. Business combinations

Acquisitions

On 23 December 2014 the Group obtained control of Diversified Mining Services Ltd (DMS), a provider of services to a range of industries, primarily focused on maintenance and mining services in Queensland and New South Wales, by acquiring 100% of the shares and voting interests in the company.

The acquisition of DMS is in keeping with the Group’s strategy of expanding its service offering, and to compliment and leverage from the position that the Company has in the underground coal sector. The acquisition will also provide some diversification from coal and will leverage off the synergies of combining with the Mastermyne Group.

DMS operates throughout the Bowen Basin, Gladstone, Mackay and the Hunter Valley for a range of blue chip clients in the mining, downstream metalliferous processing, prime contracting and mining infrastructure industries. In addition, DMS is a specialist in overwater scaffolding. DMS operates through three business units:

- Maintenance – Scaffolding and rigging, protective coatings, poly welding, scheduled maintenance and on-site repairs;
- Engineering – Specialist fabrication, machining and line boring, design and consulting; and
- Mining Operations – Ventilation services, outbye services, gas drainage and secondary support.

(a) Consideration transferred

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

<i>in thousands of AUD</i>	Note	
Cash		10,337
Equity Instruments (15,570,022 ordinary shares)	20	4,126
Total Consideration		14,463

i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 23 December 2014 of \$0.265 per share.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of \$1,272 thousand relating to external legal fees and due diligence costs. These amounts have been included in other expenses in profit or loss.



## 7. Business combinations (continued)

### (c) Identifiable assets acquired and liabilities assumed

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

<i>in thousands of AUD</i>	Note	Total
Property, plant and equipment	14	7,752
Inventories		1,808
Trade and other receivables		5,166
Bank overdraft		(244)
Loans and borrowings		(73)
Deferred tax assets	16	9,258
Employee benefits		(987)
Trade and other payables		(5,465)
Deferred tax liabilities	16	(531)
<b>Total net identifiable assets</b>		<b>16,684</b>

The trade and other receivables comprise gross contractual amounts due of \$5,323 thousand, of which \$157 thousand was expected to be uncollectible at the date of acquisition.

### (d) Gain on bargain purchase

Gain on bargain purchase was recognised as a result of the acquisition as follows. The gain has been directly recognised in the profit or loss.

<i>in thousands of AUD</i>	Note	Total
Total consideration transferred		14,463
Fair value of identifiable net assets		16,684
<b>Gain on bargain purchase</b>		<b>2,221</b>

## 8. Revenue

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Contracting revenue	135,354	150,009
Sale of goods	33,332	18,468
Machinery hire	5,509	3,500
	<b>174,195</b>	<b>171,977</b>

## 9. Other income

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Administration income	35	222
Gain on sale of property, plant and equipment	-	35
	<b>35</b>	<b>257</b>

## 10. Other expenses

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Bad and doubtful debts	5	12
Loss on sale of property, plant and equipment	6	-
Business acquisition costs	1,272	-
Business development costs	28	22
Insurance	957	999
Shared services fees	-	1
	<b>2,268</b>	<b>1,034</b>

## 11. Personnel expenses

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Wages and salaries	110,429	108,647
Other associated personnel expenses	8,544	7,808
Contributions to defined contribution superannuation funds	7,053	6,635
Equity-settled share-based payment transactions	35	98
	<b>126,061</b>	<b>123,188</b>

## 12. Finance income and expense

Recognised in profit or loss	Consolidated	
<i>In thousands of AUD</i>	2015	2014
Interest income	202	263
Finance income	202	263
Bank charges	(255)	(183)
Interest expenses	(234)	(21)
Finance lease interest	(612)	(995)
Finance expense	(1,101)	(1,199)
<b>Net finance expense recognised in profit or loss</b>	<b>(899)</b>	<b>(936)</b>

## 13. Income tax expense

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Current tax expense		
Current period	314	874
Adjustment for prior periods	(27)	(357)
	<b>287</b>	<b>517</b>
Deferred tax expense		
Origination and reversal of temporary differences	(509)	422
Adjustment for prior period	27	4
	<b>(482)</b>	<b>426</b>
<b>Total income tax expense / (benefit)</b>	<b>(195)</b>	<b>943</b>

### Numerical reconciliation between tax expense and pre-tax accounting profit

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Profit/(loss) excluding income tax	(4,549)	3,935
Income tax using the Group's statutory income tax rate of 30% (2014: 30%)	(1,365)	1,181
Impairment of goodwill	1,361	-
Other non-deductible expenses	475	108
Non-assessable income	(666)	-
Tax incentives	-	(91)
Change in recognised temporary differences	-	98
Under/(over) provision of previous year	-	(353)
	<b>(195)</b>	<b>(943)</b>



