# APPENDIX 4D
# HALF YEAR REPORT
# FOR THE PERIOD ENDING 31 DECEMBER 2017

**MASTERMYNE GROUP LIMITED**
**ABN 96 142 490 579**

**Reporting period: Half year ended 31 December 2017**
**Previous Corresponding period: Half year ended 31 December 2016**

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | 31 Dec 2017 $'000 | 31 Dec 2016 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| Revenue from Ordinary Activities | 91,043 | 56,954 | 34,089 | 59.9% |
| Net Profit / (Loss) after tax from ordinary activities | 1,803 | (1,454) | 3,257 | 224.0% |

## DIVIDENDS

There was no interim dividend declared for the 6 months ended 31 December 2017.

**FINANCIAL RESULTS**

Mastermyne Group Limited and its controlled subsidiaries recorded a profit after tax of $1.803 million for the half-year ended 31 December 2017. This result is up on the previous corresponding period (net loss after tax for the half-year ended 31 December 2016 of $1.454 million).

Revenue has increased 59.9% on the previous corresponding period to $91.043 million ($56.954 million for the half-year ended 31 December 2016) as a result of improved economic conditions in the Coal sector.

The overall cash position decreased during the half-year ended 31 December 2017 and was impacted by the timing of debtor payments. The majority of these overdue debtors paid within the first week of January 2018. The Group's balance sheet remains strong with debt reduced by $5.0 million during the half-year ended 31 December 2017.

The net decrease in cash and cash equivalents during the half year-ended 31 December 2017 of $2.450 million (half-year ended 31 December 2016: decrease of $2.355 million) comprised:

- net cash inflows from operating activities for the half-year ended 31 December 2017 of $0.390 million (half-year ended 31 December 2016: inflows of $0.247 million)
- net cash outflows from investing activities for the half-year ended 31 December 2017 of $3.510 million (half-year ended 31 December 2016: inflows of $0.341 million)
- net cash inflows from financing activities for the half-year ended 31 December 2017 of $0.670 million (half-year ended 31 December 2016: outflows of $2.943 million).

The net assets of the Group increased by $7.508 million to $49.837 million, the increase resulting from the profit for the half-year ended 31 December 2017 of $1.803 million and capital raising which generated $5.670 million.

## NET TANGIBLE ASSET BACKING

| | 2017 | 2016 |
|---|---|---|
| Net tangible assets per ordinary share (cents per share) | 0.43 | 0.40 |

## 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 2017

Mastermyne Group Limited and its Controlled Entities

**Contents**

# Mastermyne Group Limited and its Controlled Entities

## Directors' report

**For the half year ended 31 December 2017**

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 2017 and the auditor's report thereon.

### 1 Directors

The directors of the Company at any time during the half year and up to the date of this report 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*
Member of the Audit and Risk Management Committee (replaced as Chairman on 16 May 2017)
Member of the Remuneration and Nomination Committee (replaced as Chairman on 16 May 2017)

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

*Special Responsibilities*
Member of the Audit and Risk Management Committee
Chairman of the Remuneration and Nomination Committee (appointed Chairman 16 May 2017)

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

*Special Responsibilities*
Chairman of the Audit and Risk Management Committee (appointed Chairman 16 May 2017)
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**

**Results**

Mastermyne Group Limited and its controlled subsidiaries has emerged from a deep cycle in excellent shape. For the half year ended 31 December 2017 the Company recorded a profit after tax of $1.8 million. This result is a significant turnaround from the previous corresponding period which was a net loss after tax of $1.45 million.

EBITDA for H1 2018 was $6.7 million with EBITDA % up from 2.6% to 7.4% compared to the previous corresponding period. Net Debt reduced to $7.5 million (from $10 million) with some long term debt converted to current debt as part of the finance facility restructure.

Revenue of $91.0 million represent an increase of 60% on the previous corresponding period ($57.0 million for the half-year ended 31 December 2016). The increase in revenue is attributed to the award of new contracts in the mining division along with scope increase and extensions of existing mining contracts.

