

**Mastermyne Group Limited  
and its Controlled Entities**

ABN 96 142 490 579

Interim Financial Report

31 December 2014

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# Mastermyne Group Limited and its Controlled Entities

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# Mastermyne Group Limited and its Controlled Entities

## Directors' report

For the half year ended 31 December 2014

The directors present their report together with the consolidated interim financial report of the Group comprising Mastermyne Group Limited ("the Company") and its subsidiaries, for the half year ended 31 December 2014 and the auditor's report thereon.

### 1 Directors

The directors of the Company at any time during or since the end of the interim period are:

*Mr C Bloomfield (appointed 6 March 2014, appointed Chairman 26 February 2015)*  
Chairman

*Mr J Wentworth (appointed 30 March 2011) - Bachelor of Laws (Hons), Bachelor of Commerce*  
Non - executive Director (independent)

*Mr D. Hamblin (appointed Non - executive Director 10 March 2010, appointed Chairman 25 November 2013, resigned as chairman 26 February 2015) - Bachelor of Engineering (Mechanical)*  
Non - executive Director

*Mr A. Watts (appointed 10 March 2010, appointed Non - executive Director 1 July 2014)*  
Non - executive Director

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

### 2 Operating and financial review

#### Financial Overview

#### Profit for the period

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$5.750 million for the half year ended 31 December 2014. This result is down on the previous corresponding period (net profit after tax for the half year ended 31 December 2013 of \$0.772 million) resulting from a non cash goodwill impairment of \$4.538 million (nil for the half year ended 31 December 2013) and transaction costs associated with the acquisition of Diversified Mining Services Limited (DMS) of \$1.163 million (nil for the half year ended 31 December 2013). The impact of these items reduced net profit after tax by \$5.352 million.

Revenue has increased 0.6% on the previous corresponding period to \$77.739 million (\$77.270 million for the half year ended 31 December 2013). Profit margins have decreased on previous corresponding period as a result of lower equipment utilisation, and contraction in margins due to the current market climate.

# Mastermyne Group Limited and its Controlled Entities

## Directors' report

For the half year ended 31 December 2014

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

#### Balance Sheet and Cash Flows

The overall cash position increased during the half year ended 31 December 2014 with strong cash inflows generated from operating activities. The DMS acquisition (outflow of \$10.581 million), together with minor cash outflows associated with acquisition of equipment (\$0.455 million), resulted in net cash outflows for investing activities of \$10.916 million. Cash inflows from financing activities (\$7.627 million) were higher than the previous corresponding period as a result of new debt raised to fund the acquisition of DMS (\$11.500 million). Total cash generated for the period was \$6.165 million, resulting in total cash on hand at 31 December 2014 of \$14.975 million.

- net cash inflows from operating activities for the half year ended 31 December 2014 of \$9.454 million (half year ended 31 December 2013: inflows of \$9.774 million)
- net cash outflows from investing activities for the half year ended 31 December 2014 of \$10.916 million (half year ended 31 December 2013: outflows of \$0.948 million)
- net cash inflows from financing activities for the half year ended 31 December 2014 of \$7.627 million (half year ended 31 December 2013: outflows of \$6.679 million).

The net assets of the Group decreased by \$2.673 million to \$57.989 million, the decrease resulting from dividends paid during the half year ended 31 December 2014 of \$1.057 million, the loss for the half year ended 31 December 2014 of \$5.750 million, and the issue of shares associated with the acquisition of DMS of \$4.126 million.

#### Operational Overview

Over the first half we have continued to see operators focus on reducing costs and increasing production. This has underpinned the project work and seen our workforce numbers remain static on the major projects. We have also seen an increase in short term projects where operators are utilising the services of contractors for defined pieces of work and immediately demobilising the workforce when the work has been completed. This is in line with minimising costs and using a contractors workforce as a flexible turn-on turn-off alternative to full-time or long-term employment. Over the first half we have also seen operators reducing internal workforce and staff to again minimise the cost of operations. The Company's link to production and long established operations has seen the revenue remain resilient compared to construction and greenfield organisations that have seen little revenue opportunities.

In the first half the Company successfully undertook a number of short term projects and this will continue into the second half. To date approximately \$18 million in short term projects have been secured for the second half and the tendering pipeline has a number of similar projects. These works have relatively short mobilisation periods and whilst they make forecasting difficult they can generate revenue quickly as opposed to major projects which typically require several months of planning and mobilising before contributing revenue.

Safety performance over the first half has again been a focal area of the business and we have continued with our strong proactive safety focus. Although the number of actual injuries has decreased over the period injury rates have increased slightly as a result of the reduced man hours. Second half safety focus will be on improving on the first half performance and integrating the workforce and management systems of the recently acquired business.

Whilst there remains a reasonable pipeline of major projects we continue to see projects deferred as operators focus on preserving cash. The first half has seen at least one major project deferred after the Company had been awarded preferred tender status.