14. Property, plant and equipment

<i>In thousands of AUD</i>	Plant and equipment	Motor vehicles	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
Cost or deemed cost						
Balance at 1 July 2013	53,936	1,605	1,977	493	2,000	60,011
Additions	3,175	75	82	2	21	3,355
Disposals	(1,995)	(631)	-	(35)	-	(2,661)
Transfers	(23)	-	23	-	-	-
Balance at 30 June 2014	55,093	1,049	2,082	460	2,021	60,705
Balance at 1 July 2014	55,093	1,049	2,082	460	2,021	60,705
Additions	869	-	69	20	60	1,018
Disposals	(59)	(221)	-	-	-	(280)
Acquired through business combination	6,761	876	-	-	115	7,752
Balance at 30 June 2015	62,664	1,704	2,151	480	2,196	69,195
Depreciation and impairment losses						
Balance at 1 July 2013	23,722	1,017	1,378	411	723	27,251
Depreciation for the year	6,081	144	169	32	527	6,953
Disposals	(751)	(447)	-	(33)	-	(1,231)
Balance at 30 June 2014	29,052	714	1,547	410	1,250	32,973
Balance at 1 July 2014	29,052	714	1,547	410	1,250	32,973
Depreciation for the year	6,357	187	195	28	556	7,323
Disposals	-	(171)	-	-	-	(171)
Balance at 30 June 2015	35,409	730	1,742	438	1,806	40,125
Carrying amounts						
At 1 July 2013	30,214	588	599	82	1,277	32,760
At 30 June 2014	26,041	335	535	50	771	27,732
At 1 July 2014	26,041	335	535	50	771	27,732
At 30 June 2015	27,255	974	409	42	390	29,070

The Group leases equipment under a number of finance lease agreements. At 30 June 2015, the net carrying amount of leased property, plant and equipment was \$10,837 thousand (2014: \$18,784 thousand).

15. Intangible assets

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Goodwill		
Cost (gross carrying amount)	14,331	18,869
Net carrying amount	14,331	18,869
Customer relationships		
Cost (gross carrying amount)	2,945	2,945
Accumulated amortisation and impairment	(2,841)	(2,772)
Net carrying amount	104	173
Intellectual property		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(1,045)	(922)
Net carrying amount	477	600
Total intangible assets		
Cost (gross carrying amount)	18,798	23,336
Accumulated amortisation and impairment	(3,886)	(3,694)
Net carrying amount	14,912	19,642

Reconciliation of carrying amount at beginning and end of the period

Consolidated		
<i>In thousands of AUD</i>	2015	2014
Goodwill		
Carrying amount - opening	18,869	18,869
Impairment	(4,538)	-
Carrying amount - closing	14,331	18,869
Customer relationships		
Carrying amount - opening	173	444
Amortisation	(69)	(271)
Carrying amount - closing	104	173
Intellectual property		
Carrying amount - opening	600	727
Amortisation	(123)	(127)
Carrying amount - closing	477	600
Total intangible assets		
Carrying amount - opening	19,642	20,040
Impairment	(4,538)	-
Amortisation	(192)	(398)
Carrying amount - closing	14,912	19,642

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

Amortisation and impairment charge

The accounting policy for the recognition and measurement of intangible assets is set out in note 3(d).

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.

Following the acquisition of Diversified Mining Services Ltd (DMS) (see note 7) the Group has changed its internal organisation and the composition of its operating segments (see note 6), which reflects how the Group now faces the market, is managed and monitored.

Post-acquisition of DMS, the segments formerly reported by the Group, being “Engineering and Fabrication” and “Electrical and Mechanical Services” are now increasingly marketed as a combined product and service offering, utilising a largely common customer and asset base. As a result of this increasing interdependence, these historical segments have been combined into the “Mastertec Products and Services” segment for the purposes of impairment testing.

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

<i>In thousands of AUD</i>	1 July 2014	Impairment	2015	2014
Underground mining services 1	7,030	-	7,030	7,030
Total Mastermyne Mining 2	7,030	-	7,030	7,030
Engineering and Fabrication 1	7,301	-	7,301	7,301
Electrical and Mechanical Services 1,3	4,538	(4,538)	-	4,538
Total Mastertec Products & Services 2	11,839	(4,538)	7,301	11,839
Total All Segments	18,869	(4,538)	14,331	18,869

- (1) Segments prior to the acquisition of DMS as detailed in the table.
- (2) Segments post acquisition of DMS as detailed in the table.
- (3) The goodwill within the Electrical and Mechanical Services segment was impaired in full during the half-year to 31 December 2014, reflecting the limited revenue pipeline (excluding the impact of synergies expected from the acquisition of DMS, which now forms part of the Mastertec CGU). This resulted in the carrying amount of the Electrical and Mechanical Services CGU (prior to the change in CGUs) being higher than its recoverable amount of \$725 thousand (the value in use was determined using a pre-tax discount rate of 17.7% and a terminal growth rate of 2.5%), and the recognised value of goodwill associated with the Electrical and Mechanical Services division of \$4,538 thousand was fully impaired. The related impairment loss is included in profit or loss.

The recoverable amount of the cash-generating units as at 30 June 2015 was based on their value in use and was determined by reference to the discounted future cash flows expected to be generated from the continuing use of each CGU, based on past experience, actual operating results and the business plans and long-term strategy for the relevant cash generating unit. For all CGUs, the value in use was determined to be greater than the relevant carrying amount. The key assumptions for each cash generating unit were as follows:

	FY 2015 assumptions			FY 2014 assumptions		
	Annual growth rate (FY2016-FY2020)	Terminal growth rate	Pre-tax discount rate	Annual growth rate (FY2015-FY2019)	Terminal growth rate	Pre-tax discount rate
Underground mining services	n/a	n/a	n/a	5.0%	2.5%	16.0%
Mastermyne Mining	4.3%	2.5%	16.0%	n/a	n/a	n/a
Engineering and fabrication	n/a	n/a	n/a	3.0%	2.5%	16.9%
Electrical and mechanical services	n/a	n/a	n/a	2.0%	2.5%	17.7%
Mastertec Products and Services	5.0%	2.5%	16.4%	n/a	n/a	n/a

The discount rate was calculated based on the Group’s weighted average cost of capital, an industry average beta, risk-free rate based on Australian government 10-year treasury bonds with a minimum yield used of 4.5%, a market risk premium of 6% and a calculated cost of debt based on the Group’s current debt and interest rates payable on this debt.



