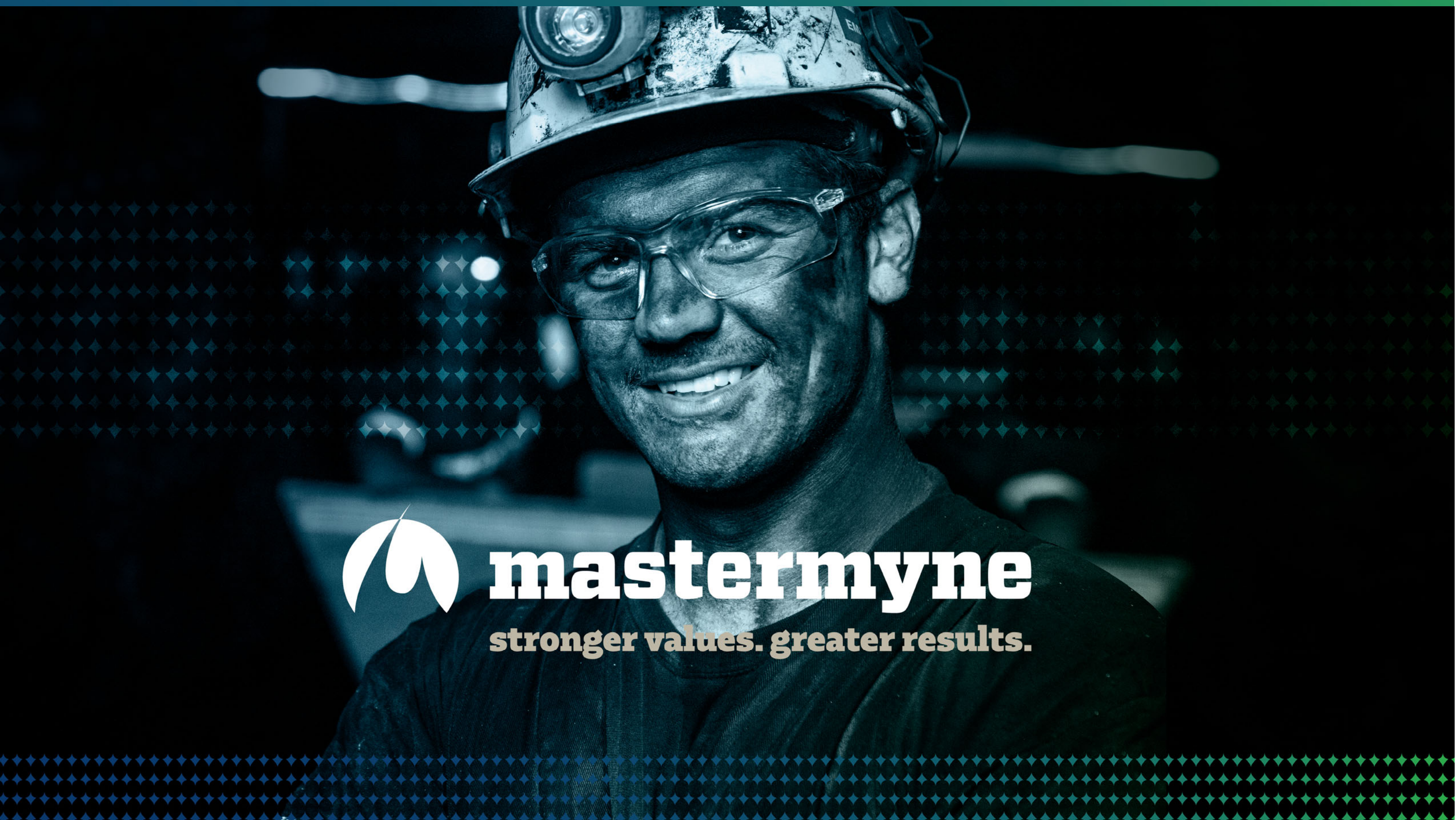


# Mastermyne Group Limited
## and its Controlled Entities

ABN 96 142 490 579

Interim Financial Report 31 December 2020

mastermyne
stronger values. greater results.

