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# 2018

ANNUAL REPORT



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# CHAIRMAN'S REPORT

Dear Shareholder

**Financial Year 2018 has seen your company deliver much improved results with revenue up over 62% and a return to profitability. A major factor in these results was the significant cost reductions achieved during prior periods.**

As revenue improved these savings were largely maintained through a strong focus on leveraging Group processes across all contracts and controlling overheads.

It is pleasing that our clients are generally experiencing better market conditions. Coking and thermal coal prices were stronger than previous years encouraging brownfield investment. We are yet to see a strong rebound in greenfield investment, however, the rate of enquiries has improved.

The Purpose of the Mastermyne Group is to create wealth through the delivery of specialised contract services to the resources, ports and heavy industrial sectors. This has not changed for some time and guides the Board in its decision making. Over the last few years we have diversified our exposure from predominately Queensland coking coal to an even mix of Queensland and New South Wales producers of both coking and thermal coal. The diversification and quality of our contract portfolio has delivered a lower risk model. We will continue to pursue opportunities to sensibly grow and diversify our revenue streams.

A key factor in the Group's improved performance was the supply of equipment into new contracts. The ability to supply equipment differentiates us from many competitors. Overhaul of this equipment has required some investment, but with the backing of attractive contracts it was approved by the Board. The fleet is now close to fully utilised.

To support this investment a small capital raising was conducted last year. The raising ensured that our balance sheet remained robust and it was strongly supported by the majority of shareholders. The reluctance of banks to lend into our sector during difficult periods in the cycle is a pertinent reminder of why the Group needs to minimise its use of debt in pursuing growth opportunities.

Our core management team, very capably led by our Managing Director Tony Caruso, continues to perform at a very high level. It is undoubtedly one of our greatest strengths that we continue to have consistency in leadership. On behalf of all shareholders and the Board I thank Tony, the management group and all of our employees for their leadership and dedication.

As you would expect the Board continues to review its capability in line with our strategic intent. As I flagged last year, we have added a director with a strong background in resources, finance and capital markets. I am very pleased to welcome Julie Whitcombe to our Board and I look forward to a strong endorsement of Julie's appointment at the AGM.

I hope you enjoy your annual report and I would welcome your attendance at the AGM.

Colin Bloomfield



# MANAGING DIRECTOR'S REPORT

Dear Shareholder

**The FY2018 year has seen the Mastermyne Group deliver improved outcomes across all areas of our business.**

During the year we worked hard to improve our margins and we are pleased that this has been reflected in the FY2018 results. Our approach to leveraging overheads by minimizing costs as we grew revenue supported the stronger margin outcome but we were also able to sign new contracts on stronger margins. Margins were also supported by the improvement in fleet utilization and stronger hire rates and as we cycle through contract renewals we are working diligently to improve the profitability on these contracts.

Over the past two years we have seen the competitor landscape change as some companies did not come through the last cycle whilst others changed their strategy away from underground coal. This change, in our favour, has been reflected in the 62% growth in revenue in the business in the past 12 months. Whilst we do expect the competitor landscape to change with the resurgence in the sector we are confident that we will maintain a strong market position for some time to come.

One of the most pleasing outcomes in this years results has been the excellent safety performance. As a Company we have never wavered from our focus to ensure every person returns home safely at the completion of every shift. Our safety culture continues to strengthen through our proactive approach to recognising and rewarding the right behaviour's. This approach of supporting good safety behaviour has underpinned some strong safety results this year including many projects that have completed the full year without registering a recordable injury and our entire New South Wales operations completing the full year without a recordable injury. What makes this result even more pleasing was that this was achieved during a period where we grew our workforce numbers significantly as we mobilised on new projects.

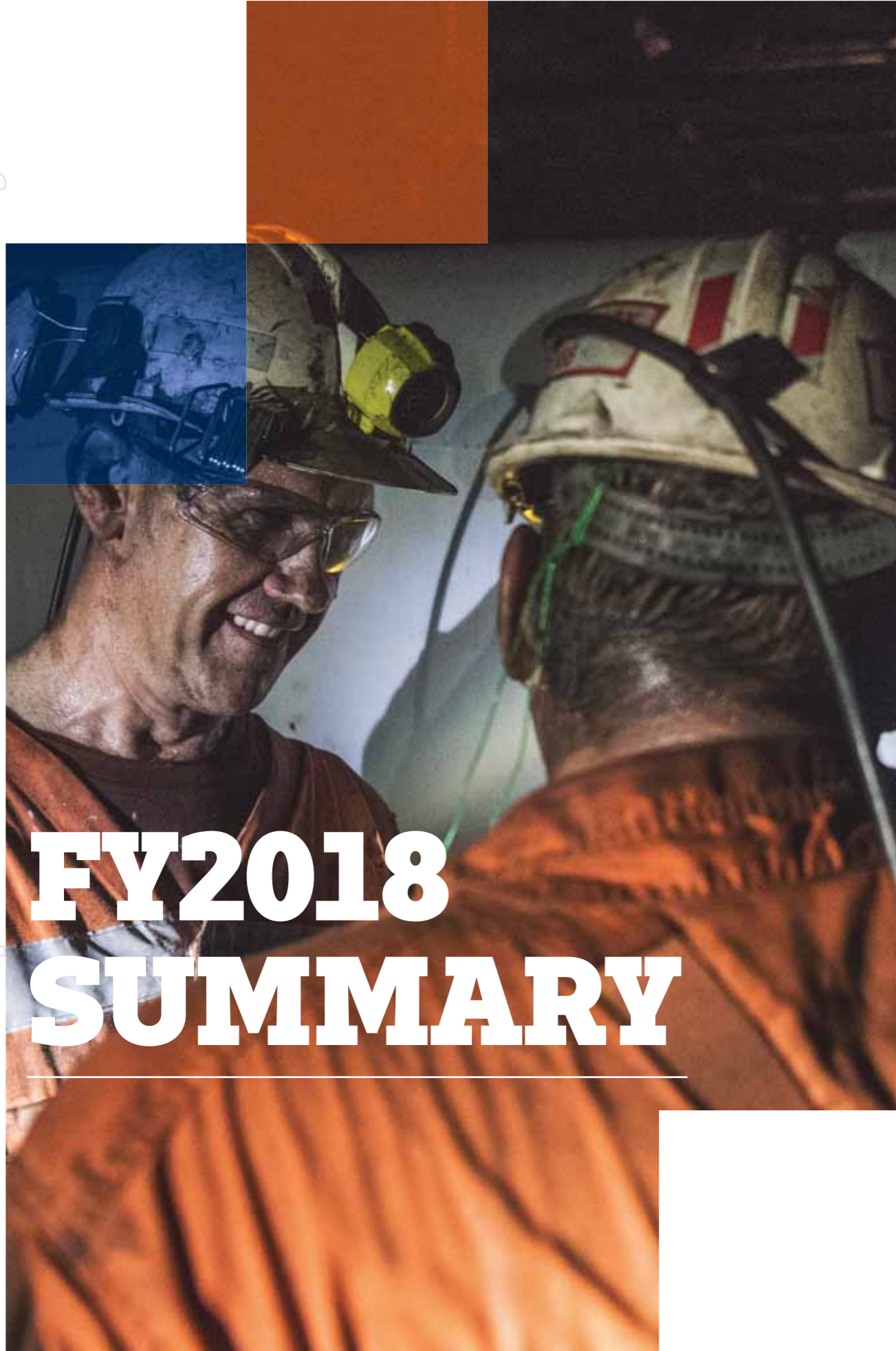
As reported in the Company's full year results we have a very strong outlook which is supported by a record pipeline not only in our contracting business but in whole of mine opportunities also. In our contracting business we continue to engage with our Tier one customer base who are focused on maintaining production levels at their current cost base. The whole of mine outlook provides us with a unique opportunity to add a significant new revenue stream to the Company that moves our business up the value chain under a business model that will give us robust long term earnings and will provide further resilience through the cycles.

As we move into FY2019 we are already guiding towards further growth. We are well positioned with a strong order book and a record pipeline with opportunities that are well suited to our business model. These new opportunities will support the continued growth of Mastermyne. Our focus this year is to execute well on our current contracts and deliver further growth from our pipeline, whilst also continuing to improve our safety culture.

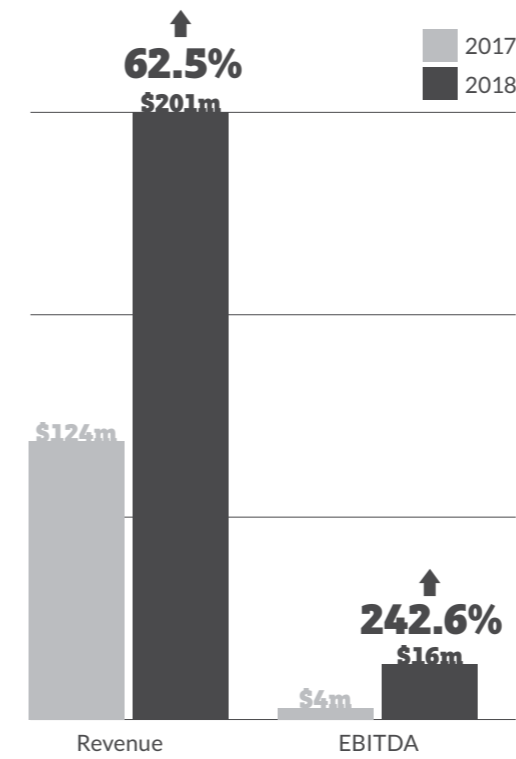
Lastly, I would like to thank our Board, Management and our workforce. Without the capable and committed people that we have in our organisation the results that we have delivered this year would not have been possible. With the platform we have built this year and the strong outlook for the sector we look forward to delivering another great year for the Company.