# Mastermyne Group Limited and its Controlled Entities

## Directors' report

For the half year ended 31 December 2014

### 2 Operating and financial review (continued)

#### Operational Overview

Our Engineering division delivered a solid result in the first half primarily due to a large fabrication contract with Anglo American to supply a number of items for the new Grosvenor Mine. This order book along with strong sales in the consumables business has underpinned the first half result. Consumables sales remain strong as operators focus on increased production. Consumables sales are inextricably linked to underground coal production. During the period we have also seen an increase in refurbishment work as existing equipment is repaired and rebuilt in lieu of purchasing new equipment.

During the first half the Company undertook the acquisition of a niche engineering and maintenance company. The Diversified Mining Services (DMS) acquisition was completed on the 23rd of December 2014 and will diversify the Company's revenue streams through a niche range of services predominately targeted at above ground infrastructure in coal and other sectors. There are substantial synergies between the organisations and since completion of the transaction the Company has put in place over \$3.5 million in annualized overhead savings. The work and contracts of DMS are similar in structure to the Mastermyne contracts. Already we have seen an increase in tendering opportunities with our existing customers through an expanded range of capability and similarly DMS has provided the Company with new and expanded customer base. We continue to explore the cross selling opportunities and also look for new tender opportunities. To date we have secured work at one new port and are tendering at a second.

With the acquisition of DMS Mastermyne will create a new business group with effect from 1 January 2015 to complement the existing production based mining operations. The Mastermyne Group will now operate under two main business groups – Mastermyne Mining Services and Mastertec Products and Services. Mastertec Products and Services Group integrates the services previously provided through DMS and incorporates the existing Mastermyne Services and Engineering divisions. This group comprises three project based divisions: Industrial and Maintenance - includes piping, protective coatings and access solutions; Fabrication and Machining - includes design, drafting and manufacture of high quality machined products, and Engineering and Technical - includes project scoping, design and management.

As a result of the increased competition and deferral of project work, no revenue was contributed by the Services division in the period. With a limited pipeline of future work in place (excluding the impact of synergies expected from the acquisition of DMS) the recognised value of goodwill associated with this division was impaired, totalling \$4.5 million.

At the completion of the first half the Company's order book is \$317 million, inclusive of DMS, with approximately \$79 million to be delivered in the second half of FY2015. Recurring and purchase order work sits over and above this order book number. In the first half the Company successfully rolled over the Moranbah development contract and successfully increased this scope to include all Anglo underground operations. This contract renewal is very strategic as Anglo brings on line their new Grosvenor underground mine.

In the first half we have seen margins compressed by approximately 2.6%. The compression in margins has been driven by the competitive tendering environment and the continued deterioration of the equipment utilisation. Margins are forecast to remain similar in the second half.

The significant operational highlights for the financial half year include:

- \* Revenue of \$77.7 million (guidance range of \$75million-\$80 million)
- \* \$6.165 million of cash flow generated in the first half
- \* Net debt reduced to \$4.8 million after DMS acquisition
- \* Maintained major clients and projects with no material change to order book
- \* Completed the Diversified Mining Services (DMS) acquisition
- \* Order Book (including DMS) of \$317 million with \$79 million to be delivered in the second half of FY2015 (excludes recurring and purchase order work)
- \* Tendering Pipeline at \$1.66 billion, dominated by one large scale Galilee Basin project

# Mastermyne Group Limited and its Controlled Entities

## Directors' report

For the half year ended 31 December 2014

### 3 Outlook

With little change expected in the second half the Company forecasts a similar result to the first half. Operators have seen some relief from the exchange rate however coal prices are not expected to increase materially from current levels. This will see the focus remain on preserving cash which will most likely result in deferred projects pushing out past the second half. The Company will focus on the diversification strategy utilising the DMS acquisition as the platform to expand the tendering pipeline to include surface infrastructure both within and outside the coal sector. We will also continue pursuing contract mining opportunities and the whole of mine operation opportunities. As operators consider divestment of marginal and non-core assets we expect mergers and acquisitions activity will increase providing more opportunities for the Group to partner as the contract operator. The second half tendering pipeline will be dominated by a significant opportunity in the Galilee Basin and the Company will be actively tendering this work over most of the second half. Due to the size and complexity of the tender we again will require external third party support which has not been budgeted however if successful the project will be a significant piece of work which will underpin the Company's order book for several years.

### 4 Events subsequent to reporting date

Subsequent to half year-end, the directors declared a dividend of 1 cents per share.

Other than the matter discussed above, there has not arisen in the interval between 31 December 2014 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

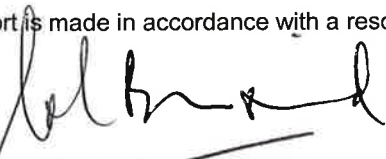
### 5 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for six months ended 31 December 2014.