During the first half, as the revenue improved and overhead base remained unchanged the Company upgraded its guidance for Revenue and EBITDA from $160-$180 million to $180-$200 million and from $10-$12 million to $13-$16 million respectively.

## 2 Operating and financial review (continued)

### Balance Sheet and Cash Flows

The Company undertook a successful capital raising in September 2017 which was completed at a premium to the 5-day VWAP and heavily oversubscribed. The net assets of the Group increased by $7.51 million to $49.9 million with the increase a result of the $1.80 million profit generated for the half year ended 31 December 2017 and the capital raising of $5.67 million.

The overall cash position at 31 December 2017 was a net decrease in cash and cash equivalents of $2.45 million (half-year ended 31 December 2016: decrease of $2.35 million). The reduction in cash is attributable to the capital expenditure required to overhaul development equipment for new contracts as well as funding working capital requirements for the significant increase in operations over H1 2018. The cash movements were as follows:

- net cash inflows from operating activities for the half-year ended 31 December 2017 of $0.39 million (half-year ended 31 December 2016: inflow of $0.25 million);
- net cash outflows from investing activities for the half-year ended 31 December 2017 of $3.51 million (half-year ended 31 December 2016: inflow of $0.34 million); and
- net cash inflows from financing activities for the half-year ended 31 December 2017 of $0.67 million (half-year ended 31 December 2016: outflows of $2.94 million).

The Group maintains the headroom in its current bank facilities to enable the Company to continue its focus on growth as momentum in the sector continues to gain pace. The restructure of the bank facilities in June 2017 provided an increase to the working capital funds for the Group. As required under the new agreement $5 million has been paid from the Cash Advance facility during H1 2018, with the balance of the loan now classified as current and due for re-payment by December 2018.

### Operational Overview

Operational highlights include:

- Workforce numbers increased from 752 to 900
- Injury rates decreased as workforce numbers increased
- Mining division underpinned the strong first half performance
- First Half Revenue up 60% on pcp with overhead costs remaining unchanged
- $7m first half EBITDA, with EBITDA Margin increasing from 2.6% to 7.4%
- 2 major development contracts still to contribute at full run rate
- Order Book of $250+ million and Tender Pipeline of over $1.1 billion

The strong first half result is a continuation of the momentum generated by the Company in H2 2017. Recent contract wins, scope growth on existing contracts and strong demand for equipment has flowed into a much stronger financial result over the first half as the Company returned to profit in H1 2018. Revenue in the first half increased 60% from pcp as new contracts at Peabody's Wambo mine, South 32's Appin mine and Anglo's Moranbah North mine were fully mobilised and contributed at the full revenue run rate. Also during the first half new contracts at Whitehaven's Narrabri mine and Peabody's North Goonyella mine began mobilisation and as at the end of the half year are still to deliver at the full revenue run rate, including equipment hire.

As revenue grew the Company maintained its low overhead base with only a minimal escalation to support the increased activities. As a result overheads have materially decreased as a percentage of revenue, contributing to stronger EBITDA margins. Overheads will remain unchanged in H2 2018 and are expected to continue to decrease as a percentage of overall revenue.

## 2 Operating and financial review (continued)

### Operations

With the mobilisation of new projects the workforce numbers have increased materially. Our focus to maintain safe operations has remained over the period and pleasingly we have continued to see the lagging safety statistics trending favourably. TRIFR decreased from 19.54 to 12.43 over the six month period. The momentum around leading safety behaviours has underpinned the improving safety outcomes and pleasingly we have a number of sites that have achieved significant periods of work without any recordable injuries. Our short term focus is to see these behaviours embedded into the new projects and our long term focus remains to reduce all injuries across all our sites.

The Mining division has underpinned the strong first half performance with revenue of $77 million in the half, representing a growth of 93% from H1 2017. The Company has benefited significantly from the prudent steps taken to be positioned with equipment and capability as the cycle turned. As a result, the mining division has been very successful with its tender conversion rate. Over the past six months the Company has redeployed the majority of its mining fleet and has successfully acquired additional equipment which has also been placed on hire in the new contracts. Equipment demand has been steadily increasing and more recently equipment hire rates have also begun to improve.

