



**mastermyne**

**stronger values. greater results.**

**Mastermyne Group Limited  
and its Controlled Entities**

ABN 96 142 490 579

Interim Financial Report 31 December 2019





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mining | products | training

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ABN: 96 142 490 579

## Appendix 4D

Results for announcement to market for the period ending 31 December 2019

**Name of Entity** Mastermyne Group Limited  
**ABN** 96 142 490 579

|   | 31 Dec 2019<br>\$000 | 31 Dec 2018<br>\$000 | Movement<br>\$000 | Movement<br>% |
|---|----------------------|----------------------|-------------------|---------------|
| Revenue from Ordinary Activities              | 136,350              | 116,773              | 19,577            | 16.8%         |
| Net profit after tax from Ordinary Activities | 4,336                | 3,161                | 1,175             | 37.2%         |

### Dividends

|  | Record Date | Payment Date | Amount per Security | Franked Amount per Security |
|--|-------------|--------------|---------------------|-----------------------------|
| Interim dividend for the period ended 31 December 2019 | 27/03/2020  | 16/04/2020   | 0.02                | 0.02                        |

### Net Tangible Asset Backing

|  | 31 Dec 2019 | 30 Jun 2019 |
|--|-------------|-------------|
| Net tangible assets per ordinary share (cents per share) | 50.0        | 50.0        |



# Mastermyne Group Limited and its Controlled Entities

## Directors' report

### For the half year ended 31 December 2019

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 2019 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 25 February 2015) – Bachelor of Engineering (Mining), Graduate Certificate of Management*  
Independent Chairman

*Special Responsibilities*  
Member of the Audit and Risk Committee  
Member 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  
Chairman of the Remuneration and Nomination Committee

*Ms. J. Whitcombe (appointed 7 June 2018) – Bachelor of Engineering (Mining)(First Class Honours), MBA, CA*  
Non-executive Director

*Special Responsibilities*  
Chairman 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



# Mastermyne Group Limited and its Controlled Entities

## Directors' report

### For the half year ended 31 December 2019

## 2 Operating and financial review

### Results

#### Operational overview

Key highlights of the HY2020 result are:

- Revenue increased by 17% to \$136.4 million with EBITDA increasing 23% to \$11.4 million and Net Profit up 37% to \$4.3 million
- Resumption of interim dividend – 2.0 cents per share (fully franked)
- Key contracts extended with Tier 1 clients
- Wilson Mining acquisition and integration completed
- Net cash position after dividends, acquisition and major project related capital investment during the first half
- Record order book of \$700m.

The Company maintains a strong balance sheet with a Net Cash position of \$4.9 million (excluding lease liabilities). The period saw some reduction in Net Cash primarily due to returns to shareholders through dividends, acquisition of Wilson Mining services and major project related capital investment to further bolster future margins.

During the period Mastermyne delivered record roadway development metres across the most number of development units operated by the Company since its inception. The Company was successful in securing contract extensions with South 32 Appin Colliery and Anglo American Moranbah North Mine. It also secured a major new contract for the Aquila Underground Development project (Anglo American), which flowed into revenue growth and contributes to a record order book of \$700m. Wilson Mining Services was acquired and integrated during the period creating an important product offering with application across the underground coal industry. The business is now fully integrated into Mastermyne with associated re-structuring and integration costs fully expensed during the period.

As revenue continues to grow, the Company is maintaining its disciplined approach to overheads with only minimal escalation to support the increased activities, and subsequently overheads have materially decreased as a percentage of revenue. Despite costs from the inclusion of Wilson Mining, the Company was still very pleased with an EBITDA margin of 8.4%. Stronger margins are expected for the second half with all projects now fully mobilised and operating at full run rate, a strong start to the second half from Wilson Mining, and anticipated scope increases on current projects.

During the period, \$7.3 million (net of funding) in capital was invested to overhaul mining equipment for hire into new contracts, and this has been a strong contributor to the strength in the EBITDA margin.

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at 1153 representing a 20% increase from end of FY2019 (963). Whilst resources have become constrained as demand for mining services has remained strong, the Company was able to successfully resource the Aquila and Tahmoor projects with highly skilled and capable personnel. The Company is forecasting workforce numbers to remain at the current level in the second half of the year as all projects are fully resourced and operating at full run rate.

The Company has commissioned a second Mynesight training facility in Wollongong NSW. The facility includes a simulated underground coal mining operation, which provides valuable training to new entrants to the underground coal environment. The facility also allows access to the Wollongong coal operations in the region to provide induction and refresher training to these workforces.

# Mastermyne Group Limited and its Controlled Entities

## Directors' report

### For the half year ended 31 December 2019

## 2 Operating and financial review (continued)

### Results (continued)

#### Operational overview (continued)

The Company continues its focus on improving safety outcomes with good results achieved across all the projects. Seven of the projects have now completed extended periods free of recordable injuries. The relentless focus on building a self-supporting safety culture underpins the strong result.

The Group's Order Book, which is heavily weighted to Metallurgical coal projects (~85%), currently stands at a record \$700 million with \$139 million of this to be delivered in the remaining FY2020, and \$561 million in FY2021 and beyond. In addition to the contracted works, the Company forecasts a further \$15-20 million per annum in recurring and purchase order work over the FY2020 year.