# Interim Financial Report 31 December 2020

## Contents




mining | products | training

**Mastermyne Group Limited:** Level 1 Riverside Plaza, 45 River Street, Mackay QLD 4740 // PO Box 1671, Mackay QLD 4740

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ABN: 96 142 490 579

# Appendix 4D

Results for announcement to market for the period ending 31 December 2020

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

| | 31 Dec 2020 $000 | 31 Dec 2019 $000 | Movement $000 | Movement % |
|---|---|---|---|---|
| Revenue from Ordinary Activities | 110,873 | 136,350 | (25,477) | -18.7% |
| Net profit after tax from Ordinary Activities | 1,953 | 4,336 | (2,383) | -55.0% |

## Dividends

| | Record Date | Payment Date | Amount per Security Cents/share | Franked Amount per Security Cents/share |
|---|---|---|---|---|
| Interim dividend for the period ended 31 December 2020 | 26/03/2021 | 19/04/2021 | 0.75 | 0.75 |

The Company operates a Dividend Reinvestment Plan ("DRP") which will be utilised for the FY2021 interim dividend. Shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. No discount will be applied. The last day for receipt of an election notice for participation in the plan is 30th March 2021. The DRP dated 22nd March 2010 can be downloaded from www.mastermyne.com.au.

## Net Tangible Asset Backing

| | 31 Dec 2020 | 30 Jun 2020 |
|---|---|---|
| Net tangible assets per ordinary share (cents per share) | 55.7 | 60.0 |

The Director's present their report on the Consolidated Entity consisting of Mastermyne Group Limited and the entities it controlled at the of, or during, the half-year ended 31 December 2020.

## 1 Directors

The following persons were Directors of Mastermyne Group Limited during the whole of the half-year and up to the date of this report:

Mr. C Bloomfield
Mr. A Watts
Mr. G Meena
Ms. J Whitcombe
Mr. A Caruso

## 2 Operating and financial review

### Results

*Overview*

Mastermyne Group Limited (ASX Code: MYE) ("Mastermyne" or "the Company") has delivered a solid net profit during a low point in the coal price cycle. Whilst revenue of $111 million was down (vs $136 million in HY20), EBITDA margins were up (8.8% vs 8.4% HY20) as a result of investment in new operating equipment and a focus on cost management.

The net cash position at the end of the period was $11.6 million after the payment of dividends and capital expenditure through the period. The Company focus on safe operations hasn't relented and, based on the first half trends, our people are on track to achieve an improved performance versus last year.

Key highlights of the HY2021 result are:

- Revenue of $111 million which was down as the sector responded to softer pricing;
- EBITDA margins were stronger (9%) benefiting from countercyclical investment in equipment, strong operational performance and management of costs;
- Net Profit of $2.0million achieved in spite of the tighter industry conditions;
- Maintained shareholder returns through an Interim ordinary dividend of 0.75cps;
- Maintained strong net cash position ($11.6m) after dividends and capital investment;
- Whole of Mine (WoM) projects have substantially progressed through the period with the first to potentially commence in 2H FY2021;
- Order book and tender pipeline are robust and improving; and
- Continuing investment in the "Diversify and Grow" Strategy in spite of price weakness.

*Operational overview*

Lower coal prices had an impact on our first half results as our clients responded to the price weakness. The Whitehaven Narrabri and South 32 Appin projects, which successfully completed and demobilised at the end of FY2020, contributed the majority of lost revenue compared to the previous period. The strength of the operating model has provided a firm foundation to respond quickly and appropriately in these cycles and despite lower revenue for the period our margins were able to be maintained and improved.

The Company has continued its focus on keeping people safe. Our plan prioritises critical risk exposures and the strength of our controls and management plans. With recent significant events at Grosvenor Mine and North Goonyella Mine there has been a focus on embedding learnings from not only these incidents but all previous serious incidents. The Company is also focusing heavily on the use of technology to reduce risk. Where technology can be adapted from adjacent sectors the Company is working with these providers to introduce these products and innovations. The focus on human behaviour in conjunction with risk management and emerging technology is underpinning our safety efforts.

## 2 Operating and financial review (continued)

### Results (continued)

*Operational overview (continued)*

Operations adapted to the COVID 19 pandemic with all major projects delivering in line with expectations. The Company worked closely with its clients and the relevant authorities to manage the movement of our labour across the regions and fulfil our contractual obligations. To date the Company has had no cases of COVID 19 in the business.