Gross Margins have improved over the first half as a result of a shift away from labour hire style contracts back to self-managed contracts. Recent contracts have been negotiated with stronger margin upside linked to performance. The combination of leveraged overheads, stronger equipment utilization and margins and the ability to improve gross margins through performance is expected to result in improved EBITDA margins.

Focus for the mining division in the second half will be on strong delivery from the Narrabri development contract and the North Goonyella development contract which have mobilised late in H1 2018. The Company has also recently extended the Wambo development contract along with an increase in scope. Mobilisation of additional labour and equipment will occur early in the second half.

During the period $3.7 million in capital was expended to overhaul the Company's mining equipment for hire into the new contracts. This has seen the group's equipment utilization rate improve to above 80% and has been a strong contributing factor to the increased EBITDA margin. Capital expenditure will reduce in the second half to primarily sustaining capital expenditure to maintain the existing fleet.

Following the restructuring and exiting of workshops and engineering revenue streams across the Mastertec division, the result for Mastertec in the first half has been an overall improvement on previous results. Revenue was down 18% on pcp to $13.8 million and EBITDA was slightly positive as compared to losses in previous results.

The consolidation back to core business in scaffolding and protective coating services saw the operational, safety and financial performance improve. The division has been restructured to operate with more flexibility and to move quickly to increase and decrease fixed costs as work necessitates.

Gross Margins remain strong in the Mastertec division and the focus in the second half is to increase revenues and leverage the fixed overhead costs. With several long term scaffolding and protective coating tenders expected in second half the Company is working hard to secure additional revenue and further improve the profitability of the Mastertec division.

Workforce numbers increased by approximately 150 during the first half with total workforce numbers now at 900. Scope growth on current contracts is driving further growth in workforce numbers. Prolonged issues at South32's Appin site has seen development work deferred affecting 150 positions. When this work is recommenced it is expected to flow through to further increases in manning.

**3 Outlook**

Over the first half the depth and quality of the order book has improved and the Company has further diversified its exposure through an increased footprint in NSW operations. The Order Book stands at $250 million, $100 million of which will be delivered in H2 2018. The tender pipeline remains strong with over $1.1 billion in pipeline divided between core business, $350m, and contract mining opportunities of $750m.

The stronger coal market has supported the re-emergence of greenfield projects with several proponents undertaking feasibility studies or considering recommencement on existing underground projects in both Queensland and New South Wales. Additionally, other underground coal projects have recently secured approvals which will create a longer term pipeline.

In addition to greenfield projects, existing underground mines continue to be acquired with new owners looking to restart operations utilizing contract miners. The Company has several of these opportunities in progress with two in late stage negotiations and a further opportunity in early stages.

The Company has emerged from a deep cycle in excellent shape and a healthy contracted order book underpins a continuation of improved profitability. The company is focused on delivering its current order book safely and profitably and expects to see robust cash generation continue into the second half of the year. A strong market outlook is driving increased demand for our services and the pipeline, combined with the contract mining opportunities, underpins the growth outlook.

The group maintains its full year Revenue and EBITDA guidance of $180-$200 million and $13-$16 million and expects to deliver on the higher end of this guidance.

**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 2017.

**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 20th day of February 2018.

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The Directors
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**Auditor's Independence Declaration**

**To the Directors of Mastermyne Group Limited**

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Mastermyne Group Limited and the entities it controlled during the period.

