
APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDING 31 DECEMBER 2016

MASTERMYNE GROUP LIMITED
ABN 96 142 490 579

Reporting period: Half year ended 31 December 2016
Previous Corresponding period: Half year ended 31 December 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2016	31 Dec 2015	Change	Change
	\$'000	\$'000	\$'000	%
Revenue from Ordinary Activities	56,954	99,694	(42,740)	(42.9)%
Net Loss after tax from ordinary activities	(1,454)	(488)	(966)	(198.0)%

DIVIDENDS

There was no interim dividend declared for the 6 months ended 31 December 2016.

FINANCIAL RESULTS

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$1.454 million for the half-year ended 31 December 2016. This result is down on the previous corresponding period (net loss after tax for the half-year ended 31 December 2015 of \$0.488 million).

Revenue has decreased 42.9% on the previous corresponding period to \$56.954 million (\$99.694 million for the half-year ended 31 December 2015) as a result of continued slower economic conditions in the Coal sector and the continued focus on costs by the Group's clients.

The overall cash position decreased during the half-year ended 31 December 2016 and was impacted by the timing of debtor payments. The majority of these overdue debtors paid within the first week of January 2017. The Group's balance sheet remains strong with debt reduced by \$2.943 million during the half-year ended 31 December 2016.

The net decrease in cash and cash equivalents during the half year-ended 31 December 2016 of \$2.355 million (half-year ended 31 December 2015: decrease of \$8.109 million) comprised:

- net cash inflows from operating activities for the half-year ended 31 December 2016 of \$0.247 million (half-year ended 31 December 2015: outflows of \$3.787 million)
- net cash inflows from investing activities for the half-year ended 31 December 2016 of \$0.341 million (half-year ended 31 December 2015: outflows of \$0.863 million)
- net cash outflows from financing activities for the half-year ended 31 December 2016 of \$2.943 million (half-year ended 31 December 2015: outflows of \$3.459 million).

The net assets of the Group decreased by \$1.437 million to \$42.996 million, the decrease resulting from the loss for the half-year ended 31 December 2016 of \$1.454 million.

NET TANGIBLE ASSET BACKING

	2016	2015
Net tangible assets per ordinary share (cents per share)	0.40	0.41

CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was gained during the period.

LOSS OF CONTROL OF ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was lost during the period.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

There were no entities or group of entities that were associates or joint venture entities during the period.

**Mastermyne Group Limited
and its Controlled Entities**

ABN 96 142 490 579

Interim Financial Report

31 December 2016

Mastermyne Group Limited and its Controlled Entities

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Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2016

The directors present their report together with the Interim financial report of the Group comprising Mastermyne Group Limited ("the Company") and its subsidiaries, for the half-year ended 31 December 2016 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) - Bachelor of Engineering (Mining), Graduate Certificate of Management
Independent Chairman

Special Responsibilities

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

Mr A. Watts (appointed 10 March 2010)
Non - executive Director

Special Responsibilities

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

Mr G. Meena (appointed 15 September 2015) - Bachelor of Engineering (Mechanical)
Non - executive Director

Special Responsibilities

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

Mr A. Caruso (appointed 10 March 2010) - Post Graduate Degree in Business Management
Managing Director

2 Operating and financial review

Financial Overview

Loss for the period

Mastermyne Group limited and its controlled subsidiaries recorded a loss after tax of \$1.454 million for the half year ended 31 December 2016. This result is down on the previous corresponding period (net loss after tax for the half-year ended 31 December 2015 of \$0.488 million).

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2016

2 Operating and financial review (continued)

Financial Overview (continued)

Revenues of \$56.954 million represent a decrease of 42.9% on the previous corresponding period (\$99.694 million for the half-year ended 31 December 2015). The reduction in revenues are primarily attributed to run off of contracts in the mining division; specifically the completion of the Grosvenor Civils project (\$7.3 million), the run off of the Grosvenor Development & Umbrella contract (\$20.2 million), the closure of the Mastertec workshops (\$4.7 million), the finalisation of various smaller Mining contracts (\$4.5 million) and scope reduction at other Anglo sites (\$3.6 million).