Late in the half several thermal coal mines undertook shutdowns of their operations as a means of reducing costs during a period of low coal prices. This had a minimal effect on the Company as the exposure to thermal coal is very low. Metallurgical mines took a less aggressive approach, opting to focus on reducing costs through reduction in contractor work scopes and off hiring of equipment. Again, this had a minimal effect on the Company's half year revenue.

The Anglo American Aquila project has ramped up to full run rate expected under the original contract. The work scope and contract has subsequently been expanded and the Company expects to see additional revenue generated from this project as the mine moves towards longwall operations in 2022. The investment in the equipment fleet for the project has delivered improved margins and is providing a competitive advantage on the project. The Company was also successful during the period in securing contract extensions at Glencore's Integra Mine, BMA's Broadmeadow Mine and SIMEC's Tahmoor Mine.

The Company continued to invest in equipment counter cyclically during the period. The acquisition of the final four (of eight) new Sandvik Loaders was completed and the machines have been fully deployed in existing contracts. Four late model second hand continuous miners were also purchased for use on current and near-term projects. Investment in this type of equipment gives the Company a competitive advantage when tendering for new contracts.

The Company has continued to progress its "Diversify and Grow" Strategy with a focus on whole of mine opportunities and the adjacent underground metalliferous sector. The Crinum underground project is well progressed with the Company appointed as the Coal Mine Operator. During the first half the Company successfully re-entered the underground mine workings to re-establish ventilation and verify the underground conditions. The mine is now in a period of care and maintenance awaiting the final investment decision which is expected in coming months. The Company has also entered into a binding term sheet for the Dysart East whole of mine project and the parties are now working towards a binding mining services contract. This will progress over the second half with work expected to commence late in this calendar year.

To facilitate our entry into the underground metalliferous sector the Company recently appointed a Hard Rock General Manager. A number of hard rock tender opportunities are now beginning to flow through the business. As our organic growth strategy progresses, we will continue to explore growth by acquisition opportunities.

The Group's order book, which is heavily weighted to Metallurgical coal projects (~95%+), currently stands at $595 million with $117 million to be delivered 2HFY21, $201 million in FY2022, and $278 million in FY2023 and beyond. In addition to the contracted works, the Company forecasts a further $30-40 million per annum in recurring and purchase order work.

With the solid results achieved, a strong balance sheet with a net cash position and a robust future order book, the Group has continued its commitment of returns to shareholders and declared of an Interim ordinary dividend of 0.75 cents per share (fully franked) for HY2021.

## 2 Operating and financial review (continued)

### Results (continued)

*Balance sheet and cashflow*

The overall cash position at 31 December 2020 represented a net decrease in cash and cash equivalents of $7.9 million against prior period (30 June 2020), to $17.4 million. The decrease was a result of lower operating cashflow generation in proportion to lower revenue and earnings performance, ongoing returns to shareholders through dividends and capital investment in equipment fleet.

The cash flow movements were as follows:

- net cash inflows from operating activities for the half-year ended 31 December 2020 of $0.597 million (half-year ended 31 December 2019: inflows of $4.917 million), represented by reduced proportional cashflow generation from operational performance;
- net cash outflows from investing activities for the full-year ended 31 December 2020 of $1.704 million (half-year ended 31 December 2019: outflows of $11.111 million), predominantly represented by capital investment in existing fleet; and
- net cash outflows from financing activities for the half-year ended 31 December 2020 of $6.816 million (half-year ended 31 December 2019: outflows of $1.506 million), represented the payment of dividends, and repayment of on-going lease liabilities.

The net assets of the Group have slightly decreased from $73.914 million (30 June 2020) to $72.125 million at 31 December 2020.

In addition to a strong Net Cash position the Group maintains significant headroom in its current bank facilities providing additional working capital to support future growth. Mastermyne has an undrawn invoice finance facility limit of $20m for working capital and an available $10m for equipment funding.

*Outlook*

Despite the impacts of global COVID 19 restrictions the outlook for metallurgical coal continues to be supported by strong long-term fundamentals. Metallurgical coal prices have recently recovered substantially from ~$US100/t (Dec 20) to ~$US150-160/t. Australia remains one of the lowest cost coal producers in the world, providing high quality metallurgical coal into Asian steel production markets. The demand for Australian seaborne metallurgical coal is expected to remain robust in the medium to long term. The Company's exposure is predominately to metallurgical coal with ~95% of the current contracts at metallurgical coal mines.