## 16. Tax assets and liabilities

### Current tax assets and liabilities

The current tax asset for the Group of \$259 thousand (2014: liability of \$10 thousand) represents the amount of income taxes refundable (2014: payable), in respect of current and prior periods.

The consolidated liability includes the income tax payable by the Company and its subsidiaries.

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
<i>In thousands of AUD</i>	2015	2014	2015	2014	2015	2014
Employee benefits	1,720	1,626	-	-	1,720	1,626
Property, plant and equipment	26	32	(2,054)	(1,845)	(2,028)	(1,813)
Receivables	47	-	-	-	47	-
Intangible assets	-	-	(31)	(52)	(31)	(52)
Accruals	456	345	-	-	456	345
Capital raising and business acquisition costs	173	5	(31)	(31)	142	(26)
Unbilled revenue	-	-	(933)	(2,140)	(933)	(2,140)
Provisions	-	-	(3)	(3)	(3)	(3)
Tax loss carry-forwards	7,776	-	-	-	7,776	-
Tax assets/(liabilities)	10,198	2,008	(3,052)	(4,071)	7,146	(2,063)
Set off of tax	(3,052)	(2,008)	3,052	2,008	-	-
Net tax assets/(liabilities)	7,146	-	-	(2,063)	7,146	(2,063)

At 30 June 2015 the Group has revenue losses totalling \$25,920 thousand (2014: nil) which are available to be offset against future taxable income. These losses arose within Diversified Mining Services prior to acquisition by the Group.

### Movement in temporary differences during the year

Consolidated	Balance	Recognised in	Acquired in business	Balance
<i>In thousands of AUD</i>	1 July 2013	profit or loss	combinations	30 June 2014
Employee benefits	2,254	(628)	-	1,626
Property, plant and equipment	(1,459)	(354)	-	(1,813)
Intangible assets	(35)	(17)	-	(52)
Accruals	356	(11)	-	345
Capital raising and business acquisition costs	143	(169)	-	(26)
Unbilled revenue	(2,898)	758	-	(2,140)
Provisions	2	(5)	-	(3)
	(1,637)	(426)	-	(2,063)

Consolidated	Balance	Recognised in	Acquired in business	Balance
<i>In thousands of AUD</i>	1 July 2014	profit or loss	combinations	30 June 2015
Employee benefits	1,626	(434)	528	1,720
Property, plant and equipment	(1,813)	216	(431)	(2,028)
Receivables	-	101	(54)	47
Intangible assets	(52)	21	-	(31)
Accruals	345	(210)	321	456
Capital raising and business acquisition costs	(26)	(52)	220	142
Unbilled revenue	(2,140)	1,207	-	(933)
Provisions	(3)	(19)	19	(3)
Research and development tax offset	-	(234)	234	-
Tax loss carry-forwards	-	(114)	7,890	7,776
	(2,063)	482	8,727	7,146

## 17. Inventories

	Consolidated	
<i>In thousands of AUD</i>	2015	2014
Inventory on hand	978	1,060
Finished goods	2,024	1,682
	3,002	2,742

During the year ended 30 June 2015, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$8,019 thousand (2014: \$5,343 thousand).

## 18. Trade and other receivables

	Consolidated	
<i>In thousands of AUD</i>	2015	2014
Trade receivables	30,691	26,550
Prepayments	1,199	2,650
Unbilled revenue	6,081	8,608
Other receivables	597	109
	38,568	37,917

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 26.

## 19. Cash and cash equivalents

	Consolidated	
<i>In thousands of AUD</i>	2015	2014
Bank balances	8,718	8,808
Cash on hand	5	2
Cash and cash equivalents in the statement of cash flows	8,723	8,810

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

## 20. Capital and reserves

The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares	
	2015	2014
On issue at 1 July	75,517,514	75,367,514
Shares issued in relation to business combination	15,570,022	-
Exercise of share options	-	150,000
On issue at 30 June – fully paid	91,087,536	75,517,514

### 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.

The Group has also issued share options (see note 24).

