Mastermyne Group Limited
and its Controlled Entities

ABN 96 142 490 579

Interim Financial Report

31 December 2012

Mastermyne Group Limited and its Controlled Entities

Contents

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2012

The directors present their report together with the condensed consolidated interim financial report of the Group comprising Mastermyne Group Limited ("the Company") and its subsidiaries, for the financial year ended 31 December 2012 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)

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

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

Mr A. Watts (appointed 10 March 2010)
Executive Director

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

2 Operating and financial review

Financial Overview

Profit for the period

Mastermyne Group Limited and its controlled subsidiaries recorded a profit after tax of $8.010 million for the half year ended 31 December 2012, up 2% on the previous corresponding period. (Net profit after tax for the half year ended 31 December 2011 of $7.840 million includes a bad debt recovery of $0.216 million in relation to Pike River ($0.151 million after tax)).

Revenue was up 14.3% to $142.064 million on the previous corresponding period (revenue to 31 December 2011: $124.299 million), as a result of increased contract works. Profit margins dropped off in the first half resulting from reduced equipment hire rates and costs from reloctaing equipment to sites.

Balance Sheet and Cash Flows

Net Assets of the Group increased $5 million to $59.7 million, the increase resulting from profits to the half year ended 31 December 2012 of $8.010 million less dividends of $3.6 million.

The overall cash position remained steady compared to full year FY12, with improvement in the Group's working capital from the prior corresponding period. Overall cash flow from operations has reduced from the prior corresponding period with tax payments of $9.5 million for the first half. Cash flows from all activities are summarised as follows:

- net cash inflows from operating activities for the half year ended 31 December 2012 of $2.091 million
- net cash outflows from investing activities for the half year ended 31 December 2012 of $0.428 million
- net cash outflows from financing activities for the half year ended 31 December 2012 of $1.931 million

2 Operating and financial review (continued)
Operational Overview

The first half of FY2013 has seen the Mastermyne Group maintain its track record of strong performance and deliver a result above the previous corresponding period despite the slowdown in the coal sector. The continued growth was achieved through new contracts which came on line late in FY2012. All major projects have continued to operate profitably and the Company has been proactive in working with its customers to reduce the operating costs of the mine, while at the same time minimising the effects to the Company. The Company is confident that the restructuring of its major projects are now complete and expects that it will operate under these restructured arrangements for the second half of the financial year. During the period the Company was notified of the deferral of its Newstan project. The full 6 month impact of this decision will impact on the second half earnings and will have a significant effect on margins due to the concentration of MYE plant and equipment located on this project. The timing of placing this equipment into new hires, both dry hires and on MYE projects, is expected to see margins reduce in the second half but return in FY2014.

The Group HSEQ results for the half year have continued the trend of good performance. In the first half the Company has embarked on having its Health, Safety and Environmental systems accredited to AS4801 & AS17001. At the time of this report external auditors had recommended the Company for accreditation with the final decision expected in mid March 2013. Achieving the Australian Standard accreditation is a strong reinforcement that the Company has robust and demonstrable systems which are operating across all its divisions and projects. Our safety effort remains targeted on proactive safety management and we have achieved a high degree of compliance with internal targets for proactive safety initiatives.

Recruitment has slowed considerably in the period and retention rates have increased to levels similar to those experienced during the GFC. HR efforts have focused on training and development of the workforce and the implementation of new performance review and on-boarding systems. The training centres have been inactive in the period but enquiries and opportunities are still prevalent for the services provided in this area. Late in the first half the company also completed the small acquisition of 4 Sight Training Solutions Pty Ltd which was closely linked to the Myne Start facility, developing training materials and conducting training.

All three divisions of the Mastermyne Group have performed strongly in the first half. The Underground division continues to secure new work with two new long term contracts secured in the period. The Engineering division has restructured its fixed cost base and continues to deliver work profitably. Whilst revenue has dropped off compared to the previous period, Engineering continues to operate at historically high revenues. The Services division is focusing on the one major project for Rio Tinto at the Kestrel Mine Extension project but has also undertaken some smaller projects in the first half. Services division revenue will continue at similar levels in the second half.