### 6 Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.



C. Bloomfield  
Chairman

Dated at Mackay this 26th day of February 2015.



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

To: the directors of Mastermyne Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

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

KPMG



M L Gray  
Partner

Brisbane  
25 February 2015

# Mastermyne Group Limited and its Controlled Entities

## Consolidated interim statement of financial position

As at 31 December 2014

	Note	Consolidated	
		31 Dec 2014	30 Jun 2014
<i>In thousands of AUD</i>			
<b>Assets</b>			
Cash and cash equivalents	18	14,975	8,810
Trade and other receivables	17	28,074	37,917
Inventories	16	3,447	2,742
Current tax assets		489	-
<b>Total current assets</b>		<b>46,985</b>	<b>49,469</b>
Property, plant and equipment	14	32,631	27,732
Intangible assets	15	21,128	19,642
<b>Total non-current assets</b>		<b>53,759</b>	<b>47,374</b>
<b>Total assets</b>		<b>100,744</b>	<b>96,843</b>
<b>Liabilities</b>			
Trade and other payables	22	14,260	16,265
Loans and borrowings	20	5,168	5,102
Employee benefits	21	7,058	6,655
Current tax payable		-	10
<b>Total current liabilities</b>		<b>26,486</b>	<b>28,032</b>
Loans and borrowings	20	14,633	5,941
Employee benefits	21	261	145
Deferred tax liabilities		1,375	2,063
<b>Total non-current liabilities</b>		<b>16,269</b>	<b>8,149</b>
<b>Total liabilities</b>		<b>42,755</b>	<b>36,181</b>
<b>Net assets</b>		<b>57,989</b>	<b>60,662</b>
<b>Equity</b>			
Share capital		55,234	51,108
Reserves		(21,971)	(21,979)
Retained earnings		24,291	31,127
<b>Total equity attributable to owners of the Company</b>		<b>57,554</b>	<b>60,256</b>
<b>Non-controlling interests</b>		<b>435</b>	<b>406</b>
<b>Total equity</b>		<b>57,989</b>	<b>60,662</b>

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



# Mastermyne Group Limited and its Controlled Entities

## Consolidated interim statement of profit or loss and other comprehensive income For the six months ended 31 December 2014

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Revenue	8	77,739	77,270
Other income	9	92	189
Contract disbursements		(13,207)	(15,284)
Personnel expenses	11	(57,674)	(53,118)
Office expenses		(3,366)	(3,085)
Depreciation and amortisation expense	14, 15	(3,405)	(3,619)
Impairment loss	15	(4,538)	-
Other expenses	10	(1,545)	(621)
<b>Results from operating activities</b>		<u>(5,904)</u>	<u>1,732</u>
Finance income		120	160
Finance expense		(413)	(685)
<b>Net finance expense</b>	12	<u>(293)</u>	<u>(525)</u>
<b>Profit/(loss) before income tax</b>		(6,197)	1,207
Income tax benefit/(expense)	13	447	(435)
<b>Profit/(loss) for the period</b>		<u>(5,750)</u>	<u>772</u>
<b>Total comprehensive income for the period</b>		<u>(5,750)</u>	<u>772</u>
<b>Attributable to:</b>			
Owners of the Company		(5,779)	777
Non-controlling interests		29	(5)
<b>Profit/(loss) for the period</b>		<u>(5,750)</u>	<u>772</u>
<b>Earnings per share</b>			
Basic earnings per share (In whole AUD)		<u>(0.08)</u>	<u>0.01</u>
Diluted earnings per share (In whole AUD)		<u>(0.08)</u>	<u>0.01</u>

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

# Mastermyne Group Limited and its Controlled Entities

## Consolidated interim statement of changes in equity For the six months ended 31 December 2014

In thousands of AUD

	Attributable to owners of the Company				Total	Non-Controlling interests	Total equity
	Share capital	Retained earnings	Share-based payment reserve (Note 19)	Common control reserve (Note 19)			
<b>Consolidated</b>							
<b>Balance at 1 July 2013</b>	50,964	31,632	2,160	(24,237)	60,519	377	60,896
<i>Total comprehensive income for the period</i>							
Profit for the period	-	777	-	-	777	(5)	772
Total comprehensive income for the period	-	777	-	-	777	(5)	772
<i>Transactions with owners recorded directly in equity</i>							
Share options exercised	146	-	-	-	146	-	146
Share-based payment transactions	-	-	61	-	61	-	61
Dividends to equity holders	-	(2,713)	-	-	(2,713)	-	(2,713)
Total contributions by and distributions to owners	146	(2,713)	61	-	(2,506)	-	(2,506)
<b>Balance at 31 December 2013</b>	<b>51,110</b>	<b>29,696</b>	<b>2,221</b>	<b>(24,237)</b>	<b>58,790</b>	<b>372</b>	<b>59,162</b>
<b>Balance at 1 July 2014</b>	51,108	31,127	2,258	(24,237)	60,256	406	60,662
<i>Total comprehensive income for the period</i>							
Profit / (loss) for the period	-	(5,779)	-	-	(5,779)	29	(5,750)
Total comprehensive income for the period	-	(5,779)	-	-	(5,779)	29	(5,750)
<i>Transactions with owners recorded directly in equity</i>							
Issue of ordinary shares in relation to business combinations	4,126	-	-	-	4,126	-	4,126
Share-based payment transactions	-	-	8	-	8	-	8
Dividends to equity holders	-	(1,057)	-	-	(1,057)	-	(1,057)
Total contributions by and distributions to owners	4,126	(1,057)	8	-	3,077	-	3,077
<b>Balance at 31 December 2014</b>	<b>55,234</b>	<b>24,291</b>	<b>2,266</b>	<b>(24,237)</b>	<b>57,554</b>	<b>435</b>	<b>57,989</b>

