Mastermyne Group Limited and its Controlled Entities

ABN 96 142 490 579

Interim Financial Report

31 December 2013

Mastermyne Group Limited and its Controlled Entities

Contents

Directors' report

For the half year ended 31 December 2013

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 half year ended 31 December 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, resigned 25 November 2013) - Bachelor of Engineering (Metallurgical) (Hons), Graduate Diploma Company Director Course.
Chairman (independent)

Mr D. Hamblin (appointed Non - executive Director 10 March 2010, appointed Chairman 25 November 2013) - Bachelor of Engineering (Mechanical)
Chairman

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

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 $0.772 million for the half year ended 31 December 2013. This result is down on the previous corresponding period (Net profit after tax for the half year ended 31 December 2012 of $8.010 million) resulting from reduced contracting activities with projects at Newstan and the Kestrel Mine Extension running off during last financial year and early in this financial year respectively. Whilst profits are down on the previous corresponding period they are above the previous guidance range given of $0.400 million to $0.600 million due to a contract in the Engineering division being delivered earlier than expected.

Profit margins are down on previous corresponding period as a result of the reduced contracting activity. The fixed cost overhead base has been reduced over the past twelve months, but still dilutes the margins due to the lower revenues. Reduced equipment utilisation has also impacted margins as depreciation for the equipment continues to be expensed while no revenue is generated.

Balance Sheet and Cash Flows

Net Assets of the Group decreased $1.734 million to $59.162 million, the decrease resulting from dividends paid during the half year ended 31 December 2013 of $2.713 million less profits to the half year ended 31 December 2013 of $0.772 million.

The overall cash position increased during the first half of FY2014 with strong cash inflows generated from operating activities. With contracting activity slowing, there were minimal cash outflows on investing activities with net cash outflows of $0.948 million largely a result of equipment overhauls. Cash outflows from financing activities were higher than the previous corresponding period, resulting from lower inflows from borrowings and higher finance lease repayments. Cashflows from all activities are summarised as follows:

- net cash inflows from operating activities for the half year ended 31 December 2013 of $9.774 million
- net cash outflows from investing activities for the half year ended 31 December 2013 of $0.948 million
- net cash outflows from financing activities for the half year ended 31 December 2013 of $6.679 million

2 Operating and financial review (continued)

Operational Overview

Our half year results have concluded above guidance and more notably with improving performance building into the end of the half year period. We have continued to maintain an overall steady state operation across the period by maintaining existing contracts, renewing contracts and securing new frame work agreements. We are confident that we have moved past the bottom of the downward cycle for MYE.

Our link to producing underground coking coal mines (that are now focused on increasing production to reduce unit costs) has underpinned the first half result and will continue to support steadily improving results in the second half. During the period we have mobilised equipment and labour to existing projects and to new projects secured in the second half FY2013. Projects at BMA's Broadmeadow Mine which were scheduled to commence late in the first half have been deferred into the early part of the second half and will require manning increases during February and March.

During the first half we have seen very stable operating conditions across our contracts and our efforts have been focused on improving productivity and reducing costs across our projects. This has seen MYE maintain historical margins on the contracting stream albeit on decreased revenue. At the end of the half year period workforce numbers were at 735 which is below what was forecast due to the deferral of mobilisation of 2 new projects. These projects are now in mobilising and will require manning to increase to 880 personnel by the middle of March.

Our Engineering Division has also maintained similar performance to the previous period and margins again have remained at normal levels. The Services Division contribution has been minimal in the first half but the Division has commenced projects early in this current period. MyneSight training, part of the Underground Division, of which MYE has 66% shareholding, has continued to generate revenues in line with expectations.

Fleet utilisation continues to slowly improve and two miners remain on hire with the third unit now undergoing an overhaul. Mobile fleet utilisation has improved noticeably however prices remain below what was being achieved previously and this is not expected to change in the near term. Development mining equipment, whilst experiencing increased enquiries, has not recovered in the half and continues to dilute MYE's overall margin performance.

At the commencement of FY2014 the total order book was $236.4 million with the FY2014 contribution made up from $112.8 million of underground contracted projects and $30 million of recurring revenue from the other Divisions and non-contracted work. FY2014 also included a further $20 million from expected contracted renewals. We are pleased to report that the total order book remains steady at $208 million with FY2014 remaining as detailed above. The tendering pipeline is above $880 million with $447 million in active tenders. We have submitted roadway development tenders of approx. $100 million (which is included in the active tender number).

