MASTERMYNE GROUP LIMITED

ANNUAL REPORT 2013

PRODUCTION FOCUS SAFETY ALWAYS

Mastermyne

GROUP OF COMPANIES

"MASTERMYNE HAS DELIVERED A RESULT IN FY2013 THAT HAS SEEN THE GROUP MAINTAIN ITS STRONG FINANCIAL AND OPERATIONAL POSITION."

CONTENTS

RESULTS SUMMARY

FINANCIAL HIGHLIGHTS

- Revenue of $248.8 million, down 8.5% on FY2012.
- EBITA of $18.5 million, down 27.7% on FY2012.
- NPAT of $11.5 million, at upper end of guidance given in May.
- EPS of 15.3cps, down from adjusted EPS of 21.1cps in FY2012.

BALANCE SHEET

- Net Assets up to $60.9 million.
- Net Debt down $3.2 million to $7.95 million.

DIVIDENDS

- Final Dividend of 3.6cps taking, full year dividends to 6.9cps - down from 7.8cps in FY2012.

ORDER BOOK

- Order Book $236 million at 30 June 2013.
- Tendering Pipeline currently at $962 million with $378 million in active tenders.

OPERATIONAL HIGHLIGHTS

- Continuing trend of improvement in safety outcomes, FY2013 Group TRIFR 3.28 (FY2012: 4.67).
- 1,843,108 man hours worked in the period and six sites recorded a 12 month TRIFR of 0.00.
- Maintained strong revenue in a challenging market with no loss of contracts other than scheduled.
- Secured $65 million of revenue through six new contracts late in the second half despite difficult market conditions. Three contracts are new sites and three replaced existing contractors where MYE was already working.
- Secured two new contracts and renewed two others in Engineering and MyneSight divisions.
- Workforce numbers reduced to 754 FTE with majority of change from scheduled or early project completions.
- Kestrel Mine Extension Project has been completed and has now been transitioned to Rio's Operations team, effective 1 July 2013.

REVENUE

$248.8 million (˅8.5%)

Guidance
$245 - $250 million

FY2012: $271.9 million
FY2011: $164.8 million

EBITA

$18.5 million (˅27.7%)

FY2012: $25.6 million
FY2011: $16.2 million

NPAT - Underlying

$11.5 million (˅27%)

Guidance
$11.1 - $11.6 million

FY2012: $15.8 million[1]
FY2011: $9.8 million[2]

[1] FY2012 Underlying NPAT included a tax adjustment reversing the prior period benefits in relation to rights to future income as a result of changes to legislation enacted prior to 30 June 2012.

[2] Statutory NPAT for FY2011 was $11.7 million, underlying NPAT included adjustments for a net impairment of Debtors and Assets in relation to the continuous miner lost in Pike River mine. Also included tax adjustments for rights to future income.

"THE COMPANY HAS AN INTEGRAL LINK TO PRODUCTION VERSUS CONSTRUCTION AND MAINTENANCE."

CHAIRMAN'S REPORT

Fellow Shareholders,

In framing comments for this report, it is opportune to reflect on how different the world seems to just 12 months ago. There are sounds of optimism in Europe but the huge debt burden of some countries, largely centred on now unaffordable social programmes, won't be a simple matter to deal with going forward. The world's largest economy, the USA, appears to be steadily recovering although unemployment numbers in that domain are still high and a drag on confidence. In Asia, the transition to a new group of leaders in China has occurred largely seamlessly but with a parallel transition in focus in its economy – with some hiccups along the way. Japan has also emerged from 20 or more years in the economic doldrums but uncertainty exists in relation to the long term benefit of "Abenomics".

Along with these global mixed signs, we were confronted with the reality of a transition from extremely high demand for services to a very constrained second half of the year. It has been a year of two halves – a record 6 monthly profit in H1 contrasted with a solid but much lower result in H2. Your Board saw changes coming in late 2012 but it was difficult to assess how material they would be. So the past 6 months has seen a set of moving targets and significant Company restructuring to adapt to the reality of business, while not ignoring the fact we were still being subjected to record levels of enquiry in that second half.

This latter point gives us cause for significant optimism. Mining is not like a manufacturing operation – capital investment in any mine needs to be maintained in order to develop new ore/resource zones or the mineable assets deplete. We believe our operational focus will continue to stand us in good stead in the year ahead and we will look to expansion and Greenfield projects to support this when the opportunities arise.

Your Board is very confident that Mastermyne can offer high value propositions to our clients through a mix of industry leading safety performance, low costs per activity undertaken and a flexible approach to the tasks at hand. Management has adopted a set of leading indicators on safety to assist us in achieving materially better outcomes than the industry at large. The success of these is such that some of our major clients are using Mastermyne developed techniques.

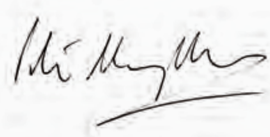
We took the unusual step of placing even more emphasis on training during the recent downturn by acquiring a further interest in our training partner's business. We are in this business for the long haul and we aim to define ourselves as the contractor of superior performance for all our clients.

It is important to recognise that our objectives and performance are achieved through dedicated and skilled people. Unfortunately, we had to let some of these go during the past year to ensure the size of our business matched our immediate and expected needs in the current downturn – without prejudicing our capacity to respond to the upturn that will come. The person who has held responsibility for driving the business through the challenges of the last half year has been your CEO and Managing Director, Tony Caruso, who once again has shown outstanding capacity to manage the business in rapidly changing circumstances while retaining brand quality and competitiveness.

In finalising this commentary, I believe it is fair to say that, as a nation, we are now in a position where the uncertainties of a minority federal government are behind us for the time being – hopefully along with the dysfunctional policy settings that accompanied the past three years. Renewed confidence is already apparent in some sectors but this can be a fragile situation; at Mastermyne, the team is confident that opportunities will present themselves to facilitate improved operating results in the coming 12 months although some of these changes may not occur until late in the current financial year.

Tony will comment on the outlook for the coming year but your Board is confident we are ready for the opportunities and challenges that lie ahead.

My thanks go to my fellow directors and the management and staff for the support they have provided over the past year. We have a great team and we expect to build on what we can offer. On September 26, the Company announced that I will not offer myself for re-election as a non–executive director at the Annual General Meeting to be held on 25th November, 2013. I have enjoyed the relationships built with the Mastermyne team over the past 3 to 4 years and I will miss their energy and enthusiasm for the roles they undertake but having turned 70 in September, it seems an appropriate time to step aside now the Company has worked its way through the current downturn. I extend my best wishes to the Company and its people for the future; I am sure they will do well.



Peter Slaughter

Non-executive Chairman
Mastermyne Group Limited

FINANCIAL PERFORMANCE

SUMMARY INCOME STATEMENT

In thousands of AUD	2013	2012	Change (%)
Total revenue	248,836	271,955	(8.50)
EBITDA	25,878	31,564	(18.00)
EBITA	18,481	25,554	(27.70)
Profit before tax	**16,508**	**23,750**	**(30.50)**
Tax expenses	(4,979)	(9,086)	(45.20)
Stautory profit after tax	**11,529**	14,664	**(21.40)**
Tax adjustments*	–	**1,124**	–
Adjusted profit after tax	**11,529**	**15,788**	**(27.00)**
EBITA margins	7.40%	9.40%	–
EPS	15.30	19.60	(21.90)
Adjusted EPS	15.30	21.10	(27.50)
DPS	6.90	7.80	(11.50)

*Tax adjustments for the prior period are a reversal of the prior period benefits in relation to rights to future income as a result of changes to legislation enacted prior to 30 June 2012.

- Revenue is down 8.5%, largely as a result of early contract completion at Newstan.
- Net Profit down 26.8% as a result of early contract completion and lower equipment utilisation.
- EBITA margin of 7.4% is down from 9.4% in FY2012, primarily resulting from;
    - Reduced equipment hire rates;
    - Lower equipment utilisation as a result of the early contract completion at Newstan whilst still maintaining consistent depreciation levels.
- EBITA margin expectations for FY2014 to be similar to second half FY2013.
- Full year dividends of 6.9cps (45%) compared with 7.8cps in FY2012.

FY2013 WORKING CAPITAL AND CASH FLOW

In thousands of AUD	2013	2012
EBITDA (Statutory)	**25,878**	**31,564**
Movements in working capital	(3,314)	(4,836)
Non-cash items	477	489
Net interest costs	(1,801)	(1,445)
Income tax payments	(10,656)	(2,333)
Net operating cash flow	**10,584**	**23,439**
Proceeds from exercise share options	–	1,840
Net capex (includes tangibles)	(1,031)	(6,052)
Net borrowings/(repayments)	(6,264)	(7,106)
Interest received	361	237
Acquistion of subsidiary	(650)	–
Free cash flow	**3,000**	**12,358**
Dividends	(6,105)	(5,050)
Net increase/(decrease) in cash equivalents	**(3,105)**	**7,308**
Cash and cash equivalents at beginning of period	13,328	6,020
Net increase/(decrease) in cash equivalents	**10,223**	**13,328**

- Positive Operating Cash Flows of $10.6 million, driven by:
    - Working Capital management remaining steady through FY2013;
    - Offset by tax payments of $10.6 million, up as a result of the payment in relation to reversal of rights to future income tax changes recognised in FY2012 profits.
- Net Capex low at $1.03 million for FY2013.
- Repaid an extra $4 million in debt in the second half, with $6.3 million for FY2013.
- Acquisition of training business during FY2013, $0.7 million net of cash acquired.

"MASTERMYNE'S FY2014 ORDER BOOK IS LINKED TO COKING COAL PROJECTS WITH NO EXPOSURE TO THERMAL COAL PROJECTS."

MANAGING DIRECTOR'S REPORT

In a year where the difficulties facing the resource sector have been well documented we are pleased to have delivered to our shareholders a result that has seen the Group maintain its strong position both financially and operationally. This year's results have again reinforced the strong and integral link of the Mastermyne Group to underground coal production versus construction and maintenance.

Throughout this year our customers have dealt with declining coal prices, a strong Australian dollar and increased costs of operation however despite all these factors production volumes remained at historically high levels driving the services provided by Mastermyne. In a year where mining services companies have seen significant revenue decline we have maintained strong top line earnings with only the record FY2012 revenue exceeding this year's result. What has been most pleasing during FY2013 is that the company has maintained all the key contracts that comprise the order book despite the cost reduction actions taken by coal producers. We view this as a strong endorsement of the way we do business and the valuable role we play in our customers operations.

We have experienced some contraction on our existing contracts but conversely the order book has benefited from the addition of the Appin Area 9 and Kestrel Mine Services contracts which were mobilised during the second half of the year. Pleasingly this year we have seen strong contributions from the Engineering and Services Divisions which have supported the FY2013 result.

In the latter part of the financial year the Company secured $65 million in new contracts with approximately $30 million of this revenue being delivered in FY2014. These new contracts are at various stages of mobilisation and will provide a strong platform to build the FY2014 revenue base. At the commencement of FY2014 the total order book stood at $236.4 million with $112.8 million of this to be delivered in FY2014. This excludes the traditional recurring revenue from our Engineering Division as well as the non-contracted and purchase order work which totals approximately $30 million. We are also well underway in renewing two existing contracts which will boost the FY2014 order book by a further $20m.

Margins in FY2013 were consistent with guidance provided and were impacted for the full year by the equipment utilisation and reduced demand resulting from the slowdown in the sector. We are pleased to report that 2 continuous miners are now on hire on relatively long term contracts. Our third continuous miner will commence being overhauled shortly in preparation for what we see as an increase in upcoming demand for this equipment. The remainder of the fleet is experiencing increased utilisation and we also expect this to build over the FY2014 year. The Company expects FY2014 margins to be consistent with the run rate of the second half of FY2013 with some improvement possible in the second half FY2014 as equipment utilisation recovers.

During this year the company has taken action to right size its overhead structure and adjusted costs to reflect the immediate market conditions. Importantly we have done this without impairing the capability of the Company to respond to any opportunities that present. Our industrial strategies have also allowed us to adjust quickly to the changed market conditions and will give us a competitive advantage over others.

The FY2013 safety highlight was a continuing decrease in our Total Recordable Injury Frequency Rate (TRIFR). In FY2013 we have seen the rate reduce to 3.28 from the FY2012 figure of 4.7 which is well below industry standards. During FY2013 the Company was audited by SAI Global and achieved certification to AS3810 and ISO14001. Achieving this accreditation is a strong endorsement of the maturity of our Health, Safety and Environmental systems. This year we have again continued to focus on leading safety management tools headlined by the company's "Safety Index" which defines and measures a range of proactive safety related activities for each site and project and we continue to see the direct correlation between increased proactive compliance and a reducing TRIFR.

The outlook for the Company for FY2014 is one of optimism as we start to see the sector stabilise and the first signs of the market moving to more favourable conditions for mining services companies like Mastermyne who provide services linked to production. We have started the financial year securing 6 new contracts, adding to the 2 previously secured earlier in the year which provides us with momentum and a solid spring board into FY2014. Tendering activity continues to be very strong and the tender pipeline remains above $900m with more than $380 in active tenders.

We continue to see the market dynamics changing with many small to medium contractors losing market share or exiting the sector as coal producers shift towards reputable contractors who can add value and reduce costs to their operations. This in combination with coal producers being increasingly prudent through more effective tendering and more encompassing contracting models will provide us with further opportunity to grow market share.

Historically we have always seen an increase in contractor services following a downturn in the commodity cycle and we are already aware of more contracting opportunities, particularly roadway development, coming on later in this financial year and into the next.

We are experiencing a busy start to the year and expect this momentum to build into a strong second half of FY2014. The first six months activities will be dominated by mobilising the new projects already secured and tendering new projects which we are confident we will see commence in the second half of the financial year.

In bringing FY2013 to a close it gives me great satisfaction to report that the Company is well positioned to build on an already great start to this financial year. Whilst many in the sector remain cautious we are increasingly confident of the outlook for Mastermyne and we are forecasting the FY2014 momentum to build into a strong second half and into positive growth in FY2015.

Yours sincerely,

Tony Caruso

Managing Director & CEO
Mastermyne Group Limited

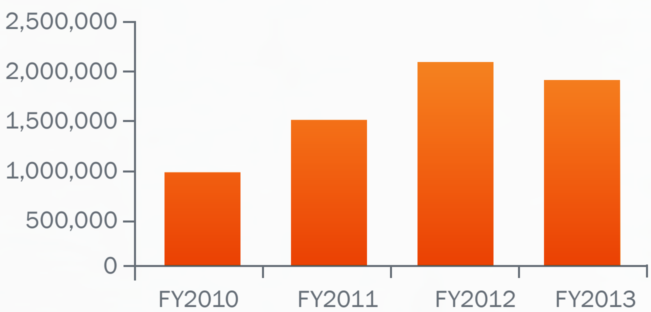
HSEQ

> COMMITTED TO ACHIEVING AN INJURY AND INCIDENT FREE WORKPLACE THROUGH A PROACTIVE APPROACH AND INSTILLING THE RIGHT CULTURE.

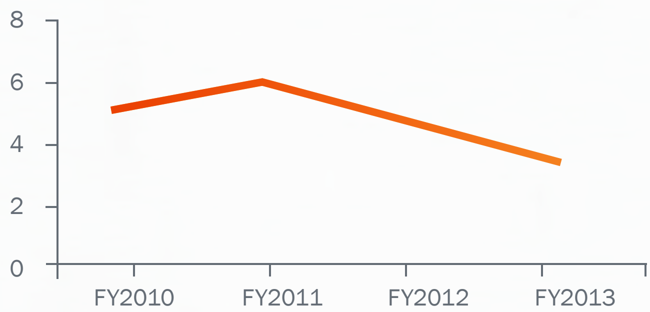
HSEQ SCORECARD

- FY2013 Group TRIFR 3.28, down from 4.7 at 30th June 2012 (200,000hrs) based on internal reporting standard.
- Six sites recorded a 12 month rolling TRIFR of 0.00.
- 1,843,108 man hours worked in the period.
- Achieved AS4801 & AS17001 certification.
- HSEQ focus remains on proactive reporting:
  - Pass Meetings – 10,806;
  - Safe Act Interactions/Observations – 47,333;
  - Workplace Inspections – 2,790;
  - Hazard Reports/Find-it & Fix-it – 11,196.

HOURS WORKED



TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)



6 sites

recorded a 12 month rolling TRIFR of 0

1,843,108

man hours worked in FY2013

Internal Reporting Standard	Industry Reporting Standard
FY2013 Group	***FY2013 Group***
TRIFR 3.28	***TRIFR 1.52***
down from 4.7 at 30 June 2012	***down from 4.7 at 30 June 2012***

> FY2013 HIGHLIGHT WAS A CONTINUING DECREASE IN TRIFR.

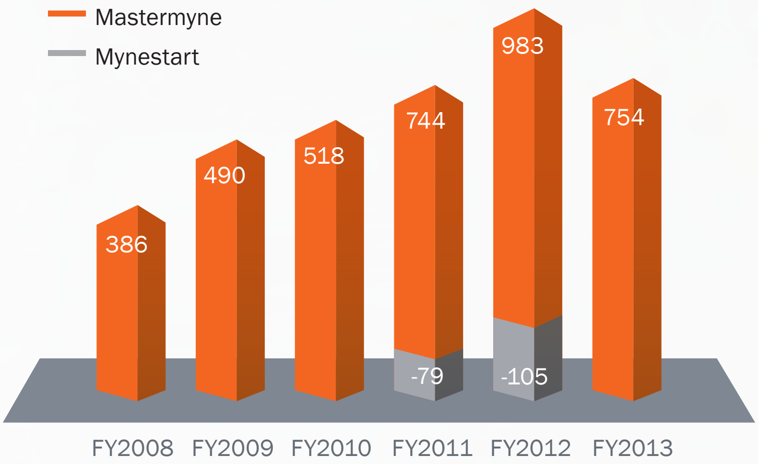
HUMAN RESOURCES AND INDUSTRIAL RELATIONS

HUMAN RESOURCES

- Workforce numbers reduced from 1,088 to 754 predominately due to Newstan and Kestrel Project completions.
- Industrial flexibility has ensured competitiveness in the marketplace:
    - Workforce flexibility on run off of contracts;
    - Ability to adjust workforce remuneration;
    - Variations to service a range of contracting requirements.
- Head Office roles restructured to right size overhead structure.