#### Outlook

The continued strong industry fundamentals are representative in record order book as mines look to maintain production output and take advantage of the current coal prices. The demand for Australian seaborne metallurgical coal is expected to remain robust, as China's demand remains steady and India's continuing to increase. The competitor landscape remains unchanged and the Company has not observed any change in the approach by existing competitors. The Company is also progressing a pipeline of Whole of Mine opportunities with proponents who are looking to restart operations utilizing a contract miner supporting the Company's whole of mine growth strategy.

The Company will focus on delivering its current record order book safely and profitably and will continue to generate strong cash flow. EBITDA margins will also be a focus through FY2020 as they continue to edge towards the long-term goal of double-digit margins. The Company will continue with its disciplined capital management strategy and will maintain a healthy net cash position to ensure the Company maintains its financial strength through the market cycles, whilst continuing dividend returns to shareholders. Investment in existing and new fleet will continue to be assessed with EBITDA margin improvement expected from any investment.

#### Balance sheet and cashflow

The overall cash position at 31 December 2019 represented a net decrease in cash and cash equivalents of \$7.7 million against prior period, to \$8.7 million. The decrease was a result of returns to shareholders through dividends, capital investment in current and new equipment fleet, and the acquisition of Wilson Mining Services Pty Ltd during the period.

The cash flow movements were as follows:

- net cash inflows from operating activities for the half-year ended 31 December 2019 of \$4.917 million (half-year ended 31 December 2018: inflows of \$10.400 million), represented by cashflow generation from operational performance, offset by a seasonal increase at the end of period in trade receivables and work in progress;
- net cash outflows from investing activities for the full-year ended 31 December 2019 of \$11.111 million (half-year ended 31 December 2018: outflows of \$4.257 million), represented by capital investment in new and existing fleet and the acquisition purchase price for Wilson Mining Services Pty Ltd; and
- net cash outflows from financing activities for the half-year ended 31 December 2019 of \$1.506 million (half-year ended 31 December 2018: outflows of \$1.653 million), represented the payment of dividends, repayment on on-going lease liabilities, offset by the utilisation of the invoice finance working capital facility.





# Mastermyne Group Limited and its Controlled Entities

## Directors' report

### For the half year ended 31 December 2019

#### 2 Operating and financial review (continued)

##### Results (continued)

##### Balance sheet and cashflow (continued)

The net assets of the Group have slightly increased from \$64.343 million (30 June 2019) to \$64.714 million at 31 December 2019. Significant changes for the period included the recognition of Right-of-use assets and corresponding lease liabilities in accordance with introduction of AASB 16 requirements. In addition, the impacts as a result of the acquisition of Wilson Mining Services Pty Ltd and the related contingent liability payments have been recognized in the period.

The Group maintains significant headroom in its current bank facilities providing additional working capital to support future growth. Mastermyne has invoice finance facility limit of \$20.0m for working capital and a further \$10m for equipment funding.

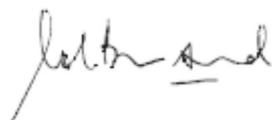
#### 3 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the six months ended 31 December 2019.

#### 4 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*

Date at Brisbane this 18<sup>th</sup> day of February 2020



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### **Auditor's Independence Declaration**

In relation to the independent auditor's review for the half-year ended 31 December 2019, 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 (including Independence Standards)*.

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

PITCHER PARTNERS



J. EVANS  
Partner

Brisbane, Queensland  
18 February 2020

**Brisbane Sydney Newcastle Melbourne Adelaide Perth**

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# Mastermyne Group Limited and its Controlled Entities

## Condensed consolidated statement of financial position

As at 31 December 2019

*In thousands of AUD*

|   | <i>Note</i> | 31 Dec 2019    | 30 Jun 2019   |
|---|-------------|----------------|---------------|
| <b>Assets</b>   |             |                |               |
| Cash and cash equivalents                                 | 7           | 8,723          | 16,423        |
| Trade and other receivables                               |             | 47,951         | 39,172        |
| Inventories   |             | 6,957          | 3,218         |
| <b>Total current assets</b>                               |             | <b>63,631</b>  | <b>58,813</b> |
| Deferred tax asset  | 6(a)        | 7,692          | 8,126         |
| Property, plant and equipment                             | 8           | 25,302         | 18,276        |
| Right-of-use assets                                       | 9           | 8,894          | -             |
| Intangible assets   | 10          | 12,424         | 6,756         |
| <b>Total non-current assets</b>                           |             | <b>54,312</b>  | <b>33,158</b> |
| <b>Total assets</b>                                       |             | <b>117,943</b> | <b>91,971</b> |
| <b>Liabilities</b>  |             |                |               |
| Trade and other payables                                  |             | 19,092         | 16,824        |
| Loans and borrowings                                      | 11          | 3,840          | -             |
| Lease liabilities   | 12          | 2,967          | -             |
| Employee benefits   |             | 11,449         | 8,141         |
| Current tax liability                                     |             | 2,240          | 2,422         |
| Other liabilities   | 13          | 3,799          | -             |
| <b>Total current liabilities</b>                          |             | <b>43,387</b>  | <b>27,387</b> |
| Lease liabilities   | 12          | 5,736          | -             |
| Employee benefits   |             | 251            | 241           |
| Other liabilities   | 13          | 3,855          | -             |
| <b>Total non-current liabilities</b>                      |             | <b>9,842</b>   | <b>241</b>    |
| <b>Total liabilities</b>                                  |             | <b>53,229</b>  | <b>27,628</b> |
| <b>Net assets</b>   |             | <b>64,714</b>  | <b>64,343</b> |
| <b>Equity</b>   |             |                |               |
| Share capital   | 14          | 61,003         | 61,003        |
| Reserves  |             | (23,984)       | (23,960)      |
| Retained earnings   |             | 27,195         | 26,878        |
| <b>Total equity attributable to owners of the Company</b> |             | <b>64,214</b>  | <b>63,921</b> |
| <b>Non-controlling interests</b>                          |             | <b>500</b>     | <b>422</b>    |
| <b>Total equity</b>                                       |             | <b>64,714</b>  | <b>64,343</b> |