The HY2014 safety performance has continued the trend of strong performance with lagging statistics continuing to reduce. Total Recordable Injury Frequency Rate (TRIFR) for the Group is 2.25, down from 3.28 at the close of FY2013. This continuing downward trend demonstrates the maturity of the Group's Safety Management Systems which are held in high regard by our clients. Our focus remains on the two critical components of safety management being behaviour and compliance.

During the period we have reported margins in line with guidance. We reinforce the link in margin recovery with fleet utilisation which will be driven by a return of roadway development projects. As noted above we are actively tendering these projects but do not expect any to commence in the current financial year. The company continues to generate strong cash flow and is well positioned for upcoming projects.

The significant operational highlights for the financial half year include:

- Revenue of $77.270 million above guidance given in November 2013
- NPAT of $0.772 million at upper end of guidance given in November 2013
- Continuing strong trend of improvement in safety performance evidenced by a further decrease in trailing safety statistics (TRIFR 2.25)
- Total Order Book $208 million at 31 December 2013
- Workforce numbers static at 735 and increasing to 880
- Tendering Pipeline currently at $880 million with $447 million in active tenders
- Approx. $100 million in roadway development tenders submitted
- No loss of contracts and extensions on key contracts due to run off

Directors' report

For the half year ended 31 December 2013

3 Outlook

With the first half demonstrating that the sector has stabilised for MYE and the secure order book underpinning the second half revenue we are confident in delivering a full year Revenue of between $155 and 165 million with NPAT of between $2.0 and $3.0 million. We have seen an increase in equipment utilisation on the mobile fleet during the first half and we expect to see this continue into the second half. We will also see the full effects of overhead reductions made during the first half and this in combination with equipment utilisation will see the profitability increase in the second half. We are working on a number of tenders and variations to our current projects that have the potential to substantially increase the order book for 2015 and we expect to have visibility on these projects later in this financial year.

Our current tender pipeline has $447 million of active tenders and of note $100 million of this is development tenders with further roadway development tenders due in the second half. These development tenders will support the utilisation of our development fleet which would have a positive impact on our margins. Current timing would not see any revenue generated from these contracts in FY2014 but if successful we could see revenue generated from early FY2015.

In addition to these current tenders we have identified other opportunities which are in various stages of discussions. Our customers are actively considering all opportunities to engage contractors to produce coal at a lower cost and we expect to see these opportunities come to tender during FY2015. We are well positioned to submit competitive bids for these contracts. These current tenders and future opportunities will also support increased utilisation of our fleet and deliver operating leverage on overhead costs, both of which are core to margins returning to normal levels. In summary we anticipate a continuing steady build up in the second half of FY2014 with FY2015 shaping as a year of positive growth 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 2013.

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:

D. Hamblin
Chairman

Dated at Mackay this 25th day of February 2014.

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 2013, 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 2014

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated interim statement of financial position

As at 31 December 2013

In thousands of AUD	***Note***	**Consolidated**	
		31 Dec 2013	**30 Jun 2013**
Assets			
Cash and cash equivalents	*17*	12,370	10,223
Trade and other receivables	*16*	28,427	40,906
Inventories	*15*	3,083	2,332
Current tax assets		368	-
Total current assets		44,248	53,461
Property, plant and equipment	*13*	30,529	32,760
Intangible assets	*14*	19,818	20,040
Total non-current assets		50,347	52,800
Total assets		94,595	106,261
Liabilities			
Trade and other payables	*21*	12,003	15,274
Loans and borrowings	*19*	5,938	6,732
Employee benefits	*20*	6,785	8,762
Current tax payable		-	1,398
Total current liabilities		24,726	32,166
Loans and borrowings	*19*	8,124	11,442
Employee benefits	*20*	143	120
Deferred tax liabilities		2,440	1,637
Total non-current liabilities		10,707	13,199
Total liabilities		35,433	45,365
Net assets		59,162	60,896
Equity			
Share capital		51,110	50,964
Reserves		(22,016)	(22,077)
Retained earnings		29,696	31,632
Total equity attributable to owners of the Company		58,790	60,519
Non-controlling interests		372	377
Total equity		59,162	60,896