"MASTERMYNE HAS RESPONDED QUICKLY TO CHANGED MARKET CONDITIONS THROUGH A FLEXIBLE INDUSTRIAL RELATIONS STRATEGY"

MASTERMYNE GROUP TOTAL LABOUR NUMBERS



OPERATIONAL PERFORMANCE

"**16 years** providing underground contracting services to the **Australian underground coal sector.**"

"Currently working on **12 sites employing** more than **800 people** in **7 key work disciplines.**"

"**Strategicaly grown** to deliver a full suite of underground **contracting services to key customers.**"

"Providing **innovative solutions** to complex **mining issues**"

"Continued **strong performance** in cyclic market conditions."

LONGWALL RELOCATION & MAINTENANCE

Average Of 4 Moves Per Year
Integral Part Of Umbrella Service
Key People With Experience
Ability To Draw On Short-Term Labour As Needed

EQUIPMENT FLEET

Extensive Fleet of UG Equipment
Further Purchases Already Committed
Roadheader & Cut Filt Miners
ABM & Joy Miners
LHD's & Transporters
All Ancillary Equipment To Support Fleet

SUB-CONTRACTOR SERVICES

Manage Contractors & Specialised Contractors On Request
ERC & Conveyor Splicing

MASTERMYNE
GROUP LIMITED

Servicing Underground Coal

MASTERMYNE SERVICES

Division of Mastermyne

Project Construction

Open Cut & Underground

Mechanical & Electrical

Conveyors & Plants

Maintenance & Relief Services

DIRECTIONAL DRILLING

Drilling Performed In NSW & Qld

1600m Capacity Rig Supplying Geotechnical Data

Supplying Inseam Gas & Water Drainage

MYNE START

Purpose Built Training Centre

2 Centres - Mackay & Brisbane

240 Cleanskins Introduced Into Coal

Operators & Elec Trades

Supported By Industry And Regulators

CONVEYOR INSTALLS

Currently Working On 6 Sites - NSW & QLD

Average 10 Installs Per Year

Drift Conveyors

Gateroad Conveyors

Panel Extensions

ROADWAY DEVELOPMENT

10 Development Units Operating In NSW & QLD

25,000m Driven In The Last 12 Months

Drift Construction

Pit Bottom & Mains Development

Gateroad & Faceroad Development

Cut & Flit

MASTERMYNE ENGINEERING

2 Workshops - NSW & QLD

Design, Engineer & Fabricate Specialist Equipment

Supply Of Mining Consumables

Fabricate VCD Devices

SECONDARY SUPPORT

Operating On 6 Sites - NSW & QLD

Thousands Of Bolts Per Year

All Types Of Bolts Using Hand Held & QDS Equipment

Purpose Built Equipment

VCD's

3 Sites - NSW & QLD

Hundreds Of Supply And Installs Per Year

Certified to supply and install

Stoppings & Seals 2 to 50 PSI

Overcasts & Regulators

Doors & Coffin Seals

UNDERGROUND

UNDERGROUND OPERATIONS

- Maintained all contracts making up the order book, with the exception of Newstan.
- Have experienced some contraction on most contracts but remain the major contractor on these sites.
- Kestrel Mine Extension Project successfully transitioned to Rio Tinto operations group (RTCA).
- Mobilisation has been completed for the BHP Appin Area 9 project and the Rio Tinto Kestrel Mine Services Contract.

- Recently secured work.

Customer	Mine	Scope	Term	Commencement
BHP Illawarra Coal	Dendrobium Mine	Outbye services	2+1 years	September 2013
BHP Illawarra Coal	Dendrobium Mine	Longwall installation	6 months	Mobilisation complete
Vale	Carborough Downs	Labour framework agreement	24 months	Mobilisation 75% complete
BMA	Broadmeadows Mine	Stone & coal drivage	10 months	September 2013
Rio Tinto	Kestrel Mine	Strata support	2+1 years	September 2013
Anglo Coal	Grasstree Mine	Development support labour	6 months	Mobilisation compelete

- Options and renewals.
    - BMA, Gregory Crinum Mine, advised preferred tenderer; Secondary Support & Ventilation, Ventilation existing - Secondary Support commencing September 2013.
    - Moranbah North Umbrella Contract remains ongoing with decision on option deferred for six months.
    - Rio Kestrel Mine Extension Project has transitioned into the Mine Services & Strata Support contracts with RTCA.
- Tenders ongoing for two major new greenfield sites.
- Tender pipeline to increase from several major roadway development tenders expected in the first half of FY2014, creating more opportunity to deploy fleet.
- Two continuous miners on hire (June & August 2013), one on dry hire and other on internal project.
- Third continuous miner will commence overhaul in preparation for potential hire.
- Remaining development plant and equipment, i.e. shuttle cars & breaker feeders still experiencing low demand.
- Smaller equipment and mobile fleet engaged primarily on internal projects and utilisation remains at normal levels.
- Equipment utilisation rates increased in the later stages of FY2013 and indications are they will continue to build slowly over FY2014.

PRODUCTION FOCUS SAFETY ALWAYS

> "MASTERMYNE'S UNDERGROUND DIVISION HAS MAINTAINED ALL IT'S KEY CONTRACTS WHICH IS A STRONG ENDORSEMENT OF HOW WE ARE VALUED BY OUR CLIENTS."

ENGINEERING

ENGINEERING OPERATIONS

- Awarded major supply contract with Anglo Coal for QDS equipment for new Grosvenor Mine.
- Awarded Forward Purchasing Agreement (FPA) with Ensham Mine for three years.
- Renewed FPA with BMA for a further two years.
- Renewed FPA with Anglo Coal for a further two years.
- Focus on right sizing fixed cost base has maintained competiveness and margins.
- Developed strong ties into China to improve pricing and expand product offering in consumable stream.
- FY2014 outlook expected to be similar to FY2013.

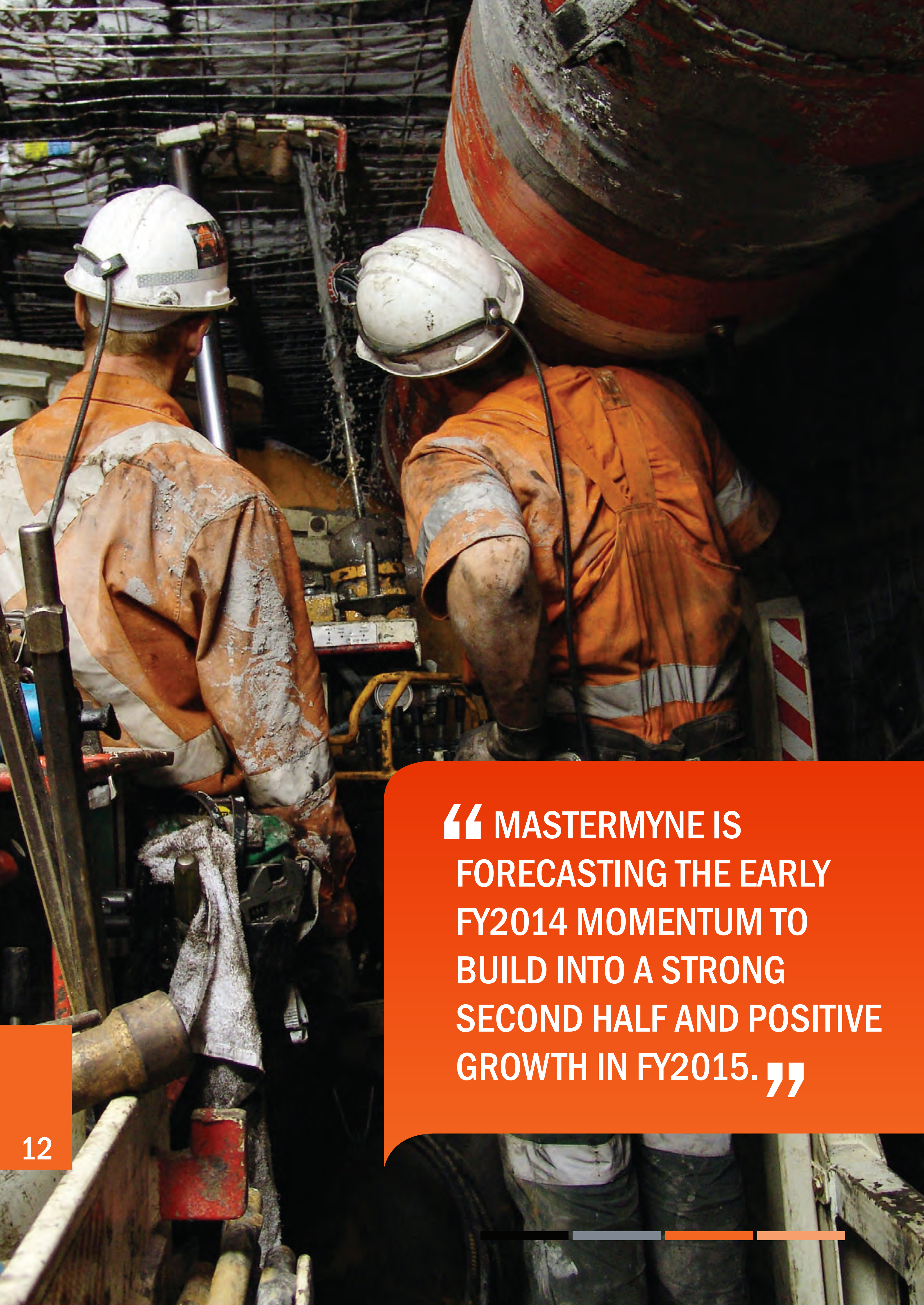
MYNESIGHT

- Letter of intent received from Tier 1 Coal Company for Umbrella Supply Contract for training across all QLD sites.
- Extension to existing preferred training provider contract with Anglo American QLD sites.
- Cleanskin training courses slowed due to downturn.
- Consulting and documentation work continues to grow.

SERVICES

- Kestrel Mine Extension Project successfully transitioned to Rio Tinto operations group (RTCA).
- Other smaller projects undertaken in the second half.
- FY2014 revenue to be well down on FY2013 following completion of KME project in FY2013.
- Service capability maintained with minimal cost.

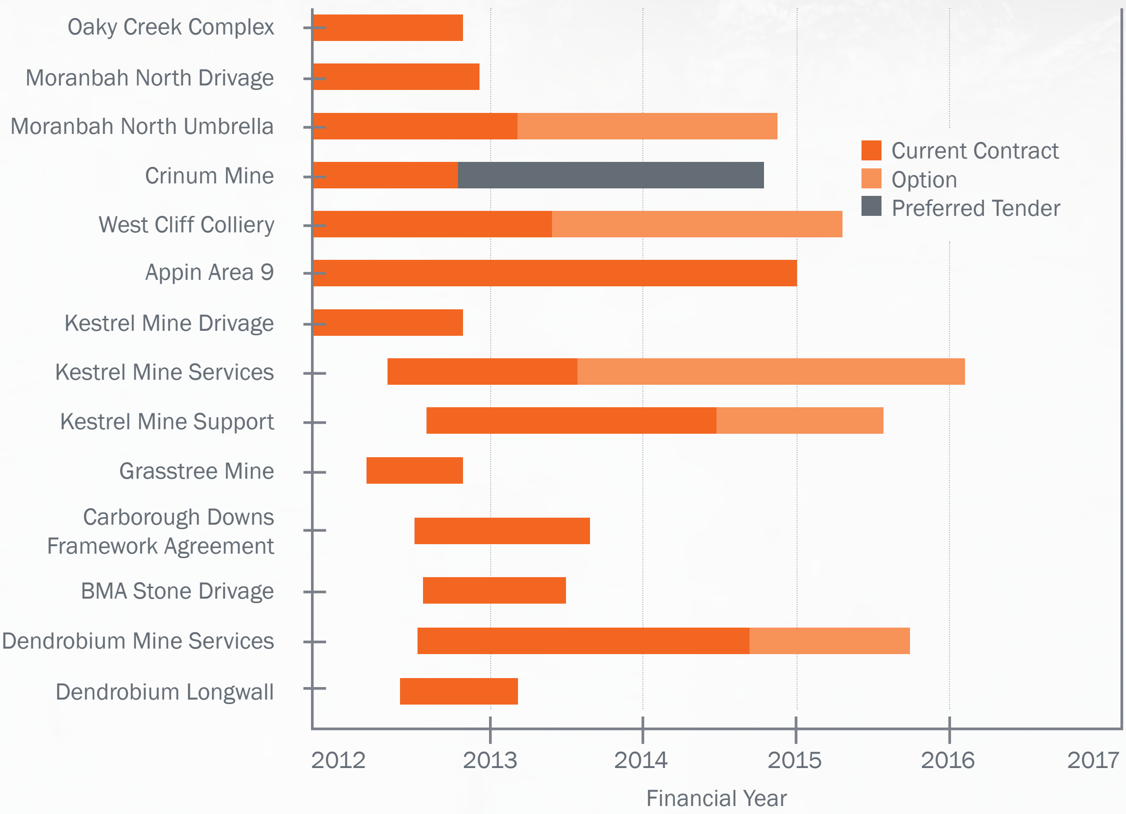
production focus
safety always



“MASTERMYNE IS FORECASTING THE EARLY FY2014 MOMENTUM TO BUILD INTO A STRONG SECOND HALF AND POSITIVE GROWTH IN FY2015.”

OUTLOOK

ORDER BOOK



- Total Order Book Value - $236m
- Order Book Value FY2014 - $113m
- Recurring works - $30m per year
- Value of FY2014 contribution subject to renewals, approx. $20m

GENERAL OUTLOOK

- Contractors have been the focus of initial actions by coal producers to achieve cost relief but contractors will play a strategic role in lowering cost of operations in the medium to long term.
- Producers are shifting towards contractors that are more effective and efficient and who can reduce their cost of operations.
- Market share is increasing for MYE as smaller and inefficient contractors lose contracts or exit the sector.
- History shows that the contracting market will grow following a downturn as producers utilise contractors over permanent staff.
- Coal volumes are not decreasing. MYE services are driven by volume.

SUMMARY

FY2013 FINANCIAL REVIEW

In thousands of AUD	2013	2012
Assets		
Cash and cash equivalents	10,223	13,328
Trade and other receivables	40,906	49,859
Inventories	2,332	1,933
Total current assets	**53,461**	**65,120**
Deferred tax assets	–	469
Property, plant and equipment	32,760	39,099
Intangible assets	20,040	19,696
Total non-current assets	**52,800**	**59,264**
Total assets	**106,261**	**124,384**
Liabilities		
Trade and other payables	15,274	27,660
Loans and borrowings	6,732	5,371
Employee benefits	8,762	8,350
Current tax payable	1,398	9,100
Total current liabilities	**32,166**	**50,481**
Loans and borrowings	11,442	19,068
Employee benefits	120	104
Deferred tax liabilities	1637	
Total non-current liabilities	**13,199**	**19,172**
Total liabilities	**45,365**	**69,653**
Net assets	**60,896**	**54,731**

- Net Assets up to $60.9 million.
- Lower trade receivables and payables reflect lower revenues.
- Net Debt decreased by $3.2 million to $7.95 million, as a result of paying down debt in the second half of FY2013.
- Decrease in current tax payable as a result of $10.6 million in tax payments in FY2013.

SUMMARY

- FY2013 was a good result in a very tough market.
- Maintained strong revenue after a record result in FY2012 with no loss of contracts other than scheduled.
- Scope of services on existing contracts remain largely unchanged.
- Margins were impacted by lower equipment utilisation but this is expected to recover slowly over the FY2014.
- Engineering and Services Divisions made strong contributions to FY2013 result.
- New contracts secured in difficult market conditions building momentum for MYE in FY2014.
- Tendering pipeline and active tenders positions MYE well to expand solid order book.
- FY2014 conditions will remain challenging but MYE has a positive outlook due to:
    - New work already secured;
    - Track record of renewing contracts;
    - Coal volumes remaining strong;
    - Equipment utilisation returning to normal levels;
    - Increasing market share by replacing competitors and through the increased use of contractors as the sector stabilises.

CORPORATE OVERVIEW

Capital Structure	
Shared on issue	75,367,514
Market capitalisation	67 million
	(based on $0.895 share price)
Substantial Shareholders	
Perpetual	14.85%
Andrew Watts	13.93%
Darren Hamblin	12.86%
Wilson HTM Investment Group	7.89%
Acorn Capital	7.71%
NAB	5.18%

MASTERMYNE GROUP LIMITED
AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Company and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council ("Recommendations") in the reporting period. These Recommendations are guidelines, designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive, but if a company considers that a recommendation should not be followed having regard to its own circumstances, the company has the flexibility not to follow it but in its Annual Report it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement ("Statement") and the Company's suite of corporate governance documents referred to in the Statement, and other relevant information for stakeholders, are displayed on the Company's website www.mastermyne.com.au. The Company has complied with the Recommendations, to the extent outlined in this Statement, throughout the year or as otherwise noted.