Balance Sheet and Cash Flows

The Group has maintained its focus on reducing debt with total debt reduced by \$2.943 million (excluding the bank overdraft) during the half-year ended 31 December 2016. The overall cash position decreased during the half-year ended 31 December 2016 and was impacted by the timing of debtor payments. Consistent with the previous two reporting periods, the majority of these overdue debtors were paid in the first week of January 2017.

There was a net decrease in cash and cash equivalents during the half-year ended 31 December 2016 of \$2.355 million (half-year ended 31 December 2015: decrease of \$8.109 million) comprising:

- net cash inflows from operating activities for the half-year ended 31 December 2016 of \$0.247 million (half-year ended 31 December 2015: outflows of \$3.787 million);
- net cash inflows from investing activities for the half-year ended 31 December 2016 of \$0.341 million (half-year ended 31 December 2015: outflows of \$0.863 million); and
- net cash outflows from financing activities for the half-year ended 31 December 2016 of \$2.943 million (half-year ended 31 December 2015: outflows of \$3.459 million).

The net assets of the Group decreased by \$1.437 million to \$42.996 million for the half-year ended 31 December 2016. This decrease is a result of the loss incurred for the half-year ended 31 December 2016.

Operational Overview

Our strong focus on safety continues to be core to what we do. Our leading indicators of safety performance clearly demonstrated the efforts our people make to ensure safe workplaces. Despite this, we were unable to continue the downward trend in injury rates due to an increase in injuries at two of our project sites.

All other sites maintained an excellent safety performance over the six month period. Comparatively, our Total Recordable Injury Frequency Rate (TRIFR) has increased from 8.4 at June 2016 to 13.2 at the end of December.

As flagged in the FY16 full year results, we have seen a continued softening of revenue over the first half of FY17. The Group was well advanced in rebasing its cost structure to offset the decline in revenue with restructuring of overheads and consolidation of its business units which had commenced in April 2016. This resulted in a reduction in overheads of 37% compared to the prior period.

The operational highlights for the financial half-year include:

- Right-sized operations and organisation overheads to match weaker revenue in the first half of FY17;
- Securing \$126 million of new contract wins and extensions late in the first half which underpins the forecasted increase in revenues for the second half of FY17 and into FY18;
- Order Book has increased from \$123 million at June 2016 to \$241 million with \$49 million to be delivered in the second half of FY17 (in addition to purchase order and recurring work); and
- Tendering Pipeline at \$860 million.

The recent resurgence in coal prices has resulted in a significant increase in tender activity, in particular roadway development contracts. Workforce numbers are increasing from January 2017, based on new work already secured, and will continue to increase through to March / April this year. This will increase the Mining division revenue and profits for the second half of FY17. Development equipment demand has also increased on the back of a number of roadway development tenders released late in the second half of FY17.

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2016

2 Operating and financial review (continued)

Operational Overview (continued)

At the completion of the first half the Company's combined order book has increased from \$123 million to \$241 million. Of this total order book approximately \$49 million will be delivered in the second half of FY17. In addition, we expect recurring and purchase order work of approximately \$16 million to be delivered in the second half.

Mastermyne Mining

The Mining division has delivered a solid financial result exceeding revenue expectations across the majority of sites. However, the end of the Grosvenor Civil, Development and Umbrella contract and other smaller Qld sites during the course of the last financial year has resulted in a reduction in revenues from the comparative period. The latter half of 1H17 has seen an increase in the number of mining contract tenders received, many of which will be awarded early in 2H17. Of significance to date, Mastermyne was awarded a new 2 year contract at Appin Colliery valued at approximately \$25 million per annum. This represents a much larger scope than the superseded contract.

The Mining division has also secured:

- an increase in scope on a Qld project to include a roadway development crew starting in March 2017;
- the hire of a continuous miner into a NSW site; and
- has been nominated as the preferred tenderer on a roadway development tender also in NSW.

At the end of year there was a further 3 roadway development contracts that the company had tendered, two of which required the contractor to engage its own roadway development equipment to carry out the long term projects.

Mastertec

The Mastertec division underwent a significant restructure during the course of FY16 which included consolidating the services offered through this division and the closure of several workshops. The discontinued activities were non-core and do not erode the long term strategy for the Mastertec business unit which focuses on scaffolding and protective coatings work on major infrastructure and ports on a long-term contract basis.

