**MACA Limited and its Controlled Entities**
ABN 42 144 745 782

**Half Year Financial Report and Appendix 4D**
**31 December 2017**

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ABN 42 144 745 782

# Half Yearly Financial Report

**31 December 2017**

## Section 1 Commentary - HY18 accounts and Results Discussion

MACA Limited ('MACA') (ASX: MLD) is pleased to announce it has delivered a half year profit result with Net Profit After Tax attributable to members to December 2017 of $12.0 million (down 28% on pcp) on revenue of $285.0 million (up 18% on pcp). Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') was $37.8 million (down 28% on pcp).

### Financial and Operating Highlights

- Revenue up 18% to $285.0 million
- EBITDA down 28% to $37.8 million
- Net Profit After Tax attributable to members down 28% to $12.0 million
- Interim dividend of 3.0 cents per share (fully franked) (1H FY17 of 4.5 cps)
- Order book of $1.07 billion
- Strong balance sheet with a net cash position of $89.4 million
- Net operating cash flow of $0.1 million

### Results Summary

| FY18 Half Year Results | 31 December 2017 | 31 December 2016 | Movement |
|---|---|---|---|
| Revenue | $285.0m | $242.5m | 18% |
| EBITDA | $37.8m | $52.2m | (28%) |
| EBIT | $13.7m | $26.1m | (48%) |
| Net Profit After Tax Attributable to Members | $12.0m | $16.6m | (28%) |
| Contracted Work in Hand | $1,071m | $1,194m | (10%) |
| Operating Cash Flow | $0.1m | $43.6m | (100%) |
| Earnings per share - basic | 4.7 cents | 7.1 cents | (34%) |
| Dividends per share (fully franked) | 3.0 cents | 4.5 cents | (33%) |

The board has resolved to pay an interim dividend of 3.0 cents per share. This recognises the reduced profit for the period and expected cash needs of the business balanced with the strong net cash position. Notwithstanding operating cash-flow generated during the period was low, the board expects an unwinding of working capital to result in strong second half operating cashflow. The dividend will be fully franked and will be payable on 22 March 2018 to eligible shareholders who are recorded on the Company's register as at the record date of 8 March 2018.

The first half result has been significantly impacted by operational losses within the MACA Interquip segment and Victorian Civil contracts as disclosed via the ASX market update on 13 November 2017. As a result the company tested the goodwill for impairment. This resulted in a $3.3M non-cash impairment to the goodwill previously recognised on the acquisition of MACA Interquip. The original goodwill amount was calculated including $1.5M attributable to an earn out agreement. As the earn out will not be payable the amount has been reversed to other income during the current period resulting in an overall net charge to earnings of $1.8M. The overall impact to group's statutory NPAT result attributable to members was $3.8M.

Reduced volumes in December as a result of wet conditions and delayed project commencement resulted in margins being slightly below forecasts. This has continued into January and February across a number of projects and is expected to have a modest impact in the second half.

MACA continues to execute satisfactorily across its projects in the mining sector in Western Australia. During the half MACA continued operations for Regis Resources at the Duketon North and Duketon South areas, for Blackham Resources at the Matilda project, for Ramelius Resources at the Mt Magnet operations, and commenced works for Pilbara Minerals at the Pilgangoora project at the end of the half. Operations at Abydos for Atlas Iron and the Central Murchison operations for MetalsX were completed during the first half with MACA successfully deploying personnel and some equipment to other MACA projects. The Mining division is also exploring separate opportunities on the east coast.

## Commentary - HY18 accounts and Results Discussion cont.

Subsequent to end of the reporting period MACA has been awarded:

- Mining services for Minjar Gold at Gossan Hill - contract value +$11 million
- Crushing services for Atlas Iron at Mt Dove using DSO from Pilbara Minerals

The company's international operations in Brazil at the Avanco Resources Antas project are delivering steady state performance. We are working on cost saving initiatives and longer term plans with Beadell Resources at the Tucano project, and we continue to explore further opportunities as they arise.

The civil sectors within Western Australia and Victoria remain challenging for all participants, however an increase in the quantum of work available on the east coast is starting to result in margin uplift. In Western Australia the Gruyere bulk earthworks project has performed well and is on target to finish ahead of schedule in the second quarter of 2018. This division also successfully completed a bulk earthworks contract for Northern Minerals. The Victorian Civil business has been awarded several small and medium size civil projects which will continue well into the next financial year. The underperforming contracts discussed in the Market Update released to the ASX on 13 November 2017 have been completed.

The infrastructure businesses in both Western Australia and Victoria continue to perform to expectations with some extensions to these works having been awarded in the first half. The division continues to tender asset maintenance contracts with recurring revenue streams as a way to underpin the business in the longer term.