Regards

Tony Caruso



## New projects and fleet underpin a strong financial result



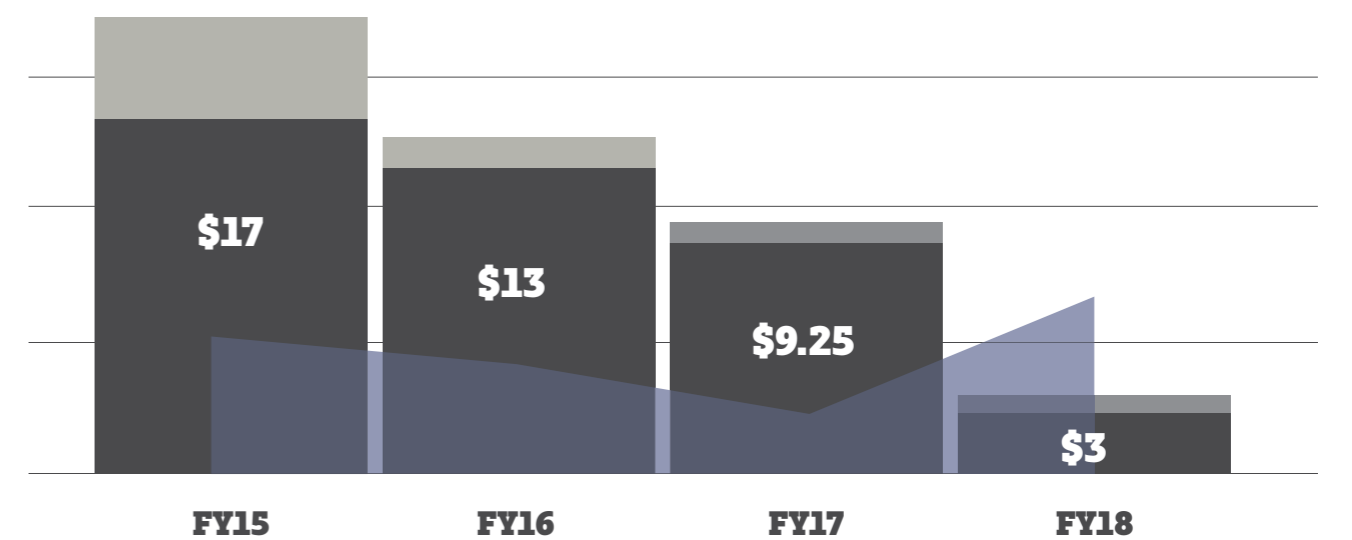
### MASTERMYNE INCOME STATEMENT

\$AUD (000's)	FY18	FY17	Change(%)
Total Revenue	201,719	124,162	62.5%
EBITDA	16,344	4,770	242.6%
EBITDA %	8.1%	3.8%	110.9%
Profit/(loss) before tax	8,208	(2,881)	4.3%
Tax benefit/(expense)	(2,620)	771	(439.8%)
Profit/(loss) after tax	5,588	(2,110)	364.9%
EBITDA Margins	8.10%	3.84%	4.26%
EPS (cents)	0.05	(0.02)	348.9%

- Revenue \$201.7 million, EBITDA \$16.4 million and NPAT \$5.6 million
- EBITDA \$16.4 million (8% margin), up from \$4.1 million (3.3% margin) in pcp
- Full Year result exceeded top end of Revenue and EBITDA guidance range
- Net Debt reduced to \$3.5 million
- All projects now fully resourced and delivering at full run rate
- Forecast continued growth in FY19 with additional upside from Whole of Mine opportunities
- Leveraging overheads on increased revenue and stronger margins on new contracts leading to improvement in EBITDA margin
- Utilised tax losses in FY18, with long term tax rate of ~25% through realisation of remaining deferred tax assets (transferred tax losses)

### DEBT PROFILE (A\$ MILLIONS)

Cash Advance Debt
  Finance Lease Debt
  Overdraught (utilised)
  Principal Repayments





# BOARD OF DIRECTORS

## **Colin Bloomfield, Non-executive Chairman**

Colin brings to the Company over 30 years of mining experience in technical, operations, management and corporate roles. He is also an experienced Company Director having been in various Directorships for almost twenty years.

Colin's former roles during his 27 years with BHP Billiton include President Illawarra Coal (8 years), Vice President Health, Safety and Environment (Global role) and Project Director for the BHP Billiton merger integration as well as member of the deal team for the transaction. He was also an Underground Coal Mine Manager both in New South Wales and Queensland.

Currently Col is Chairman of the Flagstaff Group and Destination Wollongong and a Director at Community Alliance Credit Union and Wollongong Golf Club. He has previously been a Director at the Minerals Council of Australia and Chairman of the NSW Minerals Council and Port Kembla Coal Terminal.

## **Anthony (Tony) Caruso, CEO & Managing Director**

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

He has more than 20 years' experience in mining services working on major underground mining projects across QLD and NSW before moving into management roles. He has worked alongside several mining services contractors and has a comprehensive understanding of the sector. Tony's qualifications are a combination of a trade background with a degree in Business Management.

Tony's propensity for Project Management drives Mastermyne's focus for safe and productive projects. He is highly regarded for his innovative approach to solving complex issues and for actively turning issues into opportunities.

Known for being strategic as well as results focused, Tony has presided over a period of significant growth in the Mastermyne business.

## **Andrew Watts, Non-executive Director**

Andrew co-founded Mastermyne in 1996 and has been involved in the mining services sector since 1994.

Prior to moving to a board role, Andrew was directly responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO.

Andrew's detailed understanding of mining and construction projects has been an invaluable contribution in shaping Mastermyne's operating systems. This experience will be relied on as Mastermyne continues to grow and diversify its business.

## **Gabriel (Gabe) Meena, Non-Executive Director**

Gabe is an executive with over 30 years experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Gabe has held senior operational and management roles with Bluescope Steel as General Manager Mills and Coating, Bluescope Steel China as President China Coated and BHP Collieries as General Manager of a number of coal mines. Gabe's most recent role was General Manager Operations with Patrick Terminals.

Gabe has a Bachelor in Mechanical Engineering and is a graduate of the Australian Institute of Company Directors.

## **Julie Whitcombe, Non-Executive Director**

Julie brings over 16 years of experience across financial, strategic and operational roles, with a focus throughout her career on the resources sector. Julie is currently Executive General Manager for the Queensland operations of Senex Energy Limited, an ASX-listed upstream oil and gas business.

After completing a first class honours degree in mining engineering, Julie spent seven years working for PWC, a global financial services firm. Her clients during this time spanned a range of high profile businesses and equity and M&A transactions, including QGC, Santos and Rio Tinto.

Joining in 2010, her roles at Senex have included Chief Financial Officer, Executive General Manager of Strategic Planning in addition to her current role which is focused on the development and operation of coal seam gas projects in Queensland.

Julie's broad background allows her to bring a unique combination of experience in financial accounting and equity markets and a focus on business-led strategy and growth.

# FINANCIAL SUMMARY

## Strong cash generation is reducing debt quickly

- Net Debt reduced from \$10.0 million to \$3.5 million in pcg
- Completed \$6.0 million Placement in September 2018
- \$3.0m Cash Advance facility will be repaid by December 2018
- Restructured working capital facilities to \$20 million to cater for working capital growth
- Mining fleet delivering strong ROCE
- Capex requirement will decrease to sustaining maintenance of existing fleet
- New Capex required for deployment on Whole of Mine opportunities as they are contracted

### BALANCE SHEET

\$AUD (000's)	Jun-18	Jun-17
<b>Assets</b>		
Cash and cash equivalents	1	1
Trade and other receivables	43,427	29,454
Inventories	2,973	2,684
Current Tax assets	0	202
<b>Total current assets</b>	<b>46,401</b>	<b>32,341</b>
Deferred Tax asset	8,791	9,285
Property, plant and equipment	21,053	18,745
Intangible assets	6,748	6,894
<b>Total non-current assets</b>	<b>36,592</b>	<b>34,924</b>
<b>Total assets</b>	<b>82,993</b>	<b>67,265</b>
<b>Liabilities</b>		
Bank Overdraft	521	768
Trade and other payables	19,024	11,039
Loans and borrowings	3,000	6,250
Employee benefits	5,235	3,388
Current Tax payable	1,248	0
<b>Total current liabilities</b>	<b>29,028</b>	<b>21,798</b>
Loans and borrowings	0	3,000
Employee benefits	207	138
<b>Total non-current liabilities</b>	<b>207</b>	<b>3,138</b>
<b>Total Liabilities</b>	<b>29,235</b>	<b>24,936</b>
<b>Net Assets</b>	<b>53,758</b>	<b>42,329</b>

### CASHFLOW

\$AUD (000's)	Jun-18	Jun-17
EBITDA (Statutory)	16,344	4,770
<b>Movements in Working Capital</b>	<b>(4,713)</b>	<b>462</b>
Non cash items	(87)	704
Interest Costs	(635)	(576)
Income tax receipts/(payments)	(578)	92
<b>Net Operating Cash Flow</b>	<b>10,330</b>	<b>5,452</b>
<b>Net Capex (includes intangibles)</b>	<b>(9,480)</b>	<b>(4,331)</b>
<b>Net borrowings/(repayments)</b>	<b>(6,250)</b>	<b>(3,701)</b>
Proceeds from share issue	5,670	-
Interest Received	25	22
<b>Free Cash Flow</b>	<b>296</b>	<b>(2,558)</b>
Dividends	(49)	(45)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>247</b>	<b>(2,603)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(767)</b>	<b>1,836</b>
<b>Cash and cash equivalents at end of period</b>	<b>(520)</b>	<b>(767)</b>



# OPERATIONS

## New contracts are improving margin outlook

### MINING DIVISION

(\$'000)	FY18	FY17	Change(%)
Revenue	174,382	92,400	88.7%
EBITDA	16,055	6,858	134.1%
EBIT	9,356	1,444	547.9%
EBITDA Margins	9.2%	7.4%	1.8%