1.1 SCOPE OF RESPONSIBILITY OF BOARD

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Mastermyne Group's Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders.
The Board's broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- oversight of the Company including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

The Board has delegated functions, responsibilities and authorities to the Managing Director and senior executives to enable them to effectively manage the Company's day-to-day activities.

1.2 COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- the Board should comprise at least three Directors with a maximum of ten Directors;
- a majority of the Directors must be non-executive Directors;
- at least two of the Board must be independent; and
- the Chairman of the Board must be independent and a non-executive Director.

In line with these principles, the Board currently comprises five Directors as follows:

- Peter Slaughter – Independent Non-Executive Chairman
- James Wentworth – Independent Non-Executive Director
- Darren Hamblin – Non-Executive Director
- Tony Caruso – Managing Director
- Andrew Watts – Executive Director

Details of each Director's qualifications, experience and expertise, their involvement in Board and committee meetings, and the period for which they have been in office, are set out in the Directors' Report.

1.3 BOARD CHARTER

The Board has adopted a Board Charter to give formal recognition to the matters outlined above. This Charter sets out various other matters that are important for effective corporate governance, including the following:

- a detailed definition of "independence" for the purposes of appointment of Directors;
- a framework for annual performance review and evaluation;
- approval of criteria for monitoring and evaluating the performance of senior executives;
- approving and monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company's governing documents and Codes of Conduct;
- risk management – identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;

- establishment of Board committees: Audit & Risk Management Committee, Remuneration & Nomination Committee; and
- communications with shareholders and the market.

These initiatives, together with other matters provided for in the Board Charter, are designed to promote good corporate governance and generally build a culture of best practice in Mastermyne Group's own internal practices and in its dealings with others.

1.4 AUDIT & RISK MANAGEMENT COMMITTEE

The Company has established this committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The committee comprises the following members:

- James Wentworth (Chair)
- Peter Slaughter
- Darren Hamblin

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- qualifications of committee members;
- review, approve and update internal audit and external audit plans;
- review and approve financial reports or financial information, including such information as is to be distributed externally;
- review the effectiveness of the compliance function;
- investigate any matter brought to its attention;
- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- review and approve accounting policies;
- report to the Board and make recommendations to the Board;
- periodically meet separately with management, internal auditors and external auditors to discuss:

  - the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor and manage business risk, and legal and ethical compliance programs;

  - issues and concerns warranting audit and risk management committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement;
- corporate risk assessment and compliance with internal controls;
- assessment of the internal audit function and financial management processes supporting external reporting;
- review of the effectiveness of the external audit function;
- review of the performance and independence of the external auditors and make suggestions to the Board;
- review any significant legal matters and corporate legal reports;
- review areas of greatest compliance risk;
- review and discuss media releases, ASX announcements and any other information provided to analysts;
- assess the adequacy of external reporting for the needs of shareholders; and
- monitor compliance with the Company's Codes of Conduct, risk management policies and compliance function.

Meetings are held often enough to undertake the Audit & Risk Management Committee's role effectively, being at least four times each year. The committee may invite such other persons to its meetings as it deems necessary.

1.5 REMUNERATION & NOMINATION COMMITTEE

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executives and to oversee the remuneration framework for Directors and senior executives. The Board does not consider separate committees to cover these matters are warranted at this stage of the Company's evolution. The committee comprises the following members:

- Peter Slaughter (Chair)
- James Wentworth
- Darren Hamblin

Functions performed by the committee include the following:

- obtaining independent advice and making recommendations in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefits programs;
- reviewing the Company's recruitment, retention and termination policies;
- reviewing the Company's superannuation arrangements;
- reviewing succession plans of senior executives and executive Directors;
- recommending individuals for nomination as members of the Board and its committees;
- ensuring the performance of senior executives and members of the Board are reviewed at least annually;
- considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- monitoring the size and composition of the Board;

1.5 REMUNERATION & NOMINATION COMMITTEE CONTINUED

- development of suitable criteria (with regard to skills, qualifications and experience) for Board candidates, whose personal attributes should encompass relevant industry experience and/or sound commercial or financial background;
- identification and consideration of possible candidates, and recommendation to the Board accordingly;
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- ensuring the performance of each Director and of senior management is reviewed and assessed each year in accordance with procedures adopted by the Board.

The Remuneration & Nomination Committee will meet as often as necessary, but must meet at least twice a year.

1.6 GOOD CORPORATE GOVERNANCE COMMITMENT

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Statement, that are designed to achieve this objective. Mastermyne Group's suite of corporate governance documents is intended to develop good corporate governance and, generally, to build a culture of best practice both in Mastermyne Group's own internal practices and in its dealings with others.

The following are a tangible demonstration of Mastermyne Group's corporate governance commitment.

Independent Professional Advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Mastermyne Group.

Code of Conduct

Mastermyne Group has developed and adopted detailed Codes of Conduct to guide Directors, senior executives and employees in the performance of their duties.

Securities Trading Policy

Mastermyne Group has developed and adopted a formal Securities Trading Policy to regulate dealings in securities by Directors, Key Management Personnel and other employees, and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

The policy includes restrictions and clearance procedures in relation to when trading can and cannot occur during stated 'closed' and 'prohibited' periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated 'trading windows'.

The Board will ensure that restrictions on dealings in securities are strictly enforced.

1.7 COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

The Board has assessed the Company's current practices against the Recommendations and outlines its assessment below:

Principle 1 - Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described in this Statement and the Board Charter, and will continue to be refined, in accordance with the Recommendations, in light of practical experience gained in operating as a listed company.

Directors are provided with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company.

The process for evaluating the performance of senior executives is covered in the Remuneration & Nomination Committee Charter and has taken place in accordance with that process. Mastermyne Group complies with the Recommendations in this area.

Principle 2 - Structure the Board to add value

The Board currently consists of five Directors, including two executive Directors. Profiles of each Director, outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the three years immediately before the end of the financial year), experience and expertise, are set out in the Directors' Report.

Two Directors, being the Chairman, Mr Peter Slaughter, and Mr James Wentworth, are independent (in terms of the criteria detailed in the Recommendations), giving the Board the benefit of independent and unfettered judgment. The other three Directors, comprising the two founders and the Managing Director, are not independent; one of the founders is a non-executive Director.

The Board considers that a five person board is appropriate for a company with the size and growth profile of Mastermyne Group. It believes the skills and industry knowledge of the three non-independent Directors is beneficial in growing the Company and to assist with maintaining its current culture and focus. The Board further considers that to add additional independent Directors at this time would increase the Board's size beyond an efficient working level. However, the Board may seek to add additional independent Directors in the future and/or replace an existing non-independent Director.

There are procedures in place to allow Directors to seek, at Mastermyne Group's expense, independent advice concerning any aspect of Mastermyne Group's operations.

A Remuneration & Nomination Committee has been established with its own charter, as detailed in this statement.

The Board is committed to a performance evaluation process, with a self-assessment evaluation being undertaken during each year.

Principle 3 - Promote ethical and responsible decision making

The Board has adopted detailed Codes of Conduct to guide Directors, executives and employees in the performance of their duties.

The codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Recommendations.

The Company recognises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. The Board has approved a Diversity Policy which details the Company's approach to promoting a corporate culture that embraces diversity when selecting and appointing its employees and Directors.

This policy outlines measurable objectives for achieving gender diversity throughout the Company over the longer term, and progress towards achieving them has been assessed as follows:

- 7% of the organisation's employees are women,
- 20% of senior executives are women,
- 5 women are working in non-traditional roles,
- equal pay has been achieved in all positions regardless of gender,
- flexible working arrangements to facilitate family needs are available to all employees,
- women's networking business functions are attended across all employee levels.

At this stage there are no women on the Board as no suitable candidates have been identified. The Board considers the present number of Directors as appropriate for current and immediately foreseeable requirements.

Principle 4 - Safeguard integrity in financial reporting

The Audit & Risk Management Committee, with its own charter, complies with the Recommendations. All members of this committee are required to be financially literate.

Principle 5 - Make timely and balanced disclosure

Mastermyne Group's current practice on disclosure is consistent with the Recommendations. Policies for compliance with ASX Listing Rule disclosure requirements are included in the Company's Board Charter and Continuous Disclosure Policy.

Principle 6 - Respect the rights of shareholders

The Board recognises the importance of this principle and strives to communicate with shareholders regularly and clearly, both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors are required to attend the Annual General Meeting and are available to answer shareholders' questions relevant to the audit.

The Company has not published a formal communications policy because it sees no need as its stated practices generally comply with the Recommendations, and it has covered a number of aspects of this principle in its Continuous Disclosure Policy, including in relation to briefings with investors and analysts.

Principle 7 - Recognise and manage risks

The Board, together with management, seeks to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The whole issue of risk management is identified in the Company's various corporate governance policies and is kept under regular review. Review takes place at both Audit & Risk Management Committee level, with meetings at least four times a year, and at Board level.

With regard to compliance with the Recommendations, the Board has:

- identified the Company's material business risks, which are detailed in the Risk Factors statement on the Company's website; and
- designed and implemented an integrated risk management and internal control system to manage the Company's material business risks and report to it on whether the risks are being managed effectively.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 - Remunerate fairly and responsibly

Remuneration of Directors and executives is fully disclosed in the Remuneration Report (contained in the Directors' Report) and any material changes, with respect to key executives, will be announced in accordance with continuous disclosure principles.

In accordance with the Recommendations, the Remuneration & Nomination Committee has three non-executive Director members of which two are independent, including its Chair, and the committee oversees the ambit of this principle.

The aggregate level of non-executive Directors' remuneration is currently set at $300,000 approved on 22 March 2010 and any increase must be approved by shareholders. Non-executive Directors are not provided with any retirement benefits, other than statutory superannuation.

The Directors present their report together with the financial report of Mastermyne Group Limited ('the Company') and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2013 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 P SLAUGHTER (APPOINTED 22 MARCH 2010)
Bachelor of Engineering (Metallurgical) (Hons)
Graduate Diploma Company Director Course
Chairman (Independent)

Experience and other Directorships

Peter has significant Australian and international experience in the non-ferrous, iron ore, nickel, coal and precious metals sectors, spanning over 40 years, initially with M.I.M. Holdings Limited and more recently as a director and consultant. Peter has served on various public boards in Australia, Europe and Canada. He has also been involved in waste recycling, manufacturing, the service sector and research and development companies at a senior level in Australia and internationally. He is a Fellow of the Australasian Institute of Mining & Metallurgy, the Australian Institute of Company Directors and the Institute of Directors in the United Kingdom; he is also a Fellow and Hon Life Member of the Australian Institute of Management.

Peter was previously a non-executive director of Nomad Building Solutions Limited August 2006 to December 2010, Sunshine Gas Limited June 2007 to December 2010.

Special responsibilities

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

MR J WENTWORTH (APPOINTED 30 MARCH 2011)
Bachelor of Law (Hons), Bachelor of Commerce
Non-executive Director (Independent)

Experience and other Directorships

James is a highly regarded financial services executive with over 20 years experience in private equity transactions, acquisitions and integration, management and exit of investments, strategy development, structuring and finance. He has international experience and a background in the legal profession. He is currently CFO with ASX listed Finders Resources Ltd, appointed March 2011 and has previously worked at Champ Ventures, Goldman Sachs and Macquarie Bank.

Special responsibilities

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

MR D HAMBLIN (APPOINTED 10 MARCH 2010)
Bachelor of Engineering (Mechanical)
Non-executive Director

Experience and other Directorships

Darren has been involved in the mining industry since graduating as a mechanical engineer in 1991. He has worked directly for mine owners as well as contractors in operations, planning and maintenance roles. Darren co-founded Mastermyne in 1996.

Following the appointment of Tony Caruso as CEO in 2005, Darren focused on developing Mastermyne's longer term business strategies and systems. Darren became a non-executive Director in 2008.

Special responsibilities

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

MR A WATTS (APPOINTED 10 MARCH 2010)
Executive Director

Experience and other Directorships

Andrew has been involved in contracting within the mining industry since 1994 and co-founded Mastermyne in 1996. Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO in 2005. Andrew's current focus is on business development and acquisitions. Andrew relocated to Sydney in early 2010 to focus on the New South Wales market.

MR A CARUSO (APPOINTED 10 MARCH 2010)
Post Graduate Degree in Business Management
Managing Director

Experience and other Directorships

Tony was appointed CEO of Mastermyne in 2005 and Managing Director in 2008 and has overall corporate responsibility for Mastermyne.

Tony has over 20 years experience in underground mine contracting services. Prior to joining Mastermyne, Tony was the General Manager of Allied Mining in Queensland and a consultant to the underground mining sector. He has a trade background plus a post graduate degree in Business Management and is a Fellow of the Australian Institute of Management.

2 COMPANY SECRETARY

Mr W Lyne was appointed to the position of company secretary on 22 March 2010. Bill has a wealth of experience in the role of Company Secretary of public companies ranging from stock exchange listed to small private companies and 'not for profit' charities. He also holds appropriate qualifications including a Bachelor of Commerce degree and he is a Chartered Accountant and a Fellow of Chartered Secretaries Australia.

Bill has operated his own business, Australian Company Secretary Service, since 1998, providing professional company secretarial, corporate compliance, governance and administrative services to clients across a wide range of industries. Bill is currently company secretary of ASX listed Galilee Energy Limited, Orion Metals Limited and Jumbo Interactive Limited of which he is also a director.

Mr C Kneipp was appointed Joint Company Secretary of the Company on 24 August 2011. Chris has a Bachelor Degree in Commerce, is a Certified Practicing Accountant and is a graduate of the Australian Institute of Company Directors. Chris has been with the Group since March 2006 and has over 10 years experience in the mining industry.

completion and revenues, including intersegment revenue, was down 17.4% to $206.380 million (2012: $249.972 million). Profit margins in the Underground Division were negatively impacted by asset utilisation dropping off in the second half of FY2013. Utilisation declined as equipment was demobilised from the Newstan Contract along with some contraction on other projects in the Underground Division. We were also impacted by the under utilisation of the training centres which are driven by demand for labour.

The Engineering Division revenues, including intersegment revenue, dropped by 20.9% to $19.290 million in FY2013 (2012: $24.374 million) as a result of the decrease in demand for products as the sector focused on cost reduction. The FY2013 result was not impacted as significantly as previous slowdowns due to the diversified and strengthened revenue streams in the consumable area of the business. This area of the business is closely tied to production and we have seen continued strong coal volumes. Profit margins for the Engineering Division were down in FY2013 as a result of the reduced volume of work which counters the fixed cost component of the Division.

3 DIRECTOR'S MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B
Mr P Slaughter	16	15	6	6	3	3
Mr D Hamblin	16	16	6	5	3	3
Mr J Wentworth	16	15	6	6	3	3
Mr A Watts	16	15				
Mr A Caruso	16	16				

A – Number of meetings held during the time the director held office during the year
B – Number of meetings attended

4 OPERATING AND FINANCIAL REVIEW

Financial Overview

PROFIT FOR THE YEAR

The Group revenue decreased by 8.5% to $248.836 million in FY2013 (2012: $271.955 million), largely as a result of the impact of the Newstan project finishing six months earlier than forecast. The majority of the revenue decrease was in the Underground Division which was impacted by the early contract

The Services Division delivered a strong result with revenues, including intersegment revenue, up $30.346 million to $36.772 million in FY2013 (2012: $6.426 million). The increased revenues and profit margins were the result of the full year effect of a contract won in FY2012 and delivered in this financial year.

The Group net profit after tax was down in FY2013 to $11.529 million (2012: $14.664 million) due to reduced revenues and reduced margins as detailed above.

4 OPERATING AND FINANCIAL REVIEW CONTINUED

BALANCE SHEET AND CASH FLOW

The cash position as at 30 June 2013 was $10.223 million (2012: $13.328 million). The $3.1 million decrease in cash is largely driven by paying down of debt in the second half of the financial year and from tax payments of $10.6 million in FY2013 relating to FY2012. This included additional tax payments of $1.124 million as a result of tax legislation enacted during FY2012 reversing benefits recognised in prior periods. Total cash flow movements were as follows:

- Net cash inflows from operating activities for the year were $10.584 million (2012: net cash inflows of $23.439 million), this was predominately driven by the $10.656 million in tax payments (FY2012: $2.333 million);
- Net cash outflows from investing activities for the year of $1.320 million (2012: net cash outflows of $5.815 million), primarily as a result of the capital expenditure reducing during the period; and
- Net cash outflows from financing activities for the year of $12.369 million (2012: net cash outflows of $10.316 million), primarily as a result of the Group repaying debt and payment of dividends to shareholders.

The balance sheet remains strong with net debt decreasing by $3.160 million to $7.951 million (2012: $11.111 million), largely as a result of reducing total bank debt to $18.174 million (2012: $24.439 million) and low capital expenditure during the year. The Group still maintains headroom in its current bank facilities with equipment facility limits of $30.5 million ($15.5 million drawn) and working capital facilities of $14.5 million ($3.5 million drawn in bank guarantees).

OPERATIONAL OVERVIEW

FY2013 results have again reinforced the strong link the Mastermyne Group has to production (versus construction and maintenance). As the sector deals with costs and productivity issues, coal production volumes remain at historically high levels driving the services provided by Mastermyne. In a year where mining services companies have seen significant revenue decline, Mastermyne has maintained strong top line earnings with only FY2012 revenue exceeding this year's result.