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 2019

*In thousands of AUD*

|   | <i>Note</i> | 31 Dec 2019  | 31 Dec 2018  |
|---|-------------|--------------|--------------|
| Revenue from contracts with customers   | 5           | 136,350      | 108,682      |
| Other income  |             | 185          | 68           |
| Contract disbursements  |             | (17,742)     | (19,727)     |
| Personnel expenses  |             | (102,820)    | (78,194)     |
| Office expenses   |             | (3,814)      | (2,307)      |
| Depreciation and amortisation expense   |             | (4,877)      | (4,076)      |
| Other expenses  |             | (732)        | (462)        |
| <b>Results from operating activities</b>  |             | <u>6,550</u> | <u>3,984</u> |
| Finance income  |             | 34           | 18           |
| Finance expense   |             | (339)        | (337)        |
| <b>Net finance expense</b>  |             | <u>(305)</u> | <u>(319)</u> |
| <b>Profit before income tax</b>   |             | 6,245        | 3,665        |
| Income tax expense  | 6(a)        | (1,909)      | (1,171)      |
| <b>Profit from continuing operations</b>  |             | <u>4,336</u> | <u>2,494</u> |
| <b>Profit from discontinued operations, net of tax</b>  | 15(b)       | -            | 667          |
| <b>Profit for the period</b>  |             | <u>4,336</u> | <u>3,161</u> |
| <b>Total comprehensive profit for the period</b>  |             | <u>4,336</u> | <u>3,161</u> |
| <b>Attributable to:</b>   |             |              |              |
| Owners of the Company   |             | 4,258        | 3,057        |
| Non-controlling interests   |             | 78           | 104          |
| <b>Profit for the period</b>  |             | <u>4,336</u> | <u>3,161</u> |
| <b>Earnings per share for profit from continuing operations attributable to ordinary equity holder of the Company</b> |             |              |              |
| Basic earnings per share (cents per share AUD)  |             | 4.1          | 2.4          |
| Diluted earnings per share (cents per share AUD)  |             | <u>4.0</u>   | <u>2.3</u>   |
| <b>Earnings per share for profit attributable to ordinary equity holder of the Company</b>                            |             |              |              |
| Basic earnings per share (cents per share AUD)  |             | 4.1          | 3.0          |
| Diluted earnings per share (cents per share AUD)  |             | <u>4.0</u>   | <u>3.0</u>   |

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 2019

*In thousands of AUD*

|  | Attributable to owners of the Company |                   |                                       |                        |               |                          | Total equity  |
|--|---------------------------------------|-------------------|---------------------------------------|------------------------|---------------|--------------------------|---------------|
|  | Share capital                         | Retained earnings | Share-based payment reserve (Note 14) | Common control reserve | Total         | Non-controlling interest |               |
| Balance at 1 July 2018   | 61,003                                | 16,451            | 182                                   | (24,237)               | 53,399        | 359                      | 53,758        |
| <b><i>Total comprehensive income for the year</i></b>                      |                                       |                   |                                       |                        |               |                          |               |
| Profit for the year  | -                                     | 10,348            | -                                     | -                      | 10,348        | 216                      | 10,564        |
| Total comprehensive income for the year                                    | -                                     | 10,348            | -                                     | -                      | 10,348        | 216                      | 10,564        |
| <b><i>Transactions with owners recorded directly in equity</i></b>         |                                       |                   |                                       |                        |               |                          |               |
| Share options exercised  | -                                     | 65                | (65)                                  | -                      | -             | -                        | -             |
| Transfer of unvested share based payment transactions to retained earnings | -                                     | 14                | (14)                                  | -                      | -             | -                        | -             |
| Share based payment transactions   | -                                     | -                 | 174                                   | -                      | 174           | -                        | 174           |
| Distribution to non-controlling interest                                   | -                                     | -                 | -                                     | -                      | -             | (153)                    | (153)         |
| Total contributions by and distributions to owners                         | -                                     | 79                | 95                                    | -                      | 174           | (153)                    | 21            |
| <b>Balance at 30 June 2019</b>   | <b>61,003</b>                         | <b>26,878</b>     | <b>277</b>                            | <b>(24,237)</b>        | <b>63,921</b> | <b>422</b>               | <b>64,343</b> |
| Balance at 1 July 2019   | 61,003                                | 26,878            | 277                                   | (24,237)               | 63,921        | 422                      | 64,343        |
| <b><i>Total comprehensive income for the period</i></b>                    |                                       |                   |                                       |                        |               |                          |               |
| Profit for the period  | -                                     | 4,258             | -                                     | -                      | 4,258         | 78                       | 4,336         |
| Total comprehensive income for the period                                  | -                                     | 4,258             | -                                     | -                      | 4,258         | 78                       | 4,336         |
| <b><i>Transactions with owners recorded directly in equity</i></b>         |                                       |                   |                                       |                        |               |                          |               |
| Share options exercised  | -                                     | 125               | (125)                                 | -                      | -             | -                        | -             |
| Transfer of unvested share based payment transactions to retained earnings | -                                     | -                 | -                                     | -                      | -             | -                        | -             |
| Share based payment transactions   | -                                     | -                 | 101                                   | -                      | 101           | -                        | 101           |
| Dividends to equity holders  | -                                     | (4,066)           | -                                     | -                      | (4,066)       | -                        | (4,066)       |
| Total contributions by and distributions to owners                         | -                                     | (3,941)           | (24)                                  | -                      | (3,965)       | -                        | (3,965)       |
| <b>Balance at 31 December 2019</b>   | <b>61,003</b>                         | <b>27,195</b>     | <b>253</b>                            | <b>(24,237)</b>        | <b>64,214</b> | <b>500</b>               | <b>64,714</b> |