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 2013

In thousands of AUD	***Note***	**Consolidated**	
		31 Dec 2013	**31 Dec 2012**
Revenue	*7*	77,270	142,064
Other income	*8*	189	561
Contract disbursements		(15,284)	(29,614)
Personnel expenses	*10*	(53,118)	(91,767)
Office expenses		(3,085)	(3,457)
Depreciation and amortisation expense	*13,14*	(3,619)	(4,031)
Other expenses	*9*	(621)	(1,338)
Results from operating activities		1,732	12,418
Finance income		160	148
Finance expense		(685)	(932)
Net finance expense	*11*	(525)	(784)
Profit before income tax		1,207	11,634
Income tax expense	*12*	(435)	(3,624)
Profit for the period		772	8,010
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		772	8,010
Attributable to:			
Owners of the Company		777	8,007
Non-controlling interests		(5)	3
Profit for the period		772	8,010
Earnings per share			
Basic earnings per share (AUD)		0.01	0.11
Diluted earnings per share (AUD)		0.01	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 2013

In thousands of AUD	Attributable to owners of the Company						
	Share capital	**Retained earnings**	**Share-based payment reserve (note 18)**	**Common Control Reserve (note 18)**	**Total**	**Non-Controlling interests**	**Total equity**
Consolidated							
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
Balance at 1 July 2013	50,964	31,632	2,160	(24,237)	60,519	377	60,896
Total comprehensive income for the period							
Profit for the period	-	777	-	-	777	(5)	772
Total comprehensive income for the period	-	777	-	-	777	(5)	772
Transactions with owners recorded directly in equity							
Share options exercised	146	-	-	-	146		146
Share-based payment transactions	-	-	61	-	61		61
Dividends to equity holders	-	(2,713)	-	-	(2,713)		(2,713)
Total contributions by and distributions to owners	146	(2,713)	61	-	(2,506)	-	(2,506)
Balance at 31 December 2013	51,110	29,696	2,221	(24,237)	58,790	372	59,162

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 2013

In thousands of AUD	***Note***	**Consolidated** 31 Dec 2013	**Consolidated** 31 Dec 2012
Cash flows from operating activities			
Cash receipts from customers		100,254	161,281
Cash paid to suppliers and employees		(88,394)	(148,727)
Cash generated from operations		11,860	12,554
Interest paid		(685)	(932)
Income tax paid		(1,401)	(9,531)
Net cash flows from operating activities	*22*	9,774	2,091
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,391	770
Acquisition of property, plant and equipment		(2,499)	(1,396)
Acquisition of intangibles		-	-
Interest received		160	148
Acquisition of subsidiary, net of cash acquired		-	50
Net cash flows used in investing activities		(948)	(428)
Cash flows from financing activities			
Proceeds from exercise of share options		146	-
Proceeds from borrowings		-	5,332
Repayment of borrowings		(146)	(818)
Payment of finance lease liabilities		(3,966)	(2,827)
Dividends paid		(2,713)	(3,618)
Net cash flows used in financing activities		(6,679)	(1,931)
Net increase/(decrease) in cash and cash equivalents		2,147	(268)
Cash and cash equivalents at beginning of period		10,223	13,328
Cash and cash equivalents at end of period	*17*	12,370	13,060

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

Notes to the financial statements

For the six months ended 31 December 2013

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 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.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 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 2013.

The condensed consolidated interim report was authorised for issue by the Board of Directors on 25 February 2014.

(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 2013.

3 Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential

AASB 119 Employee benefits

In the current period, the Group adopted AASB 119 Employee Benefits (2011), which revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which employees render the related service.

As a result of the change, the annual leave liability for certain of the Group's employees is now considered to be an other long-term employee benefit, when previously it was a short-term benefit. The Group's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

The Group has applied the new policy retrospectively in accordance with the transitional provision of the standard. The impact of this change is not material to the disclosure and therefore, comparatives have not been restated.

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 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 2013.

Notes to the financial statements (continued)

For the six months ended 31 December 2013

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.

Notes to the financial statements (continued)
For the six months ended 31 December 2013

6 Segment information (continued)

Business Segments (continued)

In thousands of AUD	Underground mining services 31 Dec 2013	Underground mining services 31 Dec 2012	Engineering and fabrication 31 Dec 2013	Engineering and fabrication 31 Dec 2012	Electrical and mechanical Services 31 Dec 2013	Electrical and mechanical Services 31 Dec 2012	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
External revenues	66,324	114,035	9,764	9,174	1,182	18,855	77,270	142,064
Intersegment revenue	680	8,355	563	853	62	6	1,305	9,214
Reportable Segment profit/(loss) before income tax	393	8,665	1,063	871	(129)	2,216	1,327	11,634

Reconciliations of reportable segment revenues and profit or loss

in thousands of AUD	31 Dec 2013	31 Dec 2012
Revenues		
Total revenue for reportable segments	78,575	151,278
Elimination of inter-segment revenue	(1,305)	(9,214)
Consolidated revenue	77,270	142,064
Profit or loss		
Total profit or loss for reportable segments	1,327	11,752
Elimination of inter-segment profits	(120)	(118)
Unallocated amounts: other corporate expenses	-	-
Consolidated profit before income tax	1,207	11,634

