
APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDING 31 DECEMBER 2015

MASTERMYNE GROUP LIMITED
ABN 96 142 490 579

Reporting period: Half year ended 31 December 2015
Previous Corresponding period: Half year ended 31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2015	31 Dec 2014	Change	Change
	\$'000	\$'000	\$'000	%
Revenue from Ordinary Activities	99,694	77,739	21,955	28.2%
Net Loss after tax from ordinary activities	(488)	(5,750)	5,262	91.5%

DIVIDENDS

There was no interim dividend declared for the 6 months ended 31 December 2015.

DIVIDEND	Record Date	Payment Date	Amount per Security	Franked Amount per Security
Final Dividend for period ending 30 June 2015	25/09/2015	15/10/2015	1.0 cps	1.0 cps
Interim Dividend for 6 months ending 31 December 2014	13/03/2015	02/04/2015	1.0 cps	1.0 cps

FINANCIAL RESULTS

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$0.488 million for the half-year ended 31 December 2015. This result is up on the previous corresponding period (net loss after tax for the half-year ended 31 December 2014 of \$5.750 million) and includes restructuring costs for the Mastertec Division of \$0.516 million (restructuring costs for the half-year ended 31 December 2014 of \$nil).

Revenue has increased 28.2% on the previous corresponding period to \$99.694 million (\$77.739 million for the half-year ended 31 December 2014) as a result of the contribution of the Diversified Mining Services (DMS) business which was acquired towards the end of the corresponding half year on 23 December 2014.

The overall cash position decreased during the half-year ended 31 December 2015 and was impacted by the timing of Debtor payments. The majority of these overdue debtors paid within the first week of January 2016. The Group's balance sheet remains strong with debt reduced by \$2.548 million during the half-year ended 31 December 2015.

The net decrease in cash and cash equivalents during the half year ended 31 December 2015 of \$8.109 million (half year ended 31 December 2014: increase of \$6.165 million) comprised:

- net cash outflows from operating activities for the half year ended 31 December 2015 of \$3.787 million (half year ended 31 December 2014: inflows of \$9.454 million)
- net cash outflows from investing activities for the half year ended 31 December 2015 of \$0.863 million (half year ended 31 December 2014: outflows of \$10.916 million)
- net cash outflows from financing activities for the half year ended 31 December 2015 of \$3.459 million (half year ended 31 December 2014: inflows of \$7.627 million).

The net assets of the Group decreased by \$1.392 million to \$57.109 million, the decrease resulting from dividends paid during the half year ended 31 December 2015 of \$0.911 million and the loss for the half year ended 31 December 2015 of \$0.488 million.

NET TANGIBLE ASSET BACKING

	2015	2014
Net tangible assets per ordinary share (cents per share)	0.46	0.52

CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was gained during the period.

LOSS OF CONTROL OF ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was lost during the period.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

There were no entities or group of entities that were associates or joint venture entities during the period.

**Mastermyne Group Limited
and its Controlled Entities**

ABN 96 142 490 579

Interim Financial Report

31 December 2015

Mastermyne Group Limited and its Controlled Entities

Contents

Directors' report	1
Lead auditor's independence declaration	5
Interim statement of financial position	6
Interim statement of profit or loss and other comprehensive income	7
Interim statement of changes in equity	8
Interim statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	19
Independent auditor's report	20

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2015

The directors present their report together with the Interim financial report of the Group comprising Mastermyne Group Limited ("the Company") and its subsidiaries, for the half-year ended 31 December 2015 and the auditor's report thereon.

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr C Bloomfield (appointed 6 March 2014, appointed Chairman 26 February 2015) - Bachelor of Engineering (Mining), Graduate Certificate of Management
Independent Chairman

Special Responsibilities

Chairman of the Remuneration and Nomination Committee

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

Special Responsibilities

Chairman of the Audit and Risk Management Committee

Mr D. Hamblin (appointed 10 March 2010) - Bachelor of Engineering (Mechanical)
Non - executive Director

Special Responsibilities

Member of the Audit and Risk Management Committee

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

Special Responsibilities

Member of the Remuneration and Nomination Committee

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

Special Responsibilities

Member of the Audit and Risk Management Committee
Member of the Remuneration and Nomination Committee

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

2 Operating and financial review Financial Overview

Loss for the period

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$0.488 million for the half-year ended 31 December 2015. This result is up on the previous corresponding period (net loss after tax for the half-year ended 31 December 2014 of \$5.750 million) and includes restructuring costs for the Mastertec Division of \$0.516 million (restructuring costs for the half-year ended 31 December 2014 of \$nil).