MACA has a 60% share of Interquip Pty Ltd ('Interquip'), a privately-owned business providing end to end mineral processing solutions predominantly in Western Australia and the Northern Territory. During the first half the business made a substantial write down on profit from an under performing contract. This contract has been completed. MACA sees many new near term opportunities to grow the Interquip business utilising our strong balance sheet and to complement the current services we offer our clients. The equipment trading business is performing well and the segment is expected to be profitable in the second half.

MACA's total workforce (including contractors) remains in excess of 1,300 people. A strong culture and commitment to the MACA brand has contributed to the successful delivery of quality projects.

MACA remains committed to providing all of its hard working employees and contractors with a safe place to work and we continually strive to ensure that safety remains a core focus within our business. MACA highly values its hard working, dedicated and loyal employees. The Board would like to extend its thanks to them and all of our stakeholders who remain an integral part of our success.

### Operating Cash Flow and Capital Expenditure

Operating cash flow for the period ending 31 December 2017 was $0.1 million. This was impacted by a significant increase in working capital due to extended terms being provided to a number of clients. Capital expenditure for the half year was $22.2 million relating to plant and equipment. Capital equipment purchases were funded by a combination of cash and equipment finance contracts. The company did not enter into any off balance sheet financing arrangements.

### Interim Dividend

The directors have determined to pay an fully franked interim dividend of 3.0c per share with a record date of 8 March 2018 and payment date of 22 March 2018. The total of dividends paid during the half was $10.5 million (2016: $10.5 million).

## Events Subsequent to Balance Date

Subsequent to the end of the reporting period MACA entered into an agreement to support Blackham Resources Limited's (Blackham) recapitalisation strategy (Refer ASX announcement 15 January 2018). As a result of entering into the agreement MACA loaned Blackham $14.3M and has received $400k in Blackham equity as part of a sub-underwriting agreement and $7.6M in cash for receivables balances.

Also subsequent to the end of the reporting period MACA has entered into a contract with Minjar Gold Pty Ltd to provide mining services at the Gossan Hill gold project. The project is expected to generate approximately $11M revenue over 12 months.

Other than the items listed above, no other matters or circumstances have arisen since the half year to December 2017 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Future Developments and Prospects

Market conditions in the mining services sector have improved over the last six months, however, this market continues to be competitive with margins remaining under pressure. MACA continues to pursue numerous opportunities whilst ensuring it achieves a margin for shareholders. These opportunities and the current $1.1 billion in work in hand put the company in good stead to grow its mining related revenue base. The Civil / Infrastructure and SMP markets remain challenging, however, there are sizeable revenue opportunities within these areas in particular within the east coast infrastructure market. At this stage MACA continues to expect revenue for FY2018 to be approximately $560 million.

## Section 2 Results for Announcement to the Market - Appendix 4D

| ABN or equivalent company reference | Half year ended ('current period') | Half year ended ('previous period') |
|---|---|---|
| 42 144 745 782 | 31 December 2017 | 31 December 2016 |

### 2.1 Results for Announcement to the Market

| | % change | 2017 $'000 |
|---|---|---|
| **Revenue from ordinary activities** | Up 18% | 284,980 |
| **Profit after tax from ordinary activities attributable to members** | Down 28% | 11,963 |
| **Net profit for the period attributable to members** | Down 38% | 10,308 |

Information regarding the movement in revenue and profit for the period is set out in Section 1 within this Report.

### 2.2 Individual and Total Dividends Per Security

| Dividends | Amount per Share | Franked amount per share |
|---|---|---|
| Final dividend for 2017 | 4.5 cents | 4.5 cents |
| Interim dividend for 2018 | 3.0 cents | 3.0 cents |

The Directors have determined to pay an interim dividend based on the December 2017 half year result of 3.0c per share.

The Company paid a final fully franked dividend for the 2017 financial year of 4.5 cents per share on 22 September 2017.

The record date for entitlement to the interim dividend is 8 March 2018.

The payment date for the interim dividend is 22 March 2018.

### 2.3 Dividend Reinvestment Plans

There was no Dividend reinvestment plan in place at 31 December 2017.