The restructuring has resulted in an improvement in the financial position for the half year but the result was undermined by two under-performing projects and workshop warranty costs. These events were one-off in nature and will not be repeated in the second half of FY17.

The Mastertec division has also seen increased tender activity late in the half-year with the awarding of a contract at the NCIG port in Newcastle and the notification of preferred tenderer status for a multi-year term scaffolding contract with a Tier 1 mining company in NSW, encompassing their coal handling preparation plants and port facility. Both of these projects will commence in the second half of FY17.

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2016

3 Outlook

The improvement in the coal price in the latter part of 2016 has resulted in a significant increase in activity, particularly within the Mining Division. The awarding of the Appin contract, being preferred tenderer on a NSW road way development tender along with the scope increase on an existing Qld project to include a roadway development workforce will underwrite a stronger performance in the second half.

In addition to the above contracts, there are also a number of projects still pending award early in the second half of FY17, including three roadway development tenders. The work already secured along with the tenders pending are all long-term contracts that will continue into FY18 and beyond.

The Mastertec division is also showing signs of a stronger second half with project wins in NSW that will commence in the second half of FY17. Overall, the outlook for the Mastertec division remains subdued compared to the Mining division as we are still experiencing strong competition and less opportunities in the engineering and maintenance sector. However, we have a strong tender pipeline in this area over the next six months although the bulk of this pipeline is not anticipated to contribute to revenue until FY18.

The recent contract wins along with the tender projects in the pipeline will deliver stronger second half revenue and profits for the Group, and this momentum will continue into FY18. The second half will continue to benefit from the overhead reductions delivered in the past 12 months and the Group is confident that there will be a return to profitability for the second half of the 2017 financial year.

4 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the six months ended 31 December 2016.

5 Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, amounts in the financial report and Directors' Report have been rounded 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 21st day of February 2017.



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

To: the directors of Mastermyne Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

KPMG



M L Gray
Partner

Brisbane
21 February 2017

Mastermyne Group Limited and its Controlled Entities

Interim statement of financial position

As at 31 December 2016

In thousands of AUD

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
Assets			
Cash and cash equivalents	8	1	1,836
Trade and other receivables		28,898	29,084
Inventories		2,917	3,408
Current tax assets		172	226
Total current assets		31,988	34,554
Deferred tax assets	6(a)	9,059	8,579
Property, plant and equipment		17,956	21,540
Intangible assets	7	6,975	7,089
Total non-current assets		33,990	37,208
Total assets		65,978	71,762
Liabilities			
Bank overdraft	8	520	-
Trade and other payables		8,945	11,039
Loans and borrowings		1,200	3,543
Employee benefits		3,384	3,237
Total current liabilities		14,049	17,819
Loans and borrowings		8,808	9,408
Employee benefits		125	102
Total non-current liabilities		8,933	9,510
Total liabilities		22,982	27,329
Net assets		42,996	44,433
Equity			
Share capital		55,234	55,234
Reserves		(21,898)	(21,915)
Retailed earnings		9,226	10,716
Total equity attributable to owners of the Company		42,562	44,035
Non-controlling interests		434	398
Total equity		42,996	44,433

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 Dec 2016	31 Dec 2015
Revenue	5	56,954	99,694
Other income		76	35
Contract disbursements		(13,394)	(21,036)
Personnel expenses		(39,470)	(70,426)
Office expenses		(2,122)	(4,192)
Depreciation and amortisation expense		(3,221)	(3,862)
Other expenses		(540)	(551)
Results from operating activities		(1,717)	(338)
Finance income		17	33
Finance expense		(301)	(505)
Net finance expense		(284)	(472)
Loss before income tax		(2,001)	(810)
Income tax benefit	6	547	322
Loss for the period		(1,454)	(488)
Total comprehensive loss for the period		(1,454)	(488)
Attributable to:			
Owners of the Company		(1,490)	(494)
Non-controlling interests		36	6
Loss for the period		(1,454)	(488)
Earnings per share			
Basic earnings per share (In whole AUD)		(0.02)	(0.01)
Diluted earnings per share (In whole AUD)		(0.02)	(0.01)