### 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 (see note 24).

#### 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.



## 20. Capital and reserves (continued)

### Dividends

Dividends recognised in the current year by the Group are:

	Dollars per share	Total amount (In thousands of AUD)	Franked / unfranked	Date of payment
2015				
2014 Ordinary - Ordinary Shares Final Dividend	\$0.014	1,057	Franked	16/10/14
2015 Ordinary - Ordinary Shares Interim Dividend	\$0.010	911	Franked	02/04/2015
<b>Total amount</b>		<b>1,968</b>		
2014				
2013 Ordinary - Ordinary Shares Final Dividend	\$0.036	2,713	Franked	16/10/13
2014 Ordinary - Ordinary Shares Interim Dividend	\$0.010	755	Franked	3/04/14
<b>Total amount</b>		<b>3,468</b>		

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

*After the balance sheet date the following dividends were declared by the Directors, fully franked at the rate of 30%. The record date for entitlement to this dividend will be 25 September 2015 and the payment date will be 15 October 2015.*

	Dollars per share	Total amount (In thousands of AUD)	Franked / unfranked	Date of payment
2015 Ordinary - Ordinary Shares Final Dividend	\$0.010	911	Franked	15/10/15

Dividend franking account		
In thousands of AUD	2015	2014
30% franking credits available to shareholders of Mastermyne Group Limited for subsequent financial years	15,396	16,043

The balance of the dividend franking account represents the total of the individual franking accounts within the companies comprising the consolidated entity.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- i. franking credits/debits that will arise from the payment of the current tax liabilities or refund of current tax assets;
- ii. franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- iii. franking credits that will arise from the receipt of dividends recognised as receivables by the Group at the year-end; and
- iv. franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being available profits to declare dividends.

*The impact on the dividend franking account of dividends proposed after balance date but not recognised as a liability is to reduce it by \$390 thousand (2014: \$452 thousand).*

## 21. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$4,376 thousand (2014: \$2,963 thousand profit) and a weighted average number of ordinary shares outstanding of 83,580 thousand (2014: 75,471 thousand), calculated as follows:

Profit attributable to ordinary shareholders		
	Consolidated	
In thousands of AUD	2015	2014
Profit / (loss) attributable to ordinary shareholders	(4,376)	2,963

Weighted average number of ordinary shares		
	Consolidated	
In thousands of AUD	2015	2014
Issued ordinary shares at 1 July	75,518	75,368
Effect of share options exercised	-	103
Effect of shares issued in relation to business combination	8,062	-
Weighted average number of ordinary shares at 30 June	83,580	75,471

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$4,376 thousand (2014: \$2,963 thousand profit) and a weighted average number of ordinary shares outstanding of 83,580 thousand (2014: 75,471 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)		
	Consolidated	
In thousands of AUD	2015	2014
Profit attributable to ordinary shareholders	(4,376)	2,963

Weighted average number of ordinary shares (diluted)		
	Consolidated	
In thousands of AUD	2015	2014
Weighted average number of ordinary shares (basic)	83,580	75,471
Weighted average number of ordinary shares (diluted) at 30 June	83,580	75,471

*The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.*

The prior period figures for basic and diluted earnings per share have been adjusted for transactions that adjusted the number of shares without a corresponding change in resources. The number of ordinary shares has been adjusted as if the event occurred at the beginning of the earliest period presented.

## 22. 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. For more information about the Group's exposure to interest rate and liquidity risk, see note 26.

In thousands of AUD	Consolidated	
	2015	2014
Current liabilities		
Finance lease liabilities (secured)	2,731	4,170
Cash advance facility (secured)	1,632	932
	<b>4,363</b>	<b>5,102</b>

In thousands of AUD	Consolidated	
	2015	2014
Non-current liabilities		
Finance lease liabilities (secured)	1,046	3,646
Cash advance facility (secured)	11,747	2,295
	<b>12,793</b>	<b>5,941</b>

### Security

#### Finance lease

Finance lease facilities are drawn with the Westpac Banking Corporation and Vendor Finance Pty Ltd, 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 cash advance facility

The Westpac cash advance facility is drawn with the Westpac Banking Corporation for the purpose of the DMS acquisition and equipment funding and is secured by a fixed and floating charge over all assets and uncalled capital of the Group.



22. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	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>	2015	2015	2015	2014	2014	2014
Less than one year	2,891	(160)	2,731	4,617	(447)	4,170
Between one and five years	1,082	(36)	1,046	4,255	(609)	3,646
More than five years	-	-	-	-	-	-
	3,973	(196)	3,777	8,872	(1,056)	7,816

23. Employee benefits

	Consolidated	
<i>In thousands of AUD</i>	2015	2014
Current		
Wages payable	2,188	1,382
Liability for annual leave	3,212	3,102
Liability for vesting sick leave	1,937	2,161
Liability for long service leave	388	10
	7,725	6,655
Non-current		
Liability for long service leave	197	145
	197	145

24. Share-based payment arrangements

Description of the share-based payment arrangements.

At 30 June 2015, the Group has the following share-based payment arrangements:

Performance Rights program (equity settled)

An employee performance rights plan was adopted by the Board on 22 March 2010 and the plan was activated by resolution of the Board as of 1 July 2010. This plan entitles personnel to purchase shares in the Company provided performance conditions are met. In accordance with the plan, employees holding vested options are entitled to purchase shares in the Company at a set exercise price based on volume weighted average price in the two months preceding the offer.

The terms and conditions of the performance rights program are as follows; all options are to be settled by physical delivery of shares.