The operational focus for the Mastermyne in the second half will be on executing the current order book safely and efficiently, and capturing project opportunities as they arise with the recovery of coal price. Clients have historically relied on contractors as they catch up or ramp up operations following a low point in the cycle. Recent scope increases and contract extensions are signalling that our clients are gaining confidence in the price outlook and will rely on contractors through this period of recovery.

The strong balance sheet and capital management strategy continues to serve the Company well as we manoeuvre out of low coal price periods. The ability to invest counter cyclically has delivered improved margin performance and will provide further competitive advantage as the recovery continues.

## 3 Dividends

The Directors have declared a fully franked dividend of 0.75 cents per share payable on 19 April 2021.

## 4 Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

## 5 Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors.

Mr. C Bloomfield
Director

Brisbane
16 February 2021

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

***p.*** +61 7 3222 8444

The Directors
Mastermyne Group Limited
Level 1, Riverside Plaza
45 River Street
MACKAY QLD 4740

**Auditor's Independence Declaration**

In relation to the independent auditor's review for the half-year ended 31 December 2020, 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 J EVANS
Partner

Brisbane, Queensland
16 February 2021

| | Notes | 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|---|
| Revenue from contracts with customers | 2(a) | 110,873 | 136,350 |
| Other income | 3 | 663 | 185 |
| Contract disbursements | | (14,161) | (17,742) |
| Personnel expenses | | (82,951) | (102,820) |
| Office expenses | | (3,648) | (3,814) |
| Depreciation and amortisation expense | | (6,321) | (4,877) |
| Other expenses | | (1,024) | (732) |
| **Results from operating activities** | | 3,431 | 6,550 |
| | | | |
| Finance income | | 13 | 34 |
| Finance expenses | | (529) | (339) |
| **Net finance expense** | | (516) | (305) |
| | | | |
| **Profit before income tax** | | 2,915 | 6,245 |
| | | | |
| Income tax expense | 4 | (962) | (1,909) |
| **Profit for the period** | | 1,953 | 4,336 |
| | | | |
| **Total comprehensive income for the period** | | 1,953 | 4,336 |
| | | | |
| Profit is attributable to: | | | |
| Owners of Mastermyne Group Limited | | 1,942 | 4,258 |
| Non-controlling interests | | 11 | 78 |
| | | 1,953 | 4,336 |
| | | | |
| Total comprehensive income for the period is attributable to: | | | |
| Owners of Mastermyne Group Limited | | 1,942 | 4,258 |
| Non-controlling interests | | 11 | 78 |
| | | 1,953 | 4,336 |
| | | | |
| | | Cents | Cents |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | | 1.8 | 4.1 |
| Diluted earnings per share | | 1.8 | 4.0 |
| | | | |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | | 1.8 | 4.1 |
| Diluted earnings per share | | 1.8 | 4.0 |

*The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

Mastermyne Group Limited
Condensed consolidated balance sheet
As at 31 December 2020

| | Notes | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 17,436 | 25,359 |
| Trade and other receivables | 6 | 40,270 | 49,092 |
| Inventories | | 7,087 | 6,262 |
| Current tax receivables | | 752 | - |
| | | 65,545 | 80,713 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 24,192 | 22,421 |
| Right-of-use assets | | 15,997 | 14,462 |
| Intangible assets | 8 | 12,287 | 12,221 |
| Other assets | 2(b) | 1,633 | - |
| Deferred tax assets | | 6,982 | 7,879 |
| Total non-current assets | | 61,091 | 56,983 |
| Total assets | | 126,636 | 137,696 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 25,092 | 34,136 |
| Lease liabilities | | 5,153 | 4,918 |
| Current tax liabilities | | - | 1,593 |
| Employee benefit obligations | | 10,373 | 9,987 |
| Other current liabilities | 10 | 888 | - |
| Total current liabilities | | 41,506 | 50,634 |
| Non-current liabilities | | | |
| Lease liabilities | | 9,964 | 9,124 |
| Employee benefit obligations | | 74 | 169 |
| Other non-current liabilities | 10 | 2,967 | 3,855 |
| Total non-current liabilities | | 13,005 | 13,148 |
| Total liabilities | | 54,511 | 63,782 |
| Net assets | | 72,125 | 73,914 |
| EQUITY | | | |
| Share capital | 12 | 64,235 | 61,003 |
| Other equity | | 1,144 | 4,033 |
| Other reserves | | (23,939) | (23,859) |
| Retained earnings | | 30,279 | 32,212 |
| Capital and reserves attributable to owners of Mastermyne Group Limited | | 71,719 | 73,389 |
| Non-controlling interests | | 406 | 525 |
| Total equity | | 72,125 | 73,914 |