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2015

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

Revenue has increased 28.2% on the previous corresponding period to \$99.694 million (\$77.739 million for the half-year ended 31 December 2014) as a result of the contribution of the Diversified Mining Services (DMS) business which was acquired towards the end of the corresponding half year on 23 December 2014.

Balance Sheet and Cash Flows

The overall cash position decreased during the half-year ended 31 December 2015 and was impacted by the timing of Debtor payments. The majority of these overdue debtors paid within the first week of January 2016. The Group's balance sheet remains strong with debt reduced by \$2.548 million during the half-year ended 31 December 2015.

The net decrease in cash and cash equivalents during the half-year ended 31 December 2015 of \$8.109 million (half-year ended 31 December 2014: increase of \$6.165 million) comprised:

- net cash outflows from operating activities for the half year ended 31 December 2015 of \$3.787 million (half-year ended 31 December 2014: inflows of \$9.454 million)
- net cash outflows from investing activities for the half year ended 31 December 2015 of \$0.863 million (half-year ended 31 December 2014: outflows of \$10.916 million)
- net cash outflows from financing activities for the half year ended 31 December 2015 of \$3.459 million (half-year ended 31 December 2014: inflows of \$7.627 million).

The net assets of the Group decreased by \$1.392 million to \$57.109 million, the decrease is a result of dividends paid during the half-year ended 31 December 2015 of \$0.911 million and the loss for the half year ended 31 December 2015 of \$0.488 million.

Operational Overview

During the first half the Company has delivered a resilient performance amidst tough conditions, driven by the Mastermyne Division which has again delivered a robust result. The significant operational highlights for the financial half year include:

- First half revenue of \$99.7 million – up 28% on previous corresponding period
- First half statutory EBITDA of \$3.5 million – up 73% on previous corresponding period
- First half statutory NPAT loss of \$0.5 million – \$5.8m loss previous corresponding period
- Reduced debt by \$2.5 million during the period
- Strong Balance Sheet to support ongoing operations and opportunities
- Combined Order Book of \$185.8 million with \$55 million to be delivered in the second half of FY2016 (excludes recurring and purchase order work)
- Tendering Pipeline at \$2.5 billion

Safety remains a core value of the business and the first half has seen significant progress made towards all our projects operating injury free. Following the acquisition of DMS, lagging statistics increased when the historical data was merged but pleasingly we have quickly reduced the injury rates by operating injury free projects. The Mastermyne Division continues to deliver projects injury free with many sites reaching yearly milestones without any recordable injuries. This performance has been overseen by the Executive team who have reached this result through strong safety leadership. The Mastertec Division will continue to benefit from the strong safety culture across the Mastermyne Group. During the period, we maintained safety and environmental accreditation and added ISO9001 quality accreditation across the Mastermyne Group. The Mackay workshop also achieved AS3800 electrical hazardous area certification which now increases the services offered from this part of the business.

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2015

2 Operating and financial review (continued)

Operational Overview (continued)

The Mastermyne division has delivered a strong financial result and continues to perform across all other key metrics. We have seen some fluctuations in manning levels across projects but overall numbers have been relatively consistent. In this period, the Mastermyne Division has worked closely with a key supplier to attain licensing to install a suite of roof stabilisation products that will enable us to offer this service to our clients as part of a bundled service offering. These initiatives are being well received by clients as they reduce costs and expand on our value proposition compared to our competitors. During the period we have undertaken several due diligence roles as companies explore acquisitions in the current part of the cycle. Whilst this comes at some cost to the business, it strategically places us in a strong position to become the operator of the mine if the transaction completes. We currently have in excess of \$355 million of opportunities in this area and will continue to focus on this as a key strategy to bring on new work through the cycle.