Pitcher Partners

PITCHER PARTNERS

J Evans

J J EVANS
Partner

Brisbane, Queensland
20 February 2018

# Mastermyne Group Limited and its Controlled Entities

## Condensed consolidated statement of financial position

**As at 31 December 2017**

| *In thousands of AUD* | ***Note*** | **31 Dec 2017** | **30 Jun 2017** |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *7* | 1 | 1 |
| Trade and other receivables | | 40,928 | 29,454 |
| Inventories | | 2,613 | 2,684 |
| Current tax assets | | - | 202 |
| **Total current assets** | | 43,542 | 32,341 |
| Deferred tax assets | *6(a)* | 8,605 | 9,285 |
| Property, plant and equipment | | 18,968 | 18,745 |
| Intangible assets | | 6,818 | 6,894 |
| **Total non-current assets** | | 34,391 | 34,924 |
| **Total assets** | | 77,933 | 67,265 |
| | | | |
| **Liabilities** | | | |
| Bank overdraft | *7* | 3,218 | 768 |
| Trade and other payables | | 14,886 | 11,392 |
| Loans and borrowings | | 4,250 | 6,250 |
| Employee benefits | | 5,440 | 3,388 |
| Current tax liability | | 131 | - |
| **Total current liabilities** | | 27,925 | 21,798 |
| Loans and borrowings | | - | 3,000 |
| Employee benefits | | 171 | 138 |
| **Total non-current liabilities** | | 171 | 3,138 |
| **Total liabilities** | | 28,096 | 24,936 |
| **Net assets** | | 49,837 | 42,329 |
| | | | |
| **Equity** | | | |
| Share capital | | 60,904 | 55,234 |
| Reserves | | (21,829) | (21,864) |
| Retained earnings | | 10,458 | 8,704 |
| **Total equity attributable to owners of the Company** | | 49,533 | 42,074 |
| **Non-controlling interests** | | 304 | 255 |
| **Total equity** | | 49,837 | 42,329 |

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

## Mastermyne Group Limited and its Controlled Entities

### Condensed consolidated statement of profit or loss and other comprehensive income
**For the six months ended 31 December 2017**

| *In thousands of AUD* | *Note* | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| Revenue | 5 | 91,043 | 56,954 |
| Other income | | 290 | 76 |
| Contract disbursements | | (17,846) | (13,394) |
| Personnel expenses | | (64,240) | (39,470) |
| Office expenses | | (2,175) | (2,122) |
| Depreciation and amortisation expense | | (3,550) | (3,221) |
| Other expenses | | (390) | (540) |
| **Results from operating activities** | | 3,132 | (1,717) |
| | | | |
| Finance income | | 5 | 17 |
| Finance expense | | (335) | (301) |
| **Net finance expense** | | (330) | (284) |
| | | | |
| **Profit / (Loss) before income tax** | | 2,802 | (2,001) |
| | | | |
| Income tax benefit / (expense) | 6 | (999) | 547 |
| **Profit / (Loss) for the period** | | 1,803 | (1,454) |
| | | | |
| **Total comprehensive Profit / (Loss) for the period** | | 1,803 | (1,454) |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | 1,754 | (1,490) |
| Non-controlling interests | | 49 | 36 |
| **Profit / (Loss) for the period** | | 1,803 | (1,454) |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share (In whole AUD) | | 0.02 | (0.02) |
| Diluted earnings per share (In whole AUD) | | 0.02 | (0.02) |