*The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.*

Mastermyne Group Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2020

| | Notes | Share capital $'000 | Retained earnings $'000 | Other equity $'000 | Share-based payments | Common Control Reserve $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of Mastermyne Group Limited | | | | | | | |
| Balance at 1 July 2019 | | 61,003 | 26,878 | - | 277 | (24,237) | 63,921 | 422 | 64,343 |
| Profit for the half-year | | - | 4,258 | - | - | - | 4,258 | 78 | 4,336 |
| Total comprehensive income for the half-year | | - | 4,258 | - | - | - | 4,258 | 78 | 4,336 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Dividends provided for or paid | 11 | - | (4,066) | - | - | - | (4,066) | - | (4,066) |
| Share-based payment transactions | | - | - | - | 101 | - | 101 | - | 101 |
| Share options exercised | | - | 125 | - | (125) | - | - | - | - |
| | | - | (3,941) | - | (24) | - | (3,965) | - | (3,965) |
| Balance at 31 December 2019 | | 61,003 | 27,195 | - | 253 | (24,237) | 64,214 | 500 | 64,714 |
| Balance at 30 June 2020 | | 61,003 | 32,212 | 4,033 | 378 | (24,237) | 73,389 | 525 | 73,914 |
| Profit for the half-year | | - | 1,942 | - | - | - | 1,942 | 11 | 1,953 |
| Total comprehensive income for the half-year | | - | 1,942 | - | - | - | 1,942 | 11 | 1,953 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Issue of ordinary shares as consideration for Wilson Mining acquisition | 13 | 2,779 | 156 | (2,935) | - | - | - | - | - |
| Dividends provided for or paid | 11 | - | (4,252) | - | - | - | (4,252) | - | (4,252) |
| Shares issued or to be issued on dividends reinvested | | 453 | - | 46 | - | - | 499 | - | 499 |
| Distribution to non-controlling interest | 11 | - | - | - | - | - | - | (130) | (130) |
| Share-based payment transactions | | - | - | - | 141 | - | 141 | - | 141 |
| Share options exercised | 12 | - | 221 | - | (221) | - | - | - | - |
| | | 3,232 | (3,875) | (2,889) | (80) | - | (3,612) | (130) | (3,742) |
| Balance at 31 December 2020 | | 64,235 | 30,279 | 1,144 | 298 | (24,237) | 71,719 | 406 | 72,125 |

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

| | Notes | Half-year 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 127,961 | 144,198 |
| Payments to suppliers and employees (inclusive of GST) | | (125,030) | (137,600) |
| | | 2,931 | 6,598 |
| Interest received | | 13 | 34 |
| Interest paid | | (529) | (206) |
| Income taxes paid | | (2,411) | (1,509) |
| Receipts of government grants and subsidies | | 593 | - |
| **Net cash inflow from operating activities** | 5 | 597 | 4,917 |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of subsidiary, net of cash acquired | 13 | - | (3,799) |
| Payments for property, plant and equipment | 7 | (1,230) | (6,980) |
| Initial direct costs on right-of-use assets | | (295) | (195) |
| Proceeds from sale of property, plant and equipment | | 72 | 93 |
| Payments for internally generated intangible assets | 8 | (251) | - |
| Payment of software development costs | | - | (230) |
| **Net cash outflow from investing activities** | | (1,704) | (11,111) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from invoice facility | | - | 3,840 |
| Dividends paid to company's shareholders | 11 | (3,753) | (4,066) |
| Dividends paid to non-controlling interests in subsidiaries | 11 | (130) | - |
| Lease payments | | (2,933) | (1,280) |
| **Net cash outflow from financing activities** | | (6,816) | (1,506) |
| | | | |
| **Net (decrease) in cash and cash equivalents** | | (7,923) | (7,700) |
| Cash and cash equivalents at the beginning of the financial year | | 25,359 | 16,423 |
| **Cash and cash equivalents at end of the half-year** | | 17,436 | 8,723 |

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim report been prepared for the Group consisting of Mastermyne Group Limited ("the Company") and its controlled entities (together referred to as the 'Group' and individually as 'Group entities').