### MASTERTEC DIVISION

(\$'000)	FY18	FY17	Change(%)
Revenue	27,830	32,751	(15.0%)
EBITDA	1,194	(1,883)	163.4%
EBIT	338	(2,941)	111.5%
EBITDA Margins	4.3%	(5.7%)	10.0%

- Cycling through contracts negotiated in the low point of the cycle
- New contracts supporting stronger margins
- Equal weighting of Thermal / Coking coal projects
- Workforce numbers reached approximately 1,000
- Fleet utilization continues to improve and is now above 85%
- Hire rates are improving across the equipment fleet
- Lead times for delivery of new and used equipment has extended
- Company retains some equipment availability within the existing fleet



# HSEQ

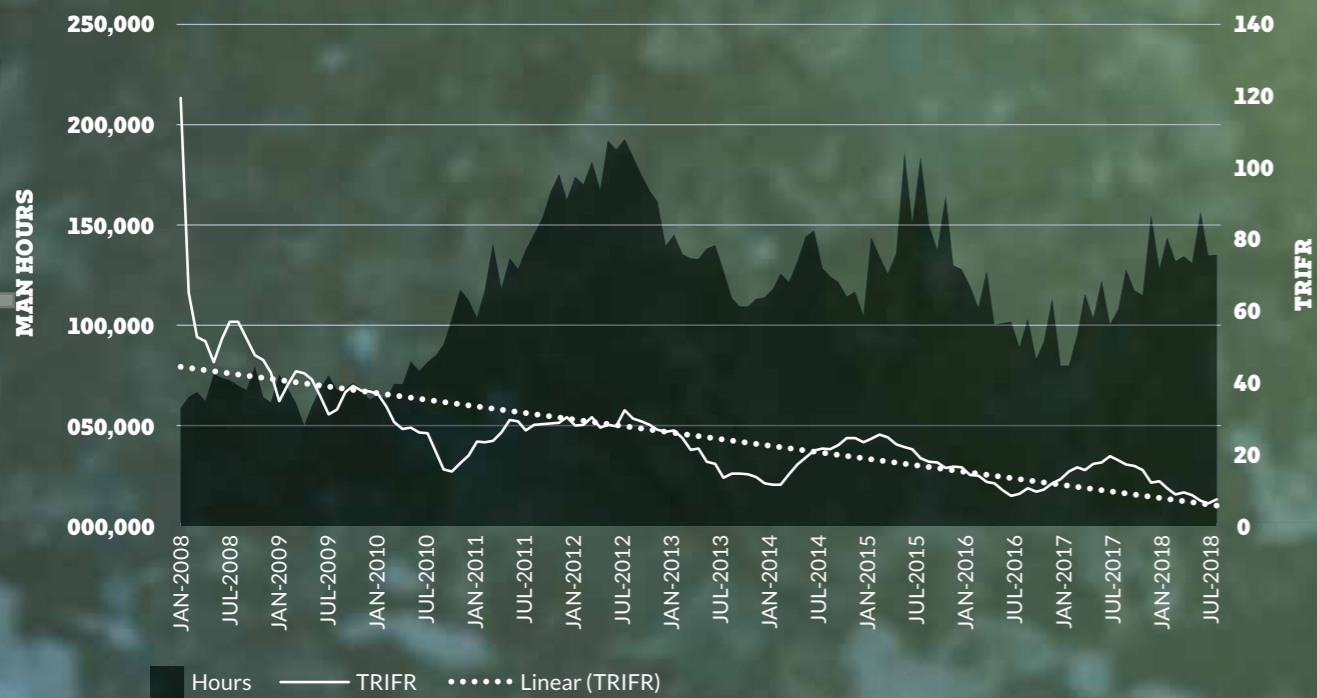
## HEALTH, SAFETY, ENVIRONMENT AND QUALITY

### Safety outcomes improved through a period of significant growth

- Injury frequency rates decreased from 18.3 to 6.3 over the FY18 year
- 12 out of 16 projects were recordable injury free for the year
- NSW mining division achieved full year of operations with no recordable injuries
- Maintained strong HSEQ compliance across all projects