During FY2013, the Company maintained all the contracts that made up the order book, despite the cost reduction actions taken by Coal Producers. We have experienced some contraction on existing contracts but conversely the order book has benefited from the addition of the Appin Area 9 and Kestrel Mine Services contract,s which were mobilised during the second half of the year. Pleasingly this year we have seen strong contributions from the Engineering and Services Divisions, which have supported the FY2013 result. More recently the Company secured $65 million in new contracts with approx. $30 million of the order book delivered in FY2014. These new contracts are at various stages of mobilisation and the new contract wins early in the financial year provide a strong platform to build FY2014 revenue. This will also serve to replace revenue for the scheduled runoff of the Kestrel Mine Extension Project, which has now been transitioned from Rio Projects to Operations. At the commencement of FY2014, the total order book is $236.4 million with $112.8 million deliverable in FY2014 which excludes $30 million of recurring revenue. In addition to the order book and recurring revenue, the FY2014 revenue contribution from existing contracts (subject to renewal) is approx. $20 million. Tendering activity continues to be very strong and the tender pipeline remains above $900 million with $378 million in active tenders.

Equipment utilisation continued to impact the second half margins as expected and we are pleased to report that two continuous miners are now on hire. The third unit will commence an overhaul in preparation for potential hires. The remainder of the fleet is experiencing increased utilisation which we expect to build slowly over the FY2014 year. During the year, the company has right sized its overhead structure and adjusted costs to reflect the immediate market conditions. We are pleased to report that we retain the capacity and capability to grow and take advantage of any opportunities that are presented to the business.

The FY2013 safety highlight was a continuing decrease in our Total Recordable Injury Frequency Rate (TRIFR). In FY2013 we have seen the rate reduce to 3.28 from 5.5 at the half year. These results are well below industry standards. During FY2013, the Company was audited by SAI Global and achieved certification to AS3810 and ISO14001. Achieving this accreditation is a strong endorsement for the maturity of the Health, Safety and Environmental systems utilised and embedded in the way we work. This year we have again continued to focus on leading safety management tools headlined by the Company's "Safety Index" which defines and measures a range of proactive activities for each site and project and we continue to see the direct correlation in the increased compliance of the safety index and a fall in the TRIFR.

Margins in FY2013 were consistent with guidance provided and were impacted for the full year by the equipment utilisation and reduced demand resulting from the slowdown in the sector. We have seen some improvement in equipment demand with two continuous miners now on hire along with some miscellaneous smaller pieces of plant. The Company expects FY2014 margins to be consistent with the run rate of the second half of FY2013, with some improvement possible in the second half FY2014 as equipment utilisation recovers.

The significant operational highlights for the financial year included:

- Revenue of $248.8 million down 8.5% on FY2012
- NPAT of $11.5 million at upper end of guidance given in May
- Continuing trend of improvement in safety outcomes, FY2013 Group TRIFR 3.28 (FY2012 4.67)

- Maintained strong top line revenue in a challenging market with no loss of contracts other than scheduled
- Secured $65 million of new contracts at four new projects and replaced existing contractors at two others. New contracts secured despite difficult market conditions
- Total Order Book $236 million at 30 June 2013
- Workforce numbers reduced to 754 FTE with majority of change from scheduled project completions
- Tendering pipeline currently at $962 million with $378 million in active tenders
- Secured two new contracts and renewed two others in Engineering and MyneSight Divisions
- Strong contributions from Engineering and Services Divisions. Corporate structure has been adjusted but capacity and capability have been retained

OUTLOOK

The Company has started the financial year securing six new contracts, adding to the two previously secured during the year. These contracts are a mix of new customers and existing sites where we have displaced the incumbent contractor. We continue to see the market dynamics changing with many small to medium contractors losing market share or exiting the sector as Coal Producers are shifting towards established contractors who can add value and reduce costs to their operations. Tendering has been at record high levels of activities as Coal Producers are being increasingly prudent with costs and testing the market for more effective and efficient contractors. This has provided Mastermyne with the opportunity to grow market share, which we have successfully done. The new contract wins position us well to grow on these sites by providing additional services or increased scope. Historically we have always seen an increase in the use of contractors as the sector recovers from a downturn in the commodity cycle. We expect to see contracting opportunities, particularly roadway development, increase over the next financial year and we are well positioned to capitalise on these opportunities. We expect the first half of FY2014 to continue to bring through opportunities but see this picking up in the second half of the year. Margins are forecast to remain consistent with the second half of FY2013, with some possible upside if equipment utilisation increases. Whilst the market is challenging, Mastermyne remains confident of the outlook for FY2014 due to the already secured order book, new contracts, the recurring revenue and our track record in contract renewals. This outlook is further supported by the tendering pipeline and active tenders.

5 REMUNERATION REPORT

5.1 Principals of remuneration - audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives listed below.

- Mr A Purse, General Manager Technical Services (appointed 3 March 2008, terminated 16 August 2013)
- Mr C Kneipp, Financial Controller (appointed 20 March 2006)
- Mr D Fitzpatrick, General Manager Engineering (appointed 10 August 2009)
- Ms V Gayton, Human Resources Manager (appointed 11 August 2010)
- Ms B Jooste, Group Executive Safety Manager (appointed 14 June 2011)
- Mr J Stuart-Robertson, Chief Operating Officer (appointed 9 January 2012, terminated 17 July 2013)
- Mr D Sykes, General Manager Underground (appointed 24 April 2012)
- Mr K Lonergan, General Manager Services (appointed 20 February 2012)
- Mr L duPreez, Business Development Manager (appointed 4 July 2011, terminated 27 June 2013)

Compensation levels for Key Management Personnel (KMP) of the Group are competitively set to attract, retain and motivate appropriately qualified and experienced Directors and executives. The remuneration committee obtains independent data on the appropriateness of remuneration packages of the Group, given trends in comparative companies and sectors both locally and nationally and the objectives of the Company's compensation strategy.

The remuneration structures of the group are designed to attract and reward suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures consist of both a fixed and variable component, designed around KPI's aligned with the short and long term strategic objectives of the group. Remuneration structures reflect:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment/s' performance; and
- the recognition of the key management personnel's contribution to the Group's performance.

In addition to their salaries, the Group also provides non-cash benefits to its KMP, and contributes to a post-employment defined contribution superannuation plan on their behalf. The reviews are conducted under the terms of reference set down for the Remuneration and Nomination Committee (RNC).

FIXED REMUNERATION

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

5 REMUNERATION REPORT CONTINUED

5.1 Principals of remuneration - audited CONTINUED

Remuneration levels of the CEO/Managing Director are reviewed annually by the RNC through a process that considers individual, segment and overall performance of the Group. In addition, external data is provided for analysis of KMP's remuneration to ensure it remains competitive by benchmarking against the marketplace. The Chairman of the RNC sources data independently of management from appropriate independent advisors. For other key executive management, the CEO/Managing Director will submit recommendations to the RNC along with relevant supporting data and externally independent comparative information. A senior executive's compensation may also be reviewed upon promotion or in line with movements in the marketplace during the period.

PERFORMANCE LINKED REMUNERATION

Non-executive Directors are not eligible to participate in performance linked remuneration of either a short or long-term nature.

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward KMP for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash.

SHORT-TERM INCENTIVE BONUS

The Mastermyne short-term incentive plan was introduced as a structured incentive to reward Key Management Personnel's (KMP) performance against predetermined KPI's. The KPI's include measures aligned with the strategic objectives of the Group, with specific measures (normally 5 or 6) for individual performance, group performance and underlying performance of the relevant segment. The measures are chosen to align the individual's reward to the strategic goals of the Group.

The financial performance objectives may vary by individual and are broadly based on profitability compared to budgeted amounts approved by the board each year. The non-financial objectives vary dependent upon position and responsibility and are aligned with the measures and targets set to achieve the strategic objectives of the Group on an annual basis. STI payments must be self funding.

At the end of the financial year, the RNC assess the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. Payment of individual bonuses is based on the assessment of the RNC with recommendations from the Managing Director (for employees other than the Managing Director), taking into consideration the overall performance of the individual for the period. The Managing Director's STI bonus is set by the RNC based on assessment of his/her performance against agreed KPI's, as assessed by the RNC and recommended to the Board. In all cases, the Board retains the discretion not to pay any STI; the Board also has the discretion to modify (down or up) payments based on recommendations from the RNC.

LONG-TERM INCENTIVE

An Employee Performance Rights Plan was adopted by the board on 22 March 2010 and the plan was activated by resolution of the Board as of 1 July 2010. The purpose of the Employee Performance Rights Plan is to attract, motivate and retain executives, encouraging individuals to participate in the Company through ownership of shares. The objective is to improve Mastermyne's performance by aligning the interests to those of the shareholders and the Group.

The KMP and senior management were issued 1,800,000 performance rights during the financial period ending 30 June 2012, which vest in three tranches at 30 June 2012, 30 June 2013 and 30 June 2014. The grant of these rights were made in accordance with the Company's Employee Rights Plan voted upon by shareholders at the 2010 AGM. The ability to exercise the rights is conditional on the Group meeting its performance hurdles.

These performance hurdles comprise of three components and vesting of these rights is subject to meeting the criteria of these three components as follows:

- The first relates to relative Total Shareholder Return (TSR criteria). The performance right subject to the TSR relative ranking performance condition will wholly vest if Mastermyne's TSR Ranking over the performance period (i.e. 1 July 2011 to 30 June 2012, 30 June 2013 and 30 June 2014) is at least in the top 20th percentile of S&P ASX 300. If the TSR relative ranking performance condition is between the 20th and 40th percentiles, 50% of rights will vest. Below this range, no rights will vest. The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation as it includes share price growth, dividends and other capital adjustments.
- The second criteria relates to growth in earnings per share (EPS criteria). The performance right subject to the EPS relative ranking performance condition will wholly vest if Mastermyne's EPS growth ranking relative to the S&P ASX 300 accumulation index over the performance period (i.e. 1 July 2011 to 30 June 2012, 30 June 2013 and 30 June 2014) is at least in the top 15th percentile. If the EPS growth ranking is between the top 15th and 20th percentile of S&P ASX 300, 50% of rights will vest. Below this range no rights will vest. EPS will be calculated on the basis of basic earnings per share in accordance with Accounting Standard AASB 133 Earnings per share. EPS growth compared to other companies was chosen as it is a good indicator of the Company's growth in earnings and is aligned to shareholder wealth objectives.
- The third criteria is that the Key Management Personnel must be employed by the Group on the relevant vesting dates.

In addition to the above, the Managing Director was issued 1,050,000 performance rights during the period, which vest in three tranches at 30 June 2014, 30 June 2015 and 30 June 2016. The grant of these rights were made in accordance with the Company's Employee Rights Plan voted upon by shareholders at the 2010 AGM, with specific details to the issue of these rights voted upon by shareholders at the 2012 AGM. The ability to exercise the rights is conditional on the Group meeting its performance hurdles.

These performance hurdles comprise of three components and vesting of these rights is subject to meeting the criteria of these three components as follows:

- The first relates to relative total shareholder return (TSR criteria). The performance right subject to the TSR relative ranking performance condition will wholly vest if Mastermyne's TSR Ranking over the performance period (i.e. 1 July 2013 to 30 June 2014, 30 June 2015 and 30 June 2016) is at least in the top 20th percentile. If the TSR relative ranking performance condition is between the 20th and 40th percentile of S&P ASX 300, 50% of rights will vest. Below this range no rights will vest. The TSR performance criteria was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation as it includes share price growth, dividends and other capital adjustments.
- The second criteria relates to growth in earnings per share (EPS criteria). The performance right subject to the EPS relative ranking performance condition will wholly vest if Mastermyne's EPS growth ranking relative to the S&P ASX 300 accumulation index over the performance period (i.e. 1 July 2013 to 30 June 2014, 30 June 2015 and 30 June 2016) is at least in the top 20th percentile. If the EPS growth ranking is between the top 20th and 35th percentile of S&P ASX 300, 50% of rights will vest. Below this range no rights will vest. EPS will be calculated on the basis of basic earnings per share in accordance with Accounting Standard AASB 133 Earnings per share. EPS growth compared to other companies was chosen as it is a good indicator of the Company's growth in earnings and is aligned to shareholder wealth objectives.
- The third criteria is that the Managing Director must be employed by the Group on the relevant vesting dates.

SHORT-TERM AND LONG-TERM INCENTIVE STRUCTURE

The RNC considers that the above performance-linked compensation structures will achieve the objectives of attracting, retaining and motivating suitably experienced executives. In the current year, the participants exceeded the majority of the non-financial linked targets. The financial linked targets were adversely affected by the slowdown in the coal sector and early completion of one contract, resulting in the maximum short term incentives not being achieved.

OTHER BENEFITS

Key Management Personnel can receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicle benefits, and the Company pays fringe benefits tax on these benefits.

EXECUTIVE SERVICE AGREEMENTS

The RNC recommends Group remuneration policy for Key Management Personnel. The committee focuses mainly on the CEO's remuneration but reviews agreements made with other KMP. In recommending the CEO remuneration package, the RNC takes advice from independent advisors in executive and non-executive remuneration as noted below.

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDERS' WEALTH

In considering the Group's performance and benefits for shareholders' wealth, the RNC have regard to the following indices in respect of the current financial year and the previous four financial years.

AUD	2013	2012	2011	2010	2009
Profit attributable to owners of the Company	$11,514,000	$14,664,000	$11,742,000	$4,775,000	$6,149,000
Dividends paid	$6,105,000	$5,050,000	$2,636,000	$359,000	$474,380
Change in share price	-67%	48%	42%	N/A	N/A
Return on capital employed	29.66%	45.60%	34.99%	24.69%	41.37%

Profit is considered as one of the financial performance targets in setting the STI. Profit amounts for 2009 to 2013 have been calculated in accordance with Australian Accounting Standards (AASB's).

The overall level of KMP compensation takes into account the performance of the Group over a number of years. Over the past four years, the Group's profit from ordinary activities after income tax has grown at a compound annual growth rate of 24.7%. During the same period, compound annual growth of Key Management Personnel compensation was 42.83%. This is driven largely by an increase in the number of KMP from five to fourteen.

5 REMUNERATION REPORT CONTINUED

5.1 Principals of remuneration - audited CONTINUED

It is the Group's policy that service agreements for KMP are unlimited in term but capable of termination on three months notice and that the Group retains the right to terminate the contract immediately, by making payment equal to three months' pay in lieu of notice.

The CEO/Managing Director's contract was reviewed during the period and the termination provisions were extended to nine months. The CEO/Managing Director's contract has no fixed term.

Key Management Personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual, long service and sick leave, together with any superannuation benefits. Non-executive Directors are not eligible for annual leave, long service leave nor sick leave although they may be granted leave of absence in specific circumstances.

The service agreements outline the components of remuneration paid to the Key Management Personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the RNC and take into consideration any change in the scope of the role performed by the senior executive or with any changes made to the remuneration policy during the period. Remuneration is benchmarked against the external marketplace with the objective to ensure senior executives are rewarded equitably by reference to their individual performance and the Group's overall performance.

SERVICES FROM REMUNERATION CONSULTANTS

In 2011-2012, the Remuneration and Nomination Committee engaged McDonald & Company Australasia (McDonald) as Remuneration Consultant to the Board to review the amount and elements of the KMP remuneration and provide recommendations in relation thereto. In addition to the remuneration recommendations, McDonald provided the following other services to the company throughout the year:

- summarised the key terms and conditions of each KMP contract for services to enable the remuneration committee to assess whether terms and conditions are consistent across the different parts of the business; and
- advice in relation to the embodiment of risk in the assessment of performance for the vesting of remuneration awards.

Remuneration changes recommended by the RNC and approved by the board in May 2012 were based on this work by McDonald.

In the current year, the RNC relied upon data provided by McDonald with some detailed analysis of remuneration circumstances in Mastermyne. No specific recommendations were sought on Director or KMP remuneration due to the Board's view that market circumstances were too fluid to allow historical information to provide a useful guide to appropriate remuneration levels.

During the year, McDonald were paid a total of $0 for analytical data and reports on Mastermyne KMP and Director remuneration and a total of $7,425 for all other services.

In 2011/12, engagement of McDonald by the Remuneration and Nomination Committee was based on a documented set of protocols that would be followed by McDonald, members of the Remuneration and Nomination Committee and members of the KMP for the way in which remuneration recommendations would be developed by McDonald and provided to the Board.

Reports received by the RNC in the current year were provided under the same guidelines and, although specific recommendations on Director and KMP were not sought, comparative historic data on their position in the market was provided.

The Board is satisfied that that the remuneration analysis provided by McDonald was free from undue influence by the members of the KMP, about whom some of the data related.

DIRECTORS' FEES

As noted above, remuneration of non-executive Directors (NED) for the current period was based on comparative roles in the marketplace as at May 2012. NED fees were reviewed in May 2012, as noted in last year's report, and changes were made by the Board effective 1 July 2012 based on recommendations by the RNC. Rapid changes in market conditions in the industry and sector in which Mastermyne operates saw the Board take a decision in June 2013 to reduce fees by 12.5% from the increase made, such that the following NED fees now apply:

- Chairman of the Board and the Remuneration and Nomination Committee $93,468 per annum
- NED and Chair of Audit and Risk Committee $54,250 per annum
- NED with no chair responsibilities $52,456 per annum

The changes made to Director remuneration reflected general changes in KMP and other senior staff remuneration which occurred over the last three months of the year. The Board appreciated the supportive response from staff at all levels to the changing industry circumstances.

Reductions in remuneration will substantially reduced overheads in the coming year and allow Mastermyne to provide its clients with a continuing competitive high quality service offering.

In future years, the aggregate remuneration of non-executive Directors will be an amount determined by the shareholders from time to time in the Annual General Meeting. The fees will be divided between Directors in proportions agreed to from time to time by the total Board. The amount originally approved by shareholders on listing the Company was $300,000 in aggregate. There is no immediate requirement to alter this level of approval.