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Mastermyne Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report is presented in Australian dollars, which is the Company's functional currency and the function currency of each entity in the Group. The interim financial report has been prepared under the historical cost convention. Mastermyne Group Limited is a for-profit entity for the purposes of preparing the interim report. The Group is primarily involved in providing contracting services to the underground long wall mining operations and industrial products and services in the coalfields and supporting industries of Queensland and New South Wales.

### Significant estimates and judgements

The preparation of the interim financial report 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.

### Significant accounting policies

The accounting policies applied in this condensed consolidated interim financial report are the same as those applied in the Group's consolidated financial report for the year ended 30 June 2020.

### Rounding of amounts

The Company is of a kind referred to in ASIC Legislation Instrument 2016/191, relating to the 'rounding off' of amounts in the interim financial statements. Amounts in the interim financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Corporate information

The interim financial report was authorised for issue by the Board of Directors on 16 February 2021.

Mastermyne Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Riverside Plaza
45 River Street
Mackay QLD 4740

## 2 Revenue from contracts with customers

### (a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

| | 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|
| Contracting revenue | 101,964 | 126,052 |
| Sale of goods | 2,246 | 3,009 |
| Machinery hire | 6,663 | 7,289 |
| | 110,873 | 136,350 |

### (b) Assets and liabilities related to contracts with customers

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Non-current asset recognised for costs incurred to fulfil a contract | 1,633 | - |

*Assets recognised from costs to fulfil a contract*

The group has recognised an asset in relation to costs to fulfil a long-term anticipated Whole-of-Mine contract.

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Asset recognised from costs incurred to fulfil a contract at 31 December | 1,633 | - |

The Group has recognised an asset in relation to costs incurred in order to achieve mine re-entry and satisfy the Mine Inspectorate requirements and approvals necessary to fulfil the anticipated Crinum Whole-of-Mine contract. The asset will be amortised on a straight-line basis over the term of the specific contract it relates to once approved, consistent with the pattern of recognition of the associated revenue.

## 3 Profit and loss information

### Significant items

| | Half-year | |
|---|---|---|
| | 31 December 2020 $'000 | 31 December 2019 $'000 |
| Profit for the half-year includes the following items that are unusual because of their nature, size or incidence: | | |
| Government grants and subsidies | 636 | - |

Income from government grants and subsidies is included in other income in the statement of comprehensive income.

## 4 Income tax expense

### Numerical reconciliation of income tax expense to prima facie tax payable

| | 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense | 2,915 | 6,245 |
| Tax at the Australian tax rate of 30.0% (2020 - 30.0%) | 875 | 1,874 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Under/(over) provision of previous year | 17 | (48) |
| Other | 70 | 83 |
| Income tax expense | 962 | 1,909 |

### Tax losses

As at 30 June 2020, the Group had revenue tax losses totalling $20,964,000 which are available to offset against future taxable income. Together with assessable and deductible temporary differences, the net deferred tax asset at 30 June 2020 was $7,879,000. After operating profits derived during the six months ended 31 December 2020, the net deferred tax asset associated with temporary differences and revenue tax losses is $6,982,000.

## 5 Cash and cash equivalents

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Cash on hand | - | 1 |
| Bank balances | 17,436 | 25,358 |
| Cash and cash equivalents | 17,436 | 25,359 |

## 5 Cash and cash equivalents (continued)

### Reconciliation of profit after income tax to net cash inflow from operating activities

| | 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|
| Profit for the period | 1,953 | 4,336 |
| Adjustment for | | |
| Depreciation | 6,137 | 4,742 |
| Amortisation of intangible assets | 185 | 135 |
| Provision for impairment of trade debtors | 46 | - |
| Net (gain)/loss on sale or loss of non-current assets | 27 | (5) |
| Non-cash employee benefits expense - share-based payments | 141 | 101 |
| Net finance expense | 516 | 305 |
| Income tax expense | 962 | 1,909 |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | 8,776 | (7,069) |
| (Increase)/decrease in contract assets | (1,633) | - |
| (Increase) in inventories | (825) | (15) |
| Increase/(decrease) in trade and other payables | (13,052) | 434 |
| Increase/(decrease) in provisions and employee benefits | 291 | 1,725 |
| Interest paid | (529) | (206) |
| Interest received | 13 | 34 |
| Income taxes paid | (2,411) | (1,509) |
| Net cash inflow (outflow) from operating activities | 597 | 4,917 |

### Non-cash investing and financing activities

| | 31 December 2020 $'000 | 31 December 2019 $'000 |
|---|---|---|
| Acquisition of property, plant and equipment on 30 day payment terms | 4,009 | - |
| Acquisition of right-of-use assets | 4,008 | - |

Dividends satisfied or to be satisfied by the issue of shares under the dividend reinvestment plan are shown in Note 11.