Notes to the financial statements (continued)

For the year ended 31 December 2013

7 Revenue

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Contracting revenue	66,322	125,910
Sale of goods	9,764	9,174
Machinery hire	1,184	6,980
	77,270	142,064

8 Other income

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Administration income	134	561
Gain on sale of property, plant and equipment	55	-
	189	561

9 Other expenses

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Loss on sale of property, plant and equipment	-	463
Business acquisition costs	-	26
Insurance	621	748
Provision for bad debt	-	101
	621	1,338

10 Personnel expenses

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Wages and salaries	46,380	81,352
Other associated personnel expenses	3,609	5,800
Contributions to defined contribution superannuation funds	3,067	4,381
Equity-settled share-based payment transactions	62	234
	53,118	91,767

Notes to the financial statements (continued)
For the year ended 31 December 2013

11 Finance income and expense

Recognised in profit or loss

In thousands of AUD	Consolidated 31 Dec 2013	31 Dec 2012
Interest income	160	148
Finance income	160	148
Interest expense	(685)	(932)
Finance expense	(685)	(932)
Net finance expense recognised in profit or loss	(525)	(784)

12 Income tax expense

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	Consolidated 31 Dec 2013	31 Dec 2012
Profit for the period	772	8,010
Total income tax expense	435	3,624
Profit before income tax	1,207	11,634
Income tax using the Group's statutory income tax rate of 30% (2013: 30%)	362	3,490
Non-deductible expenses	73	134
	435	3,624

Notes to the financial statements (continued)

For the six months ended 31 December 2013

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 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)
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
Balance at 1 July 2013	-	53,936	1,605	1,977	-	493	2,000	60,011
Additions	-	2,376	57	65	-	-	1	2,499
Disposals	-	(1,819)	(340)	-	-	-	-	(2,159)
Acquired through business combination	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2013	-	54,493	1,322	2,042	-	493	2,001	60,351
Depreciation and impairment losses								
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)
Transfers	(823)	823	-	-	-	-	-	-
Balance at 30 June 2013	-	23,722	1,017	1,378	-	411	723	27,251
Balance at 1 July 2013	-	23,722	1,017	1,378	-	411	723	27,251
Depreciation for the period	-	2,986	64	68	-	16	263	3,397
Disposals	-	(585)	(241)	-	-	-	-	(826)
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2013	-	26,123	840	1,446	-	427	986	29,822
Carrying amounts								
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
At 1 July 2013	-	30,214	588	599	-	82	1,277	32,760
At 31 December 2013	-	28,370	482	596	-	66	1,015	30,529

During the period Mastermyne did not aquire any property, plant and equipment through finance leases (2012: $1,193 thousand).

Notes to the financial statements (continued)
For the six months ended 31 December 2013

14 Intangible assets

	Consolidated	
In thousands of AUD	**31 Dec 2013**	**30 Jun 2013**
Goodwill		
Cost (gross carrying amount)	18,869	18,869
Net carrying amount	18,869	18,869
Customer relationships		
Cost (gross carrying amount)	2,945	2,945
Accumulated amortisation and impairment	(2,659)	(2,501)
Net carrying amount	286	444
Intellectual property		
Cost (gross carrying amount)	1,522	1,522
Accumulated amortisation and impairment	(859)	(795)
Net carrying amount	663	727
Total intangible assets		
Cost (gross carrying amount)	23,336	23,336
Accumulated amortisation and impairment	(3,518)	(3,296)
Net carrying amount	19,818	20,040

Reconciliation of carrying amount at beginning and end of the period

	Consolidated	
	6 months ended	**12 months ended**
In thousands of AUD	**31 Dec 2013**	**30 Jun 2013**
Goodwill		
Carrying amount - opening	18,869	18,268
Acquired in business combination	-	601
Carrying amount - closing	18,869	18,869
Customer relationships		
Carrying amount - opening	444	567
Acquired in business combination	-	276
Amortisation	(158)	(399)
Carrying amount - closing	286	444
Intellectual property		
Carrying amount - opening	727	861
Amortisation	(64)	(134)
Carrying amount - closing	663	727
Total intangible assets		
Carrying amount - opening	20,040	19,696
Acquired in business combination	-	877
Amortisation	(222)	(533)
Carrying amount - closing	19,818	20,040

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 2013

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 2013	30 Jun 2013
Underground mining services	7,030	7,030
Engineering and fabrication	7,301	7,301
Electrical services	4,538	4,538
	18,869	18,869

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

	Annual growth rate (FY2014-FY2018)	Terminal growth rate	Pre-tax discount rate
Underground mining services	5.0%	2.5%	15.9%
Engineering and fabrication	5.0%	2.5%	16.9%
Electrical and mechanical services*	20.0%	2.5%	17.0%

*20% growth rate was used for Electrical and mechanical Services as the starting cashflows 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.