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

# Mastermyne Group Limited and its Controlled Entities

## Consolidated interim statement of cash flows For the six months ended 31 December 2014

<i>In thousands of AUD</i>	Note	Consolidated	
		31 Dec 2014	31 Dec 2013
<b>Cash flows from operating activities</b>			
Cash receipts from customers		98,748	100,254
Cash paid to suppliers and employees		(88,382)	(88,394)
Cash generated from operations		10,366	11,860
Interest paid		(413)	(685)
Income tax paid		(499)	(1,401)
<b>Net cash flows from operating activities</b>	23	9,454	9,774
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		-	1,391
Acquisition of property, plant and equipment		(455)	(2,499)
Interest received		120	160
Acquisition of subsidiary, net of cash acquired		(10,581)	-
<b>Net cash flows from/(used in) investing activities</b>		(10,916)	(948)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		-	146
Proceeds from borrowings		11,500	-
Repayment of borrowings		-	(146)
Payment of finance lease liabilities		(2,816)	(3,966)
Dividends paid		(1,057)	(2,713)
<b>Net cash flows from/(used in) financing activities</b>		7,627	(6,679)
Net increase in cash and cash equivalents		6,165	2,147
Cash and cash equivalents at beginning of period		8,810	10,223
<b>Cash and cash equivalents at end of period</b>	18	14,975	12,370

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

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements

For the six months ended 31 December 2014

### 1 Reporting entity

Mastermyne Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 45 River Street, Mackay Qld 4740. The consolidated interim financial statements of the Company as at and for the 6 months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and primarily is involved in the provision of contracting services to underground long wall mining operations and open cut electrical services in the coalfields of Queensland's Bowen Basin and New South Wales.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at [www.mastermyne.com.au](http://www.mastermyne.com.au).

### 2 Basis of preparation

#### (a) Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 30 June 2014.

The consolidated interim report was authorised for issue by the Board of Directors on 26 February 2015.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of each entity in the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest thousand unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 7 – business combination
- Note 15 – impairment; key assumptions used in discounted cash flow projections

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements

For the six months ended 31 December 2014

### 3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014.

### 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset, liability or transaction.

#### (i) Share-based payment transactions

The fair value of employee stock options is measured using the Monte Carlo and Binomial option pricing models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### (iii) Property plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of the acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using market evidence for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as functional and economic obsolescence.

#### (iv) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### (v) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### (vi) Trade and other receivables

The fair values of trade and other receivables are estimated at present value of future cash flows, discounted at the market rate of interest at measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements

For the six months ended 31 December 2014

### 5 Financial risk management

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate
- liquidity risk

These and other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

The carrying value of the Group's financial assets and liabilities at 31 December 2014 approximates their fair values.

### 6 Segment information

#### Business segments

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

- **Underground Mining Services:** The provision of project management and engineering services; labour and equipment hire; underground conveyor installation, extension and maintenance; underground roadway development; underground ventilation device installation; bulk materials handling system installation and relocation and underground mine support services.
- **Electrical and Mechanical Services:** The Services division specialises in all facets of above ground electrical and mechanical services, including construction, maintenance and overhaul of draglines, wash plants, materials handling systems and other surface infrastructure.
- **Engineering and Fabrication:** The design and fabrication of attachments for underground equipment; general engineering and fabrication; supply of consumables for underground coal mines.

There are varying levels of integration between the Underground and Services reportable segments. This integration includes transfers of human resources and shared overhead resources. The accounting policies of the reportable segments are the same as described in Notes 2 and 3.