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 2019

*In thousands of AUD*

|   | <i>Note</i> | 31 Dec 2019     | 31 Dec 2018    |
|---|-------------|-----------------|----------------|
| <b>Cash flows from operating activities</b>         |             |                 |                |
| Cash receipts from customers                        |             | 144,198         | 132,771        |
| Cash paid to suppliers and employees                |             | (137,600)       | (120,650)      |
| Cash generated from operations                      |             | <u>6,598</u>    | <u>12,121</u>  |
| Interest paid                                       |             | (206)           | (337)          |
| Interest received                                   |             | 34              | 18             |
| Income tax paid                                     |             | (1,509)         | (1,402)        |
| <b>Net cash flows from operating activities</b>     | 17          | <u>4,917</u>    | <u>10,400</u>  |
| <b>Cash flows from investing activities</b>         |             |                 |                |
| Proceeds from sale of property, plant and equipment |             | 93              | -              |
| Acquisition of property, plant and equipment        |             | (6,980)         | (4,257)        |
| Initial direct costs on right-of-use assets         |             | (195)           | -              |
| Acquisition of intangible assets                    |             | (230)           | -              |
| Acquisition of business                             |             | (3,799)         | -              |
| <b>Net cash flows used in investing activities</b>  |             | <u>(11,111)</u> | <u>(4,257)</u> |
| <b>Cash flows from financing activities</b>         |             |                 |                |
| Dividends paid                                      |             | (4,066)         | -              |
| Proceeds from invoice facility                      |             | 3,840           | -              |
| Repayment of borrowings                             |             | -               | (1,500)        |
| Payment of lease liabilities                        |             | (1,280)         | -              |
| Distribution to non-controlling interest            |             | -               | (153)          |
| <b>Net cash flows used in financing activities</b>  |             | <u>(1,506)</u>  | <u>(1,653)</u> |
| Net decrease/increase in cash and cash equivalents  |             | (7,700)         | 4,490          |
| Cash and cash equivalents at beginning of period    |             | <u>16,423</u>   | <u>(520)</u>   |
| <b>Cash and cash equivalents at end of period</b>   | 7           | <u>8,723</u>    | <u>3,970</u>   |
| Cash flows from discontinued operation              | 15(b)       |                 |                |

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



# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 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 2019 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 2019 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at [www.mastermyne.com.au](http://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 2019.

The interim report was authorised for issue by the Board of Directors on 18 February 2020.

#### (b) Basis of measurement

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

#### (c) Functional and presentational 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 6(a) - Recoverability of deferred tax assets
- Note 16(b) - Contingent consideration
- Note 16(c) - Valuation of acquired intangible assets

# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 3 Significant accounting policies

Except as described below, 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 2019.

#### New and amended standards adopted by the Group

##### AASB 16 Leases

The Group has adopted AASB16 using the modified retrospective approach from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

##### Impact of initial application

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%.

*In thousands of AUD*

|  |            |
|--|------------|
| Operating lease commitments disclosed at 30 June 2019                              | 2,449      |
| Discounted using the incremental borrowing rate at the date of initial application | 2,440      |
| Less: short-term leases recognised on a straight-line basis as expense             | (1,483)    |
| <b>Lease liability recognised as at 1 July 2019</b>                                | <b>957</b> |

##### Represented by:

|                               |            |
|-------------------------------|------------|
| Current lease liabilities     | 620        |
| Non-current lease liabilities | 337        |
|                               | <b>957</b> |

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 30 June 2019. There were no onerous contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

*In thousands of AUD*

|                                  | 31 Dec 19    | 1 Jul 19   |
|----------------------------------|--------------|------------|
| Land and buildings               | 3,794        | -          |
| Equipment                        | 4,311        | 430        |
| Motor vehicles                   | 789          | 527        |
| <b>Total right-of-use assets</b> | <b>8,894</b> | <b>957</b> |

##### Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.