The Mastertec Division has suffered from the continued deferral of maintenance and engineering spending which has seen the traditional sources of revenue in shutdown and maintenance work materially impacted. The company has operated prudently through this period by restructuring those parts of the business which were not delivering, consolidating workshops, reducing overhead roles and focusing on business development and tendering. Over the next 12 months we are not expecting conditions to materially improve with major maintenance and engineering work deferred and an ongoing preference towards purchase order work and short term contracts. To ensure we remain cash positive we are focusing on business development and tendering, diversification and key partnerships. We have also invested in some geographical expansion and have established a small footprint in NSW. Some penetration into adjacent markets has been achieved where we have tendered work in the rail and gas sectors. The restructuring that has occurred has been targeted at reducing overheads roles, minimising unrecoverable costs and the rationalising of services and workshops premises to reduce external lease costs. The full effects of these changes will be seen in the second half.

At the completion of the first half, the Company's combined order book was \$185.8 million with Mining contributing \$159.1 million and Engineering \$26.7 million. Of this total order book, approximately \$55 million will be delivered in the second half of FY2016. Recurring and purchase order work sits over and above this order book number.

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2015

3 Outlook

It is unlikely that there will be material improvements in the markets in which we operate in the near term, therefore, the focus will remain on the strategies employed to operate in the current cycle. The Company is confident that we have built a solid platform which will enable us to generate cash returns. We will continue to evaluate counter cyclical opportunities to grow the business. To ensure the Company remains in a position to take advantage of opportunities, we will conserve our strong balance sheet.

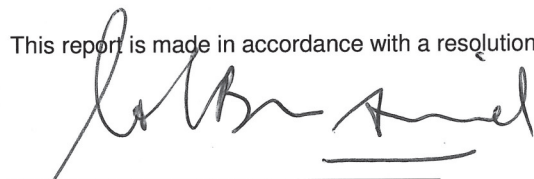
4 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the six months ended 31 December 2015.

5 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 to the nearest thousand dollars, unless otherwise stated.

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



C. Bloomfield
Chairman

Dated at Brisbane this 16th day of February 2016.



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 2015, there have been:

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

KPMG

M L Gray
Partner

Brisbane
16 February 2016

Mastermyne Group Limited and its Controlled Entities

Interim statement of financial position

As at 31 December 2015

In thousands of AUD

	Note	Consolidated	
		31 Dec 2015	30 Jun 2015
Assets			
Cash and cash equivalents	8	614	8,723
Trade and other receivables		39,616	38,568
Inventories		3,843	3,002
Current tax assets		819	259
Total current assets		44,892	50,552
Deferred tax assets		7,025	7,146
Property, plant and equipment		26,221	29,070
Intangible assets	7	14,816	14,912
Total non-current assets		48,062	51,128
Total assets		92,954	101,680
Liabilities			
Trade and other payables		15,472	18,101
Loans and borrowings		2,705	4,363
Employee benefits		5,625	7,725
Total current liabilities		23,802	30,189
Loans and borrowings		11,903	12,793
Employee benefits		140	197
Total non-current liabilities		12,043	12,990
Total liabilities		35,845	43,179
Net assets		57,109	58,501
Equity			
Share capital		55,234	55,234
Reserves		(21,937)	(21,944)
Retained earnings		23,378	24,783
Total equity attributable to owners of the Company		56,675	58,073
Non-controlling interests		434	428
Total equity		57,109	58,501

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2015

		Consolidated	
	Note	31 Dec 2015	31 Dec 2014
In thousands of AUD			
Revenue	5	99,694	77,739
Other income		35	92
Contract disbursements		(21,036)	(13,207)
Personnel expenses		(70,426)	(57,674)
Office expenses		(4,192)	(3,366)
Depreciation and amortisation expense		(3,862)	(3,405)
Impairment loss	7	-	(4,538)
Other expenses		(551)	(1,545)
Results from operating activities		(338)	(5,904)
Finance income		33	120
Finance expense		(505)	(413)
Net finance expense		(472)	(293)
Loss before income tax		(810)	(6,197)
Income tax benefit	6	322	447
Loss for the period		(488)	(5,750)
Total comprehensive income for the period		(488)	(5,750)
Attributable to:			
Owners of the Company		(494)	(5,779)
Non-controlling interests		6	29
Loss for the period		(488)	(5,750)
Earnings per share			
Basic earnings per share (In whole AUD)		(0.01)	(0.08)
Diluted earnings per share (In whole AUD)		(0.01)	(0.08)