Directors' report

For the half year ended 31 December 2012

3 Outlook

The second half will not provide many opportunities to replace the revenue drop off resulting from the early run off of the Newstan project and the lower utilisation of the fleet. Also impacting the second half will be the decrease in equipment hire rates which will impact margins. Having said this, the Company is very well positioned on the majority of its major projects in being the only major contractor still operating on the site. By being the only contractor on site and having forged even stronger relationships during the restructuring that occurred during the period, the Company is in a leading position to undertake any further work required on these sites. The Company is also of the view (which is supported from experience) that over the next period Mine Owners and Operators will increasingly utilise contractors to execute packages of work to ensure the long term viability of the mine is not impacted. Utilising contractors also benefits the Mine Owner and Operator by mitigating long term fixed costs in their operations.

Putting aside the second half outlook, the outlook for FY2014 remains very positive for MYE. The Company currently has $447 million in active tenders, a large portion of which will be decided in the next two to three months and which would commence from early FY2014. In addition to these active tenders the Company has also identified a further $545 million in tendering opportunities which will come through in the next 3 to 4 months, the majority of which will also contribute revenue in FY2014. This pipeline is continuing to grow and will undoubtedly provide for further growth for the Company. The Company remains positive about its prospects beyond the current financial year and is confident that the current environment will enhance the prospects for MYE.

4 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for 6 months ended 31 December 2012.

5 Rounding off

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

This report is made with a resolution of the directors:

P. Slaughter
Chairman

Dated at Mackay this 26th day of February 2013.

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 review for the half-year ended 31 December 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

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

KPMG

M L Gray
Partner

Brisbane
25 February 2013

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of financial position
As at 31 December 2012

In thousands of AUD	***Note***	**Consolidated**	
		31 Dec 2012	**30 Jun 2012**
Assets			
Cash and cash equivalents	*17*	13,060	13,328
Trade and other receivables	*16*	48,025	49,859
Inventories	*15*	2,605	1,933
Total current assets		63,690	65,120
Deferred tax assets		-	469
Property, plant and equipment	*13*	36,010	39,099
Intangible assets	*14*	20,294	19,696
Total non-current assets		56,304	59,264
Total assets		119,994	124,384
Liabilities			
Trade and other payables	*21*	22,578	27,660
Loans and borrowings	*19*	7,188	5,371
Employee benefits	*20*	8,665	8,350
Current tax payable		2,588	9,100
Total current liabilities		41,019	50,481
Loans and borrowings	*19*	18,937	19,068
Employee benefits	*20*	99	104
Deferred tax liabilities		220	-
Total non-current liabilities		19,256	19,172
Total liabilities		60,275	69,653
Net assets		59,719	54,731
Equity			
Share capital		50,964	50,964
Reserves		(22,222)	(22,456)
Retained earnings		30,612	26,223
Total equity attributable to owners of the Company		59,354	54,731
Non-controlling interests		365	-
Total equity		59,719	54,731

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of comprehensive income

For the six months ended 31 December 2012

In thousands of AUD	*Note*	Consolidated 31 Dec 2012	Consolidated 31 Dec 2011
Revenue	*7*	142,064	124,299
Other income	*8*	561	330
Contract disbursements		(29,614)	(22,830)
Personnel expenses	*10*	(91,767)	(83,280)
Office expenses		(3,457)	(2,673)
Depreciation and amortisation expense	*13,14*	(4,031)	(3,135)
Other expenses	*9*	(1,338)	(374)
Results from operating activities		12,418	12,337
Finance income		148	91
Finance expense		(932)	(720)
Net finance expense	*11*	(784)	(629)
Profit before income tax		11,634	11,708
Income tax expense	*12*	(3,624)	(3,868)
Profit for the period		8,010	7,840
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		8,010	7,840
Attributable to:			
Owners of the Company		8,007	7,840
Non-controlling interests		3	-
Profit for the period		8,010	7,840
Earnings per share			
Basic earnings per share (AUD)		0.11	0.11
Diluted earnings per share (AUD)		0.11	0.11

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of changes in equity
For the six months ended 31 December 2012