Information regarding the results of each reportable segment is included on the following page. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2014

6 Segment information (continued)

Business Segments (continued)

<i>in thousands of AUD</i>	Underground mining services		Engineering and fabrication		Electrical and mechanical Services		Total for Reportable Segments	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
External revenues	69,095	66,324	8,644	9,764	-	1,182	77,739	77,270
Intersegment revenue	-	680	638	563	-	62	638	1,305
Other material non-cash items:								
Impairment Loss	-	-	-	-	(4,538)	-	(4,538)	-
Reportable Segment profit/(loss) before income tax	(90)	393	446	1,063	(4,821)	(129)	(4,465)	1,327
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
Segment assets	68,546	77,325	23,437	14,781	4,340	4,735	96,323	96,841
Segment liabilities	(26,381)	(31,765)	(8,151)	(1,100)	(4,718)	(2,493)	(39,250)	(35,358)

Reconciliations of reportable segment revenues and profit or loss

<i>in thousands of AUD</i>	31 Dec 2014	31 Dec 2013
<b>Revenues</b>		
Total revenue for reportable segments	78,377	78,575
Elimination of inter-segment revenue	(638)	(1,305)
Consolidated revenue	<u>77,739</u>	<u>77,270</u>

**Profit or loss**

Total profit or loss for reportable segments	(4,465)	1,327
Elimination of inter-segment profits	(93)	(120)
Unallocated amounts: other corporate expenses	(1,639)	-
Consolidated profit before income tax	<u>(6,197)</u>	<u>1,207</u>

<i>in thousands of AUD</i>	31 Dec 2014	30 Jun 2014
<b>Assets</b>		
Total assets for reportable segments	96,323	96,841
Other unallocated amounts	4,421	-
Consolidated total assets	<u>100,744</u>	<u>96,841</u>

**Liabilities**

Total liabilities for reportable segments	39,251	35,358
Other unallocated amounts	3,504	823
Consolidated total liabilities	<u>42,755</u>	<u>36,181</u>

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 7 Business Combination

On 23 December 2014 the Group obtained control of Diversified Mining Services Ltd (DMS), a provider of services to a range of industries, primarily focused on maintenance and mining services in Queensland and New South Wales, by acquiring 100 per cent of the shares and voting interests in the company.

The acquisition of DMS is in keeping with the Group's strategy of expanding its service offering through its Services Division, and to compliment and leverage from the position that the Company has in the underground coal sector. The acquisition will also provide some diversification from coal and will leverage off the synergies of combining with the Mastermyne Group.

DMS operates throughout the Bowen Basin, Gladstone, Mackay and the Hunter Valley for a range of blue chip clients in the mining, downstream metalliferous processing, prime contracting and mining infrastructure industries. In addition, DMS is a specialist in overwater scaffolding. DMS operates through three business units:

- Maintenance – Scaffolding and rigging, protective coatings, poly welding, scheduled maintenance and on-site repairs;
- Engineering – Specialist fabrication, machining and line boring, design and consulting; and
- Mining Operations – Ventilation services, outbye services, gas drainage and secondary support.

#### a Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

<i>In thousands of AUD</i>	<i>Note</i>	
Cash		10,337
Equity Instruments (15,570,022 ordinary shares)	19	4,126
<b>Total consideration transferred</b>		<b>14,463</b>

#### i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 23 December 2014 of \$0.265 per share.

#### b Acquisition-related costs

The Group incurred acquisition-related costs of \$1,163 thousand relating to external legal fees and due diligence costs. These amounts have been included in other expenses in the consolidated statement of profit or loss and other comprehensive income.



# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 7 Business Combination (continued)

#### c Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

<i>In thousands of AUD</i>	<b>Note</b>	
Property, plant and equipment	14	7,752
Intangible assets - Customer relationships	15	1,260
Inventories		1,808
Trade and other receivables		5,204
Loans and borrowings		(317)
Deferred tax assets		241
Employee Benefits		(987)
Trade and other payables		(5,359)
<b>Total identifiable net assets acquired</b>		<b>9,602</b>

The trade and other receivables comprise gross contractual amounts due of \$5,361 thousand, of which \$157 thousand was expected to be uncollectible at the date of acquisition.

The following fair values have been determined on a provisional basis. The items which have been provisionally determined are as follows:

- 1 The fair value of DMS's intangible assets has been provisionally determined to comprise customer relationships with a fair value \$1,260 thousand. The assessment of the range of separately identifiable intangible assets, and the fair value of same, is currently being independently valued. As a result, the deferred tax asset at acquisition, which is impacted by the fair value of customer relationship and other intangible assets, has been provisionally determined and may change based on the outcome of the independent valuation.
- 2 The fair value of deferred tax assets associated with carried forward tax losses available to DMS is still being determined and no value has been attributed the related deferred tax asset in the provisional accounting. To the extent that value is attributed to the related deferred tax asset, this will have the impact of increasing the recognised value of the Group's deferred tax asset (or decreasing the recognised deferred tax liability as it is currently presented), and decreasing the recognised value of goodwill on acquisition.

#### d Goodwill

Goodwill arising from the acquisition has been recognised as follows.