### 2.4 NTA backing

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Net tangible asset backing per ordinary security | 117.26 cents | 108.28 cents |

### 2.5 Control gained over entities

| | |
|---|---|
| Name of entity (or group of entities) | Nil |
| Date control gained | - |

### 2.5.1 Loss of control over entities

| | |
|---|---|
| Name of entity (or group of entities) | Nil |
| Date control lost | - |
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material). | - |
| Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material). | - |

### 2.6 Details of associates and joint venture entities

| | |
|---|---|
| Name of entity (or group of entities) | Nil |
| Date of joint venture | - |

### 2.7 Commentary on results for the period

| |
|---|
| Refer covering commentary |

### 2.8 Statement of compliance in regards to audit

This report is based on accounts to which one of the following applies.

| | | | |
|---|---|---|---|
| The accounts have been audited | | The accounts have been subject to review | x |
| | | The accounts are in the process of being reviewed | |
| The accounts are in the process of being audited | | The accounts have not yet been audited or reviewed | |

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below

| |
|---|
| N/A |

If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

| |
|---|
| N/A |

**Chris Tuckwell**

**Managing Director, CEO**

Dated at PERTH this 26th day of February 2018.

## AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF MACA LIMITED

As lead auditor for the review of MACA Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

| | |
|---|---|
| NEIL PACE<br>PARTNER | MOORE STEPHENS<br>CHARTERED ACCOUNTANTS |

Signed at Perth this 26th day of February 2018

Section 3

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

| | Note | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|---|
| **Revenue** | 2 | 284,980 | 242,525 |
| Other income | 2 | 15,291 | 12,504 |
| Direct costs | | (274,693) | (222,972) |
| Finance costs | | (913) | (1,758) |
| Share based payment expense | | - | (61) |
| Impairment of Goodwill | 9 | (3,338) | - |
| Fair value gains/(loss) on available-for-sale financial assets | | (406) | - |
| Foreign exchange gains /(losses) | | (670) | 267 |
| Other expenses from ordinary activities | | (6,212) | (5,523) |
| Profit before income tax | | 14,039 | 24,982 |
| Income tax expense | | (3,979) | (8,389) |
| **Profit for the period** | | **10,060** | **16,593** |
| **Other comprehensive income:** | | | |
| Exchange differences on translating foreign operations | | (1,655) | (1,599) |
| Fair value gains/(loss) on available-for-sale financial assets, net of tax | | - | 657 |
| **Total comprehensive income for the period** | | **8,405** | **15,651** |
| Profit / (loss) attributable to: | | | |
| - Non-controlling interest | | (1,903) | 14 |
| - Members of the parent entity | | 11,963 | 16,579 |
| | | 10,060 | 16,593 |
| Total comprehensive income attributable to: | | | |
| - Non-controlling interest | | (1,903) | 14 |
| - Members of the parent entity | | 10,308 | 15,637 |
| | | 8,405 | 15,651 |
| Earnings per share: | | | |
| - Basic earnings per share (cents) | 3 | 4.73 | 7.12 |
| - Diluted earnings per share (cents) | 3 | 4.67 | 7.07 |

The accompanying notes form part of these financial accounts

Section 4

## Condensed Consolidated Statement of Financial Position

as at 31 December 2017

| | Note | 31 December 2017<br>$'000 | 30 June 2017<br>$'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 136,117 | 112,008 |
| Trade and other receivables | 6 | 129,588 | 113,667 |
| Loans to other companies | 7 | 9,675 | 9,675 |
| Inventory | | 14,149 | 13,647 |
| Work in progress | | (3,027) | (345) |
| Financial Assets | 11 | 2,153 | - |
| Other assets | 8 | 3,019 | 1,756 |
| TOTAL CURRENT ASSETS | | 291,674 | 250,408 |
| | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | | 126,397 | 128,905 |
| Financial Assets | 11 | 2,090 | 1,648 |
| Goodwill | 9 | 3,187 | 6,526 |
| Deferred tax assets | | 12,695 | 8,037 |
| TOTAL NON CURRENT ASSETS | | 144,369 | 145,116 |
| **TOTAL ASSETS** | | 436,043 | 395,524 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 46,127 | 64,042 |
| Financial liabilities | | 20,544 | 21,838 |
| Current tax liabilities | | 2,749 | 3,428 |
| Short-term provisions | | 10,534 | 10,402 |
| TOTAL CURRENT LIABILITIES | | 79,954 | 99,710 |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | 3,639 | 107 |
| Financial liabilities | | 26,210 | 25,980 |
| TOTAL NON-CURRENT LIABILITIES | | 29,849 | 26,087 |
| **TOTAL LIABILITIES** | | 109,803 | 125,797 |
| **NET ASSETS** | | 326,240 | 269,727 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 10 | 269,987 | 211,333 |
| Reserves | | (9,158) | (7,502) |
| Retained profits | | 64,070 | 62,652 |
| Parent Interest | | 324,899 | 266,483 |
| Non-controlling Interest | | 1,341 | 3,244 |
| **TOTAL EQUITY** | | 326,240 | 269,727 |