In thousands of AUD	Share capital	Retained earnings	Share-based payment reserve (note 18)	Common Control Reserve (note 19)	Total	Non-Controlling interests	Total equity
	Attributable to owners of the Company						
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	-	7,840	-	-	7,840		7,840
Total comprehensive income for the period	-	7,840	-	-	7,840	-	7,840
Transactions with owners recorded directly in equity							
Share options exercised	1,840	-	-	-	1,840	-	1,840
Share-based payment transactions	-	-	179	-	179	-	179
Dividends to equity holders	-	(2,789)	-	-	(2,789)	-	(2,789)
Total contributions by and distributions to owners	1,840	(2,789)	179	-	(770)	-	(770)
Balance at 31 December 2011	50,964	21,660	1,509	(24,237)	49,896	-	49,896
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	-	8,007	-	-	8,007	3	8,010
Total comprehensive income for the period	-	8,007	-	-	8,007	3	8,010
Transactions with owners recorded directly in equity							
Share-based payment transactions	-	-	234	-	234		234
Dividends to equity holders	-	(3,618)	-	-	(3,618)		(3,618)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	362	362
Total contributions by and distributions to owners	-	(3,618)	234	-	(3,384)	362	(3,022)
Balance at 31 December 2012	50,964	30,612	2,015	(24,237)	59,354	365	59,719

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2012

In thousands of AUD	*Note*	Consolidated 31 Dec 2012	 31 Dec 2011
Cash flows from operating activities			
Cash receipts from customers		161,281	132,506
Cash paid to suppliers and employees		(148,727)	(120,892)
Cash generated from operations		12,554	11,614
Interest paid		(932)	(720)
Income tax paid		(9,531)	(1,438)
Net cash flows from operating activities	22	2,091	9,456
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		770	23
Acquisition of property, plant and equipment		(1,396)	(3,515)
Acquisition of intangibles		-	(19)
Interest received		148	91
Acquisition of subsidiary, net of cash acquired		50	-
Net cash flows used in investing activities		(428)	(3,420)
Cash flows from financing activities			
Proceeds from exercise of share options		-	1,840
Proceeds from borrowings		5,332	1,388
Repayment of borrowings		(818)	(1,195)
Payment of finance lease liabilities		(2,827)	(3,897)
Dividends paid		(3,618)	(2,789)
Net cash flows used in financing activities		(1,931)	(4,653)
Net increase/(decrease) in cash and cash equivalents		(268)	1,383
Cash and cash equivalents at beginning of period		13,328	6,020
Cash and cash equivalents at end of period	17	13,060	7,403

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

Notes to the financial statements

For the six months ended 31 December 2012

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 condensed consolidated interim financial statements of the Company as at and for the 6 months ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at www.mastermyne.com.au.

2 Basis of preparation

(a) Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2012.

The condensed consolidated interim report was authorised for issue by the Board of Directors on 26 February 2013.

(b) 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.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2012.

3 Significant accounting policies

The accounting policies applied by the Group in the condensed consolidated interim financial report are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2012.

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.

4 Determination of fair values (continued)

(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 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.

(iv) Share-based payment transactions

The fair value of employee stock options is measured using a 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 considerations

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). Any consideration that is long-term in nature 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 rate risk
- liquidity risk

These and other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2012.

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; underground mine training 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.

Mastermyne Group Limited and its Controlled Entities

Notes to the financial statements (continued)
For the six months ended 31 December 2012

6 Segment information (continued)

Business Segments (continued)

In thousands of AUD	Underground mining services		Engineering and fabrication		Electrical and Mechanical Services		Consolidated	
	31 Dec 2012	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2012**	**31 Dec 2011**
External revenues	114,035	112,821	9,174	9,628	18,855	1,850	142,064	124,299
Intersegment revenue	8,355	1,858	853	1,038	6	21	-	-
Reportable Segment profit/(loss) before income tax	8,665	11,314	871	1,165	2,216	(633)	11,634	11,708

Reconciliations of reportable segment revenues and profit or loss

in thousands of AUD	**31 Dec 2012**	**31 Dec 2011**
Revenues		
Total revenue for reportable segments	151,278	127,216
Elimination of inter-segment revenue	(9,214)	(2,917)
Consolidated revenue	142,064	124,299
Profit or loss		
Total profit or loss for reportable segments	11,752	11,846
Elimination of inter-segment profits	(118)	(138)
Unallocated amounts: other corporate expenses	-	-
Consolidated profit before income tax	11,634	11,708