<i>In thousands of AUD</i>	<b>Note</b>	
Total consideration transferred		14,463
Fair value of identifiable net assets		9,602
<b>Goodwill</b>	15	<b>4,861</b>

The goodwill is attributable mainly to the skills and technical talent of the DMS's assembled work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 8 Revenue

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	31 Dec 2013
Contracting revenue	66,266	66,322
Sale of goods	8,644	9,764
Machinery hire	2,829	1,184
	<u>77,739</u>	<u>77,270</u>

### 9 Other income

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	31 Dec 2013
Administration income	92	134
Gain on sale of property, plant and equipment	-	55
	<u>92</u>	<u>189</u>

### 10 Other expenses

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	31 Dec 2013
Business acquisition costs	1,163	-
Insurance	382	621
	<u>1,545</u>	<u>621</u>

### 11 Personnel expenses

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	31 Dec 2013
Wages and salaries	53,834	46,380
Other associated personnel expenses	675	3,609
Contributions to defined contribution superannuation funds	3,157	3,067
Equity-settled share-based payment transactions	8	62
	<u>57,674</u>	<u>53,118</u>

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 12 Finance income and expense

#### Recognised in profit or loss

*In thousands of AUD*

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Interest income	120	160
Finance income	120	160
Interest expense	(413)	(685)
Finance expense	(413)	(685)
Net finance expense recognised in profit or loss	(293)	(525)

### 13 Income tax expense

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

*In thousands of AUD*

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Profit/(loss) for the period	(5,750)	772
Total income tax (benefit)/expense	(447)	435
Profit/(loss) before income tax	(6,197)	1,207
Income tax using the Group's statutory income tax rate of 30% (2013: 30%)	(1,859)	362
Non-deductible expenses		
Impairment loss	1,361	-
Other	51	73
Income tax (benefit)/expense	(447)	435

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 14 Property, plant and equipment

*In thousands of AUD*

	Plant and equipment	Motor vehicles	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
<b>Cost or deemed cost</b>						
Balance at 1 July 2013	53,936	1,605	1,977	493	2,000	60,011
Additions	3,175	75	82	2	21	3,355
Disposals	(1,995)	(631)	-	(35)	-	(2,661)
Transfers	(23)	-	23	-	-	-
Balance at 30 June 2014	55,093	1,049	2,082	460	2,021	60,705
Balance at 1 July 2014	55,093	1,049	2,082	460	2,021	60,705
Additions	404	-	46	5	-	455
Acquired through business combination	6,761	834	-	-	157	7,752
Transfers	(15)	-	-	15	-	-
Balance at 31 December 2014	62,243	1,883	2,128	480	2,178	68,912
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2013	23,722	1,017	1,378	411	723	27,251
Depreciation for the year	6,081	144	169	32	527	6,953
Disposals	(751)	(447)	-	(33)	-	(1,231)
Balance at 30 June 2014	29,052	714	1,547	410	1,250	32,973
Balance at 1 July 2014	29,052	714	1,547	410	1,250	32,973
Depreciation for the period	2,920	44	66	14	264	3,308
Balance at 31 December 2014	31,972	758	1,613	424	1,514	36,281
<b>Carrying amounts</b>						
At 1 July 2013	30,214	588	599	82	1,277	32,760
At 30 June 2014	26,041	335	535	50	771	27,732
At 1 July 2014	26,041	335	535	50	771	27,732
At 31 December 2014	30,271	1,125	515	56	664	32,631

During the period Mastermyne did not acquire any property, plant and equipment through finance leases (2013: Nil).

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 15 Intangible assets

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	30 Jun 2014
<i>Goodwill</i>		
Cost (gross carrying amount)	19,192	18,869
Net carrying amount	19,192	18,869
<i>Customer relationships</i>		
Cost (gross carrying amount)	4,205	2,945
Accumulated amortisation and impairment	(2,807)	(2,772)
Net carrying amount	1,398	173
<i>Intellectual property</i>		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(984)	(922)
Net carrying amount	538	600
<i>Total intangible assets</i>		
Cost (gross carrying amount)	24,919	23,336
Accumulated amortisation and impairment	(3,791)	(3,694)
Net carrying amount	21,128	19,642

### Reconciliation of carrying amount at beginning and end of the period

<i>In thousands of AUD</i>	Consolidated	
	6 months ended 31 Dec 2014	12 months ended 30 Jun 2014
<i>Goodwill</i>		
Carrying amount - opening	18,869	18,869
Acquired in business combination	4,861	-
Impairment	(4,538)	-
Carrying amount - closing	19,192	18,869
<i>Customer relationships</i>		
Carrying amount - opening	173	444
Acquired in business combination	1,260	-
Amortisation	(35)	(271)
Carrying amount - closing	1,398	173
<i>Intellectual property</i>		
Carrying amount - opening	600	727
Amortisation	(62)	(127)
Carrying amount - closing	538	600
<i>Total intangible assets</i>		
Carrying amount - opening	19,642	20,040
Acquired in business combination	6,121	-
Impairment	(4,538)	-
Amortisation	(97)	(398)
Carrying amount - closing	21,128	19,642

Goodwill relates to the acquisitions of Diversified Mining Services Ltd, Mastermyne Engineering Pty Ltd, Mastermyne Services Pty Ltd, Mastermyne Underground Pty Ltd and MyneSight Pty Ltd.