The accompanying notes form part of these financial accounts

# Condensed Consolidated Statement of Changes in Equity

## for the half year ended 31 December 2017

| | Issued Capital | Retained Profits | Outside Equity Interest | General Reserves | Option Reserve | FX Reserve | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| BALANCE AT 1 JULY 2016 | 208,816 | 50,814 | (448) | (3,777) | 604 | (376) | 255,633 |
| Profit for the period | - | 32,057 | (864) | - | - | - | 31,193 |
| SUB-TOTAL | 208,816 | 82,871 | (1,312) | (3,777) | 604 | (376) | 286,826 |
| Other comprehensive income: | | | | | | | |
| Revaluation of Investment | - | 806 | - | - | - | - | 806 |
| Exchange difference in translating foreign operations | - | - | - | - | - | (1,829) | (1,829) |
| SUB-TOTAL | 208,816 | 83,677 | (1,312) | (3,777) | 604 | (2,205) | 285,803 |
| Shares issued | 2,400 | - | - | - | - | - | 2,400 |
| Capital raising costs | - | - | - | - | - | - | - |
| Share based payment | - | - | - | - | 103 | - | 103 |
| Exercise of options | 117 | - | - | - | (117) | - | - |
| Acquisition of non-controlling interest | - | - | 4,108 | (2,111) | - | - | 1,997 |
| Transactions with non-controlling interests | - | - | 448 | | - | - | 448 |
| Dividends paid | - | (21,025) | - | - | - | - | (21,025) |
| **BALANCE AT 30 JUNE 2017** | 211,333 | 62,652 | 3,244 | (5,888) | 590 | (2,205) | 269,726 |
| | | | | | | | |
| BALANCE AT 1 JULY 2017 | 211,333 | 62,652 | 3,244 | (5,888) | 590 | (2,205) | 269,726 |
| Profit for the period | - | 11,963 | (1,903) | - | - | - | 10,060 |
| SUB-TOTAL | 211,333 | 74,615 | 1,341 | (5,888) | 590 | (2,205) | 279,786 |
| Other comprehensive income: | | | | | | | |
| Exchange difference in translating foreign operations | - | - | - | - | - | (1,655) | (1,655) |
| SUB-TOTAL | 211,333 | 74,615 | 1,341 | (5,888) | 590 | (3,860) | 278,131 |
| Shares issued | 60,176 | - | - | - | - | - | 60,176 |
| Capital raising costs | (1,522) | - | - | - | - | - | (1,522) |
| Share based payment | - | - | - | - | - | - | - |
| Dividends paid | - | (10,545) | - | - | - | - | (10,545) |
| **BALANCE AT 31 DECEMBER 2017** | 269,987 | 64,070 | 1,341 | (5,888) | 590 | (3,860) | 326,240 |

The accompanying notes form part of these financial accounts

Section 6

## Condensed Consolidated Statement of Cash Flows

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

| | Note | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 277,273 | 235,782 |
| Payments to suppliers and employees | | (272,338) | (186,563) |
| Interest received | | 1,263 | 616 |
| Interest paid | | (913) | (866) |
| Income tax paid | | (5,147) | (5,354) |
| **Net Cash Provided By Operating Activities** | | 138 | 43,615 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of investments | | - | 16 |
| Proceeds from sale of property, plant and equipment | | 337 | 2,186 |
| Loans to other companies | | - | 1,028 |
| Purchase of property, plant and equipment | | (22,232) | (14,475) |
| Net cash consideration for acquisition of subsidiaries | | - | (2,677) |
| **Net Cash Used In Investing Activities** | | (21,895) | (13,922) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Net Proceeds from Share Issue | | 58,017 | - |
| Net movement in borrowings | | (1,065) | (14,099) |
| Dividends paid by the parent | 4 | (10,545) | (10,479) |
| **Net Cash provided by / (used in) Financing Activities** | | 46,407 | (24,578) |
| Net increase/(decrease) in cash held | | 24,650 | 5,115 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | (540) | 1,188 |
| Cash and cash equivalents at the beginning of the year | | 112,007 | 115,602 |
| **Cash and cash equivalents at the end of financial period** | | 136,117 | 121,905 |

The accompanying notes form part of these financial accounts

# Notes to the Financial Statements

## for the half year ended 31 December 2017

### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of MACA Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

#### b. Principles of Consolidation

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(c) below.

#### c. New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### d. Critical Accounting Estimates and Significant Judgements Used In Applying Accounting Policies

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

i. Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The value in use calculations with respect to Goodwill require an estimation of the future cash flows expected to arise from each cash generating unit and a suitable discount rate to apply to these cash flows to calculate net present value. The Directors have determined that there is an impairment on the goodwill in relation to the Interquip business during the reporting period. This is detailed in Note 9 to the financial accounts.