7 Revenue

In thousands of AUD	Consolidated 31 Dec 2012	31 Dec 2011
Contracting revenue	125,910	111,871
Sale of goods	9,174	9,628
Machinery hire	6,980	2,800
	142,064	124,299

8 Other income

In thousands of AUD	Consolidated 31 Dec 2012	31 Dec 2011
Administration income	561	313
Gain on sale of property, plant and equipment	-	17
	561	330

9 Other expenses

In thousands of AUD	Consolidated 31 Dec 2012	31 Dec 2011
Loss on sale of property, plant and equipment	463	-
Business acquisition costs	26	-
Insurance	748	590
Provision for Bad Debt	101	(216)
	1,338	374

10 Personnel expenses

In thousands of AUD	Consolidated 31 Dec 2012	31 Dec 2011
Wages and salaries	81,352	73,947
Other associated personnel expenses	5,800	5,596
Contributions to defined contribution superannuation funds	4,381	3,558
Equity-settled share-based payment transactions	234	179
	91,767	83,280

11 Finance income and expense

Recognised in profit or loss	**Consolidated**	
In thousands of AUD	**31 Dec 2012**	**31 Dec 2011**
Interest income	148	91
Finance income	148	91
Interest expense	(932)	(720)
Finance expense	(932)	(720)
Net finance expense recognised in profit or loss	(784)	(629)

12 Income tax expense

Numerical reconciliation between tax expense and pre-tax accounting profit

	Consolidated	
In thousands of AUD	**31 Dec 2012**	**31 Dec 2011**
Profit for the period	8,010	7,840
Total income tax expense/(benefit)	3,624	3,868
Profit before income tax	11,634	11,708
Income tax using the Group's statutory income tax rate of 30% (2011: 30%)	3,490	3,512
Non-deductible expenses	134	361
Under/(over) provision of previous year	-	(5)
	3,624	3,868

13 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 improvements	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)
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	5	1,266	71	114	-	-	315	1,771
Disposals	-	(4,008)	(263)	-	-	-	-	(4,271)
Acquired through business combination	-	54	71	-	-	-	-	125
Transfers	-	2,819	-	-	(2,819)	-	-	-
Balance at 31 December 2012	979	52,863	1,864	1,703	-	498	2,134	60,041
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)
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 period	22	3,194	103	155	-	31	247	3,752
Disposals	-	(2,857)	(181)	-	-	-	-	(3,038)
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2012	845	19,950	1,124	1,265	-	388	459	24,031
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 31 December 2012	134	32,913	740	438	-	110	1,675	36,010

During the period Mastermyne acquired $1,193 thousand (2011: $3,265 thousand) of property, plant and equipment through finance leases.

Notes to the financial statements (continued)

For the six months ended 31 December 2012

14 Intangible assets

In thousands of AUD	Consolidated 31 Dec 2012	30 Jun 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	(2,314)	(2,102)
Net carrying amount	631	567
Intellectual property		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(728)	(661)
Net carrying amount	794	861
Total intangible assets		
Cost (gross carrying amount)	23,336	22,459
Accumulated amortisation and impairment	(3,042)	(2,763)
Net carrying amount	20,294	19,696

Reconciliation of carrying amount at beginning and end of the period

In thousands of AUD	Consolidated 6 months ended 31 Dec 2012	12 months ended 30 Jun 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	(212)	(466)
Carrying amount - closing	631	567
Intellectual property		
Carrying amount - opening	861	952
Other acquisitions - internally developed	-	39
Amortisation	(67)	(130)
Carrying amount - closing	794	861
Total intangible assets		
Carrying amount - opening	19,696	20,253
Acquired in business combination	877	-
Other acquisitions - internally developed	-	39
Amortisation	(279)	(596)
Carrying amount - closing	20,294	19,696

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

Notes to the financial statements (continued)