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of changes in equity

For the six months ended 31 December 2016

In thousands of AUD

	Attributable to owners of the Company				Non-Controlling interests	Total equity
	Share capital	Retained earnings	Share-based payment reserve (Note 11)	Common control reserve		
Balance at 1 July 2015	55,234	24,783	2,293	(24,237)	428	58,501
Total comprehensive loss for the period						
Loss for the period	-	(494)	-	-	6	(488)
Total comprehensive loss for the period	-	(494)	-	-	6	(488)
Transactions with owners recorded directly in equity						
Share-based payment transactions	-	-	7	-	-	7
Dividends to equity holders	-	(911)	-	-	-	(911)
Total contributions by and distributions to owners	-	(911)	7	-	-	(904)
Balance at 31 December 2015	55,234	23,378	2,300	(24,237)	434	57,109
Balance at 1 July 2016	55,234	10,716	2,322	(24,237)	398	44,433
Total comprehensive loss for the period						
Loss for the period	-	(1,490)	-	-	36	(1,454)
Total comprehensive loss for the period	-	(1,490)	-	-	36	(1,454)
Transactions with owners recorded directly in equity						
Share-based payment transactions	-	-	17	-	-	17
Dividends to equity holders	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	17	-	-	17
Balance at 31 December 2016	55,234	9,226	2,339	(24,237)	434	42,996

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of cash flows

For the six months ended 31 December 2016

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 Dec 2016	31 Dec 2015
Cash flows from operating activities			
Cash receipts from customers		63,140	108,923
Cash paid to suppliers and employees		(62,714)	(112,088)
Cash generated from / (used in) operations		426	(3,165)
Interest paid		(301)	(505)
Income tax paid		122	(117)
Net cash flows from / (used in) operating activities	10	247	(3,787)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		966	357
Acquisition of property, plant and equipment		(643)	(1,253)
Interest received		18	33
Net cash flows from / (used in) investing activities		341	(863)
Cash flows from financing activities			
Repayment of borrowings		(600)	-
Payment of finance lease liabilities		(2,343)	(2,548)
Dividends paid		-	(911)
Net cash flows used in financing activities		(2,943)	(3,459)
Net decrease in cash and cash equivalents		(2,355)	(8,109)
Cash and cash equivalents at beginning of period		1,836	8,723
Cash and cash equivalents at end of period	8	(519)	614

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

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements

For the six months ended 31 December 2016

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 interim financial statements of the Company as at and for the six months ended 31 December 2016 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 the provision of contracting services to underground long wall mining operations and industrial products and services in the coalfields of Queensland's Bowen Basin and New South Wales.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at www.mastermyne.com.au.

2 Basis of preparation

(a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, and IAS 34 *Interim Financial Reporting*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 30 June 2016.

The interim report was authorised for issue by the Board of Directors on 21 February 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

These interim 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, 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 interim 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 7 – impairment; key assumptions used in discounted cash flow projections
- Note 6(a) – recoverability of deferred tax assets

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements

For the six months ended 31 December 2016

3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2016.

4 Segment information

Business segments

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

- 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 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.

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 Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2016

4 Segment information (continued)

Business Segments (continued)

	Mastermyne		Mastertec		Consolidated	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<i>In thousands of AUD</i>						
External revenues	40,056	77,409	16,898	22,285	56,954	99,694
Intersegment revenue	10	30	353	1,753	363	1,783
Depreciation and amortisation	(2,701)	(3,082)	(530)	(791)	(3,221)	(3,862)
Reportable Segment profit/(loss) before income tax	220	2,407	(1,629)	(2,961)	(1,409)	(554)

Reconciliations of reportable segment revenues and profit or loss

<i>in thousands of AUD</i>	31 Dec 2016	31 Dec 2015
Revenues		
Total revenue for reportable segments	57,317	101,477
Elimination of inter-segment revenue	(363)	(1,783)
Consolidated revenue	56,954	99,694
Profit or loss		
Total loss for reportable segments	(1,409)	(554)
Elimination of inter-segment (loss) / profit	(51)	75
Unallocated amounts: net corporate expenses	(541)	(331)
Consolidated loss before income tax	(2,001)	(810)