The value in use calculations with respect to property, plant and equipment require an estimation of the future cash flows expected to arise from each cash generating unit and a suitable discount rate to apply to these cash flows to calculate net present value. The Directors have determined that there is an adjustment required to the carrying value of crushing property, plant and equipment in the mining CGU during the current reporting period. This is detailed in Note 9 to the financial accounts.

ii. Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on best estimates. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Group's understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that best estimate, pending an assessment by the Australian Taxation Office.

iii. Estimation of Useful Lives of Assets

The estimation of the useful lives of property, plant and equipment is based on historical experience and is reviewed on an ongoing basis. The condition of the assets is assessed at least annually against the remaining useful life with adjustments made when considered necessary.

iv. Revenue

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. Contract costs incurred shall be recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised as an expense immediately.

**NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.**

**Key judgments**

i. Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

| | 31 December 2017<br>$'000 | 31 December 2016<br>$'000 |
|---|---|---|
| **NOTE 2. PROFIT BEFORE INCOME TAX** | | |
| Revenue from continuing operations | | |
| Contract Trading Revenue | 282,937 | 241,870 |
| | 282,937 | 241,870 |
| Other revenue | | |
| - Interest received | 1,263 | 616 |
| - Other revenue | 780 | 39 |
| | 2,043 | 655 |
| Total Revenue | 284,980 | 242,525 |
| | | |
| **Other Income:** | | |
| - Profit / (Loss) on sale of plant and equipment | 396 | 871 |
| - Reversal of Earnout not payable | 1,500 | - |
| - Reversal of impairment - Crushing | 2,218 | - |
| - Profit / (Loss) on sale of investment | - | 16 |
| - Rebates | 11,177 | 11,617 |
| Total Other Income | 15,291 | 12,504 |
| | | |
| **Expenses:** | | |
| Depreciation and amortisation | | |
| - Plant and equipment | 21,857 | 25,005 |
| - Motor vehicles | 1,142 | 1,056 |
| - Other | 16 | 6 |
| Total depreciation and amortisation expense | 23,015 | 26,067 |
| | | |
| Total employee benefits expense | 105,636 | 68,543 |
| | | |
| Rental expenses relating to operating leases | 938 | 718 |
| | | |
| Repairs, service and maintenance | 27,643 | 21,382 |
| | | |
| Materials and supplies | 50,054 | 51,253 |

| | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| **NOTE 3. EARNINGS PER SHARE** | | |
| Basic earnings per share | 4.73 | 7.12 |
| Diluted earnings per share | 4.67 | 7.07 |
| | | |
| a. Reconciliation of earnings to profit and loss | | |
| Profit/(loss) for the period attributable to members of the parent entity | 11,963 | 16,579 |
| Profit/(loss) attributable to non controlling interest | (1,903) | 14 |
| | 10,060 | 16,593 |
| | | |
| b. Weighted average number (000) of ordinary shares outstanding during the year in calculating basic EPS | 253,160 | 232,926 |
| Weighted average number (000) of dilutive options outstanding | 2,757 | 1,446 |
| | | |
| Weighted average number (000) of ordinary shares outstanding during the year used in calculating dilutive EPS | 255,917 | 234,372 |
| | | |
| **NOTE 4. DIVIDENDS** | | |
| 30 June 2017 Final fully franked ordinary dividend of 4.5 cents (2016: 4.5 cents) per share franked at the tax rate of 30% (2016: 30%) | 10,545 | 10,479 |

## NOTE 5. BUSINESS COMBINATIONS

**2017**

There were no business combinations for the half year ended 31 December 2017.

**2016**

On 15 December 2016 the Group acquired 60% of the issued capital in Interquip Pty Ltd, a company involved in Structural Mehanical and Piping Construction. The consideration consisted of $5.6M in cash, $2.4M in shares and an earn out agreement based EBIT targets for FY 2017 and FY 2018. The earnout was valued at $1.5M based upon expected outcomes and has been reversed in the current period as the earnout target is no longer expected to be met.

The major classes of assets and liabilities comprising the acquisition of each Company as at the date of the acquisition are as follows:

| Interquip Group | Fair value at 15 December 2016 $'000 |
|---|---|
| Purchase consideration - Cash: | 5,600 |
| - Shares | 2,400 |
| - Deferred Consideration (Earn Out) | 1,500 |
| Less: | |
| Cash and cash equivalents | 3,073 |
| Trade and other receivables | 5,995 |
| WIP & Inventory | 4,334 |
| Other assets | 74 |
| Property, plant and equipment | 5,687 |
| Land and Building | 107 |
| Trade and other payables | (4,216) |
| Financial liabilities | (1,214) |
| Advance Payment | (3,000) |
| Current tax liabilities | (140) |
| Provisions | (430) |
| | 10,270 |
| Value of identifiable assets acquired and liabilities assumed | 6,162 |
| Goodwill on acquisition | 3,338 |