For the six months ended 31 December 2012

14 Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

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

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

	Consolidated	
In thousands of AUD	**31 Dec 2012**	**30 Jun 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

15 Inventories

	Consolidated	
In thousands of AUD	**31 Dec 2012**	**30 Jun 2012**
Inventory on hand	2,605	1,933
	2,605	1,933

16 Trade and other receivables

	Consolidated	
In thousands of AUD	**31 Dec 2012**	**30 Jun 2012**
Trade receivables	34,904	41,578
Prepayments	2,078	852
Unbilled revenue	10,819	7,173
Other receivables	224	256
	48,025	49,859

17 Cash and cash equivalents

	Consolidated	
In thousands of AUD	**31 Dec 2012**	**30 Jun 2012**
Bank balances	13,049	13,325
Cash on hand	11	3
Cash and cash equivalents in the statement of cash flows	13,060	13,328

Notes to the financial statements (continued)

For the six months ended 31 December 2012

18 Capital and reserves

The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares	
	31 Dec 2012	30 Jun 2012
On issue at beginning of period / year	75,367,514	73,367,514
Shares issued to settle contingent consideration	-	-
Exercise of share options	-	2,000,000
On issue at end of period / year	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.

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 23).

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 financial year				
2012 Ordinary - Ordinary Shares Final Dividend	$ 0.048	3,618	Franked	16/10/2012
Total amount		3,618		
2012 financial year				
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.

Notes to the financial statements (continued)

For the six months ended 31 December 2012

19 Loans and borrowings

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

In thousands of AUD	Consolidated 31 Dec 2012	30 Jun 2012
Current liabilities		
Insurance premium funding (unsecured)	866	(3)
Finance lease liabilities (secured)	6,322	5,374
	7,188	5,371
Non-current liabilities		
Finance lease liabilities (secured)	14,687	14,568
Commercial bill facility (secured)	4,250	4,500
	18,937	19,068

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.

Westpac commercial bill facility

The Westpac commercial bill is drawn with the Westpac Banking Corporation for the purpose of working capital and is secured by a fixed and floating charge over all assets and uncalled capital of the Group.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Consolidated					
In thousands of AUD	Future minimum lease payments 31 Dec 2012	Interest 31 Dec 2012	Present value of minimum lease payments 31 Dec 2012	Future minimum lease payments 30 Jun 2012	Interest 30 Jun 2012	Present value of minimum lease payments 30 Jun 2012
Less than one year	7,640	(1,318)	**6,322**	6,642	(1,268)	**5,374**
Between one and five years	16,133	(1,446)	**14,687**	16,184	(1,616)	**14,568**
	23,773	(2,764)	**21,009**	22,826	(2,884)	**19,942**

20 Employee benefits

In thousands of AUD	Consolidated 31 Dec 2012	30 Jun 2012
Current		
Wages payable	1,016	1,390
Liability for annual leave	3,764	3,661
Liability for vesting sick leave	3,750	3,185
Liability for long service leave	135	114
	8,665	8,350
Non-current		
Liability for long service leave	99	104
	99	104

Notes to the financial statements (continued)

For the year ended 31 December 2012

21 Trade and other payables

In thousands of AUD	Consolidated 31 Dec 2012	Consolidated 30 Jun 2012
Trade payables	7,912	9,429
Sundry creditors and accruals	14,456	18,231
Contingent consideration	210	-
	22,578	27,660

22 Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	Consolidated 31 Dec 2012	Consolidated 31 Dec 2011
Cash flows from operating activities			
Profit for the period		8,010	7,840
Adjustments for:			
Depreciation	*13*	3,752	2,842
Amortisation of intangible assets	*14*	279	293
(Gain)/loss on sale of property, plant and equipment	*8,9*	463	(17)
Donations received of property, plant and equipment		(375)	-
Share based payments		234	179
Net finance expense	*11*	784	629
Income tax expense		3,624	3,868
Operating profit before changes in working capital and provisions		16,771	15,634
Change in trade and other receivables	*16,24*	2,258	(8,922)
Change in inventories	*15*	(672)	(204)
Change in trade and other payables	*21,24*	(6,087)	2,790
Change in provisions and employee benefits	*20,24*	284	2,316
		12,554	11,614
Interest paid		(932)	(720)
Income taxes paid		(9,531)	(1,438)
Net cash from operating activities		2,091	9,456