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the year ended 31 December 2016

5 Revenue

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2016	31 Dec 2015
Contracting revenue	47,574	85,635
Sale of goods	9,285	13,728
Machinery hire	95	331
	<u>56,954</u>	<u>99,694</u>

6 Income tax expense

Numerical reconciliation between tax benefit and pre-tax accounting loss

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2016	31 Dec 2015
Loss for the period	(1,454)	(488)
Total income tax benefit	<u>(547)</u>	<u>(322)</u>
Loss before income tax	<u>(2,001)</u>	<u>(810)</u>
Income tax using the Group's statutory income tax rate of 30% (2015: 30%)	(600)	(243)
Non-deductible expenses		
Other	38	41
Tax incentives	-	(99)
Under / (over) provision of previous year	15	(21)
Income tax benefit	<u>(547)</u>	<u>(322)</u>

- 6(a)** As at 30 June 2016, the Group had revenue tax losses totalling \$34.818 million which are available to offset against future taxable income. Together with assessable and deductible temporary differences, the net deferred tax asset at 30 June 2016 was \$8.579 million. After operating losses incurred during the six months ended 31 December 2016, the net deferred tax asset associated with temporary differences and revenue tax losses is \$9.059 million.

The recoverability of the deferred tax asset associated with the temporary differences and revenue tax losses is dependent upon the Group mitigating losses associated with less profitable segments of the business, and returning to profitable operations sufficient to produce taxable income in the second half of the 2017 financial year and future financial years.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2016

7 Intangible assets

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2016	30 Jun 2016
<i>Goodwill</i>		
Cost (gross carrying amount)	6,429	6,429
Net carrying amount	6,429	6,429
<i>Customer relationships</i>		
Cost (gross carrying amount)	2,945	2,945
Accumulated amortisation and impairment	(2,945)	(2,911)
Net carrying amount	-	34
<i>Intellectual property</i>		
Cost (gross carrying amount)	1,773	1,773
Accumulated amortisation and impairment	(1,227)	(1,147)
Net carrying amount	546	626
<i>Total intangible assets</i>		
Cost (gross carrying amount)	11,147	11,147
Accumulated amortisation and impairment	(4,172)	(4,058)
Net carrying amount	6,975	7,089

Reconciliation of carrying amount at beginning and end of the period

<i>In thousands of AUD</i>	Consolidated	
	6 months ended 31 Dec 2016	12 months ended 30 Jun 2016
<i>Goodwill</i>		
Carrying amount - opening	6,429	14,331
Acquired in business combination	-	97
Impairment	-	(7,999)
Carrying amount - closing	6,429	6,429
<i>Customer relationships</i>		
Carrying amount - opening	34	104
Amortisation	(34)	(70)
Carrying amount - closing	-	34
<i>Intellectual property</i>		
Carrying amount - opening	626	477
Acquired in business combination	-	290
Loss on sale	-	(2)
Amortisation	(80)	(139)
Carrying amount - closing	546	626
<i>Total intangible assets</i>		
Carrying amount - opening	7,089	14,912
Acquired in business combination	-	387
Loss on sale	-	(2)
Impairment	-	(7,999)
Amortisation	(114)	(209)
Carrying amount - closing	6,975	7,089

Goodwill relates to the acquisition of Mastermyne Underground Pty Ltd.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2016

7 Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 4.

During the year ended 30 June 2016, all goodwill relating to the Mastertec CGU was fully impaired with all remaining goodwill relating to the Mastermyne Mining CGU. Consequently, impairment testing was carried out for the Mastermyne Mining division only for the half year ended 31 December 2016.

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

Consolidated				
<i>In thousands of AUD</i>	1 July 2016	Impairment	31 Dec 2016	30 Jun 2016
Mastermyne Mining	6,429	-	6,429	6,429
	6,429	-	6,429	6,429

The recoverable amount of the cash-generating unit as at 31 December 2016 was based on value in use and was determined by reference to the discounted future cash flows generated from the continuing use of each unit. For the Mastermyne Mining CGU the value in use was determined to be greater than the relevant carrying amount.