MASTERMYNE GROUP TRIFR



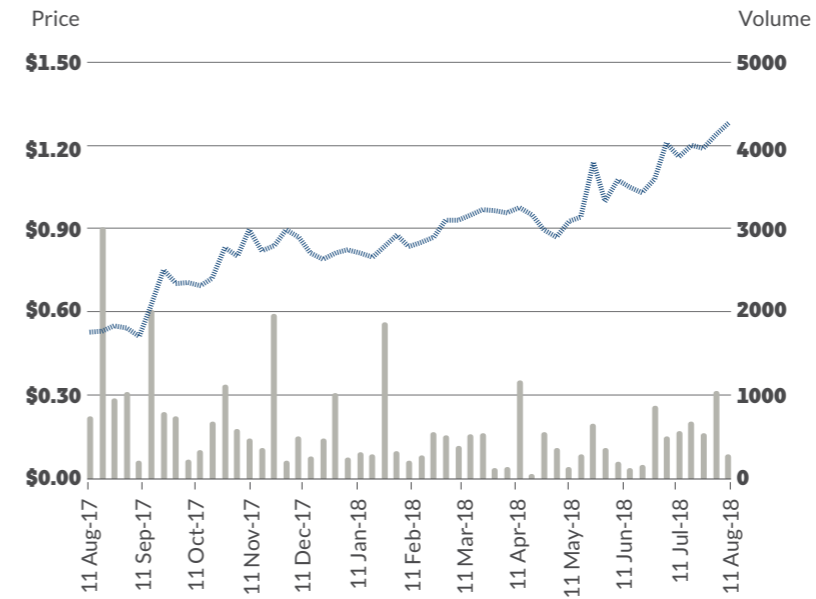




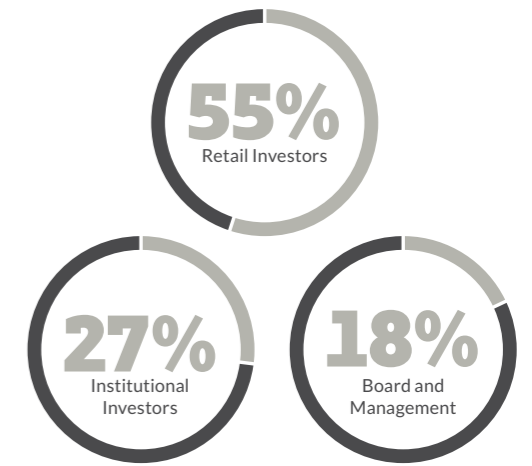
# HUMAN RESOURCES

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## 12 MONTH TRADING HISTORY



## SHAREHOLDER COMPOSITION



# CORPORATE OVERVIEW

## CAPITAL STRUCTURE

**1.29**  
Share price as at 7 Aug 2018 (\$)

**101.1**  
Shares on issue (m)

**130.4**  
Market cap (\$m)

**3.5**  
Net Debt as at 30 June 2018 (\$m)

**133.9**  
Enterprise value (\$m)

## BOARD

**Colin Bloomfield**  
- Non-executive Chairman

**Anthony Caruso**  
- Managing Director

**Andrew Watts**  
- Non-executive Director

**Gabriel Meena**  
- Non-executive Director

**Julie Whitcombe**  
- Non-executive Director

## SUBSTANTIAL SHAREHOLDERS

**Andrew Watts** - 12.13%

**Kenneth Kamon** - 10.76%

**Darren Hamblin** - 9.55%

**Paradice Investment Management** - 8.39%

**FY19 964**

**FY18 874**

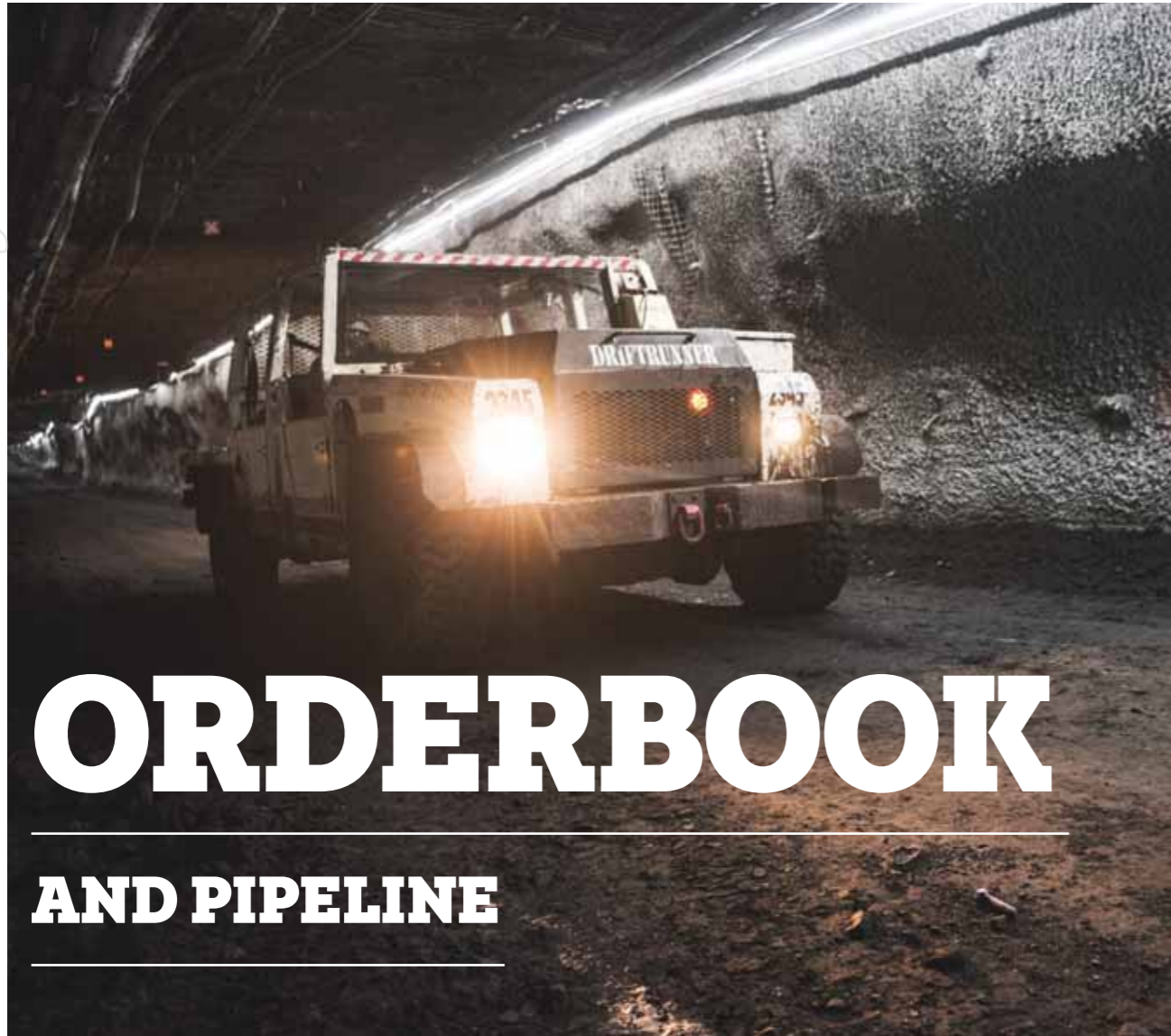
**FY17 752**

**FY16 615**

### EMPLOYEE NUMBERS - GROUP HEADCOUNT (FTE) HISTORY

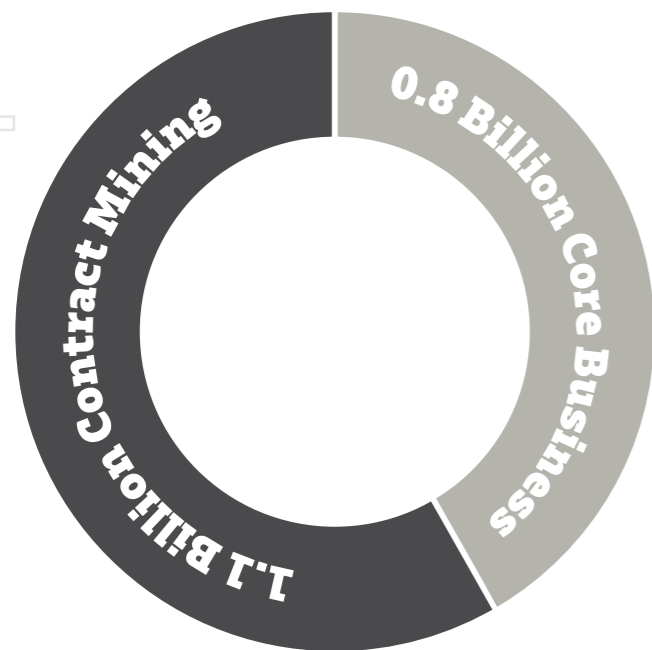
- Current projects fully resourced with labour and equipment
- Starting to see tightening in the labour market
- Reactivating resourcing strategies from previous strong cycles
- Cost of labour has stabilised following an average 10% to 15% increase earlier in the calendar year
- Ongoing training programs for Deputies and Cleanskins

**Mastermyne have successfully resourced the growth opportunities throughout the year**



# ORDERBOOK

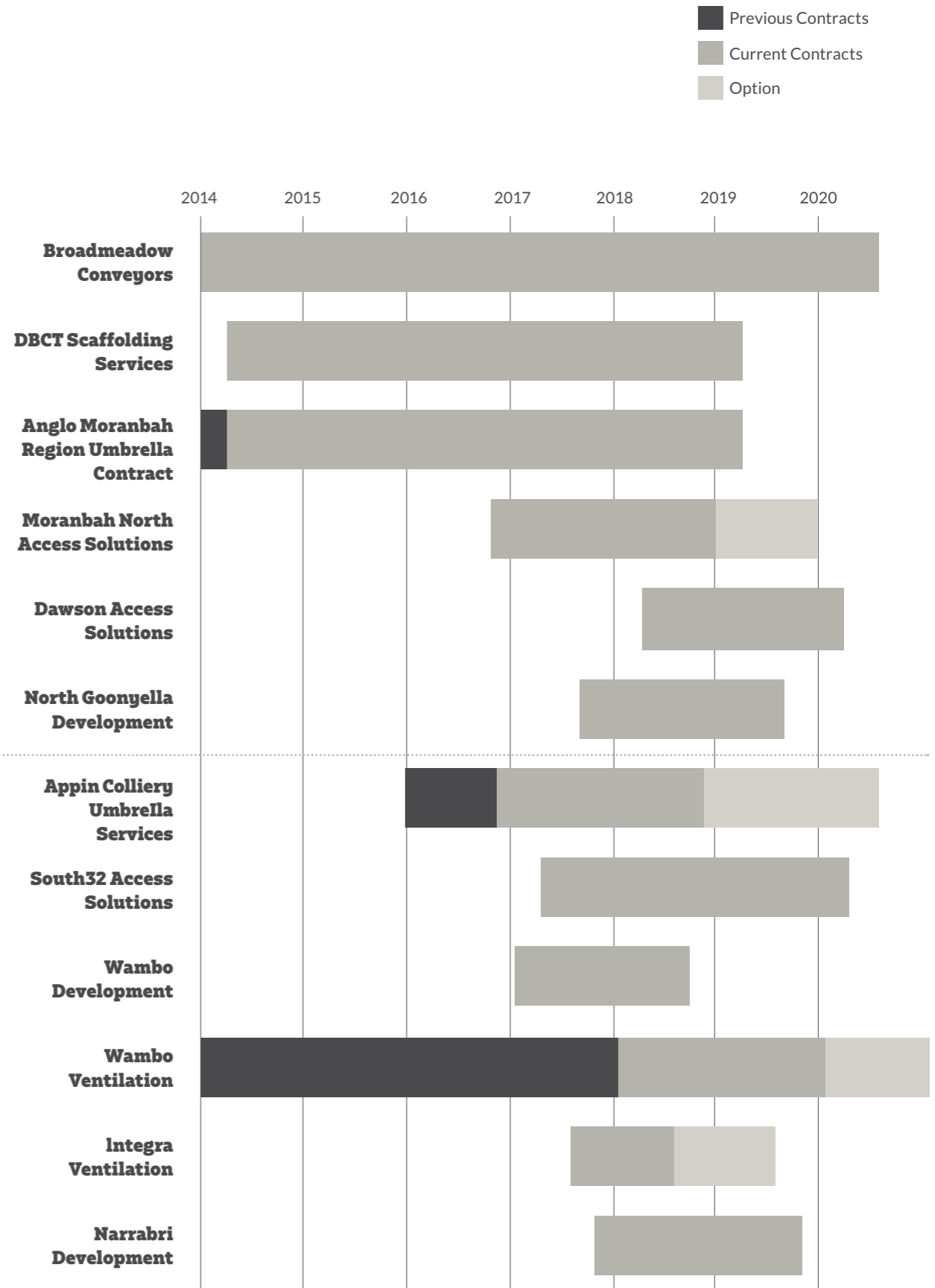
## AND PIPELINE



### High quality order book supported by robust tender pipeline

- Order Book \$280 million, \$185 million to be delivered in FY19
- Tendering pipeline over \$1.9 billion, \$800 million in core business, \$1.1 billion in Contract Mining
- Contract extensions secured with Appin, DBCT and Wambo
- Major Anglo contract up for renewal in H2 FY19
- Two stalled underground projects expected to recommence in H2 FY19
- Number of Greenfield project reviews underway supporting an extended pipeline of opportunities

NSW QLD





# OUTLOOK

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## Whole of Mine opportunities present a step change for the business

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- Progressing 2 late stage Whole of Mine opportunities in NSW with the first expected to commence mobilising in the 2nd quarter FY19
- BFS study for Stanmore's Isaac Plains Underground Coal Mine will be completed in late September with final investment decision expected in early 2019
- Supply of mining fleet for Whole of Mine contracts will increase capital intensity
- Currently assessing fleet requirements and timing to finalise financing strategy's

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## Strong market outlook is driving increased demand for our services

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- Early stages of a stronger cycle supporting a positive outlook
- New disaggregated industry dynamic with emerging new players creating more opportunities
- Expanding underground sector as new projects come on line over the next 12 to 18 months
- Record order book supports continued growth for the Company
- Reduced competitors supporting stronger win / loss ratio for the mining business

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## Mastermyne is in an excellent position to deliver another year of strong growth

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- FY2019 guidance; Revenue \$230 to \$250 million, EBITDA \$20 to \$23 million (excluding Whole of Mine Contracts)
- Revenue \$201.7 million, EBITDA \$16.4 million and NPAT \$5.6 million
- Full Year result exceeded top end of Revenue and EBITDA guidance range
- EBITDA margin 8.1% up from 3.8%
- Net Debt reduced to \$3.5 million
- All projects now fully resourced and delivering at full run rate
- Forecast continued growth in FY19 with additional upside from Whole of Mine opportunities

# Mastermyne Group Limited and its Controlled Entities

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**ABN 96 142 490 579**  
**Annual Report 30 June 2018**

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# 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](http://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 Council's guidelines.

The Board currently comprises five Directors as follows:

- Colin Bloomfield  
– Independent non-executive Chairman
- Andrew Watts  
– Non-executive Director
- Gabriel Meena  
– Independent non-executive Director
- Julie Whitcombe  
– Independent non-executive Director
- Tony Caruso  
– Managing 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. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company's annual general meeting.