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 15 Intangible assets (continued)

#### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 6.

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

<i>In thousands of AUD</i>	1 July 2014	Consolidated		31 Dec 2014	30 Jun 2014
		Acquired in Business Combination	Impairment		
Underground mining services	7,030	1,601	-	8,631	7,030
Engineering and fabrication	7,301	1,660	-	8,961	7,301
Electrical and mechanical services	4,538	1,600	(4,538)	1,600	4,538
	<u>18,869</u>	<u>4,861</u>	<u>(4,538)</u>	<u>19,192</u>	<u>18,869</u>

The Group was not successful in securing any of the pipeline of opportunities identified for the electrical and mechanical services division as at 30 June 2014, and has a limited pipeline of future work in place (excluding the impact of synergies expected from the acquisition of DMS). This resulted in the carrying amount of the cash generating unit being higher than its recoverable amount of \$725 thousand, and the recognised value of goodwill associated with the electrical and mechanical services division of \$4,538 thousand, ignoring the acquisition of DMS, was fully impaired (six months ended 31 December 2013: nil). The related impairment loss is included in profit or loss.

During the year, the Group acquired further goodwill of \$4,861 thousand as a result of acquiring full control of a new subsidiary. This is further explained in note 7, Business Combination.

The recoverable amount of the other cash-generating units was based on their value in use and was determined by reference to the discounted future cash flows generated from the continuing use of each unit. For all cash generating units the value in use was determined to be greater than the carrying amount.

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

	Terminal growth rate	Pre-tax discount rate
Underground mining services	2.5%	16.0%
Engineering and fabrication	2.5%	16.6%
Electrical and mechanical services	2.5%	17.7%

The discount rate was calculated based on a weighted average cost of capital, determined using an industry average beta, risk-free rate based on Australian government 10 year treasury bonds with a minimum yield used of 4.5%, a market risk premium of 6% and a calculated cost of debt based on the current market rates.

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 16 Inventories

*In thousands of AUD*

	Consolidated	
	31 Dec 2014	30 Jun 2014
Raw material and Consumables	1,867	1,060
Finished goods	1,580	1,682
	<u>3,447</u>	<u>2,742</u>

### 17 Trade and other receivables

*In thousands of AUD*

	Consolidated	
	31 Dec 2014	30 Jun 2014
Trade receivables	20,466	26,550
Prepayments	980	2,650
Unbilled revenue	6,381	8,608
Other receivables	247	109
	<u>28,074</u>	<u>37,917</u>

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 18 Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2014	30 Jun 2014
Bank balances	14,969	8,808
Cash on hand	6	2
Cash and cash equivalents in the statement of cash flows	<u>14,975</u>	<u>8,810</u>

### 19 Capital and reserves

The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares	
	31 Dec 2014	30 Jun 2014
On issue at beginning of period / year	75,517,514	75,367,514
Shares issued in relation to business combination	15,570,022	-
Exercise of share options	-	150,000
On issue at end of period / year	<u>91,087,536</u>	<u>75,517,514</u>

#### Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Group has also issued share options (see Note 24).

#### Reserves

##### Share-based payments reserve

The share-based payments reserve represents the grant date fair value of options granted to senior managers or key management personnel of the Company (see Note 24).

##### Common control reserve

As a result of combinations of entities under common control, an equity account was created called the common control reserve. The balance of this account represents the excess of the fair value of Mastermyne Group Limited securities as at 7 May 2010 over the initial carrying value of Mastermyne Pty Ltd as at the date of Mastermyne Group Limited becoming the new parent entity of the Group.

#### Dividends

Dividends recognised in the current year by the Group are:

<i>In thousands of AUD</i>	Dollars per share	Total amount	Franked / unfranked	Date of payment
<b>2015 financial year</b>				
2014 Ordinary - Ordinary Shares Final Dividend	\$ 0.014	<u>1,057</u>	Franked	16/10/2014
Total amount		<u>1,057</u>		
<b>2014 financial year</b>				
2013 Ordinary - Ordinary Shares Final Dividend	\$ 0.036	2,713	Franked	16/10/2013
2014 Ordinary - Ordinary Shares Interim Dividend	\$ 0.010	755	Franked	3/04/2014
Total amount		<u>3,468</u>		

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



# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the six months ended 31 December 2014

### 20 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

*In thousands of AUD*

	Consolidated	
	31 Dec 2014	30 Jun 2014
<b>Current liabilities</b>		
Insurance premium funding (unsecured)	60	-
Finance lease liabilities (secured)	4,395	5,102
Cash advance facility (secured)	713	-
	<u>5,168</u>	<u>5,102</u>
<b>Non-current liabilities</b>		
Finance lease liabilities (secured)	3,833	5,941
Cash advance facility (secured)	10,800	-
	<u>14,633</u>	<u>5,941</u>

#### Security

##### *Finance lease*

Finance lease facilities are drawn with the Westpac Banking Corporation and Vendor Finance Pty Ltd, and are secured by a charge over the asset to which the facility relates to and a fixed and floating charge over the assets of the Group.