Value in use was determined by discounting the future cash flows generated from continuing use of the unit, based on past experience, actual operating results, known contracting pipeline of opportunities, and the business plans and long-term strategy for the relevant cash generating unit. The key assumptions for each cash generating unit were as follows:

	31 Dec 2016 assumptions			30 Jun 2016 assumptions		
	Annual revenue growth rate (FY2017-FY2021)	Terminal growth rate	Pre-tax discount rate	Annual revenue growth rate (FY2017-FY2021)	Terminal growth rate	Pre-tax discount rate
Mastermyne Mining	8.2%	2.5%	15.3%	6.8%	2.5%	16.2%

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.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2016

8 Cash and cash equivalents

In thousands of AUD

	Consolidated	
	31 Dec 2016	30 Jun 2016
Bank balances	-	1,835
Cash on hand	1	1
Cash and cash equivalents in the statement of financial position	1	1,836
Bank overdraft used for cash management purposes	(520)	-
Cash and cash equivalents in the statement of cash flows	(519)	1,836

9 Capital and reserves

Reserves

Share-based payments reserve

The share-based payments reserve represents the grant date fair value of equity instruments granted to senior managers or key management personnel of the Company (see note 11).

Dividends

No dividends have been paid during the 2017 financial year.

Dividends recognised in the prior year by the Group are:

In thousands of AUD

	Dollars per share	Total amount	Franked / unfranked	Date of payment
2016 financial year				
2015 Ordinary - Ordinary Shares Final Dividend	\$ 0.010	911	Franked	15/10/2015
Total amount		911		

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

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the year ended 31 December 2016

10 Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		31 Dec 2016	31 Dec 2015
Cash flows from operating activities			
Loss for the period		(1,454)	(488)
Adjustments for:			
Depreciation		3,107	3,766
Amortisation of intangible assets	7	114	96
Loss / (Gain) on sale of property, plant and equipment		154	(23)
Share based payments		17	7
Net finance expense		284	472
Income tax benefit		(547)	(322)
Operating profit before changes in working capital and provisions		1,675	3,508
Change in trade and other receivables		185	(1,048)
Change in inventories		491	(841)
Change in trade and other payables		(2,094)	(2,629)
Change in provisions and employee benefits		169	(2,155)
		426	(3,165)
Interest paid		(301)	(505)
Income taxes paid		122	(117)
Net cash flow from / (used in) operating activities		247	(3,787)

11 Share-based payments

There were no movements in performance rights during the period. The Group incurred \$17,000 in expenses relating to share based payments during the period (31 Dec 2015: \$7,000).

12 Subsequent events

There has not arisen in the interval between 31 December 2016 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.

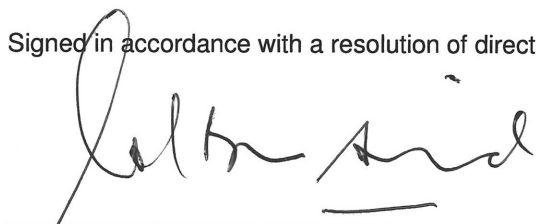
Mastermyne Group Limited and its Controlled Entities

Directors' declaration

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

- 1 the financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



C. Bloomfield
Chairman

Dated at Brisbane this 21st day of February 2017.

Independent Auditor's Review Report

To the members of Mastermyne Group Limited

Conclusion

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

- i) giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its performance for the **Interim Period** ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Interim Financial Report of Mastermyne Group Limited.

The **Interim Financial Report** comprises:

- the statement of financial position as at 31 December 2016
- statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the **Interim Period** ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Mastermyne Group Limited (the Company) and the entities it controlled at the Interim Period end or from time to time during the Period.

The **Interim Period** is the six months ending on 31 December 2016.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mastermyne Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

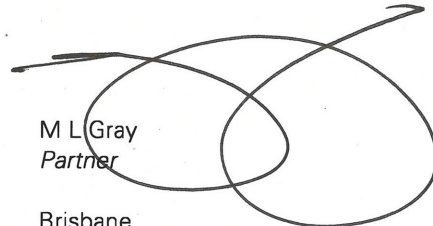
A review of an Interim Period consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and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

Independence

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



KPMG



M L Gray
Partner

Brisbane
21 February 2017