# Mastermyne Group Limited and its Controlled Entities

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

## 3 Significant accounting policies (continued)

### New and amended standards adopted by the Group (continued) AASB 16 Leases (continued)

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## 4 Segment information

### Identification of reportable operating segments

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Subsequent to the sale of the scaffold, blast and paint components of the Mastertec entity in May 2019, the Directors reassessed the reportable segments and are of the opinion that the remaining operating segments meet the criteria for aggregation into a single reportable segment as the CODM reviews results, assesses performance and allocate resources at a Group level, and the operating segments have similar economic characteristics and customers.

As the information reported to the CODM is the consolidated results of the Group, the segment results are shown throughout these financial statements and are not duplicated here.

# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 5 Revenue from contracts with customers

#### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| <i>In thousands of AUD</i> | 31 Dec 2019    | 31 Dec 18      |
|----------------------------|----------------|----------------|
| Contracting revenue        | 126,052        | 107,514        |
| Sale of goods              | 3,009          | 2,990          |
| Machinery hire             | 7,289          | 6,269          |
| <b>Total revenue</b>       | <b>136,350</b> | <b>116,773</b> |
| <b>Attributable to:</b>    |                |                |
| Continuing operations      | 136,350        | 108,682        |
| Discontinued operations    | -              | 8,091          |
|                            | <b>136,350</b> | <b>116,773</b> |

### 6 Income tax

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

| <i>In thousands of AUD</i>   | 31 Dec 2019  | 31 Dec 2018  |
|--|--------------|--------------|
| Profit for the period  | 4,336        | 3,161        |
| Total income tax expense   | 1,909        | 1,457        |
| Profit before income tax   | <b>6,245</b> | <b>4,618</b> |
| Income tax using the Group's statutory income tax rate of 30% (2018 – 30%) | 1,874        | 1,385        |
| Non-deductible expenses  |              |              |
| Other  | 83           | 62           |
| Under/(over) provision of previous years                                   | (48)         | 10           |
| Income tax expense   | <b>1,909</b> | <b>1,457</b> |
| <b>Attributable to:</b>  |              |              |
| Profit from continuing operations  | 1,909        | 1,171        |
| Profit from discontinued operations  | -            | 286          |
|  | <b>1,909</b> | <b>1,457</b> |

- (a) As at 30 June 2019, the Group had revenue tax losses totaling \$23,550,000 which are available to offset against future taxable income. Together with assessable and deductible temporary differences, the net deferred tax asset at 30 June 2019 was \$8,126,000. After operating profits incurred during the six months ended 31 December 2019, the net deferred tax asset associated with temporary differences and revenue tax losses is \$7,692,000.

### 7 Cash and cash equivalents

| <i>In thousands of AUD</i>                                       | 31 Dec 2019  | 30 Jun 2019   |
|--|--------------|---------------|
| Bank balances  | 8,722        | 16,423        |
| Cash on hand   | 1            | -             |
| Cash and cash equivalents in the statement of financial position | <b>8,723</b> | <b>16,423</b> |



# Mastermyne Group Limited and its Controlled Entities

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

## 8 Property, plant and equipment

*In thousands of AUD*

|  | Plant and equipment | Motor vehicles | Computer equipment | Leasehold improvements | Total   |
|--|---------------------|----------------|--------------------|------------------------|---------|
| <b>Cost or deemed cost</b>                     |                     |                |                    |                        |         |
| Balance at 1 July 2018                         | 59,038              | 1,302          | 1,431              | 165                    | 61,936  |
| Additions                                      | 6,891               | 656            | 453                | 49                     | 8,049   |
| Disposals                                      | (4,568)             | (1,407)        | (189)              | -                      | (6,164) |
| Transfers                                      | (55)                | 55             | -                  | -                      | -       |
| Balance at 30 June 2019                        | 61,306              | 606            | 1,695              | 214                    | 63,821  |
| Balance at 1 July 2019                         | 61,306              | 606            | 1,695              | 214                    | 63,821  |
| Additions                                      | 6,844               | 30             | 106                | -                      | 6,980   |
| Additions – business acquisitions (Note 16(c)) | 3,118               | 434            | 173                | -                      | 3,725   |
| Disposals                                      | (115)               | (85)           | (1)                | -                      | (201)   |
| Transfers                                      | -                   | -              | -                  | -                      | -       |
| Balance at 31 December 2019                    | 71,153              | 985            | 1,973              | 214                    | 74,325  |
| <b>Depreciation and impairment losses</b>      |                     |                |                    |                        |         |
| Balance at 1 July 2018                         | 39,122              | 840            | 804                | 117                    | 40,883  |
| Depreciation for the year                      | 7,797               | 66             | 298                | 32                     | 8,193   |
| Disposals                                      | (2,977)             | (519)          | (35)               | -                      | (3,531) |
| Transfers                                      | (55)                | 55             | -                  | -                      | -       |
| Balance at 30 June 2019                        | 43,887              | 442            | 1,067              | 149                    | 45,545  |
| Balance at 1 July 2019                         | 43,887              | 442            | 1,067              | 149                    | 45,545  |
| Depreciation for the year                      | 3,363               | 50             | 162                | 16                     | 3,591   |
| Disposals                                      | (107)               | (6)            | -                  | -                      | (113)   |
| Transfers                                      | -                   | -              | -                  | -                      | -       |
| Balance at 31 December 2019                    | 47,143              | 486            | 1,229              | 165                    | 49,023  |
| <b>Carrying amounts</b>                        |                     |                |                    |                        |         |
| At 1 July 2018                                 | 19,916              | 462            | 627                | 48                     | 21,053  |
| At 30 June 2019                                | 17,419              | 164            | 628                | 65                     | 18,276  |
| At 1 July 2019                                 | 17,419              | 164            | 628                | 65                     | 18,276  |
| At 31 December 2019                            | 24,010              | 499            | 744                | 49                     | 25,302  |

# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 9 Right-of-use assets

*In thousands of AUD*

|                                    | 31 Dec 2019  | 30 Jun 2019 |
|------------------------------------|--------------|-------------|
| Buildings – right-of-use           | 3,975        | -           |
| Less: Accumulated depreciation     | (181)        | -           |
|                                    | <u>3,794</u> | <u>-</u>    |
| Plant and equipment – right-of-use | 5,110        | -           |
| Less: Accumulated depreciation     | (799)        | -           |
|                                    | <u>4,311</u> | <u>-</u>    |
| Motor vehicles – right-of-use      | 960          | -           |
| Less: Accumulated depreciation     | (171)        | -           |
|                                    | <u>789</u>   | <u>-</u>    |
|                                    | <u>8,894</u> | <u>-</u>    |

The Group leases land and buildings for its offices under agreements of five years, with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group leases plant and equipment under agreements of two years. The Group leases motor vehicles under agreements of two to five years.

The Group also leases office equipment under agreements of one to three years. These leases are either short-term or low value, so have been expensed as incurred and not capitalised as right-of-use assets.

### 10 Intangible assets

*In thousands of AUD*

|   | 31 Dec 2019   | 30 Jun 2019  |
|---|---------------|--------------|
| Goodwill – net carrying amount                | <u>10,420</u> | <u>6,429</u> |
| Customer relationships – cost                 | 3,536         | 2,945        |
| Less: Accumulated amortisation and impairment | (2,979)       | (2,945)      |
| Net carrying amount                           | <u>557</u>    | <u>-</u>     |
| Intellectual property – cost                  | 1,449         | 1,449        |
| Less: Accumulated amortisation and impairment | (1,321)       | (1,268)      |
| Net carrying amount                           | <u>128</u>    | <u>181</u>   |
| Software – cost                               | 381           | 151          |
| Less: Accumulated amortisation and impairment | (35)          | (5)          |
| Net carrying amount                           | <u>346</u>    | <u>146</u>   |
| Exclusive distribution rights – cost          | 991           | -            |
| Less: Accumulated amortisation and impairment | (18)          | -            |
| Net carrying amount                           | <u>973</u>    | <u>-</u>     |
| Total net carrying amount                     | <u>12,424</u> | <u>6,756</u> |

# Mastermyne Group Limited and its Controlled Entities

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

## 10 Intangible assets (continued) Reconciliation of carrying amounts

*In thousands of AUD*

|   | 31 Dec 2019   | 30 Jun 2019  |
|---|---------------|--------------|
| Goodwill  |               |              |
| Carrying amount – opening                           | 6,429         | 6,429        |
| Acquired through business combinations (Note 16(c)) | 3,991         | -            |
| Carrying amount – closing                           | <u>10,420</u> | <u>6,429</u> |
| Customer relationships                              |               |              |
| Carrying amount – opening                           | -             | -            |
| Acquired through business combinations (Note 16(c)) | 591           | -            |
| Amortisation  | (34)          | -            |
| Carrying amount – closing                           | <u>557</u>    | <u>-</u>     |
| Intellectual property                               |               |              |
| Carrying amount – opening                           | 181           | 319          |
| Amortisation  | (53)          | (138)        |
| Carrying amount – closing                           | <u>128</u>    | <u>181</u>   |
| Software  |               |              |
| Carrying amount – opening                           | 146           | -            |
| Additions – internally developed                    | 230           | 151          |
| Amortisation  | (30)          | (5)          |
| Carrying amount – closing                           | <u>346</u>    | <u>146</u>   |
| Exclusive distribution rights                       |               |              |
| Carrying amount – opening                           | -             | -            |
| Acquired through business combinations (Note 16(c)) | 991           | -            |
| Amortisation  | (18)          | -            |
| Carrying amount – closing                           | <u>973</u>    | <u>-</u>     |
| Total intangible assets                             |               |              |
| Carrying amount – opening                           | 6,756         | 6,748        |
| Additions – internally developed                    | 230           | 151          |
| Acquired through business combinations (Note 16(c)) | 5,573         | -            |
| Amortisation  | (135)         | (143)        |
| Carrying amount – closing                           | <u>12,424</u> | <u>6,756</u> |