## 6 Trade and other receivables

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Trade and other receivables | 30,297 | 42,072 |
| Provision for impairment | (46) | - |
| | 30,251 | 42,072 |
| Unbilled revenue | 8,811 | 5,582 |
| Prepayments | 1,208 | 1,438 |
| | 40,270 | 49,092 |

### Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

Trade and other receivables include amounts for insurance reimbursements if the Group is virtually certain that some or all of a contractual claim will be reimbursed. The expense and reimbursement are presented on a net basis in the profit and loss.

### Unbilled revenue

Unbilled revenue represents receivables from contracts with customers for which the Company has an unconditional right to consideration arising from the transfer of goods or services from the customer, but has not been invoiced at balance sheet date. They are generally converted to trade receivables within 30 days and then due for settlement and are therefore classified as current. The Group holds unbilled revenue with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

## 7 Property, plant and equipment

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| **Plant and equipment** | | |
| Gross value | 72,174 | 68,937 |
| Accumulated depreciation | (49,122) | (47,689) |
| | 23,052 | 21,248 |
| **Motor vehicles** | | |
| Gross value | 1,007 | 1,024 |
| Accumulated depreciation | (608) | (558) |
| | 399 | 466 |
| **Leasehold improvements** | | |
| Gross value | 214 | 214 |
| Accumulated depreciation | (189) | (181) |
| | 25 | 33 |
| **Computer equipment** | | |
| Gross value | 2,209 | 2,051 |
| Accumulated depreciation | (1,493) | (1,377) |
| | 716 | 674 |
| | 24,192 | 22,421 |

### Reconciliation of carrying amounts

| | Plant and equipment $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Period ended 31 December 2020** | | | | | |
| Opening net book amount | 21,248 | 466 | 33 | 674 | 22,421 |
| Additions | 5,081 | - | - | 158 | 5,239 |
| Disposals | (91) | (8) | - | - | (99) |
| Depreciation charge | (3,186) | (59) | (8) | (116) | (3,369) |
| Closing net book amount | 23,052 | 399 | 25 | 716 | 24,192 |

## 7 Property, plant and equipment (continued)

### Reconciliation of carrying amounts (continued)

| | Plant and equipment $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | |
| Opening net book amount | 17,419 | 164 | 65 | 628 | 18,276 |
| Acquisition of subsidiary | 3,114 | 434 | - | 173 | 3,721 |
| Additions | 7,915 | 169 | - | 201 | 8,285 |
| Disposals | (23) | (171) | - | - | (194) |
| Transfers | 17 | - | - | (17) | - |
| Depreciation charge | (7,194) | (130) | (32) | (311) | (7,667) |
| Closing net book amount | 21,248 | 466 | 33 | 674 | 22,421 |

## 8 Intangible assets

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| **Goodwill** | | |
| Gross value | 10,324 | 10,324 |
| | 10,324 | 10,324 |
| **Software** | | |
| Gross value | 432 | 432 |
| Accumulated amortisation | (180) | (93) |
| | 252 | 339 |
| **Intellectual property** | | |
| Gross value | 1,700 | 1,449 |
| Accumulated amortisation | (1,363) | (1,342) |
| | 337 | 107 |
| **Customer relationships** | | |
| Gross value | 3,536 | 3,536 |
| Accumulated amortisation | (3,080) | (3,030) |
| | 456 | 506 |
| **Exclusive distribution rights** | | |
| Gross value | 991 | 991 |
| Accumulated amortisation | (73) | (46) |
| | 918 | 945 |
| | 12,287 | 12,221 |