The Board's view is that an independent Director is a non-executive Director who does not have a relationship affecting independence on the basis set out in the Council's guidelines. During the reporting period the Company Board composition was 3 independent directors and 2 non-independent directors, meeting the council's recommendation requiring a majority of independent Directors.

The Board periodically conducts a review of the skills and experience Directors to ensure they are appropriate for the Company's activities. The results of the most recent review conducted in the last period are shown below.

Skill or Experience Requirement	Assessed Level
<b>Governance</b>	
Risk Management Systems	Medium
Health and Safety	Medium
Financial Risk	High
<b>Operations</b>	
Underground Coal Mining	Medium
Port Operations	Medium
Employee Relations	Medium
Contract Management	High
<b>Strategic</b>	
Strategy and Business Planning	High
Business Planning and Execution	Medium
Mergers and Acquisitions	Medium

Where appropriate, external advice is sought to supplement Board skills and experience.

### 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:

- Gabriel Meena (Chair)
- Andrew Watts
- Colin Bloomfield
- Julie Whitcombe

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 and approve and update internal audit and external audit plans;
- review financial reports or financial information, including such information as is to be distributed externally and where appropriate recommend these for Board approval;
- 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;
- 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

- Andrew Watts (Chair)
- Colin Bloomfield
- Gabriel Meena
- Julie Whitcombe

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 benefit programs;
- reviewing the Company’s recruitment, retention and termination policies;
- reviewing the Company’s superannuation arrangements;
- reviewing succession plans of senior executives and Directors;
- recommending individuals for nomination as members of the Board and its committees;
- 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;
- 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. A review has been carried out for the most recent reporting period.

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.

## 1.7 Compliance with the ASX Corporate Governance Council Recommendations (continued)

### Principle 1 – Lay solid foundations for management and oversight (continued)

Mastermyne ensures that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election, as a director. Information about a candidate standing for election or re-election as a director is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

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 Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The processes for evaluating the performance of senior executives, the board and its committees and individual directors, are set out in the Board Charter, Audit & Risk Management Committee Charter and Remuneration & Nomination Committee Charter. All reviews have taken place in accordance with these charters. Mastermyne Group complies with the Recommendations in this area.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### Principle 2 – Structure the board to add value

The Board currently consists of five directors, including one executive Director. Profiles of each Director outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the 3 years immediately before the end of the financial year), experience and expertise, are set out in the Directors' Report.

Three Directors, Mr Colin Bloomfield, Mr Gabriel Meena and Julie Whitcombe, are independent (in terms of the criteria detailed in the Recommendations), giving the Board the benefit of independent and unfettered judgment. The other two Directors, comprising one founder who is a non-executive Director and the Managing Director, are not independent.

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 above.

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. So, 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:

- 8% of the organisation's employees are women
- 20% of the Board are women
- 25% of Senior Executives are women
- 4 women are working in non-traditional roles
- 2 women on succession path for Senior Executive Roles
- equal pay has been achieved in all positions regardless of gender
- flexible working arrangements offered to facilitate family needs and return to work arrangements after maternity leave
- women's networking business functions are attended across all employee levels

### Principle 4 – Safeguard integrity in financial reporting

The Audit & Risk Management Committee, with its own charter, complied with the Recommendations for the majority of the year. All the 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 Shareholder's questions relevant to the audit. Security holders are able to ask questions of the company or the auditors electronically as detailed in the company's notice of meeting. Security holders can also request to receive communications electronically via the Company's share registry Link Market Services.

As part of the Company's management of investor relations the CEO does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

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 company operates under an enterprise wide risk management framework summarised in the risk management policy adopted by the board which can be found on the Company's website. The framework in place ensures the company identifies and keeps an up-to-date understanding of areas where it may expose itself to risk and implement effective management of those risks.

Oversight of the risk management framework is undertaken by the Audit and Risk Management Committee which assists the board in its oversight role by:

- the implementation and review of risk management and related internal control and compliance systems
- monitoring the companies policies and procedures, ensuring compliance with the relevant laws and company's code of conduct; and
- annual review of the risk management framework, to evaluate and continually look to improve the effectiveness of the Company's risk management and internal control processes. Such a review has been undertaken during the most recent reporting period

The Board considers that the Company does not currently have any material exposure to economic, environmental and social sustainability risks which require active management.

The Company does not have a separate internal audit function due to its relatively small size and less complex financial and organisational structures. The board does engage a third party annually to conduct forensic testing on the Company's internal controls.

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. During the reporting period the Remuneration & Nomination Committee had four non-executive Director members of which three are independent and the Chair is not an independent Director. Whilst this does not meet the council's recommendation requiring a chair to be an independent director, the company believes the current skills & experience of the current committee members is more important than independence at this time.

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.

# Directors' Report

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 2018 and the auditor's report thereon.

## For the year ended 30 June 2018

### 1. Directors

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

#### ■ Colin Bloomfield

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

#### Independent Chairman

#### Experience and other directorships

Colin brings to the Company over 30 years of mining experience in technical, operations, management and corporate roles. He is also an experienced Company Director having been in various Directorships for almost twenty years.

Colin's former roles during his 27 years with BHP Billiton include President Illawarra Coal (8 years), Vice President Health, Safety and Environment (Global role) and Project Director for the BHP Billiton merger integration as well as member of the deal team for the transaction. He was also an Underground Coal Mine Manager both in New South Wales and Queensland.

Currently, Colin is Chairman of the Flagstaff Group and Destination Wollongong and a Director at Community Alliance Credit Union and Wollongong Golf Club. He has previously been a Director at the Minerals Council of Australia and Chairman of the NSW Minerals Council and Port Kembla Coal Terminal.

#### Special Responsibilities

Member of the Audit and Risk Management Committee (replaced as Chairman on 16 May 2017)

Member of the Remuneration and Nomination Committee (replaced as Chairman on 16 May 2017)

#### ■ Andrew Watts

(appointed 10 March 2010)

#### Non - 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 relocated to Sydney in early 2010 to focus on the New South Wales market.

#### Special Responsibilities

Member of the Audit and Risk Management Committee  
Chairman of the Remuneration and Nomination Committee (appointed Chairman 16 May 2017)

#### ■ Gabriel (Gabe) Meena

(appointed 15 September 2015) - Bachelor of Engineering (Mechanical)

#### Non - executive Director

#### Experience and other directorships

Gabe is an executive with over 30 years experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Gabe has held senior operational and management roles with Bluescope Steel as General Manager Mills and Coating, Bluescope Steel China as President China Coated and BHP Collieries as General Manager of a number of coal mines. Gabe's most recent role was General Manager Operations with Patrick Terminals. Gabe has a Bachelor in Mechanical Engineering and is a graduate of the Australian Institute of Company Directors.

#### Special Responsibilities

Chairman of the Audit and Risk Management Committee (appointed Chairman 16 May 2017)

Member of the Remuneration and Nomination Committee

#### ■ Julie Whitcombe

(appointed 7 June 2018) - Bachelor of Engineering (Mining) (First Class Hons), MBA, CA (Distinction)

#### Non - executive Director

#### Experience and other directorships

Julie brings over 16 years of experience across financial, strategic and operational roles, with a focus throughout her career on the resources sector. Julie is currently Executive General Manager for the Queensland operations of Senex Energy Limited, an ASX-listed upstream oil and gas business. Joining in 2010, her roles at Senex have included Chief Financial Officer, Executive General Manager of Strategic Planning in addition to her current role which is focused on the development and operation of coal seam gas projects in Queensland. Julie's broad background allows her to bring a unique combination of experience in financial accounting and equity markets and a focus on business-led strategy and growth.

#### Special Responsibilities

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

#### ■ Anthony (Tony) 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.

#### Special Responsibilities

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

### 2. Company secretary

Liz Blockley was appointed Joint Company Secretary on 15 November 2016 and appointed Sole Company Secretary on the 22 December 2017. Liz has a Bachelor of Commerce, is a Certified Practising Accountant and has a Certificate in Governance Practice from the Governance Institute of Australia. Liz is the Chief Financial Officer for the Mastermyne Group and has been with the company since December 2014 by way of the DMS acquisition and has over 12 years experience in the mining and construction industries.

### 3. Directors' 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 are:

Director	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B
Colin Bloomfield	8	8	4	4	3	3
Andrew Watts	8	8	4	4	3	3
Gabe Meena	8	8	4	4	3	3
Julie Whitcombe	0	0	0	0	0	0
Tony Caruso	8	8	4	4	3	3

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

#### Results

Mastermyne Group Limited and its controlled subsidiaries recorded a profit after tax of \$5.588 million for the full year ended 30 June 2018 (2017: loss after tax of \$2.110 million).

FY18 revenue was \$201.719 million, an increase of 63% on the previous corresponding period. The increase is primarily attributed to the improvement in coal markets which commenced in the second half of FY17 and has continued throughout the 2018 financial year. In particular, the Mining division has benefited from both increased scope on existing contracts and the award of new contracts.

#### Balance Sheet and Cash Flows

The overall cash position at 30 June 2018 resulted in a net increase in cash and cash equivalents of \$0.247 million. The increase was a result of strong operating cashflows from the business, the benefit of an equity placement in the first half of FY18, offset by an increase in capital expenditure to overhaul the Group's Mining Equipment Fleet for new contracts and debt repayment. The cash flow movements were as follows:

- net cash inflows from operating activities for the full-year ended 30 June 2018 of \$10.356 million (full-year ended 30 June 2017: inflows of \$5.474 million);
- net cash outflows from investing activities for the full-year ended 30 June 2018 of \$9.480 million (full-year ended 30 June 2017: outflows of \$4.331 million); and
- net cash outflows from financing activities for the full-year ended 30 June 2018 of \$0.629 million (full-year ended 30 June 2017: outflows of \$3.746 million).