Grant date and employees entitled	Number of Instruments in thousands	Vesting Conditions	Contractual Life of Rights
Performance rights granted to CEO/Managing Director on 26 November 2012	735	3 years' service and total shareholder return over 3 years is in the 20th percentile relative to the ASX 300 index.	4 Years
Performance rights granted to CEO/Managing Director on 26 November 2012	315	3 years' service and growth in earnings per share over 3 years is in the 20th percentile relative to the ASX 300 index.	4 Years

Measurement of fair values

The fair value of the rights granted through the employee performance rights program was measured based on a Binomial method and Monte Carlo simulation. Expected volatility is estimated by considering historic average share price volatility based on Mastermyne and its peers.

Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

Key management personnel & Senior management Total Shareholder Return Rights	
Fair value of share options and assumptions	2013 (1)
Fair value at grant date Tranche 1	\$0.19
Fair value at grant date Tranche 2	\$0.17
Fair value at grant date Tranche 3	\$0.16
Share price	\$1.59
Exercise price	\$1.65
Expected volatility (weighted average volatility)	35%
Option life (expected weighted average life)	3.6 years
Expected dividends	5.00%
Risk-free interest rate Tranche 1 (based on government bonds)	2.74%
Risk-free interest rate Tranche 2 (based on government bonds)	2.74%
Risk-free interest rate Tranche 3 (based on government bonds)	2.74%
Key management personnel & Senior management Earnings Per Share Rights	
Fair value of share options and assumptions	2013 (1)
Fair value at grant date Tranche 1	\$0.48
Fair value at grant date Tranche 2	\$0.46
Fair value at grant date Tranche 3	\$0.46
Share price	\$1.59
Exercise price	\$1.23
Expected volatility (weighted average volatility)	35%
Option life (expected weighted average life)	3.6 years
Expected dividends	5.00%
Risk-free interest rate Tranche 1 (based on government bonds)	2.74%
Risk-free interest rate Tranche 2 (based on government bonds)	2.74%
Risk-free interest rate Tranche 3 (based on government bonds)	2.74%

(1) Grant date on 26 November 2012



25. Trade and other payables

	Consolidated	
In thousands of AUD	2015	2014
Trade payables	6,340	3,732
Sundry creditors and accruals	11,761	12,533
	18,101	16,265

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Consolidated	
In thousands of AUD	Note	2015	2014
Trade and other receivables	18	38,568	37,917
Cash and cash equivalents	19	8,723	8,810
		47,291	46,727

The Group has two (2014: three) significant customers each representing more than 10% of the carrying amount of trade receivables at 30 June 2015. The total of the receivables from these customers is \$12,005 thousand (2014: \$13,538 thousand).

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In the current and comparative periods, the Group's cash and cash equivalents are held with an AA-Rated Australian bank.

Impairment losses

The aging of the Group's trade receivables at the reporting date is as follows:

	Consolidated	
In thousands of AUD	2015	2014
Not Past Due	21,694	25,017
Past due 0-30 days	7,881	1,825
Past due 31-60 days	208	91
Past due 61-90 days	517	399
Greater than 90 days	499	251
	30,799	27,583

Impairment losses of \$108 thousand were recognised at 30 June 2015 (2014: \$1,033 thousand).

The movement in the allowance for impairment in respect of trade and other receivables during the year ended 30 June 2015 was as follows:

	Consolidated	
In thousands of AUD	2015	2014
Balance at 1 July	(1,033)	(1,021)
Impairment loss recognised	(5)	(12)
Impairment allowance utilised	930	-
Balance at 30 June	(108)	(1,033)

Impairment allowance utilised during the year relates to a customer that was placed into receivership during the year ended 30 June 2011 in relation to the Pike River Mine explosion in New Zealand. At the time the Group raised an allowance for the full amount of the receivable, and it is unlikely that that the amount will become recoverable.

Credit risk in trade receivables is managed in the following ways: payment terms being 30 days and credit evaluations performed on all new customers requiring credit over a certain amount. The Group does not require collateral in respect of trade receivables. An analysis of the credit quality of trade receivables not impaired is as follows:

	Consolidated	
In thousands of AUD	2015	2014
Four or more years trading history with the Group	13,253	21,042
Less than four years trading history with the Group	17,438	5,508
	30,691	26,550

Amounts in the above table include all trade receivables at the reporting date that were not impaired.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated								
30 June 2015								
In thousands of AUD	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Finance lease liabilities	22	3,777	(3,973)	(1,815)	(1,076)	(1,082)	-	-
Cash advance facility	22	13,379	(14,961)	(1,092)	(1,072)	(2,095)	(10,702)	-
Trade and other payables	25	18,101	(18,101)	(18,101)	-	-	-	-
		35,257	(37,035)	(21,008)	(2,148)	(3,177)	(10,702)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Consolidated								
30 June 2014								
In thousands of AUD	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Finance lease liabilities	22	7,816	(8,872)	(2,644)	(1,973)	(3,004)	(1,251)	-
Cash advance facility	22	3,227	(3,546)	(610)	(583)	(1,011)	(1,342)	-
Trade and other payables	25	16,265	(16,265)	(16,265)	-	-	-	-
		27,308	(28,683)	(19,519)	(2,556)	(4,015)	(2,593)	-

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated	
	Carrying amount	
In thousands of AUD	2015	2014
Fixed rate instruments		
Financial liabilities & Insurance premium funding	(3,777)	(7,816)
	(3,777)	(7,816)
Variable rate instruments		
Financial assets	8,723	8,810
Financial liabilities	(13,379)	(3,227)
	(4,656)	5,583

Fair value sensitivity analysis for fixed rate instruments.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

As at 30 June 2015, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

Effect In thousands of AUD	Consolidated	
	2015	2014
Change in profit		
Increase in interest rate by 1%	(47)	56
Decrease in interest rate by 2%	93	(112)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

A change in interest rate on the above variable rate instruments would have had no impact on equity.