5.2 Directors' and executive officers' remuneration - audited

Details of the nature and amount of each major element of remuneration of each Director of the Company and other Key Management Personnel of the consolidated entity are:

2013	Short-term				Post-employment		Share-based payments			
In thousands of AUD	Salary & fees ($)	STI cash bonus ($)	Non-monetary benefits ($)	Total ($)	Super-annuation benefits ($)	Termination benefits ($)	Rights ($)	Total ($)	Proportion of remuneration performance related (%)	Value of rights as a proportion of remuneration (%)
Non-executive Directors										
Mr P Slaughter	96,445	–	–	96,445	8,685	–	–	105,130	0.00	0.00
Mr D Hamblin	51,985	–	–	51,985	3,886	–	–	55,871	0.00	0.00
Mr J Wentworth	60,566	–	–	60,566	–	–	–	60,566	0.00	0.00
Executive Directors										
Mr A Watts	174,579	–	–	174,579	15,719	–	–	190,298	0.00	0.00
Mr A Caruso	372,931	29,402	15,000	417,333	41,782	–	215,877	674,992	36.34	31.98
Executives										
Mr A Purse	233,428	–	15,000	248,428	24,579	–	15,082	288,089	5.24	5.24
Mr D Fitzpatrick	209,368	51,966	–	261,334	40,494	–	6,033	307,861	18.84	1.96
Mr C Kneipp	243,591	28,864	15,000	287,455	23,963	–	15,082	326,500	13.46	4.62
Ms V Gayton	187,327	27,443	–	214,770	22,999	–	9,049	246,818	14.78	3.67
Mrs B Jooste	181,779	30,004	15,000	226,783	23,187	–	9,857	259,827	15.34	3.79
Mr J Stuart-Robertson	289,493	–	15,000	304,493	30,154	–	30,856	365,503	8.44	8.44
Mr D Sykes	334,264	31,452	–	365,716	30,327	–	31,430	427,473	14.71	7.35
Mr K Lonergan	201,910	29,127	–	231,037	17,216	–	35,422	283,675	22.75	12.49
Mr L duPreez	214,685	–	15,000	229,685	22,482	61,655	15,598	329,420	4.73	4.73
Totals	**2,852,351**	**228,258**	**90,000**	**3,170,609**	**305,473**	**61,655**	**384,286**	**3,922,023**		

NOTES IN RELATION TO THE 2013 TABLES OF DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION - AUDITED

- Mr L duPreez terminated as Business Development Manager on 27 June 2013.
- Mr J Stuart-Robertson terminated as Chief Operating Officer on 17 July 2013.
- Mr A Purse terminated as General Manager Technical Services on 16 August 2013.
- The short-term incentive bonus is for performance during the respective financial year. The amount was finally determined on 31 July 2012 after performance reviewS were completed and approved by the RNC.
- The fair value of the rights is calculated at the date of grant using a binomial pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.

5 REMUNERATION REPORT CONTINUED

5.2 Directors' and executive officers' remuneration - audited CONTINUED

2012					Post-employment		Share-based payments			
In thousands of AUD	Salary & fees ($)	STI cash bonus ($)	Non-monetary benefits ($)	Total ($)	Super-annuation benefits ($)	Termin-ation benefits ($)	Rights ($)	Total ($)	Proportion of remuneration performance related (%)	Value of rights as a proportion of remuneration (%)
Non-executive Directors										
Mr P Slaughter	84,157	–	–	84,157	7,574	–	–	91,731	0.00	0.00
Mr D Hamblin	48,624	–	–	48,624	4,376	–	–	53,000	0.00	0.00
Mr I Hall	–	–	–	–	–	–	–	–	0.00	0.00
Mr J Wentworth	56,352	–	–	56,352	–	–	–	56,352	0.00	0.00
Executive Directors										
Mr A Watts	178,394	–	–	178,394	16,053	–	–	194,447	0.00	0.00
Mr A Caruso	343,670	107,100	15,000	465,770	40,396	–	212,665	718,830	44.48	29.58
Executives										
Mr A Purse	231,565	52,910	15,000	299,475	19,640	–	34,847	353,962	24.79	9.84
Mr D Fitzpatrick	204,248	240,562	–	444,810	14,043	–	13,939	472,792	58.83	2.95
Mr C Kneipp	190,151	27,281	15,000	232,432	19,797	–	34,847	287,076	21.64	12.14
Ms V Gayton	187,425	78,905	–	266,330	18,470	–	20,908	305,708	32.65	6.84
Mrs B Jooste	175,486	75,860	15,000	266,346	15,794	–	18,910	301,050	31.48	6.28
Mr J Stuart-Robertson	147,273	50,751	7,110	205,134	13,024	–	42,183	260,341	35.70	16.20
Mr D Sykes	65,709	20,482	–	86,191	5,683	–	17,138	109,012	34.51	15.72
Mr K Lonergan	74,026	26,912	–	100,938	6,536	–	20,444	127,918	37.02	15.98
Mr L duPreez	226,954	48,418	15,000	290,372	19,225	–	35,843	345,440	24.39	10.38
Totals	**2,214,034**	**729,181**	**82,110**	**3,025,325**	**200,611**	–	**451,724**	**3,677,660**		

NOTES IN RELATION TO THE 2012 TABLES OF DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION - AUDITED

- Mr L duPreez was appointed as Business Development Manager on 4 July 2011.
- Mr D Sykes was appointed as General Manager Underground on 24 April 2012.
- Mr K Lonergan was appointed as General Manager Services on 20 February 2012.
- Mr J Stuart-Robertson was appointed as Chief Operating Officer on 9 January 2012.
- The short-term incentive bonus is for performance during the respective financial year. The amount was finally determined on 31 July 2012 after performance reviews were completed and approved by the RNC.
- The fair value of the rights is calculated at the date of grant using a binomial pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.

5.3 Analysis of bonuses included in remuneration - audited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Group and other Key Management Personnel are detailed below.

In thousands of AUD	Included in remuneration (A) ($)	Vested in year (%)	Forfeited in year (B) (%)
Directors			
Mr A Caruso	29,402	15.00	85.00
Executives			
Mr A Purse	–	20.00	80.00
Mr D Fitzpatrick	51,966	50.00	50.00
Mr C Kneipp	28,864	45.00	55.00
Ms V Gayton	27,443	30.00	70.00
Mrs B Jooste	30,004	30.00	70.00
Mr J Stuart-Robertson	–	0.00	100.00
Mr D Sykes	31,452	19.00	81.00
Mr K Lonergan	29,127	30.00	70.00
Mr L duPreez	–	0.00	100.00

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2013 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

5 REMUNERATION REPORT CONTINUED

5.4 Equity instruments - audited

All rights refer to rights to acquire one ordinary share of Mastermyne Group Limited, which upon exercise are exchangeable on a one for one basis.

5.4.1 RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION - AUDITED

Details of rights exchangeable for ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on rights that vested during the reporting period are:

	Number of rights granted during 2013	Grant date	Fair value per right at grant date ($)	Exercise price per right ($)	Expiry date	Number of rights vested during 2013
Executives						
Mr A Caruso	245,000	26/11/2012	0.19	1.64	30/06/2015	–
Mr A Caruso	105,000	26/11/2012	0.48	1.23	30/06/2015	–
Mr A Caruso	245,000	26/11/2012	0.17	1.64	30/06/2016	–
Mr A Caruso	105,000	26/11/2012	0.46	1.23	30/06/2016	–
Mr A Caruso	245,000	26/11/2012	0.16	1.64	30/06/2017	–
Mr A Caruso	105,000	26/11/2012	0.46	1.23	30/06/2017	–

No rights have been granted since the end of the financial year. The rights were provided at no cost to the recipients.

5.4.2 MODIFICATION OF TERMS OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS - AUDITED

No terms of equity-settled share-based payment transactions (including rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

5.4.3 EXERCISE OF RIGHTS GRANTED AS COMPENSATION - AUDITED

During the reporting period, there were no shares issued on the exercise of rights previously granted as compensation.

5.4.4 ANALYSIS OF RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION - AUDITED

Details of vesting profiles of the rights granted as remuneration to each key management person of the Group are detailed below.

	Number of rights granted	Grant date	Vested in year (%)	Forfeited in year (%)	Financial year in which grant vests
Executives					
Mr A Caruso	630,000	23/11/2010	0.00	100.00	2013
Mr A Caruso	270,000	23/11/2010	100.00	0.00	2013
Mr A Caruso	245,000	26/11/2012	0.00	0.00	2014
Mr A Caruso	245,000	26/11/2012	0.00	0.00	2015
Mr A Caruso	245,000	26/11/2012	0.00	0.00	2016

Mr A Caruso	105,000	26/11/2012	0.00	0.00	2014
Mr A Caruso	105,000	26/11/2012	0.00	0.00	2015
Mr A Caruso	105,000	26/11/2012	0.00	0.00	2016
Mr A Purse	18,750	08/08/2011	0.00	0.00	2013
Mr A Purse	87,500	08/08/2011	0.00	0.00	2014
Mr A Purse	18,750	08/08/2011	100.00	0.00	2013
Mr A Purse	87,500	08/08/2011	0.00	0.00	2014
Mr D Fitzpatrick	7,500	08/08/2011	0.00	0.00	2013
Mr D Fitzpatrick	35,000	08/08/2011	0.00	0.00	2014
Mr D Fitzpatrick	7,500	08/08/2011	100.00	0.00	2013
Mr D Fitzpatrick	35,000	08/08/2011	0.00	0.00	2014
Mr C Kneipp	18,750	08/08/2011	0.00	0.00	2013
Mr C Kneipp	87,500	08/08/2011	0.00	0.00	2014
Mr C Kneipp	18,750	08/08/2011	100.00	0.00	2013
Mr C Kneipp	87,500	08/08/2011	0.00	0.00	2014
Ms V Gayton	11,250	08/08/2011	0.00	0.00	2013
Ms V Gayton	52,500	08/08/2011	0.00	0.00	2014
Ms V Gayton	11,250	08/08/2011	100.00	0.00	2013
Ms V Gayton	52,500	08/08/2011	0.00	0.00	2014
Mrs B Jooste	11,250	08/08/2011	0.00	0.00	2013
Mrs B Jooste	58,500	08/08/2011	0.00	0.00	2014
Mrs B Jooste	11,250	08/08/2011	100.00	0.00	2013
Mrs B Jooste	58,500	08/08/2011	0.00	0.00	2014
Mr J Stuart-Robertson	18,750	31/01/2012	0.00	0.00	2013
Mr J Stuart-Robertson	87,500	31/01/2012	0.00	0.00	2014
Mr J Stuart-Robertson	18,750	31/01/2012	100.00	0.00	2013
Mr J Stuart-Robertson	87,500	31/01/2012	0.00	0.00	2014
Mr D Sykes	18,750	01/06/2012	0.00	0.00	2013
Mr D Sykes	87,500	01/06/2012	0.00	0.00	2014
Mr D Sykes	18,750	01/06/2012	100.00	0.00	2013
Mr D Sykes	87,500	01/06/2012	0.00	0.00	2014
Mr K Lonergan	18,750	28/03/2012	0.00	0.00	2013
Mr K Lonergan	56,250	28/03/2012	0.00	0.00	2014
Mr K Lonergan	18,750	28/03/2012	100.00	0.00	2013
Mr K Lonergan	56,250	28/03/2012	0.00	0.00	2014
Mr L duPreez	31,250	08/08/2011	0.00	100.00	2013
Mr L duPreez	75,000	08/08/2011	0.00	100.00	2014
Mr L duPreez	31,250	08/08/2011	100.00	0.00	2013
Mr L duPreez	75,000	08/08/2011	0.00	100.00	2014

5 REMUNERATION REPORT CONTINUED

5.4 Equity instruments - audited CONTINUED

5.4.5 ANALYSIS OF MOVEMENTS IN RIGHTS - AUDITED

The movement during the reporting period, by value, of rights exchangeable for ordinary shares in the Company held by each key management person and each of the five named Group executives is detailed below.

	Granted in year (A) ($)	Value of rights exercised in year (B) ($)	Lapsed in year (C) ($)
Executives			
Mr A Caruso	275,793	–	–

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date using a binomial option and Monte Carlo pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the right.

(C) The value of the rights that lapsed during the year represents the benefit forgone and is calculated at the date the right lapsed, assuming the performance criteria had been achieved.

6 PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were to provide contracting services to the underground long wall mining operations and surface maintenance and electrical services in the coalfields of Queensland's Bowen Basin and New South Wales.

Significant changes in the state of affairs

There have not been any significant changes in the state of affairs of the Group for the financial year ended 30 June 2013.

7 ENVIRONMENTAL REGULATION

The Group is subject to various environmental regulations under both Commonwealth and State legislation in relation to its involvement in the operation of mines.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

8 DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

In thousands of AUD	Per share ($)	Total amount ($)	Franked/ Unfranked	Date of payment
Declared and paid during the year 2013				
2012 Ordinary - Ordinary Shares Final Dividend	0.05	3,618	Franked	16/10/2012
2013 Ordinary - Ordinary Shares Interim Dividend	0.03	2,487	Franked	05/04/2013
Total Amount		**6,105**		

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

After balance sheet date, a dividend of 3.6 cents per share was declared with a record date of 27 September 2013, and payment date of 16 October 2013.

9 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year-end, the Directors declared a dividend of 3.6 cents per share as per the details set out in note 20 of the annual financial report.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year 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.

10 LIKELY DEVELOPMENTS

It is well understood that the coal sector has been in sharp decline following rising costs and declining coal prices and this has significantly impacted the Mining Services sector. FY2014 is forecast to continue with this challenging backdrop for Mining Services companies as Coal Producers adjust to the current cost environment. Despite this challenging outlook, Mastermyne is well positioned to deliver positive results supported by the current order book, recurring revenue and contract renewals. In addition to this, we continue to see Coal Producers move away from smaller, less established contractors to larger contractors that can reduce costs, risk and provide certainty in outcomes. The Company has also historically seen an increase in the use of contract services following a slowdown as Coal Producers move cautiously and with flexibility to undertake work as the sector recovers. These two factors will present Mastermyne opportunity to gain further market share. Mastermyne's current contracted order book is entirely linked to production at coking coal operations.

11 DIRECTORS' INTERESTS

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Mastermyne Group Limited	
	Ordinary shares	Options and rights over ordinary shares
Mr P Slaughter	102,000	–
Mr J Wentworth	–	–
Mr D Hamblin	9,702,658	–
Mr A Watts	10,552,428	–
Mr A Caruso	1,221,693	2,100,000

12 SHARE OPTIONS

Unissued shares under options

At the date of this report there were no unissued ordinary shares of the Company under option.

13 SHARE OPTIONS

Indemnification

The Company has agreed to indemnify the following current Directors of the company; Mr P Slaughter, Mr A Caruso, Mr D Hamblin, Mr A Watts and Mr J Wentworth; for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position within the company and its controlled entities, except where liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

The company has not made a relevant agreement, or indemnified against a liability, for any person who is or has been an auditor of the company.

Insurance premiums

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

The Company has agreed to indemnify the current Directors and all officers of the parent entity and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where liability arises out of conduct involving a lack of good faith.

14 NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out on the next page. In addition, amounts paid to other auditors for the statutory audit have been disclosed.

	Consolidated	
In thousands of AUD	**2013**	**2012**
Audit services:		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	182,003	203,367
	182,003	**203,367**
Services other than statutory audit:		
Other services		
Taxation compliance services (KPMG Australia)	48,654	48,624
Risk Management Services	–	22,000
	48,654	**70,624**

15 PROCEEDINGS ON BEHALF OF THE COMPANY

No person has been applied for leave for Court to bring proceeding on behalf of the Company or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not part in any such proceedings during the year.

16 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence is set out on page 32 and forms part of the Directors' report for financial year ended 30 June 2013.

17 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 with a resolution of Directors:

P. Slaughter
Chairman

Dated at Mackay on 28 August 2013.