## 8 Intangible assets (continued)

### Reconciliation of carrying amounts

| | Goodwill $'000 | Software $'000 | Intellectual property $'000 | Customer relationships $'000 | Exclusive distribution rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Period ended 31 December 2020** | | | | | | |
| Opening net book amount | 10,324 | 339 | 107 | 506 | 945 | 12,221 |
| Additions - internal development | - | - | 251 | - | - | 251 |
| Amortisation charge | - | (87) | (21) | (50) | (27) | (185) |
| Closing net book amount | 10,324 | 252 | 337 | 456 | 918 | 12,287 |

| | Goodwill $'000 | Software $'000 | Intellectual property $'000 | Customer relationships $'000 | Exclusive distribution rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | | |
| Opening net book amount | 6,429 | 146 | 181 | - | - | 6,756 |
| Additions | - | 281 | - | - | - | 281 |
| Acquisition of business | 3,895 | - | - | 590 | 991 | 5,476 |
| Amortisation charge | - | (88) | (74) | (84) | (46) | (292) |
| Closing net book amount | 10,324 | 339 | 107 | 506 | 945 | 12,221 |

## 9 Trade and other payables

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| Trade payables and other payables | 8,849 | 14,832 |
| Sundry creditors and accruals | 16,243 | 19,304 |
| | 25,092 | 34,136 |

### Trade and other payables

Trade and other payables include liabilities for contractual claims when the Group has a present legal obligation as a result of past events, it is probable that an outflow will be required to settle the obligation and the amount has been reliably estimated. In these circumstances the liability is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## 10 Other liabilities

| | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|
| **Current** | | |
| Contingent consideration | 888 | - |
| **Non-current** | | |
| Contingent consideration | 2,967 | 3,855 |

## 11 Dividends

### Ordinary shares

| | Half-year | |
|---|---|---|
| | 31 December 2020 $'000 | 31 December 2019 $'000 |
| Dividends provided for or paid during the half-year | 4,252 | 4,066 |
| Distributions to non-controlling interest | 130 | - |
| | 4,382 | 4,066 |
| **Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2020 and 2019 were as follows** | | |
| Paid in cash | 3,883 | - |
| Dividends reinvested | 453 | - |
| Dividends payable on unissued shares | 46 | - |
| | 4,382 | - |

### Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the period the Directors have recommended the payment of a fully franked interim dividend of 0.75 cents per share (31 December 2019 - 2.0 cents) payable on 19 April 2021.

## 12 Equity securities issued

| | Notes | 31 December 2020 Shares (thousands) | 30 June 2020 Shares (thousands) | 31 December 2020 $'000 | 30 June 2020 $'000 |
|---|---|---|---|---|---|
| **Issues of ordinary shares during the half-year** | | | | | |
| Acquisition of subsidiary, net of transaction costs and tax | 13 | 2,886,557 | - | 2,779 | - |
| Exercise of rights issued under the Employee Performance Rights Plan | | 427,989 | 617,500 | - | - |
| Issued for no consideration: | | | | | |
| Dividend reinvestment plan issues | | 518,614 | - | 453 | - |
| | | 3,833,160 | 617,500 | 3,232 | - |

## 13 Business combination

### Prior period

On 30 August 2019, Mastermyne Group Limited acquired 100% of the ordinary shares of Wilson Mining Services Pty Ltd ('WM'). Details of this business combination were disclosed in Note 23 of the Group's annual financial statements for the year ended 30 June 2020.

During the period, accounting for the business combination was completed. A measurement period adjustment of $33,000 was made increasing goodwill acquired to $3,895,000 (30 June 2020 - $3,862,000). The adjustment represents the final deferred tax asset acquired after the tax calculations for the stub period were completed. The comparative information has been revised in line with AASB 3 *Business Combinations*.

### Unissued shares to vendor

During the period 2,886,557 shares were issued to the Vendors of WM in partial settlement of the $3,799,000 outstanding purchase consideration to be settled with the issue of shares. At 31 December 2020, 1,106,600 ($1,077,000) shares remain to be issued and are included in other equity. While unissued, the shares retain their dividend rights and any dividend paid will be settled as additional shares to the vendors calculated on a 5 day volume weighted average price prior to record date.

## 14 Events occurring after the reporting period

Refer to Note 11 for dividends recommended since the end of the reporting period.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 20 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and

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

Mr. C Bloomfield
Director
Brisbane

Brisbane
16 February 2021

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

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

**Conclusion**

We have reviewed the 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 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

**Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

**Responsibility of the Directors for the 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 for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

Pitcher Partners
PITCHER PARTNERS

J. Evans
J J EVANS
Partner

Brisbane, Queensland
16 February 2021

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mining | products | training

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