The net assets of the Group increased by \$11.429 million to \$53.758 million as a result of increases in working capital assets reflecting the increased business activity and revenue of the Group.

The Group maintains significant headroom in its current bank facilities with a restructure of the facility providing additional working capital to support the growth that Mastermyne is currently experiencing. Under the new Deed, Mastermyne has increased the amount of its bank facilities from \$17.75 million to \$24.00 million as at 30 June 2018.

### Operational Overview

Operational highlights for the financial year include:

- FY18 result exceeded top end of Revenue and EBITDA guidance range;
- Stronger EBITDA margins versus prior corresponding period;
- All major projects fully resourced and delivering at full run rate;
- Forecast further growth in FY19 with additional upside to come from Contract Mining opportunities;
- Contract Order Book of \$280 million with \$185 million to be delivered in FY19;
- Workforce numbers approximately 1,000 (mobilisation continuing) and equipment utilization at 86%; and
- Tendering Pipeline of greater than \$830 million (excluding Whole of Mine contracts) and over \$1.1 billion in Whole of Mine opportunities.

The Mastermyne Group's second half performance has built on the strong first half performance with the full year result exceeding market guidance for both revenue and EBITDA. Across the year the Company has seen EBITDA margins improving through leveraging overheads as revenue increased, from improved gross margins on recently won contracts and the improved hire rates and utilisation of the mining fleet. The growth in the second half was attributed to the mobilisation of the development projects at Narrabri and North Goonyella which are now in full operation. All projects are now fully resourced and operating at the full revenue run rate.

With the significant upward swing in the commodity cycle, the Company has successfully leveraged its strong financial position, its mining fleet and its capable personnel to secure a number of new contracts with customers on projects that are critical to sustain their ongoing operations. Supported by a strategic equity placement completed in the first half of FY18, the Company has deployed the majority of its mining fleet into long term contracts which will underpin the current revenue levels well into FY20. Mastermyne has benefited from the reduction in major competitors and this is reflected in the increased win ratio on major development projects. The Company expects that as the sector rebuilds the competitor landscape will become more competitive but believes it will maintain its advantage in the near term particularly as equipment and personnel become more difficult to source.

The improved coal price has supported a significant increase in tendering activity in both sustaining projects and more recently in growth projects. Clients are continuing to rely heavily on contractors to catch up on work that had been deferred through the cycle but also to take the opportunity to increase supply into a stronger market. As operators build confidence through this cycle, greenfield projects are again under review with some stalled projects likely to be restarted in the new calendar year. These projects have boosted the Company's tender

pipeline and provide near term growth opportunities. The Company has continued with its strategy on whole of mine (WOM) operations and are now close to completing the first transaction with mobilising to the site potentially occurring as early as November this year. The WOM operations are key to growing the Company's revenue base and provides a material and resilient revenue stream with long term visibility. In addition to the immediate opportunity the Company is actively working on two other near term opportunities, one of which is Stanmore Coal's Isaac Plains Underground project.

Through the year the Company has invested heavily in redeploying its mining fleet into projects across Queensland and NSW. The fleet has been a major competitive advantage for the Company, providing leverage to secure new contracts with improved margins. The overall fleet utilisation has returned to historical levels of greater than 85% and will continue to be pivotal for the continued growth of the business. Moving forward capital expenditure will return to sustaining only to maintain the current fleet. Equipment hire rates have returned to historical levels which is supporting stronger EBITDA margins. No further capital expenditure is forecast to be spent on new equipment in the contracting business but the Company will require additional equipment for the whole of mine contracts.

Our strong focus on safety has again been demonstrated with lagging injury rates continuing to trend downwards in the second half. The significance of this outcome is further enhanced when taking into consideration the substantial growth and number of new projects that have come on line over the period. The Company has achieved 12 months without recordable injuries on 12 of our 16 project sites with the entire NSW operations completing 12 months recordable injury free. Injury rates have fallen to 6.5 from 18.2 for the full year and is the lowest in the Company's history. We continue to focus on proactive safety initiatives and performance to build safer workplaces and deliver strong safety outcomes and culture.

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at approximately 1,000. Resourcing has become more difficult as demand for labour increases however the Company has successfully resourced all current projects with highly skilled and capable personnel. The Company is forecasting further workforce growth this year based on current scope growth from existing projects and anticipates workforce numbers to reach 1,200 during the first half of FY19. Labour rates have settled after increasing by approximately 12% on average across all disciplines and the Company has passed these costs through to its clients in line with the commercial terms of its contracts. With the tightening of people resources the Company has re-initiated its highly successful cleanskin miner program, including the recommencement of its underground mine simulator in Mackay. The Company remains confident it can meet the upcoming demand for skilled labour through the various initiatives implemented in the previous strong cycle.

The Group's Order Book currently stands at \$280 million with \$185 million of this Order Book expected to be delivered in FY19. In addition to the contracted works, the Company forecasts a further \$20 million in recurring and purchase order work over the FY19 year. The tendering activity is increasing with the total tendering pipeline currently exceeding \$1.9 billion. Of the total tender pipeline \$1.1 billion relates to whole of mine operations.

### Operations

The Mining division has again been the primary driver of the growth during the financial year and this is largely attributed to this division's strong link with production activities. The engineering and maintenance segment has lagged behind the upswing in production activities but more recently the Company has seen an increase in the number of opportunities for the Mastertec division. During the year the Company has secured new projects with Peabody Coal Australia at their North Goonyella Mine and Wambo Mine and also with Whitehaven's Narrabri Mine. Both Peabody and Whitehaven add to the Company's already strong list of tier 1 mining clients. During the year the Company renewed contracts with Anglo's Moranbah North Mine, BMA's Broadmeadow Mine and with Dalrymple Bay Coal Terminal along with a number of smaller projects sites. With the addition of the recent major projects the Company has shifted its exposure from primarily Coking coal to an equal weighting of Thermal and Coking coal. The Company continues to successfully cycle through contract renewals with the major Anglo Moranbah North Umbrella contract due for renewal in the second half of FY19. Given the extremely long term and successful relationship, the Company is confident this contract will be renegotiated for a multi-year period.

The Company moves into FY19 with a strong order book and opportunities to increase scope on existing contracts. The current FY19 contracted order book will deliver revenue similar to the full year revenue achieved in FY18. With the continued strength in the cycle, discussions are taking place to expand current scopes during FY19 which will lead to further revenue growth. Equipment and labour will continue to tighten over the coming year and may restrict some growth opportunities. Lead times on equipment, both new and second hand, have extended significantly over the past 18 months and this presents both a threat and an opportunity for the Company as access to equipment will be a differentiating factor across the contracting organisations. With the Company's existing fleet it will be well positioned to further leverage these new opportunities.

## 4. Operating and financial review (continued)

### Outlook

The improvement in the commodity cycle is continuing to support an increase in tendering activity across both the Mining and Mastertec divisions. The tendering pipeline is being supported by the strong demand for production as well as by brownfield and greenfield projects. Greenfield projects that were previously stalled present a short term opportunity for organic growth and the Company is working with the proponents of these projects to restart the operations. New contracts have been negotiated with improved margins and the Company anticipates that as existing contracts are renewed and new contracts are secured margins will continue to improve throughout FY19. The secured order book and the immediate opportunities for scope increase will provide the platform for growth in FY19 with the whole of mine operations underpinning a step change in the revenue profile of the Company. The Company remains confident it will mobilise the first whole of mine project later in the first half of FY19.

Labour and equipment will continue to present a challenge to growth but the Company is in discussions with a number of suppliers and hire companies to fill the near term requirements for equipment. The whole of mine projects will present an opportunity to secure and deploy additional mining fleet to service these long term contracts and the Company is currently considering its options to source the additional mining equipment. Utilisation rates are expected to remain strong and hire rates will be maintained and possibly improved as the demand for equipment increases.

With the current contracted work, opportunity for scope increases and the strong tender pipeline the Company is confident it will deliver continued growth in the FY19 year. Alongside this, each of the whole of mine opportunities present significant additional upside growth and the Company continues to work with three of these proponents concurrently. The three projects are scheduled for commencement during the FY19 year but will be subject to final investment decisions by the respective proponent owners and the Mastermyne Board.

## 5. Remuneration report

### 5.1 Principles 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 and executives of the Company listed below.

- Colin Bloomfield, Independent Chairman (appointed 6 March 2014, appointed Chairman 26 February 2015)
- Andrew Watts, Non-executive Director (appointed 10 March 2010)
- Gabriel Meena, Non-executive Director (appointed 15 September 2015)
- Julie Whitcombe, Non-executive Director (appointed 7 June 2018)
- Anthony Caruso, Managing Director (appointed 10 March 2010)
- Vivienne Gayton, Executive General Manager Human Resources (appointed 11 August 2010)
- David Sykes, Executive General Manager Growth & Strategy (appointed 24 April 2012)
- Liz Blockley, Chief Financial Officer (appointed 3 May 2017)
- Patrick McCoy, Executive General Manager QLD Mining (appointed 22 January 2018)
- Wayne Price, Executive General Manager NSW Mining (appointed 29 January 2018)

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.

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 market place. 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 market place 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 KPIs. The KPIs 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 Board based on assessment of his/her performance against agreed KPIs 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 15 September 2015 and the plan was activated by resolution of the Board as of 16 November 2015. 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.

KMP (including the Managing Director) were issued 516,011 (Managing Director 256,737) performance rights during the financial year ended 30 June 2018, which vest in two tranches at 1 October 2020. The grant of these rights was made in accordance with the Company's Employee Rights Plan voted upon by shareholders at the 2015 AGM, with specific details to the issue of these rights voted upon by shareholders at the 2016 AGM. The ability to exercise the rights is conditional on the Group meeting its performance hurdles.