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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 audit for the financial year ended 30 June 2013 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

Dated at Brisbane on 28 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

BALANCE SHEET

AS AT 30 JUNE 2013

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Assets			
Cash and cash equivalents	19	10,223	13,328
Trade and other receivables	18	40,906	49,859
Inventories	17	2,332	1,933
Total current assets		**53,461**	**65,120**
Deferred tax assets	16	–	469
Property, plant and equipment	14	32,760	39,099
Intangible assets	15	20,040	19,696
Total non-current assets		**52,800**	**59,264**
Total assets		**106,261**	**124,384**
Liabilities			
Trade and other payables	25	15,274	27,660
Loans and borrowings	22	6,732	5,371
Employee benefits	23	8,762	8,350
Current tax payable	16	1,398	9,100
Total current liabilities		**32,166**	**50,481**
Loans and borrowings	22	11,442	19,068
Employee benefits	23	120	104
Deferred tax liabilities	16	1,637	–
Total non-current liabilities		**13,199**	**19,172**
Total liabilities		**45,365**	**69,653**
Net assets		**60,896**	**54,731**
Equity			
Share capital		50,964	50,964
Reserves		(22,077)	(22,456)
Retained earnings		31,632	26,223
Total equity attributable to equity holders of the Company		60,519	54,731
Non-controlling interests		377	–
Total equity		**60,896**	**54,731**

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

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Revenue	8	248,836	271,955
Other income	9	745	451
Contract disbursements		(48,998)	(52,100)
Personnel expenses	11	(165,739)	(181,610)
Office expenses		(6,749)	(6,007)
Depreciation and amortisation expense	14,15	(7,930)	(6,606)
Other expenses	10	(2,217)	(1,125)
Results from operating activities		**17,948**	**24,958**
Finance income		361	237
Finance expense		(1,801)	(1,445)
Net finance expense	12	**(1,440)**	**(1,208)**
Profit before income tax		**16,508**	**23,750**
Income tax expense	13	(4,979)	(9,086)
Profit for the period		**11,514**	**14,664**
Other comprehensive income for the period, net of income tax		–	–
Total comprehensive income for the period		**11,529**	**14,664**
Attributable to			
Owners of the Company		11,514	14,664
Non-controlling interests		15	–
Profit for the period		**11,529**	**14,664**
Earnings per share			
Basic earnings per share	21	0.15	0.20
Diluted earnings per share	21	0.15	0.20

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to owners of the Company						
In thousands of AUD	Share capital	Retained earnings	Share-based payment reserve (note 20)	Common control reserve (note 20)	Total	Non-controlling interests	Total
Consolidated							
Balance at 1 July 2011	49,124	16,609	1,330	(24,237)	42,826	–	42,826
Total comprehensive income for the period							
Profit for the period	–	14,664	–	–	14,664	–	14,664
Total comprehensive income for the period	–	**14,664**	–	–	**14,664**	–	**14,664**
Transactions with owners recorded directly in equity							
Share options exercised	1,840	–	–	–	1,840	–	1,840
Share-based payment transactions	–	–	451	–	451	–	451
Dividends to equity holders	–	(5,050)	–	–	(5,050)	–	(5,050)
Total contributions by and distributions to owners	1,840	(5,050)	451	–	(2,759)	–	(2,759)
Balance at 30 June 2012	**50,964**	**26,223**	**1,781**	(24,237)	**54,731**	–	**54,731**
Balance at 1 July 2012	**50,964**	**26,223**	**1,781**	(24,237)	**54,731**	–	**54,731**
Total comprehensive income for the period							
Profit for the period	–	11,514	–	–	11,514	15	11,529
Total comprehensive income for the period	–	**11,514**	–	–	**11,514**	15	**11,529**
Transactions with owners recorded directly in equity							
Share-based payment transactions	–	–	379	–	379	–	379
Dividends to equity holders	–	(6,105)	–	–	(6,105)	–	(6,105)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	362	362
Total contributions by and distributions to owners	–	(6,105)	379	–	(5,726)	362	(5,364)
Balance at 30 June 2013	**50,964**	**31,632**	**2,160**	**(24,237)**	**60,519**	**377**	**60,896**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Cash flows from operating activities			
Cash receipts from customers		285,945	290,802
Cash paid to suppliers and employees		(262,904)	(263,585)
Cash generated from operations		23,041	27,217
Interest paid		(1,801)	(1,445)
Income tax paid		(10,656)	(2,333)
Net cash flows from operating activities	29	10,584	23,439
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		958	128
Acquisition of property, plant and equipment		(1,989)	(6,154)
Acquisition of intangibles		–	(26)
Interest received		361	237
Acquisition of subsidiary, net of cash acquired		(650)	–
Net cash flows used in investing activities		**(1,320)**	**(5,815)**
Cash flows from financing activities			
Proceeds from exercise of share options		–	1,840
Proceeds from borrowings		5,331	1,388
Repayment of borrowings		(11,595)	(8,494)
Dividends paid	20	(6,105)	(5,050)
Net cash flows used in financing activities		**(12,369)**	**(10,316)**
Net increase/(decrease) in cash and cash equivalents		(3,105)	7,308
Cash and cash equivalents at beginning of period		13,328	6,020
Cash and cash equivalents at end of period	19	**10,223**	**13,328**

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

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements of the Company as at and for the year ended 30 June 2013 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.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 28 August 2013.

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 15; key assumptions used in discounted cash flow projections
- Note 24; measurement of share-based payments

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

(i) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred;
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a) Basis of consolidation CONTINUED

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

ii) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) ACQUISITIONS FROM ENTITIES UNDER COMMON CONTROL

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholders' consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group. Any cash paid for the acquisition is recognised directly in equity.

(iv) LOSS OF CONTROL

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

(v) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(vi) NON-CONTROLLING INTERESTS

For each business combination, the Group elects to measure any non-controlling interests in the aquiree either:

- at fair value; or
- at their proportionate share of the acquiree's indentifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

b) Financial instruments

(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(m).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(h)(i)).

(ii) SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

c) Property, plant and equipment

(i) RECOGNITION AND MANAGEMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within “other income” and “other expenses” in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) SUBSEQUENT COSTS

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) DEPRECIATION

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on both a straight-line and diminishing basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates which reflect the estimated useful lives for the current and comparative periods are as follows:

	2013 (%)	2012 (%)
Low value pool	18.75 - 37.50	18.75 - 37.50
Plant and equipment	7.50 - 50.00	7.50 - 50.00
Motor vehicles	12.50 - 30.00	12.50 - 30.00
Computer equipment	37.50 - 50.00	37.50 - 50.00
Office furniture and equipment	66.66	66.66
Leasehold improvements	7.50 - 15.00	7.50 - 15.00

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) LEASEHOLD IMPROVEMENTS

The cost of improvements to, or in, leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Group, whichever is shorter.

d) Intangible assets

(i) GOODWILL

Goodwill that arises upon the acquisition of the subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3 (a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) Intangible assets CONTINUED

(iv) AMORTISATION

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	2013	2012
Customer related intangibles	3-7 years	3-7 years
Intellectual Property	8-10 years	8-10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end, and adjusted if appropriate.

e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Unbilled revenue

Unbilled revenue is the estimated amount recoverable from customers in relation to unbilled services rendered as at balance date.

h) Impairment

(i) FINANCIAL ASSETS (INCLUDING RECEIVABLES)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of
an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Employee benefits

(i) DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss in periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations including liabilities for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to reporting date and are calculated on an undiscounted basis on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation, insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

(v) BONUS PLANS

A liability and an expense for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(vi) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

k) Revenue

(i) GOODS SOLD

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) SERVICES

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date for fixed price work and as services are provided for work completed on schedule of rates. The stage of completion for fixed price work is assessed by reference to the tasks completed as per the agreed schedule of work provided. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

m) Finance income and expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit and loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of exiting tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group formed with effect from 7 May 2010. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Mastermyne Group Limited.

o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements of the Group. None of these are expected to have a significant effect on the consolidated financial statements of the Group except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

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) PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on management's estimate of market value at the date of acquisition.

(ii) 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.

(iii) TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes or when acquired in a business combination.

4 DETERMINATION OF FAIR VALUES CONTINUED

(iv) 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.

(v) 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.

(vi) CONTINGENT CONSIDERATION

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

5 FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk,
- interest risk rate,
- liquidity risk.

This Note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout this financial report.

Risk management framework

The Board, together with management, seeks to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The whole issue of risk management is identified in the Group's various corporate governance policies and will continue to be kept under regular review. Review takes place at both Audit and Risk Management Committee level, with meetings at least four times a year, and at Board level.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The vast majority of the Group's customers are the large multinational mining companies whose track record of payment has resulted in a very good credit history. There is no formal credit policy but each customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions (30 days) are offered. The Group operates under signed contracts, purchase orders and forward purchase agreements which all have agreed payment terms included.

The aged receivables are reviewed on a weekly basis by senior management and overdue amounts followed up with customers for payment. The Group does not require collateral in respect of trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand and undrawn facilities to meet expected operational cash flows for a period of 70 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Group maintains the following lines of credit:

- A $14 million Flexible Options Facility that can be split into commercial bills, overdraft and bank guarantees as required. Currently the facilities are split in the following proportions;
  - $5.5 million overdraft facility that is unsecured,
  - $4.0 million revolving bank guarantee facility.
- $30.5 million equipment finance facility.

Interest rate risk

The Group ensures that interest rates for equipment finance are fixed at the time each individual equipment loan is entered into for the term of the loan; and the interest rates for commercial bills are fixed for the term of the commercial bills.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total capital. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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 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.

	Underground Mining Services		**Engineering and Fabrication**		**Electrical and Mechanical Services**		**Consolidated**	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External revenues	194,251	242,980	17,819	22,618	36,766	6,357	248,836	271,955
Intersegment revenue	12,129	6,992	1,471	1,756	6	69	13,606	8,817
Depreciation and amortisation	(7,336)	(5,937)	(270)	(329)	(33)	(49)	(7,639)	(6,315)
Net finance costs	(1,425)	(1,206)	(2)	(2)	(13)	–	(1,440)	(1,208)
Reportable segment profit/(loss) before income tax	**9,864**	**21,979**	**1,705**	**3,041**	**5,212**	**(921)**	**16,781**	**24,099**
Other material non-cash items:								
Impairment on property, plant and equipment and intangible assets	–	–	–	–	–	–	–	–
Segment assets	80,661	97,833	13,797	17,436	11,803	8,812	106,261	124,081
Capital expenditure	2,310	14,151	62	388	–	69	2,364	14,608
Segment liabilities	(39,508	(67,107)	(1,557)	(2,787)	(6,350)	(828)	(47,415)	(70,722)

NOTES TO THE FINANCIAL STATEMENTS

RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER MATERIAL ITEMS

In thousands of AUD	2013	2012
Revenues		
Total revenue for reportable segments	262,442	280,772
Elimination of inter-segment revenue	(13,606)	(8,817)
Consolidated revenue	**248,836**	**271,955**
Profit or loss		
Total profit or loss for reportable segments	16,781	24,099
Elimination of inter-segment profits	(14,063)	(350)
Unallocated amounts: other corporate expenses	13,790	1
Consolidated profit before income tax	**16,508**	**23,750**
Assets		
Total assets for reportable segments	106,261	124,081
Other assets	–	303
Consolidated total assets	**106,261**	**124,384**
Liabilities		
Total liabilities for reportable segments	47,415	70,722
Unallocated amounts: corporate tax liability	(2,050)	(1,069)
Consolidated total liabilities	**45,365**	**69,653**

Geographical information

The Group has only operated in Australia during the current and comparative periods. All assets are held within Australia as at 30 June 2013 and 30 June 2012.

Major customers

The Group has four (2012: four) customers in the Underground Mining Services segment and one (2012: nil) customer in the Electrical and Mechanical Services segment, which individually represent in excess of 10% of the Group's revenues. The total revenue from these customers represents $172,154 thousand (2012: $177,277 thousand) of the Group's total revenues.

7 BUSINESS COMBINATIONS

Acquisitions

On 17 December 2012, the Group obtained control of 4Sight Training Solutions Pty Ltd (4Sight), provider of on-site and off-site training for the resources industry, by acquiring 66.67% of the shares and voting interests in the company. As a result, the Group's equity interest in 4Sight increased from 0% to 66.67%.

The Group, via its MyneStart business, has worked in close partnership with 4Sight to deliver the successful MyneStart cleanskin programme and, through this partnership, has identified significant synergies and opportunities in bringing the two organisations together and expanding the service offering. 4Sight is a Registered Training Organisation (RTO) with scope to deliver training programs both on-site and off-site in traditional industry packages. Taking control of 4Sight will enable the Group to increase the utilisation of its training facility and expand its service offering by combining both parties' expertise. Since acquisition, 4Sight has changed its name to MyneSight Pty Ltd (MyneSight).

In the period from acquisition to 30 June 2013, 4Sight contributed revenue of $976 thousand and profit of $45 thousand to the Group's results.

Consideration Transferred

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

In thousands of AUD	
Cash	723
Total consideration	**723**

Of the cash consideration, $210 thousand was held in escrow and was released to the vendors in June 2013 upon the completion of a statutory audit to keep Registered Training Organisation status resulting from the change in ownership.

Identifiable assets acquired and liabilities assumed

	Note	Total
In thousands of AUD		
Property, plant and equipment	14	125
Intangible assets (customer relationships)	15	276
Trade and other receivables		389
Cash and cash equivalents		74
Work in progress and inventories		35
Trade and other payables		(305)
Deferred tax liability		(83)
Employee benefits		(27)
Total net indentifiable assets		**484**

Goodwill

	Note	Total
In thousands of AUD		
Total consideration transferred		723
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		362
Fair value of identifiable net assets		(484)
	15	**601**

Transactions separate from the acquisitions

The Group incurred acquisition costs of $26 thousand relating to external legal fees and due diligence costs in relation to these acquisitions. These legal fees and due diligence expenses have been recognised in in other expenses in the Group's consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

8 REVENUE

	Consolidated	
In thousands of AUD	**2013**	**2012**
Contracting revenue	221,677	241,195
Sale of goods	17,819	22,618
Machinery hire	9,340	8,142
	248,836	**271,955**

9 OTHER INCOME

	Consolidated	
In thousands of AUD	**2013**	**2012**
Administration income	731	426
Gain on sale of property, plant and equipment	14	25
	745	**451**

10 OTHER EXPENSES

	Consolidated	
In thousands of AUD	**2013**	**2012**
Loss on sale of property, plant and equipment	487	63
Business acquisition costs	51	–
Business development costs	45	22
Insurance	1,527	1,256
Impairment (gain)/loss on trade receivables	107	(216)
	2,217	**1,125**

11 PERSONNEL EXPENSES

	Consolidated	
In thousands of AUD	**2013**	**2012**
Wages and salaries	146,825	161,364
Other associated personnel expenses	10,574	11,923
Contributions to defined contribution superannuation funds	7,961	7,872
Equity-settled share-based payment transactions	379	451
	165,739	**181,610**

12 FINANCE INCOME AND EXPENSE

Recognised in profit or loss	Consolidated	
In thousands of AUD	**2013**	**2012**
Interest income	361	237
Finance income	**361**	**237**
Bank charges	(176)	(132)
Interest expenses	(220)	(306)
Finance lease interest	(1,405)	(1,007)
Finance expense	**(1,801)**	**(1,445)**
Net finance expense recognised in profit or loss	**(1,440)**	**(1,208)**

13 INCOME TAX EXPENSE

	Consolidated	
In thousands of AUD	**2013**	**2012**
Current tax expense		
Current period	3,125	9,414
Changes to consolidation legislation	–	845
Adjustment for prior periods	(171)	(97)
	2,954	**10,162**
Deferred tax expenses		
Origination and reversal of temporary differences	2,025	(1,433)
Adjustment for prior period	–	78
Changes to consolidation legislation	–	279
	2,025	**(1,076)**
Total income tax expense	**4,979**	**9,086**

NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT

	Consolidated	
In thousands of AUD	**2013**	**2012**
Profit excluding income tax	16,508	23,750
Income tax using the Group's statutory rate of 30% (2012: 30%)	4,952	7,125
Non-deductible expenses	198	856
Derecognition of rights to future income	–	1,124
Under/(over) provision of previous year	(171)	(19)
	4,979	**9,086**

14 PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Low value pool	Plant and equipment	Motor vehicles	Computer equipment	Capital WIP	Office furniture and equipment	Leasehold improve-ments	Total
Cost or deemed cost								
Balance at 1 July 2011	928	39,155	2,313	1,166	4,224	500	408	48,694
Additions	47	3,340	112	424	9,200	26	1,459	14,608
Disposals	(2)	(354)	(440)	(1)	(13)	(28)	(48)	(886)
Impairment loss	–	–	–	–	–	–	–	–
Transfers	1	10,591	–	–	(10,592)	–	–	–
Balance at 30 June 2012	**974**	**52,732**	**1,985**	**1,589**	**2,819**	**498**	**1,819**	**62,416**
Balance at 1 July 2012	974	52,732	1,985	1,589	2,819	498	1,819	62,416
Additions	–	1,887	71	225	–	–	181	2,364
Disposals	–	(4,361)	(522)	–	–	(11)	–	(4,894)
Impairment loss	–	–	–	–	–	–	–	–
Acquired through business combination	–	54	71	–	–	–	–	125
Transfers	(974)	3,624	–	163	(2,819)	6	–	–
Balance at 30 June 2013	–	**53,936**	**1,605**	**1,977**	–	**493**	**2,000**	**60,011**
Depreciation and impairment losses								
Balance at 1 July 2011	768	14,720	1,251	831	–	262	182	18,014
Depreciation for the year	56	5,208	279	280	–	121	66	6,010
Disposals	(1)	(315)	(328)	(1)	–	(26)	(36)	(707)
Impairment loss	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–
Balance at 30 June 2012	**823**	**19,613**	**1,202**	**1,110**	–	**357**	**212**	**23,317**
Balance at 1 July 2012	823	19,613	1,202	1,110	–	357	212	23,317
Depreciation for the year	–	6,354	200	268	–	64	511	7,397
Disposals	–	(3,068)	(385)	–	–	(10)	–	(3,463)
Impairment loss	–	–	–	–	–	–	–	–
Transfers	(823)	823	–	–	–	–	–	–
Balance at 30 June 2013	–	**23,722**	**1,017**	**1,378**	–	**411**	**723**	**27,251**
Carrying amounts								
At 1 July 2011	160	24,435	1,062	335	4,224	238	226	30,680
At 30 June 2012	**151**	**33,119**	**783**	**479**	**2,819**	**141**	**1,607**	**39,099**
At 1 July 2012	151	33,119	783	479	2,819	141	1,607	39,099
At 30 June 2013	–	**30,214**	**588**	**599**	–	**82**	**1,277**	**32,760**

The Group leases equipment under a number of finance lease agreements. At 30 June 2013, the net carrying amount of leased property, plant and equipment was $21,960 thousand (2012: $15,969 thousand).