## 11 Loans and borrowings

*In thousands of AUD*

|                          | 31 Dec 2019  | 30 Jun 2019 |
|--------------------------|--------------|-------------|
| <b>Current</b>           |              |             |
| Invoice finance facility | <u>3,840</u> | <u>-</u>    |

# Mastermyne Group Limited and its Controlled Entities

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

## 12 Lease liabilities

*In thousands of AUD*

### Current

Lease liability  
Unexpired interest

31 Dec 2019      30 Jun 2019

|              |          |
|--------------|----------|
| 3,278        | -        |
| (311)        | -        |
| <u>2,967</u> | <u>-</u> |

### Non-current

Lease liability  
Unexpired interest

|              |          |
|--------------|----------|
| 6,417        | -        |
| (681)        | -        |
| <u>5,736</u> | <u>-</u> |

## 13 Other liabilities

*In thousands of AUD*

### Current

Shares to be issued (Note 16(b))

31 Dec 2019      30 Jun 2019

|              |          |
|--------------|----------|
| <u>3,799</u> | <u>-</u> |
|--------------|----------|

### Non-current

Contingent consideration (Note 16(b))

|              |          |
|--------------|----------|
| <u>3,855</u> | <u>-</u> |
|--------------|----------|

## 14 Capital and reserves

*In thousands of AUD*  
31 Dec 2019      30 Jun 2019

Ordinary shares – fully paid

|               |               |
|---------------|---------------|
| <u>61,003</u> | <u>61,003</u> |
|---------------|---------------|

|  | <i>Number of Shares</i> |                    | <i>In thousands of AUD</i> |               |
|--|-------------------------|--------------------|----------------------------|---------------|
|  | 31 Dec 2019             | 30 Jun 2019        | 31 Dec 2019                | 30 Jun 2019   |
| Balance at the beginning of the period | 101,665,485             | 101,087,536        | 61,003                     | 61,003        |
| Exercise of options                    | 617,500                 | 577,950            | -                          | -             |
| Balance at the end of the period       | <u>102,282,985</u>      | <u>101,665,485</u> | <u>61,003</u>              | <u>61,003</u> |

### Unissued shares to vendor

Approximately 3,994,353 shares are awaiting final information to be issued to the vendors of Wilsons Mining Services Pty Ltd.

### Share based payment 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.

### Dividends

Dividends of \$4,066,000 were paid to equity holders during the period.



# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 15 Discontinued operations

#### (a) Description

In May 2019, the Group sold the Scaffold and Blast & Paint component of its Mastertec segment.

The Scaffold and Blast & Paint business was not previously classified as-held-for-sale or as a discontinued operation. The comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

#### (b) Restatement of comparatives

The comparatives have been restated to reflect the discontinued operations. The financial performance of the discontinued operations have been summarised below:

| <i>In thousands of AUD</i>  | 31 Dec 2019 | 31 Dec 2018 |
|---|-------------|-------------|
| Revenue   | -           | 8,095       |
| Expenses  | -           | (7,142)     |
| Profit before tax from discontinued operations  | -           | 953         |
| Income tax expense  | -           | 286         |
| Profit after tax from discontinued operations   | -           | 667         |
| Other comprehensive income, net of income tax   | -           | -           |
| Total comprehensive income, net of income tax   | -           | 667         |
| Earnings per share from profit from discontinued operations attributable to the ordinary equity holders of the Company: | -           |             |
| Basic earnings per share (cents per share AUD)  | -           | 0.7         |
| Diluted earnings per share (cents per share AUD)  | -           | 0.7         |
| Net cash outflow from operating activities  | -           | (81)        |
| Net cash outflow from investing activities  | -           | (528)       |
| Net decrease in cash from discontinued operations   | -           | (609)       |



# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 16 Business combinations

#### (a) Description

On 30 August 2019, Mastermyne Group Limited acquired 100% of the ordinary shares of Wilsons Mining Services Pty Ltd ('WMS') for total consideration of \$11,706,000. WMS have 25 years' experience supporting the Australian underground coal industry and are renowned for the supply and installation of cavity fill and strata consolidation phenolic foams, polyurethane chemicals and ventilation control devices. WMS are the Australian and New Zealand exclusive distributor of Weber Mining products including the industry leading Rocsil, Fenoflex and Marithan range. The additional niche, highly valued underground services further enhances Mastermyne's suite of services. Details of the consideration transferred and assets and liabilities acquired are as follows:

#### (b) Consideration transferred

*In thousands of AUD*

|  |                      |
|--|----------------------|
| Cash paid                              | 3,799                |
| Ordinary shares to be issued           | 3,799                |
| Contingent consideration               | 3,855                |
| <b>Total consideration transferred</b> | <b><u>11,453</u></b> |

The contingent consideration arrangement requires the Group to pay the former owners of WMS 50% of the EBITDA of WMS for three years from 2020 to 2022, up to a maximum undiscounted amount of \$10,000,000 plus 25% of the EBITDA for the three years from 2020 to 2022 in excess of \$20,000,000 with no maximum amount payable. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of \$3,855,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 4% and assumed probability-adjusted annual EBITDA in WMS of nil to \$5,040,000. The discount rate has been calculated with regard to the projection and credit risks associated with the liability.