23 Share-based payments

During the period 1,050,000 performance rights were granted to Managing Director Tony Caruso on 26 November 2012 as approved by shareholders at the AGM. These rights consisted of Total Shareholder Remuneration ("TSR") rights and Earnings Per Share ("EPS") rights. The rights are to shares in Mastermyne Group Limited, and some of the terms and conditions are highlighted below:

Grant date	Right	Number of instruments	Testing date	Expiry date
26/11/2012	FY2014 TSR Rights	245,000	30/06/2014	30/06/2015
26/11/2012	FY2014 EPS Rights	105,000	30/06/2014	30/06/2015
26/11/2012	FY2015 TSR Rights	245,000	30/06/2015	30/06/2016
26/11/2012	FY2015 EPS Rights	105,000	30/06/2015	30/06/2016
26/11/2012	FY2016 TSR Rights	245,000	30/06/2016	30/06/2017
26/11/2012	FY2016 EPS Rights	105,000	30/06/2016	30/06/2017

The measurement period for all tranches commences on 1 July 2013 and ends on the testing date.

TSR Rights

- Dependent upon the right holder being employed by the Company
- The percentage of TSR Rights vesting at each testing date is measured by ranking the Company's TSR against the S&P/ASX 300 Accumulation Index (50% if the TSR Ranking is greater than or equal to 60%; 100% if the TSR Ranking is greater than or equal to 80%)

EPS Rights

- Dependent upon the right holder being employed by the Company
- The percentage of EPS Rights vesting at each testing date is measured by ranking the Company's EPS growth against the S&P/ASX 300 Accumulation Index (50% if the EPS Growth Ranking is greater than or equal to 65%; 100% if the EPS Growth Ranking is greater than or equal to 80%)

Inputs for measurement of grant date

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	FY2014		FY2015		FY2016	
Rights	**TSR**	**EPS**	**TSR**	**EPS**	**TSR**	**EPS**
Fair value at grant date	$0.19	$0.48	$0.17	$0.46	$0.16	$0.46
Share price at grant date	$1.59	$1.59	$1.59	$1.59	$1.59	$1.59
Exercise price	$1.64	$1.23	$1.64	$1.23	$1.64	$1.23
Expected volatility	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Dividend yield	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%

Expected volatility is estimated taking into account historic average share price volatility. Dividend yield is based on dividend history and expected dividend policy. Risk-free interest rate is based on government bonds.

Notes to the financial statements (continued)

For the six months ended 31 December 2012

24 Business combinations

Acquisitions

On 17th 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 per cent of the shares and voting interests in the company. As a result the Group's equity interest in 4Sight increased from 0 per cent to 66 per cent.

The Group, via its Myne Start business, has worked in close partnership with 4Sight to deliver the successful Myne Start 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.

During the month of December 2012 4Sight contributed revenue of $82 thousand and profit of $10 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

There was no additional consideration granted as part of the acquisition, however $210 thousand of the cash consideration is being held in escrow with an escrow agent, to be released to the vendors upon successful completion of a statutory audit required to keep RTO status resulting from the change in ownership.

Identifiable assets acquired and liabilities assumed

in thousands of AUD

	Note	Total
Property, plant and equipment	13	125
Intangible assets (customer relationships)	14	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 identifiable assets		484

Goodwill

Goodwill was recognised as a result of the acquisition as follows.

in thousands of AUD

	Note	Total
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)
	14	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.

Mastermyne Group Limited and its Controlled Entities

Directors' declaration

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

1 the financial statements and notes set out on pages 6 to 23, are in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the six months ended on that date; and

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

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

Signed in accordance with a resolution of directors.

P. Slaughter
Chairman

Dated at Mackay this 26th day of February 2013.

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

We have reviewed the accompanying interim financial report of Mastermyne Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Mastermyne Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Mastermyne Group Limited on 25 February 2013, would be in the same terms if given to the directors as at the time of this auditor's report.

KPMG

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and

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

KPMG

M L Gray
Partner

Brisbane
26 February 2013