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

## Mastermyne Group Limited and its Controlled Entities

### Condensed consolidated statement of changes in equity
**For the six months ended 31 December 2017**

| *In thousands of AUD* | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Retained earnings | Share-based payment reserve (Note 8) | Common control reserve | Total | Non-Controlling interests | Total equity |
| **Balance at 1 July 2016** | 55,234 | 10,716 | 2,322 | (24,237) | 44,035 | 398 | 44,433 |
| ***Total comprehensive loss for the period*** | | | | | | | |
| Loss for the period | - | (1,490) | - | - | (1,490) | 36 | (1,454) |
| Total comprehensive loss for the period | - | (1,490) | - | - | (1,490) | 36 | (1,454) |
| ***Transactions with owners recorded directly in equity*** | | | | | | | |
| Share-based payment transactions | - | - | 17 | - | 17 | - | 17 |
| Total contributions by and distributions to owners | - | - | 17 | - | 17 | - | 17 |
| **Balance at 31 December 2016** | 55,234 | 9,226 | 2,339 | (24,237) | 42,562 | 434 | 42,996 |
| **Balance at 1 July 2017** | 55,234 | 8,704 | 2,373 | (24,237) | 42,074 | 255 | 42,329 |
| ***Total comprehensive loss for the period*** | | | | | | | |
| Loss for the period | - | 1,754 | - | - | 1,754 | 49 | 1,803 |
| Total comprehensive loss for the period | - | 1,754 | - | - | 1,754 | 49 | 1,803 |
| ***Transactions with owners recorded directly in equity*** | | | | | | | |
| Issue of ordinary shares in relation to business combinations | 5,670 | - | - | - | 5,670 | - | 5,670 |
| Share-based payment transactions | - | - | 35 | - | 35 | - | 35 |
| Total contributions by and distributions to owners | 5,670 | - | 35 | - | 5,705 | - | 5,705 |
| **Balance at 31 December 2017** | 60,904 | 10,458 | 2,408 | (24,237) | 49,533 | 304 | 49,837 |

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

Mastermyne Group Limited and its Controlled Entities

## Condensed consolidated statement of cash flows

**For the six months ended 31 December 2017**

| *In thousands of AUD* | ***Note*** | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 88,015 | 63,140 |
| Cash paid to suppliers and employees | | (87,302) | (62,714) |
| Cash generated from / (used in) operations | | 713 | 426 |
| Interest paid | | (335) | (301) |
| Income tax paid | | 12 | 122 |
| **Net cash flows from operating activities** | *9* | 390 | 247 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 182 | 966 |
| Acquisition of property, plant and equipment | | (3,697) | (643) |
| Interest received | | 5 | 18 |
| **Net cash flows from / (used in) investing activities** | | (3,510) | 341 |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital, net of issue costs | | 5,670 | - |
| Repayment of borrowings | | (5,000) | (600) |
| Payment of finance lease liabilities | | - | (2,343) |
| **Net cash flows from / (used in) financing activities** | | 670 | (2,943) |
| | | | |
| Net decrease in cash and cash equivalents | | (2,450) | (2,355) |
| Cash and cash equivalents at beginning of period | | (767) | 1,836 |
| **Cash and cash equivalents at end of period** | *7* | (3,217) | (519) |

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

# Notes to the consolidated financial statements

**For the six months ended 31 December 2017**

## 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 2017 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 2017 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 2017.

The interim report was authorised for issue by the Board of Directors on 20 February 2018.

### (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 8 – impairment; key assumptions used in discounted cash flow projections
- Note 6(a) – recoverability of deferred tax assets

## 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 2017.

## 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, and training 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.

## 4 Segment information (continued)

### Business Segments (continued)

| *In thousands of AUD* | Mastermyne | | Mastertec | | Consolidated | |
|---|---|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| External revenues | 77,257 | 40,056 | 13,786 | 16,898 | 91,043 | 56,954 |
| Intersegment revenue | - | 10 | 247 | 353 | 247 | 363 |
| Reportable segment revenue | 77,257 | 40,066 | 14,033 | 17,251 | 91,290 | 57,317 |
| Depreciation and amortisation | (3,142) | (2,701) | (426) | (530) | (3,550) | (3,221) |
| Net finance costs | (331) | (285) | 1 | 1 | (330) | (284) |
| Reportable Segment profit/(loss) before income tax | 3,831 | 220 | (468) | (1,629) | 3,363 | (1,409) |

### Reconciliations of reportable segment revenues and profit or loss

| *in thousands of AUD* | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Revenues** | | |
| Total revenue for reportable segments | 91,290 | 57,317 |
| Elimination of inter-segment revenue | (247) | (363) |
| Consolidated revenue | 91,043 | 56,954 |
| | | |
| **Profit or loss** | | |
| Total profit / (loss) for reportable segments | 3,363 | (1,409) |
| Elimination of inter-segment loss | (37) | (51) |
| Unallocated amounts: net corporate expenses | (524) | (541) |
| Consolidated profit / (loss) before income tax | 2,802 | (2,001) |