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

*In thousands of AUD*

|  |                     |
|--|---------------------|
| Trade and other receivables                  | 2,045               |
| Inventories                                  | 3,724               |
| Other current assets                         | 121                 |
| Current tax asset                            | 144                 |
| Property, plant and equipment                | 3,725               |
| Customer relationships                       | 591                 |
| Exclusive distribution rights                | 991                 |
| Deferred tax assets                          | 4                   |
| Trade and other payables                     | (2,290)             |
| Provisions                                   | (1,593)             |
| <b>Total identifiable net asset acquired</b> | <b><u>7,462</u></b> |

The assets acquired and liabilities assumed in the above business combination have been accounted for on a provisional basis as at half-year. The fair value of the acquired customer relationships and exclusive distribution rights of \$591,000 and \$991,000 respectively are subject to the final valuations for those assets. Deferred tax of \$475,000 has been provided in relation to these fair value adjustments.

# Mastermyne Group Limited and its Controlled Entities

Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

## 16 Business combinations (continued)

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

#### Acquired receivables

The fair value of the trade and other receivables is \$2,045,000 and includes trade receivables with a fair value of \$1,965,000 all of which are expected to be collected.

#### Revenue and profit contribution

The acquired business contributed revenues of \$4,085,000 and a net loss of \$443,000 to the Group for the period from 1 September 2019 to 31 December 2019. If the acquisition had occurred on 1 July 2019, consolidated revenue and consolidated profit after tax for the half-year ended 31 December 2019 would have been \$138,840,000 and \$3,596,000 respectively. Since acquisition, numerous processes have been undertaken to ensure WMS adds value to the Group. Significant overhead restructuring, integration of systems and leverage of major project opportunities with current clients and potential clients have been completed during the half-year period.

### (d) Goodwill

*In thousands of AUD*

|                                       |                     |
|---------------------------------------|---------------------|
| Consideration transferred             | 11,453              |
| Fair value of identifiable net assets | (7,462)             |
| <b>Goodwill</b>                       | <b><u>3,991</u></b> |

The goodwill is attributable to WMS' strong position and profitability in the chemical injection and strata consolidation markets and the synergies expected to complement our existing integrated underground mining solutions offering. None of the goodwill is expected to be deductible for tax purposes.

## 17 Reconciliation of cash flows from operating activities

*In thousands of AUD*

|  | 31 Dec 2019          | 31 Dec 2018          |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                              |                      |                      |
| Profit for the period  | 4,336                | 3,161                |
| <b>Adjustments for:</b>  |                      |                      |
| Depreciation   | 4,742                | 4,300                |
| Amortisation of intangible assets  | 135                  | 69                   |
| Loss / (gain) on sale of property, plant and equipment                   | (5)                  | 1                    |
| Share based payments   | 101                  | 73                   |
| Net finance expense  | 305                  | 319                  |
| Income tax expense   | 1,909                | 1,457                |
| <b>Operating profit before changes in working capital and provisions</b> | <b><u>11,523</u></b> | <b><u>9,380</u></b>  |
| Change in trade and other receivables                                    | (7,069)              | 4,146                |
| Change in inventories  | (15)                 | (202)                |
| Change in trade and other payables                                       | 434                  | (2,233)              |
| Change in provisions and employee benefits                               | 1,725                | 1,030                |
|  | <u>6,598</u>         | <u>12,121</u>        |
| Interest paid  | (206)                | (337)                |
| Interest received  | 34                   | 18                   |
| Income taxes paid  | (1,509)              | (1,402)              |
| <b>Net cash flow from operating activities</b>                           | <b><u>4,917</u></b>  | <b><u>10,400</u></b> |



# Mastermyne Group Limited and its Controlled Entities

## Notes to the condensed consolidated financial statements

For the six months ended 31 December 2019

### 18 Share-based payments

During the period 617,500 performance rights were converted to ordinary shares of the Company. The Group incurred \$101,000 in expense relating to share based payments during the period (31 December 18: \$73,000).

### 19 Subsequent events

On 18 February 2020 the company declared an interim dividend of \$0.02 per share.

No other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the result of those operations, or the state of affairs of the Group in the future financial years have arisen in the interval between 31 December 2019 and the date of this report.





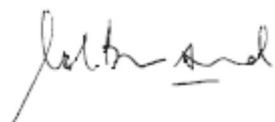
# Mastermyne Group Limited and its Controlled Entities

## Directors' Declaration

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

- 1 the financial statements and notes set out on pages 8 to 23, 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 2019 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*

Date at Brisbane this 18<sup>th</sup> day of February 2020.



## **Independent Auditor's Review Report to the Members of Mastermyne Group Limited and its controlled entities**

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

We have reviewed the accompanying half-year financial report of Mastermyne Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, 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.

#### *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 Group's financial position as at 31 December 2019 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 the Group, 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.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mastermyne Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*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 the Group 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 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Pitcher Partners*

PITCHER PARTNERS

*J. Evans*

JJ EVANS

Partner

Brisbane, Queensland  
18 February 2020



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