Vesting of the rights will be subject to achievement of the vesting conditions set out below and the eligible participant being employed at the vesting date:

- Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment is ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.
- Vesting Condition 2: Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Mastermyne. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Mastermyne, the Board at its discretion may determine that some or all of the performance rights will lapse.
- Vesting Condition 3: There is an overriding Vesting Condition, requiring a minimum 8% total shareholder return (TSR) during the TSR measurement period (i.e. from the Time of Grant to the Test Date).
- Vesting Condition 4: If Vesting Condition 3 is achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. Both of these Vesting Conditions depend on Mastermyne's TSR percentile rank during the TSR measurement period:
  - a. Tranche A: 50% of the performance rights will be conditional on the company's TSR rank relative to companies in the ASX All Ordinaries Accumulation index;
  - b. Tranche B: 50% of performance rights will be conditional on the company's TSR rank relative to the ASX 200 Resources Accumulation index.

## 5.1 Principles of remuneration - audited (continued)

### Long-term incentive (continued)

For each tranche, the percentage of performance rights which will vest will be as specified in the table below:

TSR Rank during TSR measurement period	Percentage of Tranche A or Tranche B performance rights vesting
Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%
50th percentile to 75th percentile of the ASX Peer Group or the Resources Peer Group	50% plus 2% for each percentile above 50th percentile
Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%

### 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. The following short-term incentives were accrued but not paid for at 30 June 2018:

Name	Amount	
	30 June 2018	30 June 2017
Tony Caruso	\$340,817	\$-
Liz Blockley	\$136,875	\$-
David Sykes	\$174,548	\$-
Vivienne Gayton	\$133,367	\$-
Wayne Price	\$86,088	\$-
Patrick McCoy	\$53,463	\$-
	<b>\$925,158</b>	<b>\$-</b>

### 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.

	2018	2017	2016	2015	2014
(Loss)/Profit attributable to owners of the Company	\$5,435,000	\$(2,012,000)	\$(13,156,000)	\$(4,376,000)	\$2,963,000
Dividends paid	\$-	\$-	\$911,000	\$1,968,121	\$3,468,406
Change in share price	248%	182%	-31%	-65%	-35%
Return on capital employed	16.51%	-5.53%	-32.23%	-6.28%	8.08%

Profit is considered as one of the financial performance targets in setting the STI. Profit amounts for 2014 to 2018 have been calculated in accordance with Australian Accounting Standards (AASBs).

The overall level of KMP compensation takes into account the performance of the Group over a number of years. The Group's profits have increased as a result of an improved sentiment and outlook in the coal industry over the past 12 months, resulting in a profit from ordinary activities. As a result of the improvement in the coal industry both KMP and director remuneration was increased by 21% during the 2018 financial year.

### 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 Group pays fringe benefits tax on these benefits.

### Executive Service Agreements

The RNC recommends Group remuneration policies 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.

The Group has entered into service agreements with each key management person that are capable of termination on 3 months' notice. The Group retains the right to terminate an agreement immediately by making payment equal to 3 months' pay in lieu of notice. The CEO/Managing Director's contract has no fixed term and is capable of termination on 9 months' notice.

Key Management Personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave, long service leave 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 market place 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 the current year the RNC was presented with a report comparing KMP salaries across industry peers. The data was sourced from publicly available sources. 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.

There was no external fees paid for remuneration research reports during the 2018 financial year.

### Directors' Fees

As with the Executives, remuneration of Non-Executive Directors (NED) is usually reviewed based on comparative roles in the market place. This year, based on the improvement in the coal sector and the Group performance, remuneration was re-instated to the pay rates previously earned, prior to the pay decreases taken by the Non-Executive team in late FY16 in response to the continued downturn in the industry.

- Chairman of the Board \$81,000 per annum
- NED and Chair of a Committee \$50,000 per annum
- NED with no chair responsibilities \$45,000 per annum

In future years, the aggregate remuneration of NEDs 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 Board.

## 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:

2018 in AUD	Short Term				Post-Employment Superannuation Benefits (\$)	Termination Benefits (\$)	Share-based payments Rights (\$)	Total (\$)	Proportion of remuneration performance related (%)
	Salary & Fees (\$)	STI cash bonus (\$)	Non-monetary benefits	Total (\$)					
Non-executive directors									
Colin Bloomfield	75,998	-	-	75,998	7,220	-	-	83,218	0.00%
Andrew Watts	61,273	-	-	61,273	5,821	-	-	67,094	0.00%
Gabe Meena	45,000	-	-	45,000	4,275	-	-	49,275	0.00%
Julie Whitcombe	-	-	-	-	-	-	-	-	0.00%
Executive Directors									
Tony Caruso	346,991	340,817	19,500	707,308	31,697	-	66,840	805,845	8.29%
Executives									
David Sykes	304,814	174,548	-	479,362	27,689	-	29,543	536,594	5.51%
Vivienne Gayton	195,346	133,367	-	328,713	18,051	-	16,964	363,728	4.66%
Liz Blockley	200,000	136,875	-	336,875	19,000	-	7,787	363,662	2.14%
Patrick McCoy	205,768	53,463	19,446	278,677	9,664	-	-	288,341	0.00%
Wayne Price	126,712	86,088	10,905	223,704	9,854	-	-	233,559	0.00%
<b>Totals</b>	<b>1,561,901</b>	<b>925,158</b>	<b>49,851</b>	<b>2,536,910</b>	<b>133,272</b>	<b>-</b>	<b>121,134</b>	<b>2,791,316</b>	

## 5.2 Directors' and executive officers' remuneration - audited (continued)

Notes in relation to the 2018 tables of directors' and executive officers' remuneration

- Andrew Watts salary included \$15,600 of consulting services performed throughout the year
- Julie Whitcombe was appointed Non-Executive Director on 7 June 2018
- Patrick McCoy was appointed as Executive General Manager QLD Mining on 22 January 2018
- Wayne Price was appointed as Executive General Manager NSW Mining on 29 January 2018

The fair value of the rights is calculated at the date of grant using a Monte Carlo 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

2017 in AUD	Short Term				Post-Employment Superannuation Benefits (\$)	Termination Benefits (\$)	Share-based payments Rights (\$)	Total (\$)	Proportion of remuneration performance related (%)
	Salary & Fees (\$)	STI cash bonus (\$)	Non-monetary benefits	Total (\$)					
<b>Non -executive directors</b>									
Colin Bloomfield	66,050	-	-	66,050	6,275	-	-	72,325	0.00%
Andrew Watts	50,268	-	-	50,268	4,775	-	-	55,043	0.00%
Gabriel Meena	37,068	-	-	37,068	3,521	-	-	40,589	0.00%
<b>Executive Directors</b>									
Anthony Caruso	311,051	-	19,500	330,551	28,282	-	30,316	389,149	7.79%
<b>Executives</b>									
Chris Kneipp	220,024	-	7,500	227,524	7,506	-	1,949	236,979	0.82%
David Sykes	274,469	-	-	274,469	24,807	-	13,462	312,738	4.30%
Peter Mills	76,436	-	-	76,436	4,875	-	1,506	82,817	1.82%
Vivienne Gayton	168,287	-	-	168,287	15,480	-	7,037	190,804	3.69%
Phil Hicks	41,057	-	-	41,057	-	-	-	41,057	0.00%
Liz Blockley	165,386	-	-	165,386	15,712	-	-	181,098	0.00%
<b>Totals</b>	<b>1,410,096</b>	<b>-</b>	<b>27,000</b>	<b>1,437,096</b>	<b>111,233</b>	<b>-</b>	<b>54,270</b>	<b>1,602,599</b>	

Notes in relation to the 2017 tables of directors' and executive officers' remuneration

- Andrew Watts salary included \$13,200 of consulting services performed throughout the year
- Chris Kneipp resigned as Chief Financial Officer on 18 November 2016
- Peter Mills resigned as Executive General Manager Mastertec on 22 October 2016
- Phil Hicks was appointed Interim Chief Financial Officer on 15 November 2016 and vacated the position on 3 May 2017
- Liz Blockley was appointed Chief Financial Officer on 3 May 2017
- No short term incentive bonuses were awarded in the current financial year. The short term incentive bonus is for performance during the respective financial year. The amount was finally determined on 18 July 2017 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 Monte Carlo 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.

(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 2018 financial year.

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

	Included in remuneration \$ (A)	% vested in year	% forfeited in year (B)
<b>Directors</b>			
Tony Caruso	340,817	100%	0%
<b>Subtotal</b>	<b>340,817</b>	<b>100%</b>	<b>0%</b>
<b>Executives</b>			
David Sykes	174,548	100%	0%
Vivienne Gayton	133,367	100%	0%
Liz Blockley	136,875	100%	0%
Wayne Price	86,088	100%	0%
Patrick McCoy	53,463	100%	0%
<b>Subtotal</b>	<b>584,341</b>	<b>100%</b>	<b>0%</b>
<b>TOTAL</b>	<b>925,158</b>	<b>100%</b>	<b>0%</b>

## 5.4 Equity Instruments - audited

All rights refer to rights to acquire one ordinary share of Mastermyne Group Limited for no consideration which upon exercise are exchangeable on a one for one basis.

### 5.4.1 Rights over equity instruments granted as compensation - audited

Name	Number of rights granted during 2018	Grant date	Fair value per right at grant date (\$)	Exercise price per right (\$)	Expiry date	Number of rights vested during 2018
<b>Tranche A:</b>						
Tony Caruso	128,369	21/11/2017	0.5225	-	1/10/2020	-
David Sykes	56,351	21/11/2017	0.5225	-	1/10/2020	-
Vivienne Gayton	36,168	21/11/2017	0.5225	-	1/10/2020	-
Liz Blockley	37,119	21/11/2017	0.5225	-	1/10/2020	-
<b>Tranche B:</b>						
Tony Caruso	128,369	21/11/2017	0.4695	-	1/10/2020	-
David Sykes	56,351	21/11/2017	0.4695	-	1/10/2020	-
Vivienne Gayton	36,168	21/11/2017	0.4695	-	1/10/2020	-
Liz Blockley	37,119	21/11/2017	0.4695	-	1/10/2020	-

No rights have been granted since the end of the financial year.