15 INTANGIBLE ASSETS

	Consolidated	
In thousands of AUD	**2013**	**2012**
Goodwill		
Cost (gross carrying amount)	18,869	18,268
Net carrying amount	**18,869**	**18,268**
Customer relationships		
Cost (gross carrying amount)	2,945	2,669
Accumulated amortisation and impairment	(2,501)	(2,102)
Net carrying amount	**444**	**567**
Intellectual Property		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(795)	(661)
Net carrying amount	**727**	**861**
Total intangible assets		
Cost (gross carrying amount)	23,336	22,459
Accumulated amortisation and impairment	(3,296)	(2,763)
Net carrying amount	**20,040**	**19,696**

RECONCILIATION OF CARRYING AMOUNT AT BEGINNING AND END OF THE PERIOD

	Consolidated	
In thousands of AUD	**2013**	**2012**
Goodwill		
Carrying amount - opening	18,268	18,268
Acquired in business combination	601	–
Carrying amount - closing	**18,869**	**18,268**
Customer relationships		
Carrying amount - opening	567	1,033
Acquired in business combination	276	–
Amortisation	(399)	(466)
Carrying amount - closing	**444**	**567**
Intellectual Property		
Carrying amount - opening	861	952
Other acquisitions - internally developed	–	39
Amortisation	(134)	(130)
Carrying amount - closing	**727**	**861**
Total intangible assets		
Carrying amount - opening	19,696	20,253
Acquired in business combination	877	–
Other acquisitions - internally developed	–	39
Amortisation	(533)	(596)
Carrying amount - closing	**20,040**	**19,696**

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

15 INTANGIBLE ASSETS CONTINUED

Amortisation and impairment charge

The accounting policy for the recognition and measurement of intangible assets is set out in Note 3(d).

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:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Underground mining services	7,030	6,429
Engineering and fabrication	7,301	7,301
Electrical services	4,538	4,538
	18,869	**18,268**

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 and the business plans and long-term strategy for the relevant cash generating unit. The key assumptions for each cash-generating unit were as follows:

	Annual growth rate (FY2014 - FY2018) (%)	Terminal growth rate (%)	Pre-tax discount rate (%)
Underground mining services	5.00	2.50	15.50
Engineering and fabrication	5.00	2.50	18.00
Electrical and mechanical services*	20.00	2.50	18.60

*20% growth rate was used for Electrical and Mechanical Services as the starting cash flows were low, based on the current order book.

The discount rate was calculated based on the Group's weighted average cost of capital, 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 Group's current debt and interest rates payable on this debt.

16 TAX ASSETS AND LIABILITIES

Current tax assets and liabilities

The current tax liability for the Group of $1,398 thousand (2012: $9,100 thousand) represents the amount of income taxes payable, in respect of current and prior periods.

The consolidated liability includes the income tax payable by the Company and its subsidiaries.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Employee benefits	2,254	2,119	–	–	2,254	2,119
Property, plant and equipment	55	80	(1,514)	(879)	(1,459)	(799)
Receivables	–	–	–	–	–	–
Intangible assets	98	98	(133)	(161)	(35)	(63)
Accruals	356	620	–	–	356	620
Capital raising and business acquisition costs	172	331	(29)	(31)	143	300
Unbilled revenue	–	–	(2,898)	(1,712)	(2,898)	(1,712)
Provisions	2	4	–	–	2	4
Tax assets/(liabilities)	**(2,937)**	**3,252**	**(4,574)**	**(2,783)**	**(1,637)**	**469**
Set off of tax	(2,937)	(2,783)	2,937	2,783	–	–
Net tax assets/(liabilities)	–	**469**	**(1,637)**	–	**(1,637)**	**469**

Movement in temporary differences during the year

Consolidated	Balance 1 July 2011	Recognised in profit or loss	Acquired in business combinations	Balance 30 June 2012
In thousands of AUD				
Employee benefits	938	1,181	–	2,119
Property, plant and equipment	(497)	(302)	–	(799)
Receivables	(1,080)	1,080	–	–
Intangible assets	(178)	115	–	(63)
Accruals	243	377	–	620
Capital raising and business acquisition costs	484	(184)	–	300
Unbilled revenue	(1,070)	(642)	–	(1,712)
Provisions	–	4	–	4
Other items	278	(278)	–	–
Tax loss carry-forwards	198	(198)	–	–
	(684)	**1,153**	–	**469**

16 TAX ASSETS AND LIABILITIES CONTINUED

Consolidated	Balance 1 July 2012	Recognised in profit or loss	Acquired in business combinations	Balance 30 June 2013
In thousands of AUD				
Employee benefits	2,119	135	–	2,254
Property, plant and equipment	(799)	(660)	–	(1,459)
Intangible assets	(63)	111	(83)	(35)
Accruals	620	(264)	–	356
Capital raising and business acquisition costs	300	(157)	–	143
Unbilled revenue	(1,712)	(1,186)	–	(2,898)
Provisions	4	(2)	–	2
	469	**(2,023)**	**(83)**	**(1,637)**

17 INVENTORIES

	Consolidated	
In thousands of AUD	**2013**	**2012**
Inventory on hand	2,332	1,933
	2,332	**1,933**

During the year ended 30 June 2013, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $8,032 thousand (2012: $5,490 thousand).

18 TRADE AND OTHER RECEIVABLES

	Consolidated	
In thousands of AUD	**2013**	**2012**
Trade receivables	28,856	41,578
Pre-payments	1,344	852
Unbilled revenue	10,163	7,173
Other receivables	543	256
	40,906	**49,859**

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 26.

19 CASH AND CASH EQUIVALENTS

	Consolidated	
In thousands of AUD	**2013**	**2012**
Bank balances	10,213	13,325
Cash and cash equivalents in the statement of cash flows	10	3
	10,223	**13,328**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

20 CAPITAL RESERVES

	Ordinary class shares	
AUD	**2013**	**2012**
On issue at 1 July	75,367,514	73,367,514
Shares issued to settle contingent consideration	–	–
Exercise of share options	–	2,000,000
On issue at 30 June - fully paid	**75,367,514**	**75,367,514**

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:

In thousands of AUD	Dollars per share	Total amount	Franked/ Unfranked	Date of payment
2013				
2012 Ordinary - Ordinary Shares Final Dividend	$ 0.048	3,618	Franked	16/10/2012
2013 Ordinary - Ordinary Shares Interim Dividend	$ 0.033	2,487	Franked	05/04/2013
Total Amount		**6,105**		
2012				
2011 Ordinary - Ordinary Shares Final Dividend	$ 0.037	2,789	Franked	13/10/2011
2012 Ordinary - Ordinary Shares Interim Dividend	$ 0.030	2.261	Franked	19/04/2012
Total Amount		**5,050**		

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

After the balance sheet date, the following dividends were declared by the Directors, fully franked at the rate of 30%. The record date for entitlement to this dividend will be 27 September 2013 and the payment date will be 16 October 2013.

20 CAPITAL RESERVES CONTINUED

In thousands of AUD	Dollars per share	Total amount	Franked/ Unfranked	Date of payment
2013 Ordinary - Ordinary Shares Final Dividend	$ 0.036	2,712	Franked	16/10/2013

Dividend franking account

	Company	
In thousands of AUD	2013	2012
Thirty per cent franking credits available to shareholders of Mastermyne Group Limited for subsequent financial years	17,443	15,775

The balance of the dividend franking account represents the total of the individual franking accounts within the companies comprising the consolidated entity.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(i) franking credits that will arise from the payment of the current tax liabilities;

(ii) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(iii) franking credits that will arise from the receipt of dividends recognised as receivables by the Group at the year-end; and

(iv) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after balance date but not recognised as a liability is to reduce it by $1,162 thousand (2012: $1,546 thousand).

21 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $11,514 thousand (2012: $14,664 thousand) and a weighted average number of ordinary shares outstanding of 75,368 thousand (2012: 74,919 thousand), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	Consolidated	
In thousands of AUD	2013	2012
Profit attributable to ordinary shareholders	11,514	14,664

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Consolidated	
In thousands of shares	2013	2012
Issued ordinary shares at 1 July	75,368	73,368
Effect of share options exercised	–	1,551
Weighted average number of ordinary shares at 30 June	**75,368**	74,919

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders of $11,514 thousand (2012: $14,664 thousand) and a weighted average number of ordinary shares outstanding of 76,958 thousand (2012: 74,919 thousand), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)

	Consolidated	
In thousands of AUD	**2013**	**2012**
Profit attributable to ordinary shareholders (diluted)	11,514	14,664

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	Consolidated	
In thousands of shares	**2013**	**2012**
Weighted average number of ordinary shares (basic)	75,368	74,919
Effect of share options on issue	1,590	–
Weighted average number of ordinary shares (diluted) at 30 June	**76,958**	**74,919**

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

The prior period figures for basic and diluted earnings per share have been adjusted for transactions that adjusted the number of shares without a corresponding change in resources. The number of ordinary shares has been adjusted as if the event occurred at the beginning of the earliest period presented.

22 LOANS AND BORROWINGS

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. For more information about the Group's exposure to interest rate and liquidity risk, see Note 25.

	Consolidated	
In thousands of AUD	**2013**	**2012**
Current liabilities		
Insurance premium funding (unsecured)	146	(3)
Finance lease liabilities (secured)	6,586	5,374
	6,732	**5,371**
Non-current liabilities		
Finance lease liabilities (secured)	11,442	14,568
Commercial bill facility (secured)	–	4,500
	11,442	**19,068**

22 LOANS AND BORROWINGS CONTINUED

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.

FINANCE LEASE LIABILITIES

Finance lease liabilities of the Group are payable as follows:

	Consolidated					
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
In thousands of AUD	**2013**	**2013**	**2013**	**2012**	**2012**	**2012**
Less than one year	7,660	(1,074)	6,586	6,642	(1,268)	5,374
Between one and five years	12,413	(971)	11,442	16,184	(1,616)	14,568
More than five years	–	–	–	–	–	–
	20,073	**(2,045)**	**18,028**	**22,826**	**(2,884)**	**19,942**

23 EMPLOYEE BENEFITS

	Consolidated	
In thousands of AUD	**2013**	**2012**
Current		
Wages payable	1,343	1,390
Liability for annual leave	3,730	3,661
Liability for vesting sick leave	3,622	3,185
Liability for long service leave	67	114
	8,762	**8,350**
Non-current		
Liability for long service leave	120	104
	120	**104**

24 SHARE-BASED PAYMENT ARRANGEMENTS

Description of the share-based payment arrangements

At 30 June 2013, the Group has the following share-based payment arrangements.

Performance rights programme (equity settled)

An Employee Performance Rights Plan was adopted by the Board on 22 March 2010 and the plan was activated by resolution of the Board as of 1 July 2010. This plan entitles personnel to purchase shares in the Company provided performance conditions are met. In accordance with the plan, employees holding vested options are entitled to purchase shares in the Company at a set exercise price based on volume weighted average price in the two months preceding the offer.

The terms and conditions of the performance rights programme are as follows; all options are to be settled by physical delivery of shares.

Grant date and employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of rights
Performance rights granted to CEO/Managing Director on 23 November 2010	1,050	Three years' service and total shareholder return and growth in earnings per share over three years is in the 15th percentile relative to the ASX 300 index.	4 years
Performance rights granted to Key Management Personnel and senior management with grant dates between 8 August 2011 and 1 June 2012	1,800	Three years' service and total shareholder return and growth in earnings per share over three years is in the 20th percentile relative to the ASX 300 index.	4 years
Performance rights granted to CEO/Managing Director on 26 November 2012	1,050	Three years' service and total shareholder return and growth in earnings per share over three years is in the 15th percentile relative to the ASX 300 index.	4 years

Measurement of fair values

The fair value of the rights granted through the Employee Performance Rights Plan was measured based on a Binomial method and Monte Carlo simulation. Expected volatility is estimated by considering historic average share price volatility based on Mastermyne and its peers.

Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Key Management Personnel & senior management total shareholder return rights					Key Management Personnel
Fair value of share options and assumptions	**2013(5)**	**2012(1)**	**2012(2)**	**2012(3)**	**2012(4)**	**2011**
Fair value at grant date Tranche 1	$0.19	$0.19	$0.38	$0.62	$0.18	$0.40
Fair value at grant date Tranche 2	$0.17	$0.23	$0.41	$0.70	$0.33	$0.44
Fair value at grant date Tranche 3	$0.16	$0.28	$0.46	n/a	$0.38	n/a
Share price	$1.59	$1.39	$1.80	$2.40	$2.29	$1.35
Exercise price	$1.65	$1.49	$1.49	$1.97	$2.51	$1.49
Expected volatility (weighted average volatility)	35.00%	40.00%	40.00%	40.00%	40.00%	50.00%
Option life (expected weighted average life)	3.6 years	3.4 years	3 years	3 years	2.6 years	3.5 years
Expected dividends	5.00%	5.76%	6.67%	5.00%	5.24%	5.50%
Risk-free interest rate Tranche 1 (based on government bonds)	2.74%	3.85%	3.49%	3.57%	2.40%	4.98%
Risk-free interest rate Tranche 2 (based on government bonds)	2.74%	3.89%	3.17%	3.60%	2.07%	5.10%
Risk-free interest rate Tranche 3 (based on government bonds)	2.74%	3.96%	3.20%	n/a	2.07%	n/a

24 SHARE-BASED PAYMENT ARRANGEMENTS CONTINUED

Equity-settled share-based payment plans CONTINUED

	Key Management Personnel & senior management earning per share rights					Key Management Personnel
Fair value of share options and assumptions	**2013(5)**	**2012(1)**	**2012(2)**	**2012(3)**	**2012(4)**	**2011**
Fair value at grant date Tranche 1	$0.48	$0.36	$0.67	$0.93	$0.48	$0.60
Fair value at grant date Tranche 2	$0.46	$0.39	$0.66	$0.94	$0.57	$0.60
Fair value at grant date Tranche 3	$0.46	$0.41	$0.64	n/a	$0.61	n/a
Share price	$1.59	$1.39	$1.80	$2.40	$2.29	$1.35
Exercise price	$1.23	$1.12	$1.12	$1.48	$1.89	$0.79
Expected volatility (weighted average volatility)	35.00%	40%	40%	40%	40%	50%
Option life (expected weighted average life)	3.6 years	3.4 years	3 years	3 years	2.6 years	3.5 years
Expected dividends	5.00%	5.76%	6.67%	5.00%	5.24%	5.50%
Risk-free interest rate Tranche 1 (based on government bonds)	2.74%	3.85%	3.49%	3.57%	2.40%	4.98%
Risk-free interest rate Tranche 2 (based on government bonds)	2.74%	3.89%	3.17%	3.60%	2.07%	5.10%
Risk-free interest rate Tranche 3 (based on government bonds)	2.74%	3.96%	3.20%	n/a	2.07%	n/a

(1) Grant date on 8 August 2011
(2) Grant date on 31 January 2012
(3) Grant date on 28 March 2012
(4) Grant date on 1 June 2012
(5) Grant date on 26 November 2012

25 TRADE AND OTHER PAYABLES

	Consolidated	
In thousands of AUD	**2013**	**2012**
Trade payables	5,096	9,429
Sundry creditors and accruals	10,178	18,231
	15,274	**27,660**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

26 FINANCIAL INSTRUMENTS

Credit risk

EXPOSURE TO CREDIT RISK

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated	
In thousands of AUD		**2013**	**2012**
Trade and other receivables	18	40,906	49,859
Cash and cash equivalents	19	10,223	13,328
		51,129	**63,187**

The Group has three (2012: four) significant customers each representing more than 10% of the carrying amount of trade receivables at 30 June 2013. The total of the receivables from these customers is $17,114 thousand (2012: $29,561 thousand).

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In the current and comparative periods, the Group's cash and cash equivalents are held with a AA-Rated Australian bank.

Impairment loss

The aging of the Group's trade receivables at the reporting date was:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Not past due	25,796	29,521
Past due 0-30 days	1,789	10,064
Past due 31-60 days	108	752
Past due 61-90 days	412	815
Greater than 90 days	1,772	1,356
	29,877	**42,508**

Impairment losses of $1,021 thousand recognised at 30 June 2013 (2012: $930 thousand).

Of the total impairment loss as at 30 June 2013, $930 thousand relates to a customer that was placed into receivership during the year ended 30 June 2011.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year ended 30 June 2013 was as follows:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Balance at 1 July	(930)	(1,416)
Impairment loss recognised	(107)	216
Impairment allowance utilised	16	–
Balance at 30 June	**(1,021)**	**(930)**

Credit risk in trade receivables is managed in the following ways: payment terms being 30 days and credit evaluations performed on all new customers requiring credit over a certain amount. The Group does not require collateral in respect of trade receivables. An analysis of the credit quality of trade receivables not impaired is as follows:

26 FINANCIAL INSTRUMENTS CONTINUED

Impairment loss CONTINUED

	Consolidated	
In thousands of AUD	**2013**	**2012**
Four or more years trading history with the Group	26,747	29,875
Less than four years trading history with the Group	2,109	11,703
	28,856	**41,578**

Amounts in the above table include all trade receivables at the reporting date that were not impaired.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

								Consolidated
In thousands of AUD	**Note**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
30 June 2013								
Non-derivative financial liabilities								
Finance lease liabilities	22	18,028	(20,073)	(3,941)	(3,719)	(5,862)	(6,551)	–
Insurance premium funding	22	146	(146)	(146)	–	–	–	–
Trade and other payables	25	15,274	(15,274)	(15,274)	–	–	–	–
		33,448	**(35,493)**	**(19,361)**	**(3,719)**	**(5,862)**	**(6,551)**	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

								Consolidated
In thousands of AUD	**Note**	**Carrying amount**	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
30 June 2012								
Non-derivative financial liabilities								
Finance lease liabilities	22	19,942	(22,826)	(3,444)	(3,356)	(6,559)	(9,467)	–
Commercial bill facility	22	4,500	(5,530)	(129)	(129)	(257)	(5,015)	–
Insurance premium funding	22	(3)	3	3	–	–	–	–
Trade and other payables	24	27,660	(27,660)	(27,660)	–	–	–	–
		52,099	**(56,013)**	**(31,230)**	**(3,485)**	**(6,816)**	**(14,482)**	–

Interest rate risk

PROFILE

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated carrying amount	
In thousands of AUD	**2013**	**2012**
Fixed rate instruments		
Financial liabilities and insurance premium funding	(18,174)	(19,939)
	(18,174)	**(19,939)**
Variable rate instruments		
Financial assets	10,223	13,328
Financial liabilities	–	(4,500)
	10,223	**8,828**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

At 30 June 2013, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated	
Effect in thousands of AUD	**2013**	**2012**
Change in profit		
Increase in interest rate by 1%	102	88
Decrease in interest rate by 2%	(204)	(177)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

A change in interest rate on the above variable rate instruments would have had no impact on equity.