## NOTE 5. BUSINESS COMBINATIONS cont.

**Services South East Pty Ltd**

On 31 October 2016 the Group acquired 25% of the issued capital in Services South East Pty Ltd which it did not already own for cash payment of $150,000 and forgiveness of a related party debt and assumption of liabilities. The total consideration for the remaining 25% amounted to $1.662M.

| | 31 December 2017<br>$'000 | 30 June 2017<br>$'000 |
|---|---|---|
| **NOTE 6. TRADE AND OTHER RECEIVABLES** | | |
| **Current** | | |
| Trade Debtors | 129,588 | 113,667 |
| Less – Impairment for doubtful debts | - | - |
| | 129,588 | 113,667 |

### a. Credit risk

The Group has approximately 23.9% (2016: 32.1%) of credit risk with a single counterparty or group of counterparties. Failure or default of a major counterparty would have a material on earnings. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

Subsequent to the end of the reporting period MACA supported Blackham Resources Limited's recapitalisation strategy. The Company loaned Blackham $14.3M, agreed to deferred payment terms for outstanding debtors and to sub-underwrite a rights issue up to $8M. Due to strong rights take up MACA converted $400k of receivables to equity and has received $7.6M in repayment of outstanding debtors.

## NOTE 7. LOANS TO OTHER COMPANIES

| | 31 December 2017 $'000 | 30 June 2017 $'000 |
|---|---|---|
| Loan to Beadell Resources | 9,675 | 9,675 |

## NOTE 8. OTHER ASSETS

| | 31 December 2017 $'000 | 30 June 2017 $'000 |
|---|---|---|
| Prepayments | 1,960 | 103 |
| Deposit | 1,059 | 1,653 |
| | 3,019 | 1,756 |

## NOTE 9. IMPAIRMENT

The Group monitors market conditions for indications of impairment of its operating assets. Where a trigger event occurs which indicates an impairment may have occurred, a formal impairment assessment is performed. The following trigger events have been identified as at 31 December 2017:

- Significant change in the economic condition of the Interquip and Infrastructure segments due to trading losses.

As a result, an assessment has been made of the recoverable amounts of each of Infrastructure and Interquip Cash Generating Units (CGU's) as at 31 December 2017 on a value in use basis. For this purpose, cash flows have been projected for 5 years from the continuing use of assets within each CGU as well as the disposal of any assets, and have been discounted using a pre-tax discount rate that reflects the assessed risks specific to the CGU's. Projected future cash flows from the continuing use of assets have been based on the current contracted work in hand plus a modest allowance for estimated new work. Terminal growth rate of 2% has been applied to both the Infrastructure CGU cash flows and Interquip CGU cash flows. The pre-tax discount rates which have been applied to each of these CGU's is 18.5%.

The assessment has resulted in an impairment of $3.3 million to the goodwill employed within the Interquip CGU and no impairment to the assets employed within the Infrastructure CGU.

The key assumptions used for value in use calculations were;

- EBITDA Margin
- Discount Rates
- Growth rates used to extrapolate cash flows beyond the forecast period
- Capital expenditure

The EBITDA Margin is based on management's best estimate taking into account past performance and expected market conditions. Working Capital has been adjusted to reflect the required working capital for the forecast future cashflows.

Capital expenditure has considered both required replacement capital and idle equipment which could be utilised to sustain the current Work in Hand schedule. Capital expenditure has been matched to depreciation levels in the terminal year.

**NOTE 9. IMPAIRMENT cont.**

Growth rates and discount rates applied are shown below.

| CGU | FY18 | FY19 | FY20 | FY21-22 | Terminal Year | Post-Tax Discount Rate | Pre-tax Discount rate |
|---|---|---|---|---|---|---|---|
| | Growth Rate | | | | | | |
| **Infrastructure** | 34% | 16% | 5% | 5% | 2% | 13% | 18.5% |
| **Interquip** | -39% | 5% | 5% | 5% | 2% | 13% | 18.5% |

**Infrastructure CGU**

This CGU is included in the Civil and Infrastructure Segment. The impairment test conducted at 31 December 2017 did not result in an impairment as the recoverable amount of the CGU exceeded the carrying value.

Sensitivity Analysis.

As disclosed above management have made judgements and estimates in respect of impairment testing of plant and equipment. Any adverse changes to key assumptions may result in a further impairment in the future. The sensitivities are as follows;

- Revenue would need to decrease by 7.5% from the estimate used in the Value in Use calculation before Infrastructure CGU plant and equipment would be impaired; or
- The discount rate would need to increase by 20% before Infrastructure CGU would be impaired.