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of changes in equity For the six months ended 31 December 2015

In thousands of AUD

	Attributable to owners of the Company					Non-Controlling interests	Total equity
	Share capital	Retained earnings	Share-based payment reserve (Note 11)	Common control reserve	Total		
Balance at 1 July 2014	51,108	31,127	2,258	(24,237)	60,256	406	60,662
Total comprehensive income for the period							
Loss for the period	-	(5,779)	-	-	(5,779)	29	(5,750)
Total comprehensive income for the period	-	(5,779)	-	-	(5,779)	29	(5,750)
Transactions with owners recorded directly in equity							
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
Balance at 31 December 2014	55,234	24,291	2,266	(24,237)	57,554	435	57,989
Balance at 1 July 2015	55,234	24,783	2,293	(24,237)	58,073	428	58,501
Total comprehensive income for the period							
Loss for the period	-	(494)	-	-	(494)	6	(488)
Total comprehensive income for the period	-	(494)	-	-	(494)	6	(488)
Transactions with owners recorded directly in equity							
Share-based payment transactions	-	-	7	-	7	-	7
Dividends to equity holders	-	(911)	-	-	(911)	-	(911)
Total contributions by and distributions to owners	-	(911)	7	-	(904)	-	(904)
Balance at 31 December 2015	55,234	23,378	2,300	(24,237)	56,675	434	57,109

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

Mastermyne Group Limited and its Controlled Entities

Interim statement of cash flows

For the six months ended 31 December 2015

<i>In thousands of AUD</i>		Consolidated	
	Note	31 Dec 2015	31 Dec 2014
Cash flows from operating activities			
Cash receipts from customers		108,923	98,748
Cash paid to suppliers and employees		(112,088)	(88,382)
Cash (used in) / generated from operations		(3,165)	10,366
Interest paid		(505)	(413)
Income tax paid		(117)	(499)
Net cash flows (used in) / from operating activities	10	(3,787)	9,454
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		357	-
Acquisition of property, plant and equipment		(1,253)	(455)
Interest received		33	120
Acquisition of subsidiary, net of cash acquired		-	(10,581)
Net cash flows used in investing activities		(863)	(10,916)
Cash flows from financing activities			
Proceeds from borrowings		-	11,500
Payment of finance lease liabilities		(2,548)	(2,816)
Dividends paid		(911)	(1,057)
Net cash flows (used in) / from financing activities		(3,459)	7,627
Net (decrease) / increase in cash and cash equivalents		(8,109)	6,165
Cash and cash equivalents at beginning of period		8,723	8,810
Cash and cash equivalents at end of period	8	614	14,975

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 2015

1 Reporting entity

Mastermyne Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 45 River Street, Mackay Qld 4740. The interim financial statements of the Company as at and for the 6 months ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2015 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at www.mastermyne.com.au.

2 Basis of preparation

(a) Statement of compliance

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

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 30 June 2015.

The interim report was authorised for issue by the Board of Directors on 16 February 2016.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

The Company is of a kind referred to in ASIC 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 interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 7 – 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 2015

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 2015.

4 Segment information

Business segments

Following the acquisition of Diversified Mining Services Ltd (DMS) in December 2014 (see June 2015 consolidated financial statements), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated its operating segments as follows:

- Mastermyne - This segment incorporates the provision of project management; labour and equipment hire; underground conveyor installation, extension and maintenance; underground roadway development; underground ventilation device installation; bulk materials handling system installation and relocation and underground mine support services.
- Mastertec - Mastertec integrates the services recently acquired through Diversified Mining Services (DMS) and incorporates the previous capabilities of Mastermyne Services and Engineering divisions. Mastertec provides a wide range of above-ground contracting services to industry sectors such as Ports, Resources, Industrial and Infrastructure. The divisions offerings include scaffolding and rigging, blast and paint, pipeline services, sustainable capital works, fabrication and machining, training and engineering and technical services.