##### *Cash advance facility*

The cash advance facility is drawn with the Westpac Banking Corporation for the purpose of business acquisition funding and is secured by a fixed and floating charge over the assets of the Group.

#### Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

<i>In thousands of AUD</i>	Consolidated					
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	31 Dec 2014	31 Dec 2014	31 Dec 2014	30 Jun 2014	30 Jun 2014	30 Jun 2014
Less than one year	4,720	(325)	4,395	5,549	(447)	5,102
Between one and five years	4,006	(173)	3,833	6,550	(610)	5,940
More than five years	-	-	-	-	-	-
	<u>8,726</u>	<u>(498)</u>	<u>8,228</u>	<u>12,099</u>	<u>(1,057)</u>	<u>11,042</u>

### 21 Employee benefits

*In thousands of AUD*

	Consolidated	
	31 Dec 2014	30 Jun 2014
<b>Current</b>		
Wages payable	737	1,382
Liability for annual leave	3,630	3,102
Liability for vesting sick leave	2,326	2,161
Liability for long service leave	365	10
	<u>7,058</u>	<u>6,655</u>
<b>Non-current</b>		
Liability for long service leave	261	145
	<u>261</u>	<u>145</u>

# Mastermyne Group Limited and its Controlled Entities

## Notes to the financial statements (continued)

For the year ended 31 December 2014

### 22 Trade and other payables

*In thousands of AUD*

	Consolidated	
	31 Dec 2014	30 Jun 2014
Trade payables	5,047	3,732
Sundry creditors and accruals	9,213	12,533
	14,260	16,265

### 23 Reconciliation of cash flows from operating activities

*In thousands of AUD*

	Note	Consolidated	
		31 Dec 2014	31 Dec 2013
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		(5,750)	772
<b>Adjustments for:</b>			
Depreciation	14	3,308	3,397
Amortisation of intangible assets	15	97	222
Impairment loss	15	4,538	-
Gain on sale of property, plant and equipment	9	-	(55)
Share based payments		8	61
Net finance expense	12	293	525
Income tax (benefit)/expense		(447)	435
<b>Operating profit before changes in working capital and provisions</b>		2,047	5,357
Change in trade and other receivables		15,048	12,479
Change in inventories		1,104	(751)
Change in trade and other payables		(7,364)	(3,271)
Change in provisions and employee benefits		(469)	(1,954)
		10,366	11,860
Interest paid		(413)	(685)
Income taxes paid		(499)	(1,401)
<b>Net cash flows from operating activities</b>		9,454	9,774

### 24 Share-based payments

There were no movements in performance rights during the period.

### 25 Subsequent events

Subsequent to 31 December 2014 the Directors declared a dividend of 1 cent per share.

Other than the matter discussed above, there has not arisen in the interval between 31 December 2014 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

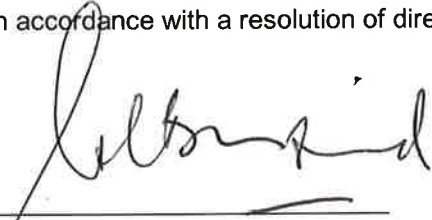
# Mastermyne Group Limited and its Controlled Entities

## Directors' declaration

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

- 1 the financial statements and notes set out on pages 6 to 24, are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six months ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



C. Bloomfield  
Chairman

Dated at Mackay this 26th day of February 2015.



## **Independent auditor's review report to the members of Mastermyne Group Limited**

We have reviewed the accompanying interim financial report of Mastermyne Group Limited, which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, Notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mastermyne Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Mastermyne Group Limited on 25 February 2015, would be in the same terms if given to the directors as at the time of this auditor's report.

*Conclusion*

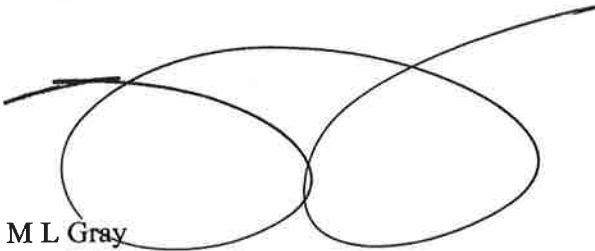
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mastermyne Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and

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



KPMG



M L Gray  
*Partner*

Brisbane  
26 February 2015