**Interquip CGU**

This CGU is included in the Interquip SMP Segment. The impairment test conducted at 31 December 2017 resulted in the CGU being impaired. It is estimated the recoverable amount was less than the carrying value and as a result an impairment of $3.3M has been recognised against goodwill. The original goodwill amount was calculated including $1.5M attributable to an earn out agreement on the acquisition. As the earn out will not be payable this amount has been reversed to other income during the current period.

Sensitivity Analysis.

As disclosed above management have made judgements and estimates in respect of impairment testing of plant and equipment. Following the impairment of the carrying value at 31 December 2017, any adverse changes to key assumptions are unlikely to result in any further impairment in the future based on the liquidation value of tangible assets.

**Crushing CGU**

The impairment review also considers plant and equipment previously impaired. At 31 December 2017 testing demonstrated that the recoverable amount of assets in the Crushing CGU exceeded the previously impaired carrying value of that plant and equipment. As a consequence the carrying value of the impairment previously recognised for the year ended 30 June 2015 of $2.2 million was reversed in the current period.

| | 31 December 2017 $'000 | 30 June 2017 $'000 |
|---|---|---|
| **NOTE 10. ISSUED CAPITAL** | | |
| 267,774,202 (2017: 234,343,334) Fully paid ordinary shares with no par value | 269,987 | 211,333 |
| | No. '000 | No. '000 |
| At the beginning of the reporting period | 234,343 | 232,676 |
| Shares issued during the year | 33,431 | 1,667 |
| Shares at reporting date | 267,774 | 234,343 |

All of these shares were eligible to participate in dividends from the date of issue.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTE 11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

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

The Groups' financial assets and liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis are as follows:

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | |
| Financial Assets - listed investments - current | 2,153 | - | - | 2,153 |
| Financial Assets - listed investments - non-current | 2,090 | - | - | 2,090 |
| | 4,243 | - | - | 4,243 |

| 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | |
| Financial Assets - listed investments - current | - | - | - | - |
| Financial Assets - listed investments - non-current | 1,648 | - | - | 1,648 |
| | 1,648 | - | - | 1,648 |

**Methods and valuation techniques**

Included with Level 1 for the current and previous reporting periods are listed investments. The fair value of these assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs. The Group does not have other material instruments within the fair value hierarchy.

## NOTE 12. OPERATING SEGMENTS

The group information presented in the financial report is the information that is reviewed by the Board of Directors (Chief operating decision maker) in assessing performance and determining the allocation of resources.

### Identification of Reportable Segment

The Group identifies its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates predominantly in three businesses and two geographical segments being the provision of civil and contract mining services and mineral processing services to the mining industry throughout Australia, and contract mining services to the mining industry in Brazil, South America.

| Consolidated - December 2017 | Mining | Civil / Infrastructure | Interquip | Un-allocated | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | |
| Total reportable segment revenue | 199,917 | 74,335 | 9,591 | 1,137 | 284,980 |
| Other Revenue | 13,791 | - | 1,500 | - | 15,291 |
| **Total revenue** | 213,708 | 74,335 | 11,091 | 1,137 | 300,271 |
| | | | | | |
| **Earnings before interest, tax, depreciation, amortisation and impairments** | 42,197 | 629 | (5,010) | 8 | 37,824 |
| Depreciation and amortisation | (21,862) | (759) | (394) | - | (23,015) |
| Impairment | 2,218 | - | (3,338) | - | (1,120) |
| Interest Revenue | 570 | - | 9 | 684 | 1,263 |
| Finance costs | (799) | (95) | (19) | - | (913) |
| **Profit/(loss) before income tax expense** | 22,324 | (225) | (8,752) | 692 | 14,039 |
| Income tax expense | | | | | (3,979) |
| **Profit after income tax expense** | | | | | 10,060 |

## NOTE 12. OPERATING SEGMENTS cont.

| | | | | | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 249,685 | 27,115 | 18,043 | 141,200 | 436,043 |
| **Total assets** | | | | | 436,043 |
| | | | | | |
| **Liabilities** | | | | | |
| Segment liabilities | 74,212 | 19,238 | 14,691 | 1,662 | 109,803 |
| Total liabilities | | | | | 109,803 |
| | | | | | |
| Capital expenditure | 21,543 | 689 | - | - | 22,232 |