Prior to the acquisition of DMS, the Group had 3 segments; Underground, Electrical and Mechanical Services and Engineering. The Group has since changed its internal organisation, re-structuring management and the way in which it markets itself to clients under two distinct segments; Mastermyne and Mastertec. This has resulted in a restatement of the 31 December 2014 segment information, with a small portion of the Underground segment revenues, all of the Engineering segment revenues and all of the Electrical and Mechanical Services segment revenues being restated and included in the Mastertec segment.

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

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

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2015

4 Segment information (continued)

Business Segments (continued)

	Mastermyne		Mastertec		Consolidated	
	31 Dec 2015	31 Dec 2014 Restated	31 Dec 2015	31 Dec 2014 Restated	31 Dec 2015	31 Dec 2014 Restated
<i>In thousands of AUD</i>						
External revenues	77,409	67,016	22,285	10,723	99,694	77,739
Intersegment revenue	30	-	1,753	638	1,783	638
Depreciation and amortisation	(3,082)	(3,012)	(791)	(407)	(3,862)	(3,405)
Other material non-cash items:						
Impairment Loss	-	-	-	(4,538)	-	(4,538)
Reportable Segment profit/(loss) before income tax	2,407	482	(2,961)	(4,947)	(554)	(4,465)

Reconciliations of reportable segment revenues and profit or loss

in thousands of AUD

	31 Dec 2015	31 Dec 2014
Revenues		
Total revenue for reportable segments	101,477	78,377
Elimination of inter-segment revenue	(1,783)	(638)
Consolidated revenue	99,694	77,739

Profit or loss

Total profit / (loss) for reportable segments	(554)	(4,465)
Elimination of inter-segment profit / (loss)	75	(93)
Unallocated amounts: net corporate expenses	(331)	(1,639)
Consolidated profit / (loss) before income tax	(810)	(6,197)

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the year ended 31 December 2015

5 Revenue

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2015	31 Dec 2014
Contracting revenue	85,635	66,266
Sale of goods	13,728	8,644
Machinery hire	331	2,829
	<u>99,694</u>	<u>77,739</u>

6 Income tax expense

Numerical reconciliation between tax benefit and pre-tax accounting loss

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2015	31 Dec 2014
Loss for the period	(488)	(5,750)
Total income tax benefit	<u>(322)</u>	<u>(447)</u>
Loss before income tax	<u>(810)</u>	<u>(6,197)</u>
Income tax using the Group's statutory income tax rate of 30% (2014: 30%)	(243)	(1,859)
Non-deductible expenses		
Impairment loss	-	1,361
Other	41	51
Tax incentives	(99)	-
Under / (over) provision of previous year	(21)	-
Income tax benefit	<u>(322)</u>	<u>(447)</u>

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)

For the six months ended 31 December 2015

7 Intangible assets

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2015	30 Jun 2015
<i>Goodwill</i>		
Cost (gross carrying amount)	14,331	14,331
Net carrying amount	14,331	14,331
<i>Customer relationships</i>		
Cost (gross carrying amount)	2,945	2,945
Accumulated amortisation and impairment	(2,876)	(2,841)
Net carrying amount	69	104
<i>Intellectual property</i>		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(1,106)	(1,045)
Net carrying amount	416	477
<i>Total intangible assets</i>		
Cost (gross carrying amount)	18,798	18,798
Accumulated amortisation and impairment	(3,982)	(3,886)
Net carrying amount	14,816	14,912

Reconciliation of carrying amount at beginning and end of the period

<i>In thousands of AUD</i>	Consolidated	
	6 months ended 31 Dec 2015	12 months ended 30 Jun 2015
<i>Goodwill</i>		
Carrying amount - opening	14,331	18,869
Impairment	-	(4,538)
Carrying amount - closing	14,331	14,331
<i>Customer relationships</i>		
Carrying amount - opening	104	173
Amortisation	(35)	(69)
Carrying amount - closing	69	104
<i>Intellectual property</i>		
Carrying amount - opening	477	600
Amortisation	(61)	(123)
Carrying amount - closing	416	477
<i>Total intangible assets</i>		
Carrying amount - opening	14,912	19,642
Impairment	-	(4,538)
Amortisation	(96)	(192)
Carrying amount - closing	14,816	14,912

Goodwill relates to the acquisitions of 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 2015

7 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 4.