No sensitivity analysis has been performed on foreign exchange risk, as the Group is not directly exposed to foreign currency fluctuations.

26 FINANCIAL INSTRUMENTS CONTINUED

Fair values

FAIR VALUES VERSUS CARRYING AMOUNTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2013		30 June 2012	
In thousands of AUD	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at amortised cost				
Trade and other receivables	40,906	40,906	49,859	49,859
Cash and cash equivalents	10,223	10,223	13,328	13,328
	51,129	**51,129**	**63,187**	**63,187**
Liabilities carried at amortised cost				
Finance lease liabilities	(18,028)	(18,370)	(19,942)	(20,324)
Commercial bill facility	–	–	(4,500)	(4,500)
Insurance premium funding	(146)	(146)	3	3
Trade and other payables	(15,274)	(15,274)	(27,660)	(27,660)
	(33,448)	**(33,790)**	**52,099**	**(52,481)**

The basis for determining fair values is disclosed in Note 4.

INTEREST RATES USED FOR DETERMINING FAIR VALUE

The interest rates used to discount estimated cash flows are based on current market rates for similar lease agreements and were as follows:

	2013	**2012**
Finance lease liabilities	5.96%	6.62%

27 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Less than one year	1,597	2,853
Between one and five years	1,668	1,852
More than five years	–	–
	3,265	**4,705**

28 CAPITAL AND OTHER COMMITMENTS

Capital expenditure commitments

The Group did not have any capital expenditure commitments as at 30 June 2013 (2012: $1,125 thousand).

29 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Cash flows from operating activities			
Profit for the period		11,529	14,664
Adjustments for:			
Depreciation	14	7,397	6,010
Amortisation of intangible assets	15	533	596
(Gain)/Loss on sale of property, plant and equipment	9,10	473	38
Donations received of property, plant and equipment		(375)	–
Share-based payments	11	379	451
Net finance expense	12	1,440	1,208
Income tax expense	13	4,979	9,086
Operating profit before changes in working capital and provisions		**26,355**	**32,053**
Change in trade and other receivables*	18	9,377	(17,930)
Change in inventories	17	(399)	(279)
Change in trade and other payables*	25	(12,691)	8,852
Change in provisions and employee benefits*	23	399	4,521
		23,041	**27,217**
Interest paid		(1,801)	(1,445)
Income taxes paid		(10,656)	(2,333)
Net cash from operating activities		**10,584**	**23,439**

*After adjusting for changes due to business combinations

30 RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in ‘personnel expenses’ (see Note 11) are as follows:

	Consolidated	
AUD	**2013**	**2012**
Short-term employee benefits	3,170,609	3,025,325
Post-employment benefits	305,473	200,611
Termination benefits	61,655	–
Share-based payments	384,286	451,724
	3,922,023	**3,677,660**

Individual Directors and executives’ compensation

Information regarding individual Directors and executives’ compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors’ report. Apart from the details disclosed in this Note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors’ interests existing at year-end.

30 RELATED PARTIES CONTINUED

Loans to Key Management Personnel

No loans were made, guaranteed or secured, by the Company to Key Management Personnel for the year.

Key Management Personnel and Director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key managements persons related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Key Management Personnel and entities over which they have control or significant influence were as follows:

In thousands of AUD		Transaction value year ended 30 June		Balance outstanding as at 30 June	
Transaction	**Note**	**2013**	**2012**	**2013**	**2012**
Andrew Watts - Watty Pty Ltd	(i)	255,536	196,497	–	23,008
Andrew Watts - Watty Pty Ltd	(ii)	276,096	69,024	–	–
Andrew Watts - Watty Pty Ltd	(iii)	92,488	110,414	–	8,636
Andrew Watts - Two Dots Ltd	(iv)	46,545	46,212	3,985	–
		670,665	**422,147**	**3,985**	**31,644**

(i) The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

(ii) The Group is paying for leasehold improvements made by Watty Pty Ltd to the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company Watty Pty Ltd.

(iii) The Group rents a duplex at 56 Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

(iv) The Group rents machinery storage and laydown area at Christensen's Road, Sandy Creek which is owned by Andrew Watts through his company Two Dots Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

From time to time, Key Management Personnel and Directors of the Group, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Movements and shares

The movement during the reporting period in the number of ordinary shares in Mastermyne Group Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Shares in Mastermyne Group Limited				
	Shares held at 30 June 2012	Purchases	Received on exercise of options	Sales	Shares held at 30 June 2013
Directors					
Mr P Slaughter	85,000	17,000	–	–	102,000
Mr D Hamblin	9,655,658	47,000	–	–	9,702,658
Mr A Watts	14,005,428	47,000	–	(3,500,000)	10,552,428
Mr A Caruso	1,173,001	48,692	–	–	1,221,693
Executives					
Ms V Gayton	–	13,366	–	–	13,366
Ms B Jooste	–	10,000	–	–	10,000
Mr A Purse	32,000	–	–	(21,000)	11,000
Mr D Fitzpatrick	100,000	–	–	–	100,000

	Shares in Mastermyne Group Limited				
	Shares held at 30 June 2011	Purchases	Received on exercise of options	Sales	Shares held at 30 June 2012
Directors					
Mr P Slaughter	110,000	–	–	(25,000)	85,000
Mr D Hamblin	10,155,658	–	–	(500,000)	9,655,658
Mr A Watts	15,105,428	–	–	(1,100,000)	14,005,428
Mr A Caruso	1,798,001	–	–	(625,000)	1,173,001
Executives					
Mr C Kneipp	20,000	–	–	(20,000)	–
Mr A Purse	32,000	–	–	–	32,000
Mr D Fitzpatrick	100,000	–	–	–	100,000

30 RELATED PARTIES CONTINUED

Rights over equity instruments

The movement during the reporting period in the number of rights exchangeable for ordinary shares in Mastermyne Group Limited held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Rights in Mastermyne Group Limited							
	Held at 1 July 2012	Granted as compensation	Exercised	Forfeited or lapsed during the year	Held at 30 June 2013	Vested and exercisable at 1 July 2012	Vested during the year	Vested and exercisable at 30 June 2013
Directors								
Mr A Caruso	1,050,000	1,050,000	–	(630,000)	1,470,000	150,000	270,000	420,000
Executives								
Mr C Kneipp	250,000	–	–	–	250,000	37,500	18,750	56,250
Ms V Gayton	150,000	–	–	–	150,000	22,500	11,250	33,750
Ms B Jooste	150,000	–	–	–	150,000	10,500	11,250	21,750
Mr D Fitzpatrick	100,000	–	–	–	100,000	15,000	7,500	22,500
Mr A Purse	250,000	–	–	–	250,000	37,500	18,750	56,250
Mr J Stuart-Robertson	250,000	–	–	–	250,000	37,500	18,750	56,250
Mr D Sykes	250,000	–	–	–	250,000	37,500	18,750	56,250
Mr K Lonergan	150,000	–	–	–	150,000	–	18,750	18,750
Mr L duPreez	250,000	–	–	(181,250)	68,750	37,500	31,250	68,750

	Rights in Mastermyne Group Limited					
	Held at 30 June 2011	Granted as compensation	Exercised	Held at 1 July 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors						
Mr A Caruso	1,050,000	–	–	1,050,000	150,000	150,000
Executives						
Mr C Kneipp	250,000	–	–	250,000	37,500	37,500
Ms V Gayton	150,000	–	–	150,000	22,500	22,500
Ms B Jooste	150,000	–	–	150,000	10,500	10,500
Mr D Fitzpatrick	100,000	–	–	100,000	15,000	15,000
Mr A Purse	250,000	–	–	250,000	37,500	37,500
Mr J Stuart-Robertson	250,000	–	–	250,000	37,500	37,500
Mr D Sykes	250,000	–	–	250,000	37,500	37,500
Mr K Lonergan	150,000	–	–	150,000	–	–
Mr L duPreez	250,000	–	–	250,000	37,500	37,500

31 GROUP ENTITIES

Parent and ultimate controlling party

	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Parent entity			
Mastermyne Group Limited			
Significant Subsidiaries			
Mastermyne Pty Ltd	Australia	100.00	100.00
Mastermyne Engineering Pty Ltd	Australia	100.00	100.00
Mastermyne Underground Pty Ltd	Australia	100.00	100.00
Mastermyne Services Pty Ltd	Australia	100.00	100.00
Mastermyne Underground NNSW Pty Ltd	Australia	100.00	100.00
MyneStart Pty Ltd	Australia	100.00	100.00
MyneSight Pty Ltd	Australia	66.67	–
National Labour Solutions Pty Ltd	Australia	100.00	–

32 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The deed took effect on 23 June 2010.

The subsidiaries subject to the deed are:

- Mastermyne Pty Ltd
- Mastermyne Engineering Pty Ltd
- Mastermyne Underground Pty Ltd
- Mastermyne Services Pty Ltd
- Mastermyne Underground NNSW Pty Ltd
- MyneStart Pty Ltd

As all subsidiaries in the wholly owned group are a party to the deed, the consolidated statement of comprehensive income and consolidated balance sheet disclosed in these financial statements represent the consolidated financial position and performance of the parties to the deed.

33 SUBSEQUENT EVENTS

Subsequent to year-end, the Directors declared a dividend of 3.6 cents per share as per the details set out in Note 20.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year 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.

NOTES TO THE FINANCIAL STATEMENTS

34 AUDITOR'S REMUNERATION

	Consolidated	
In thousands of AUD	**2013**	**2012**
Audit services		
Auditors of the company		
KPMG Australia		
Audit and review of financial reports	182,003	203,367
	182,003	**203,367**
Other services		
Auditors of the company		
KPMG Australia		
Taxation services	48,654	48,624
Risk management services	–	22,000
	48,654	**70,624**

35 PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 30 June 2013, the parent company of the group was Mastermyne Group Limited.

	Company	
In thousands of AUD	**2013**	**2012**
Results of parent entity		
Profit for the period	13,789	(1,252)
Other comprehensive income	–	–
Total comprehensive income for the period	**13,789**	**(1,252)**
Financial position of parent entity at year end		
Current assets	–	–
Total assets	**58,531**	**50,468**
Current liabilities	–	–
Total liabilities	**–**	**–**
Total equity of the parent entity		
Share capital	50,964	50,964
Share-based payments reserve	2,160	1,781
Retained earnings	5,407	(2,277)
Total equity	**58,531**	**50,468**

Parent entity contingencies

There were no parent entity contingencies required for the year ending 30 June 2013 (2012: Nil).

Parent entity capital commitments

There were no parent entity capital commitments at 30 June 2013 (2012: Nil).

Parent entity capital guarantees

The parent entity has entered into a Deed of Cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 32.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

1. In the opinion of the Directors of Mastermyne Group Limited (the "Company"):

(a) the consolidated financial statements and notes that are set out on pages 33 to 70 and the remuneration report of the Directors' report, set out on pages 13 to 27, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial positions as at 30 June 2012 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

4. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors.

P. Slaughter
Chairman

Dated at Mackay on 28 August 2013

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Mastermyne Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 35 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 year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In Note 2(a), the Directors also state, in accordance with Australian Accounting Standard AASB IOI Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILTY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether, in all material respects, the financial report presents fairly in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the remuneration report

We have audited the remuneration report included in section 5 of the Directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Mastermyne Group Limited for the year ended 30 June 2013 complies with Section 300A of the Corporations Act 2001.

KPMG

M L Gray
Partner

Dated at Brisbane on 28 August 2013

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 23 September 2013.

STOCK EXCHANGE QUOTATION

Ordinary shares in Mastermyne Group Limited are quoted on the ASX under the code “MYE” and on the German Stock Exchange (Berlin Open Market) trading under the code “A1CXTE”.

CLASS OF SECURITIES

The Company has the following securities on issue:

ASX Quoted:	75,367,514	Ordinary shares, each fully paid, held by 1,555 shareholders.
Unquoted:	2,701,250	Performance rights, having differing exercise prices, hurdles vesting periods and terms, with latest expiry 30 June 2017, held by 10 employees.

VOTING RIGHTS

The voting rights attaching to ordinary shares are set out in rule 37 of the Company’s constitution and are summarised as follows:

- A holder of ordinary shares in the Company shall be entitled to be present at any shareholder’s meeting, and to vote in respect of those shares held.
- Shareholders entitled to attend and vote at shareholder meetings may appoint a proxy in accordance with the Corporations Act.
- At any shareholder meeting, every shareholder present in person or by proxy or by attorney or, in the case of a body corporate, a representative appointed pursuant to the Corporations Act, shall be entitled:

  (a) on a show of hands, to one vote only; and

  (b) on a poll, to one vote for each ordinary share held.

RESTRICTED SECURITIES

There are no restricted securities on issue.

ON-MARKET BUY-BACKS

There is no current on-market buy-back of any securities.

DISTRIBUTION OF SECURITY HOLDERS

Distribution of shares and the number of holders by size of holding are:

Range	Shares	%	No. of holders	%
100,001 and over	60,619,913	80.43	31	1.99
50,001 to 100,000	1,863,588	2.47	27	1.74
10,001 to 50,000	8,162,319	10.83	380	24.44
5,001 to 10,000	2,832,159	3.76	351	22.57
1,001 to 5,000	1,771,068	2.35	557	35.82
1 to 1,000	118,467	0.16	209	13.44
Total	**75,367,514**	**100**	**1,555**	**100**

There are 77 shareholders holding a total of 16,098 shares with less than a marketable parcel (of 480 shares based on the closing share price on 23 September 2013 of $1.04).

TWENTY LARGEST SECURITY HOLDERS

The names of the 20 largest shareholders, the number of shares and the percentage of capital each holds, are:

Rank	Shareholder name	A/C designation	Holding	%
1	RNC INVESTOR SERVICES AUSTRALIA NOMINEES PYT LIMITED	<PI POOLED A/C>	8,787,310	11.66
2	DARREN WILLIAM HAMBLIN	HAMBLIN FAMILY	7,655,658	10.16
3	BNP PARIBAS NOMS PTY LTD	<DRP>	6,451,203	8.56
4	NATIONAL NOMINEES LIMITED		5,720,918	7.59
5	ECARG PTY LTD	MIJ TRUST>	4,000,000	5.31
6	CARM NQ PTY LTD	THE CARNHOGAN FAMILY	3,795,428	5.04
7	J P MORGAN NOMINEES AUSTRALIA LIMITED		2,721,359	3.61
8	ECARG PTY LTD	COOLABAH	2,710,000	3.60
9	UBS NOMINEES PTY LIMITED		2,161,940	2.87
10	CITICORP NOMINEES PTY LIMITED		2,141,769	2.84
11	MAY DOWNS PTY LTD	MAY DOWNS TRUST>	2,000,000	2.65
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		1,611,087	2.14
13	RHB INVESTOR SERVICES AUSTRALIA NOMINESS PTY LTD	<PICREDIT>	1,485,797	1.97
14	MICHAEL ALAN COOMBS	THE COOMBS INVESTMENT	1,463,810	1.94
15	ANTHONY SALVATORE CARUSO	THE MAD INVESTMENTS	1,173,001	1.56
16	ANTHONY CHARLES ZAHRA	THE ZAHRA DISCRETIONARY UNIT	1,159,810	1.54
17	BRISPOT NOMINEES PTY LTD	<HOUSE HEAD NOMINEE NO 1 A/C>	1,060,674	1.41
18	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	910,189	1.21
19	BNP PARIBAS NOMS (NZ) LTD	<DRP>	831,493	1.10
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	738,687	0.98
Total			**58,580,124**	**77.73**

SUBSTANTIAL SHAREHOLDERS

The following substantial shareholders have been disclosed in substantial holding notices given to the Company:

	Number of shares
Andrew Watts	10,505,428
Perpetual	10,419,088
Darren Hamblin	9,655,658
Wilson HTM Investment Group	5,944,406
Acom Capital	6,770,759

CORPORATE DIRECTORY

COMPANY

Mastermyne Group Limited
ABN 96 142 490 579

Mastermyne Group Limied, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

DIRECTORS

Peter Slaughter	Chairman
Tony Caruso	Managing Director
Andrew Watts	Executive Director
Darren Hamblin	Non-executive Director
James Wentworth	Non-executive Director

COMPANY SECRETARY

William (Bill) Lyne
Chris Kneipp

REGISTERED AND HEAD OFFICE

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KPMG

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STOCK EXCHANGE LISTING

Mastermyne Group Limied is listed on the Australian Securities Exchange.

ASX Code MYE

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Mastermyne Head Offices
(Including Mastermyne Underground and Mastermyne Services)

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"WHILST MANY IN THE SECTOR REMAIN CAUTIOUS MASTERMYNE IS INCREASINGLY CONFIDENT OF THE OUTLOOK."

PRODUCTION FOCUS SAFETY ALWAYS

Mastermyne

GROUP OF COMPANIES

MASTERMYNE GROUP LIMITED

ABN 96 142 490 579

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