15 Inventories

	Consolidated	
In thousands of AUD	31 Dec 2013	30 Jun 2013
Inventory on hand	3,083	2,332
	3,083	2,332

16 Trade and other receivables

	Consolidated	
In thousands of AUD	31 Dec 2013	30 Jun 2013
Trade receivables	15,319	28,856
Prepayments	2,272	1,344
Unbilled revenue	10,654	10,163
Other receivables	182	543
	28,427	40,906

Notes to the financial statements (continued)

For the six months ended 31 December 2013

17 Cash and cash equivalents

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 30 Jun 2013
Bank balances	12,369	10,213
Cash on hand	1	10
Cash and cash equivalents in the statement of cash flows	12,370	10,223

18 Capital and reserves

The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares 31 Dec 2013	Ordinary class shares 30 Jun 2013
On issue at beginning of period / year	75,367,514	75,367,514
Exercise of share options	150,000	-
On issue at end of period / year	75,517,514	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 23).

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	Date of payment
2014 financial year				
2013 Ordinary - Ordinary Shares Final Dividend	$ 0.036	2,713	100%	16/10/2013
Total amount		2,713		
2013 financial year				
2012 Ordinary - Ordinary Shares Final Dividend	$ 0.048	3,618	100%	16/10/2012
Total amount		3,618		

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

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 2013	Consolidated 30 Jun 2013
Current liabilities		
Insurance premium funding (unsecured)	-	146
Finance lease liabilities (secured)	5,938	6,586
	5,938	6,732
Non-current liabilities		
Finance lease liabilities (secured)	8,124	11,442
Commercial bill facility (secured)	-	-
	8,124	11,442

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					
In thousands of AUD	Future minimum lease payments 31 Dec 2013	Interest 31 Dec 2013	Present value of minimum lease payments 31 Dec 2013	Future minimum lease payments 30 Jun 2013	Interest 30 Jun 2013	Present value of minimum lease payments 30 Jun 2013
Less than one year	6,538	(600)	**5,938**	7,660	(1,074)	**6,586**
Between one and five years	8,492	(368)	**8,124**	12,413	(971)	**11,442**
More than five years	-			-	-	**-**
	15,030	(968)	**14,062**	20,073	(2,045)	**18,028**

20 Employee benefits

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 30 Jun 2013
Current		
Wages payable	1,460	1,343
Liability for annual leave	2,749	3,730
Liability for vesting sick leave	2,520	3,622
Liability for long service leave	56	67
	6,785	8,762
Non-current		
Liability for long service leave	143	120
	143	120

Notes to the financial statements (continued)

For the year ended 31 December 2013

21 Trade and other payables

In thousands of AUD	Consolidated 31 Dec 2013	Consolidated 30 Jun 2013
Trade payables	2,779	5,096
Sundry creditors and accruals	9,224	10,178
	12,003	15,274

22 Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Cash flows from operating activities			
Profit for the period		772	8,010
Adjustments for:			
Depreciation	*13*	3,397	3,752
Amortisation of intangible assets	*14*	222	279
(Gain)/loss on sale of property, plant and equipment	*8,9*	(55)	463
Donations received of property, plant and equipment		-	(375)
Share based payments		61	234
Net finance expense	*11*	525	784
Income tax expense		435	3,624
Operating profit before changes in working capital and provisions		5,357	16,771
Change in trade and other receivables	*16,24*	12,479	2,258
Change in inventories	*15*	(751)	(672)
Change in trade and other payables	*21,24*	(3,271)	(6,087)
Change in provisions and employee benefits	*20,24*	(1,954)	284
		11,860	12,554
Interest paid		(685)	(932)
Income taxes paid		(1,401)	(9,531)
Net cash from operating activities		9,774	2,091

23 Share-based payments

There were no performance rights granted during the period. During the period 235,500 performance rights lapsed unexercised and 150,000 rights were exercised.

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 21, 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 2013 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.

D. Hamblin
Chairman

Dated at Mackay this 25th day of February 2014.

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 2013, 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 23 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 2013 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*.

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 2013 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

25 February 2014