No sensitivity analysis has been performed on foreign exchange risk, as the Group is not directly exposed to foreign currency fluctuations.



26. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	30 June 2015		30 June 2014	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Assets Carried at Amortised Cost				
Trade and other receivables	38,568	38,568	37,917	37,917
Cash and cash equivalents	8,723	8,723	8,810	8,810
	47,291	47,291	46,727	46,727
Liabilities Carried at Amortised Cost				
Finance lease liabilities	(3,777)	(3,892)	(7,816)	(8,087)
Cash advance facility	(13,379)	(13,379)	(3,227)	(3,227)
Trade and other payables	(18,101)	(18,101)	(16,265)	(16,265)
	(35,257)	(35,372)	(27,308)	(27,579)

The basis for determining fair values is disclosed in note 4.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on current market rates for similar lease agreements and were as follows:

	2015	2014
Finance Lease Liabilities	4.09%	5.40%

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

Financial instruments not measured at fair value:

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Finance Lease Liabilities	Discounted cash flows.	Not Applicable

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	2015	2014
Less than one year	2,220	1,408
Between one and five years	1,415	487
	3,635	1,895

The Group leases a number of residential premises and office facilities under operating leases. The residential premise leases typically run for a period of 1 year. The office premise leases typically run for a period of between 1 and 5 years, with an option to renew the lease after that date in some cases.

The Group leases a number of motor vehicles under operating leases. The leases typically run for a period of 2-4 years.

The amount recognised in relation to operating lease payments for the year ended 30 June 2015 totalled \$3,046 thousand (2014: \$1,608 thousand) for the Group.

Capital expenditure commitments

The Group did not have any capital expenditure commitments as at 30 June 2015 (2014: Nil).

29. Reconciliation of cash flows from operating activities

	Consolidated		
In thousands of AUD	Note	2015	2014
Cash flows from operating activities			
Profit / (loss) for the period		(4,354)	2,992
Adjustments for:			
Depreciation	14	7,323	6,953
Amortisation of intangible assets	15	192	398
Impairment loss	15	4,538	-
(Gain)/loss on sale of property, plant and equipment	9,10	6	(35)
Share based payments	11	35	98
Bargain on acquisition	7	(2,221)	-
Net finance expense	12	899	936
Income tax expense / (benefit)	13	(195)	943
Operating profit before changes in working capital and provisions		6,223	12,285
Change in trade and other receivables*		4,515	2,989
Change in inventories		1,549	(410)
Change in trade and other payables*		(3,629)	991
Change in provisions and employee benefits*		136	(2,082)
		8,794	13,773
Interest paid		(1,101)	(1,199)
Income taxes paid		(558)	(1,907)
Net cash from operating activities		7,135	10,667

\*After adjusting for changes due to business combinations

30. Related parties

Key management personnel compensation

The key management personnel compensation included in ‘personnel expenses’ (see note 11) are as follows:

	Consolidated	
	2015	2014
Short-term employee benefits	1,758,078	2,167,895
Post-employment benefits	157,732	177,042
Termination benefits	28,801	219,492
Share-based payments	35,307	98,444
	1,979,918	2,662,873

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures, as required by Corporations Regulations 2M.3.03, is provided in the remuneration report section of the directors’ report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors’ interests existing at year-end.

Loans to key management personnel

No loans were made, guaranteed or secured by the Company to key management personnel for the year.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management persons and their related entities on an arm’s length basis.



30. Related parties
(continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Table with 6 columns: Transaction, Note, 2015, 2014, 2015, 2014. Rows include transactions with Andrew Watts - Watty Pty Ltd and Andrew Watts - Two Dots Ltd.

- i. The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company Watty Pty Ltd. Amounts paid for rent are at arm’s length and are due and payable under normal payment terms.
- ii. The Group is paying for leasehold improvements made by Watty Pty Ltd to the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd.
- iii. The Group rents a duplex at 56 Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm’s length and are due and payable under normal payment terms.
- iv. The Group rented machinery storage and laydown area at Christensen’s Road, Sandy Creek which is owned by Andrew Watts through his company Two Dots Pty Ltd. Amounts paid for rent were at arm’s length and were due and payable under normal payment terms. This rental agreement was ceased as at 31 May 2014.

From time to time key management personnel and directors of the Group, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

31. Group entities

Table with 4 columns: Parent entity, Country of incorporation, 2015, 2014. Rows list various subsidiaries like Mastermyne Pty Ltd, Mastermyne Engineering Pty Ltd, etc.

32. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors’ report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The deed took effect on 23 June 2010.