## 5 Revenue

| *In thousands of AUD* | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|
| Contracting revenue | 80,099 | 45,008 |
| Sale of goods | 5,558 | 9,285 |
| Machinery hire | 5,386 | 2,661 |
| | 91,043 | 56,954 |

## 6 Income tax expense

**Numerical reconciliation between tax benefit and pre-tax accounting loss**

| *In thousands of AUD* | **31 Dec 2017** | **31 Dec 2016** |
|---|---|---|
| Profit / (Loss) for the period | 1,803 | (1,454) |
| Total income tax benefit | 999 | (547) |
| Profit / (Loss) before income tax | 2,802 | (2,001) |
| Income tax using the Group's statutory income tax rate of 30% (2017: 30%) | 841 | (600) |
| Non-deductible expenses | | |
| Other | 63 | 38 |
| Tax offset for franked dividends | (24) | - |
| Under / (over) provision of previous year | 119 | 15 |
| Income tax benefit | 999 | (547) |

**6(a)** As at 30 June 2017, the Group had revenue tax losses totalling \$31.352 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 2017 was \$9.285 million. After operating profits incurred during the six months ended 31 December 2017, the net deferred tax asset associated with temporary differences and revenue tax losses is \$8.605 million.

# Notes to the consolidated financial statements (continued)

**For the six months ended 31 December 2017**

## 7 Cash and cash equivalents

| *In thousands of AUD* | **31 Dec 2017** | **30 Jun 2017** |
|---|---|---|
| Bank balances | | |
| Cash on hand | 1 | 1 |
| Cash and cash equivalents in the statement of financial position | 1 | 1 |

| | **Number of Shares** | | | |
|---|---|---|---|---|
| | **31 Dec 2017** | **30 Jun 2017** | **31 Dec 2017** | **30 Jun 2017** |
| Balance at the beginning of the year | 91,088 | 91,088 | 55,234 | 55,234 |
| Placement 10,000,000 shares @ $0.60 | 10,000 | - | 6,000 | - |
| Share issue costs | - | - | (330) | - |
| Balance at the end of the period | 101,088 | 91,088 | 60,904 | 55,234 |

In September 2017 the Company undertook an equity raise. In total $6.0 million was raised to fund its ongoing activities.

### 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 10).

### Dividends

No dividends have been paid during the 2018 financial year.

# Notes to the consolidated financial statements (continued)

**For the year ended 31 December 2017**

## 9 Reconciliation of cash flows from operating activities

| *In thousands of AUD* | *Note* | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit / (Loss) for the period | | 1,803 | (1,454) |
| **Adjustments for:** | | | |
| Depreciation | | 3,474 | 3,107 |
| Amortisation of intangible assets | | 76 | 114 |
| Loss / (Gain) on sale of property, plant and equipment | | (184) | 154 |
| Share based payments | | 35 | 17 |
| Net finance expense | | 330 | 284 |
| Income tax expense / (benefit) | | 999 | (547) |
| **Operating profit before changes in working capital and provisions** | | 6,533 | 1,675 |
| Change in trade and other receivables | | (11,474) | 185 |
| Change in inventories | | 73 | 491 |
| Change in trade and other payables | | 3,495 | (2,094) |
| Change in provisions and employee benefits | | 2,086 | 169 |
| | | 713 | 426 |
| Interest paid | | (335) | (301) |
| Income taxes paid | | 12 | 122 |
| **Net cash flow from operating activities** | | 390 | 247 |

## 10 Share-based payments

There were no movements in performance rights during the period. The Group incurred $34,000 in expenses relating to share based payments during the period (31 Dec 2016: $17,000).

## 11 Subsequent events

There has not arisen in the interval between 31 December 2017 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 2017 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 20th day of February 2018.

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Mastermyne Group Limited,

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Mastermyne Group Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rubicor Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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*Independence*

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

*Conclusion*

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

a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners

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J J EVANS
Partner

Brisbane, Queensland
20 February 2017