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

In thousands of AUD	Consolidated			
	1 July 2015	Impairment	31 Dec 2015	30 Jun 2015
Mastermyne	7,030	-	7,030	7,030
Mastertec	7,301	-	7,301	7,301
	<u>14,331</u>	<u>-</u>	<u>14,331</u>	<u>14,331</u>

The recoverable amount of the 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:

	31 Dec 2015 assumptions			30 Jun 2015 assumptions		
	Annual growth rate (FY2016-FY2020)	Terminal growth rate	Pre-tax discount rate	Annual growth rate (FY2016-FY2020)	Terminal growth rate	Pre-tax discount rate
Mastermyne	4.3%	2.5%	15.8%	4.3%	2.5%	16.0%
Mastertec	5.0%	2.5%	14.9%	5.0%	2.5%	16.4%

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 2015

8 Cash and cash equivalents

In thousands of AUD

	Consolidated	
	31 Dec 2015	30 Jun 2015
Bank balances	608	8,718
Cash on hand	6	5
Cash and cash equivalents in the statement of cash flows	<u>614</u>	<u>8,723</u>

9 Capital and reserves

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 11).

Dividends

Dividends recognised in the current year by the Group are:

In thousands of AUD

	Dollars per share	Total amount	Franked / unfranked	Date of payment
2016 financial year				
2015 Ordinary - Ordinary Shares Final Dividend	\$ 0.010	<u>911</u>	Franked	15/10/2015
Total amount		<u>911</u>		
2015 financial year				
2014 Ordinary - Ordinary Shares Final Dividend	\$ 0.014	1,057	Franked	16/10/2014
2015 Ordinary - Ordinary Shares Interim Dividend	\$ 0.010	<u>911</u>	Franked	2/04/2015
Total amount		<u>1,968</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 year ended 31 December 2015

10 Reconciliation of cash flows from operating activities

In thousands of AUD

Cash flows from operating activities

Loss for the period

Adjustments for:

Depreciation

Amortisation of intangible assets

Impairment loss

Gain on sale of property, plant and equipment

Share based payments

Net finance expense

Income tax benefit

Operating profit before changes in working capital and provisions

Change in trade and other receivables

Change in inventories

Change in trade and other payables

Change in provisions and employee benefits

Interest paid

Income taxes paid

Net cash flows (used in) / from operating activities

Note	Consolidated	
	31 Dec 2015	31 Dec 2014
	(488)	(5,750)
	3,766	3,308
7	96	97
7	-	4,538
	(23)	-
	7	8
	472	293
	(322)	(447)
	3,508	2,047
	(1,048)	15,048
	(841)	1,104
	(2,629)	(7,364)
	(2,155)	(469)
	(3,165)	10,366
	(505)	(413)
	(117)	(499)
	(3,787)	9,454

11 Share-based payments

There were no movements in performance rights during the period.

12 Subsequent events

There has not arisen in the interval between 31 December 2015 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

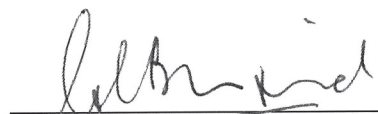
Mastermyne Group Limited and its Controlled Entities

Directors' declaration

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

- 1 the financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



C. Bloomfield
Chairman

Dated at Brisbane this 16th day of February 2016.



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 statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for interim period ended on that date, notes 1 to 12 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 half-year 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 2015 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*.

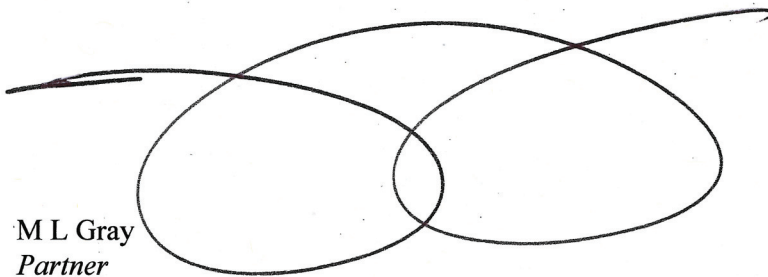
Conclusion

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 2015 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
16 February 2016