The subsidiaries subject to the deed are:

- Mastermyne Pty Ltd
- Mastermyne Engineering Pty Ltd
- Mastermyne Underground Pty Ltd
- Mastermyne Services Pty Ltd
- Mastermyne Underground NNSW Pty Ltd
- Myne Start Pty Ltd
- National Labour Solutions Pty Ltd
- Mastertec Industrial and Maintenance Pty Ltd
- Anderson Mine Services Pty Ltd
- Ausscaffold Pty Ltd
- Diversified Mining Services Ltd
- East Coast Engineering (QLD) Pty Ltd
- Falcon Mining Pty Ltd
- Machinetek Engineering Pty Ltd
- Velamont Pty Ltd

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015 is set out as follows.

Table with 3 columns: In thousands of AUD, 2015, 2014. Rows include Assets (Cash, Trade, Inventories, etc.), Liabilities (Trade payables, Loans, etc.), and Equity (Share capital, Reserves, etc.).

Table with 3 columns: In thousands of AUD, 2015, 2014. Rows include Revenue, Other income, Contract disbursements, Personnel expenses, Office expenses, Depreciation and amortisation expense, Gain on bargain purchase, Impairment loss, Other expenses, Results from operating activities, Finance income, Finance expense, Net finance expense, Profit / (loss) before income tax, Income tax (expense) / benefit, Profit / (loss) for the period, Other comprehensive income for the period, net of income tax, Total comprehensive income for the period.

33. Subsequent events

Subsequent to year-end the Directors declared a dividend of 1.0 cents per share as per the details set out in note 20.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



# 34. Auditors’ remuneration

## Audit services

Auditors of the Company		
	Consolidated	
KPMG Australia:	2015	2014
Audit and review of financial reports	180,000	171,750
	180,000	171,750
Other services		
Auditors of the Company		
KPMG Australia		
Other Services	11,000	-
Taxation services	75,000	30,000
	86,000	30,000

# 35. Parent Entity Disclosures

As at and throughout the financial year ending 30 June 2015 the parent company of the group was Mastermyne Group Limited.

In thousands of AUD	2015	2014
Results of the parent entity		
Loss for the period	(2,835)	(61)
Total comprehensive income for the period	(2,835)	(61)
Financial position of parent entity at year end		
Current assets	-	-
Total assets	54,692	55,244
Current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share Capital	55,234	51,108
Share-based payments reserve	2,293	2,258
Retained earnings	(2,835)	1,878
Total Equity	54,692	55,244

## Parent Entity Contingencies

There were no parent entity contingencies required for the year ending 30 June 2015 (2014: Nil).

## Parent Entity Capital Commitments

There were no parent entity capital commitments at 30 June 2015 (2014: Nil).

## Parent Entity Capital Guarantees

The parent entity has entered into a Deed of Cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 32.

# Directors’ declaration

## 1. In the opinion of the directors of Mastermyne Group Limited (the “Company”):

(a) the consolidated financial statements and notes that are set out on pages 19 to 66 and the Remuneration report in section 5 of the Directors’ report, set out on pages 2 to 17, are in accordance with the Corporations Act 2001 , including:

- i. giving a true and fair view of the Group’s financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001 ;

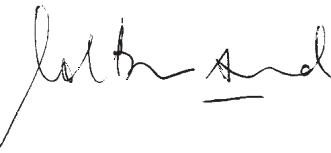
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

4. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.



C. Bloomfield Chairman

Dated at Brisbane this 18th day of August 2015.



# Independent audit report to the members of Mastermyne Group Limited



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

### Report on the financial report

We have audited the accompanying financial report of Mastermyne Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 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 year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

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



#### Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

#### Report on the remuneration report

We have audited the Remuneration Report included in section 5 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

#### Auditor's opinion

In our opinion, the remuneration report of Mastermyne Group Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

M L Gray  
Partner

Brisbane  
18 August 2015



# ASX Additional Information

Additional information required by the Australian Stock Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 25 September 2015.

### Stock Exchange Quotation

Ordinary shares in Mastermyne Group Limited are quoted on the ASX under the code “MYE” and on the German Stock Exchange (Berlin Open Market) trading under the code “A1CXTE”.

### Class Of Securities

The Company has the following securities on issue:

**ASX Quoted:** 91,087,536

Ordinary shares, each fully paid, held by 1,319 shareholders

**Unquoted:** 1,050,000

Performance rights, having differing exercise prices, hurdles vesting periods and terms, with latest expiry 30 June 2017, held by 1 employee.

### Voting Rights

The voting rights attaching to ordinary shares are set out in rule 37 of the Company’s constitution and are summarised as follows:

- A holder of ordinary shares in the company shall be entitled to be present at any shareholder’s meeting, and to vote in respect of those shares held.
- Shareholders entitled to attend and vote at shareholder meetings may appoint a proxy in accordance with the Corporations Act.
- At any shareholder meeting, every shareholder present in person or by proxy or by attorney or, in the case of a body corporate, a representative appointed pursuant to the Corporations Act, shall be entitled:
  - a. on a show of hands, to one vote only; and
  - b. on a poll, to one vote for each ordinary share held

### Restricted Securities

There are no restricted securities on issue

### On-Market Buy-Backs

There is no current on-market buy-back of any securities

### Distribution Of Security Holders

Distribution of shares and the number of holders by size of holding are:

Range	Shares	%	No. of Holders	%
100,001 and Over	75,377,230	82.75	66	5.00
50,001 to 100,000	4,027,383	4.42	56	4.25
10,001 to 50,000	8,197,596	9.00	342	25.93
5,001 to 10,000	2,079,408	2.28	256	19.41
1,001 to 5,000	1,316,032	1.44	427	32.37
1 to 1,000	89,887	0.10	172	13.04
Total	91,087,536	100	1,319	100