[1]Structural, Mechanical and Piping business

| Consolidated - December 2016 | Mining<br>$'000 | Civil/ Infrastructure/ SMP[1]<br>$'000 | Unallocated<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total reportable segment revenue | 222,252 | 19,657 | 616 | 242,525 |
| Other Revenue | 11,989 | 515 | - | 12,504 |
| **Total revenue** | 234,241 | 20,172 | 616 | 255,029 |
| | | | | |
| **Earnings before interest, tax, depreciation and amortisation** | 53,095 | (1,382) | 478 | 52,191 |
| Depreciation and amortisation | (25,679) | (388) | - | (26,067) |
| Interest Revenue | 49 | 3 | 564 | 616 |
| Finance costs | (1,633) | (125) | - | (1,758) |
| **Profit/(loss) before income tax expense** | 25,832 | (1,892) | 1,042 | 24,982 |
| Income tax expense | | | | (8,389) |
| **Profit after income tax expense** | | | | 16,593 |
| | | | | |
| **Assets** | | | | |
| Segment assets | 274,052 | 17,604 | 107,685 | 399,341 |
| Total assets | | | | 399,341 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 118,172 | 12,294 | 3,164 | 133,630 |
| Total liabilities | | | | 133,630 |
| | | | | |
| Capital expenditure | 15,901 | 598 | - | 16,499 |

[1]Structural, Mechanical and Piping business

| Geographical information | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 | 2017<br>$'000 | 2016<br>$'000 |
| Australia | 260,854 | 211,895 | 110,014 | 110,508 |
| Brazil | 39,417 | 43,134 | 34,355 | 46,018 |
| **Total** | 300,271 | 255,029 | 144,369 | 156,526 |

## NOTE 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Performance Guarantees

MACA has indemnified its bankers and insurance bond providers in respect of bank guarantees and insurance bonds to various customers for satisfactory contract performance and warranty security in the following amounts: 31 Dec 2017: $11.37 million (30 June 2017: $9.4 million)

On the 4th of July 2017 the liquidators of Kimberley Diamond Company Pty Ltd filed a claim for an unfair preference payment in the amount of $1.4 million. The company is vigorously defending the claim. Other than this legal action and the guarantees described above there were no contingent liabilities as at 31 December 2017 (2016: none).

There are no contingent assets or liabilities other than those listed above.

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| | | 2017 | 2016 |

## NOTE 14. CONTROLLED ENTITIES

**Information about Principal Subsidiaries**

Set out below are the Groups' subsidiaries as at 31 December 2017. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the group. Each subsidiary's country of incorporation is also its principal place of business.

| Name of Subsidiary | Principal place of business | Ownership Interest Held by the Group | | Proportion of Non-controlling Interests | |
|---|---|---|---|---|---|
| | | As at 31 Dec 2017 | As at 30 June 2017 | As at 31 Dec 2017 | As at 30 June 2017 |
| Subsidiaries: | | | | | |
| MACA Mining Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| MACA Plant Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| MACA Crushing Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| MACA Civil Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| Riverlea Corporation Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| MACA Mineracao e Construcao Civil Ltda | Brazil | 100% | 100% | Nil | Nil |
| Alliance Contracting Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| MACA Infrastructure Pty Ltd | Australia | 100% | 100% | Nil | Nil |
| Marniyarra Mining and Civil Pty Ltd JV | Australia | 50% | 50% | 50% | 50% |
| Interquip Construction Pty Ltd [1] | Australia | 60% | 60% | 40% | 40% |
| Interquip Pty Ltd [1] | Australia | 60% | 60% | 40% | 40% |

[1] Percentage of voting power in proportion to ownership

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

## NOTE 15. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the reporting period MACA entered into an agreement to support Blackham Resources Limited's (Blackham) recapitalisation strategy (Refer ASX announcement 15 January 2018). As a result of entering into the agreement MACA loaned Blackham $14.3M and has received $400k in Blackham equity as part of a sub-underwriting agreement and $7.6M in cash for receivables balances.

Also subsequent to the end of the reporting period MACA has entered into a contract with Minjar Gold Pty Ltd to provide mining services at the Gossan Hill gold project. The project is expected to generate approximately $11M revenue over 12 months.

Other than the items listed above, no other matters or circumstances have arisen since the half year to December 2017 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Section 8 Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 18 are in accordance with the Corporations Act 2001 including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

   (b) giving true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the board of Directors and is signed for and on behalf of the directors by:

**Chris Tuckwell**
**Managing Director, CEO**

DATED at PERTH this 26th day of February 2018

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACA LIMITED AND ITS CONTROLLED ENTITIES

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MACA Limited which comprises the consolidated condensed statement of financial position as at 31 December 2017, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed 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 MACA Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 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 MACA Limited's financial position as at 31 December 2017 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 MACA Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACA LIMITED AND ITS CONTROLLED ENTITIES (CONTINUED)

### 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 MACA Limited is not in accordance with the *Corporations Act 2001* including:

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

ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

| | |
|---|---|
| NEIL PACE | MOORE STEPHENS |
| PARTNER | CHARTERED ACCOUNTANTS |

Signed at Perth this 26th day of February 2018