There are 315 shareholders holding a total of 327,144 shares with less than a marketable parcel (of 2,127 shares based on the closing share price on 25 September 2015 of \$0.235)

### Twenty Largest Security Holders

Rank	Name	A/C designation	Holding	%IC
1	ABN AMRO Clearing Sydney Nominees Pty Ltd	<Custodian A/C>	10,969,791	12.04
2	Darren William Hamblin	Hamblin Family	7,655,658	8.40
3	National Nominees Limited		5,919,696	6.50
4	HSBC Custody Nominees (Australia) Limited		5,372,981	5.90
5	ECARG Pty Ltd	MIJ Trust>	4,000,000	4.39
6	Rbc Investor Services Australia Nominees Pty Limited	<BKCUST A/C>	3,523,734	3.87
7	MCIF DMS Nominees Limited	NZ Residents	2,810,258	3.09
8	ECARG Pty Ltd	Coolabah	2,710,000	2.98
9	ECARG Pty Ltd	YMMIJ	2,100,000	2.31
10	May Downs Pty Ltd	May Downs Trust>	2,000,000	2.20
11	MCIF DMS Nominees Limited	AU Residents	1,918,943	2.11
12	Citicorp Nominees Pty Limited		1,882,440	2.07
13	CARM NQ Pty Ltd	The Carnhogan Family	1,695,428	1.86
14	Anthony Salvatore Caruso	The Mad Investments	1,173,001	1.29
15	Pakasoluto Pty Limited	<BARKL Family Super Fund A/C>	1,170,940	1.29
16	Anthony Charles Zahra	The Zahra Discretionary Unit	1,159,810	1.27
17	Darren Geoffrey Anderson & Julie Elizabeth Anderson	DG & JE Anderson Family	1,129,571	1.24
18	Aegeus Partners Pty Ltd		1,126,001	1.24
19	C & D Bloomfield Pty Ltd	<Bloomfield Family A/C>	1,100,000	1.21
20	ECARG Pty Ltd	<ESIUOL A/C>	1,000,000	1.10
20	Michael Alan Coombs	The Coombs Investment	1,000,000	1.10
		Total	61,418,252	67.43

### Substantial Shareholders

The following substantial shareholders have been disclosed in substantial holding notices given to the company:

Substantial Shareholders (as of 25 September 2015)	Number of Shares
Andrew Watts	12,262,245
Kenneth Kamon	10,039,646
Darren Hamblin	9,702,658
Maui Capital	6,288,279
Paradice Investment Management	5,837,257
Boyles Asset Management	5,105,238



# Corporate Directory

## ■ Company

### **Mastermyne Group Limited**

ABN 96 142 490 579

*Mastermyne Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.*

### **Directors**

Colin Bloomfield  
*Non-executive Chairman*

Tony Caruso  
*Managing Director*

Andrew Watts  
*Non-executive Director*

Darren Hamblin  
*Non-executive Director*

James Wentworth  
*Non-executive Director*

Gabriel (Gabe) Meena  
*Non-executive Director*

### **Company Secretary**

Chris Kneipp

### **Registered and Head Office**

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

P: +61 (7) 4963 0400  
F: +61 (7) 4944 0822

### **E-Contacts**

master@mastermyne.com.au  
www.mastermyne.com.au

### **Postal Address**

PO Box 1671  
Mackay QLD 4740  
AUSTRALIA

## ■ Share Registry

LINK Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000  
AUSTRALIA

P: +61 (2) 8280 7457

## ■ Independent Auditors

KPMG  
Riparian Plaza  
Level 16, 71 Eagle Street  
Brisbane QLD 4000  
AUSTRALIA

P: +61 (7) 3233 3111  
F: +61 (7) 3233 3100

## ■ Stock Exchange Listing

Mastermyne Group Limited is listed on the Australian Securities Exchange.

ASX Code MYE

## ■ Mastermyne Offices

### **Mastermyne Head Offices (Including Mastermyne Mining and Mastertec)**

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

P: +61 (7) 4963 0400  
F: +61 (7) 4944 0822

### **Mackay QLD (Fabrication)**

47/ 52-58 Enterprise Street  
Paget QLD 4740  
AUSTRALIA

P: +61 (7) 4969 1600  
F: +61 (7) 4969 1699

### **Mackay QLD (Machining, Line Boring, Repairs & overhauls)**

31 -33 Southgate Drive  
Paget QLD 4740  
AUSTRALIA

P: +61 (7) 4969 1600  
F: +61 (7) 4969 1699

### **Rockhampton QLD (Fabrication & Machining)**

42 Monier Road  
Parkhurst QLD 4702  
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P: +61 (7) 4920 0800  
F: +61 (7) 4920 0899

### **Gladstone QLD (Fabrication & Machining)**

15 Bassett St  
Gladstone QLD 4680  
AUSTRALIA

P: +61 (7) 4843 7700  
F: +61 (7) 4843 7799

### **Cardiff NSW (Fabrication & Machining)**

Unit 1/13 Nelson Street  
Cardiff NSW 2285  
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**mastermyne**  
Group of Companies



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