### 5.4.2 Modification of terms of equity-settled share based payments 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 no shares were 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 number of rights granted as remuneration to each key management person of the Group are detailed below.

Name	Grant Date	Expiry Date	Fair value per right at grant date (\$)	Held at 1 July 2017	Granted as compensation	Exercised	Forfeited or lapsed during the year	Held at 30 June 2018	Vested and exercisable at 1 July 2017	Lapsed or exercised during the year	Vested and exercisable at 30 June 2018
<b>Tranche A</b>											
Tony Caruso	21/1/16	1/10/2018	0.1116	173,718	-	-	-	173,718	-	-	-
Tony Caruso	15/11/16	1/10/2019	0.1993	182,925	-	-	-	182,925	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.5225	-	128,369	-	-	128,369	-	-	-
<b>Total for Tony Caruso</b>				<b>356,643</b>	<b>128,369</b>	<b>-</b>	<b>-</b>	<b>485,012</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liz Blockley	21/11/17	1/10/2020	0.5225	-	37,119	-	-	37,119	-	-	-
<b>Total for Liz Blockley</b>				<b>-</b>	<b>37,119</b>	<b>-</b>	<b>-</b>	<b>37,119</b>	<b>-</b>	<b>-</b>	<b>-</b>
David Sykes	21/1/16	1/10/2018	0.1116	77,137	-	-	-	77,137	-	-	-
David Sykes	15/11/16	1/10/2019	0.1993	81,225	-	-	-	81,225	-	-	-
David Sykes	21/11/17	1/10/2020	0.5225	-	56,351	-	-	56,351	-	-	-
<b>Total for David Sykes</b>				<b>158,362</b>	<b>56,351</b>	<b>-</b>	<b>-</b>	<b>214,713</b>	<b>-</b>	<b>-</b>	<b>-</b>
Vivienne Gayton	21/1/16	1/10/2018	0.1116	38,120	-	-	-	38,120	-	-	-
Vivienne Gayton	15/11/16	1/10/2019	0.1993	44,600	-	-	-	44,600	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.5225	-	36,168	-	-	36,168	-	-	-
<b>Total for Vivienne Gayton</b>				<b>82,720</b>	<b>36,168</b>	<b>-</b>	<b>-</b>	<b>118,888</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tranche A rights</b>				<b>597,725</b>	<b>258,007</b>	<b>-</b>	<b>-</b>	<b>855,732</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tranche B:</b>											
Tony Caruso	21/1/16	1/10/2018	0.1140	173,718	-	-	-	173,718	-	-	-
Tony Caruso	15/11/16	1/10/2019	0.1997	182,925	-	-	-	182,925	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.4695	-	128,369	-	-	128,369	-	-	-
<b>Total for Tony Caruso</b>				<b>356,643</b>	<b>128,369</b>	<b>-</b>	<b>-</b>	<b>485,012</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liz Blockley	21/11/17	1/10/2020	0.4695	-	37,119	-	-	37,119	-	-	-
<b>Total for Liz Blockley</b>				<b>-</b>	<b>37,119</b>	<b>-</b>	<b>-</b>	<b>37,119</b>	<b>-</b>	<b>-</b>	<b>-</b>
David Sykes	21/1/16	1/10/2018	0.1140	77,137	-	-	-	77,137	-	-	-
David Sykes	15/11/16	1/10/2019	0.1997	81,225	-	-	-	81,225	-	-	-
David Sykes	21/11/17	1/10/2020	0.4695	-	56,351	-	-	56,351	-	-	-
<b>Total for David Sykes</b>				<b>158,362</b>	<b>56,351</b>	<b>-</b>	<b>-</b>	<b>214,713</b>	<b>-</b>	<b>-</b>	<b>-</b>
Vivienne Gayton	21/1/16	1/10/2018	0.1140	38,120	-	-	-	38,120	-	-	-
Vivienne Gayton	15/11/16	1/10/2019	0.1997	44,600	-	-	-	44,600	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.4695	-	36,168	-	-	36,168	-	-	-
<b>Total for Vivienne Gayton</b>				<b>82,720</b>	<b>36,168</b>	<b>-</b>	<b>-</b>	<b>118,888</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tranche B rights</b>				<b>597,725</b>	<b>258,007</b>	<b>-</b>	<b>-</b>	<b>855,732</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total rights on issue</b>				<b>1,195,450</b>	<b>516,014</b>	<b>-</b>	<b>-</b>	<b>1,711,464</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 5.4.5 Analysis of rights over equity instruments granted as compensation (dollars) - audited

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

Name	Grant Date	Expiry Date	Fair value per right at grant date (\$)	Held at 1 July 2017	Granted as compensation	Exercised	Forfeited or lapsed during the year	Held at 30 June 2018	Vested and exercisable at 1 July 2017	Lapsed or exercised during the year	Vested and exercisable at 30 June 2018
<b>Tranche A</b>											
Tony Caruso	21/1/16	1/10/2018	0.1116	10,363	7,191	-	-	17,554	-	-	-
Tony Caruso	15/11/16	1/10/2019	0.1993	7,882	12,673	-	-	20,555	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.5225	-	14,185	-	-	14,185	-	-	-
<b>Total for Tony Caruso</b>				<b>18,245</b>	<b>34,049</b>	<b>-</b>	<b>-</b>	<b>52,294</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liz Blockley	21/11/17	1/10/2020	0.5225	-	4,102	-	-	4,102	-	-	-
<b>Total for Liz Blockley</b>				<b>-</b>	<b>4,102</b>	<b>-</b>	<b>-</b>	<b>4,102</b>	<b>-</b>	<b>-</b>	<b>-</b>
David Sykes	21/1/16	1/10/2018	0.1116	4,602	3,193	-	-	7,795	-	-	-
David Sykes	15/11/16	1/10/2019	0.1993	3,500	5,627	-	-	9,127	-	-	-
David Sykes	21/11/17	1/10/2020	0.5225	-	6,227	-	-	6,227	-	-	-
<b>Total for David Sykes</b>				<b>8,101</b>	<b>15,047</b>	<b>-</b>	<b>-</b>	<b>23,149</b>	<b>-</b>	<b>-</b>	<b>-</b>
Vivienne Gayton	21/1/16	1/10/2018	0.1116	2,274	1,578	-	-	3,852	-	-	-
Vivienne Gayton	15/11/16	1/10/2019	0.1993	1,922	3,090	-	-	5,012	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.5225	-	3,997	-	-	3,997	-	-	-
<b>Total for Vivienne Gayton</b>				<b>4,196</b>	<b>8,664</b>	<b>-</b>	<b>-</b>	<b>12,860</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tranche A rights</b>				<b>30,542</b>	<b>61,863</b>	<b>-</b>	<b>-</b>	<b>92,405</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tranche B:</b>											
Tony Caruso	21/1/16	1/10/2018	0.1140	10,586	7,346	-	-	17,932	-	-	-
Tony Caruso	15/11/16	1/10/2019	0.1997	7,897	12,699	-	-	20,596	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.4695	-	12,746	-	-	12,746	-	-	-
<b>Total for Tony Caruso</b>				<b>18,484</b>	<b>32,790</b>	<b>-</b>	<b>-</b>	<b>51,274</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liz Blockley	21/11/17	1/10/2020	0.4695	-	3,686	-	-	3,686	-	-	-
<b>Total for Liz Blockley</b>				<b>-</b>	<b>3,686</b>	<b>-</b>	<b>-</b>	<b>3,686</b>	<b>-</b>	<b>-</b>	<b>-</b>
David Sykes	21/1/16	1/10/2018	0.1140	4,701	3,262	-	-	7,963	-	-	-
David Sykes	15/11/16	1/10/2019	0.1997	3,507	5,639	-	-	9,145	-	-	-
David Sykes	21/11/17	1/10/2020	0.4695	-	5,595	-	-	5,595	-	-	-
<b>Total for David Sykes</b>				<b>8,207</b>	<b>14,496</b>	<b>-</b>	<b>-</b>	<b>22,703</b>	<b>-</b>	<b>-</b>	<b>-</b>
Vivienne Gayton	21/1/16	1/10/2018	0.1140	2,323	1,612	-	-	3,935	-	-	-
Vivienne Gayton	15/11/16	1/10/2019	0.1997	1,926	3,096	-	-	5,022	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.4695	-	3,591	-	-	3,591	-	-	-
<b>Total for Vivienne Gayton</b>				<b>4,248</b>	<b>8,299</b>	<b>-</b>	<b>-</b>	<b>12,548</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tranche B rights</b>				<b>30,940</b>	<b>59,271</b>	<b>-</b>	<b>-</b>	<b>90,210</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total rights on issue</b>				<b>61,482</b>	<b>121,133</b>	<b>-</b>	<b>-</b>	<b>182,615</b>	<b>-</b>	<b>-</b>	<b>-</b>

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date using the 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.

### 5.5.1 Individual directors and executives compensation disclosures - audited

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.

### 5.5.2 Loans to key management personnel - audited

No loans were made, guaranteed or secured by the Company to key management personnel for the year.

### 5.5.3 Key management personnel and director transactions - audited

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.

### 5.5.4 Movements in shares - audited

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						
Name		Shares held at 30 June 2017	Purchases	Received on exercise of options	Sales	Shares held at 30 June 2018
<b>Directors</b>						
Colin Bloomfield		1,100,000	-	-	-	1,100,000
Gabe Meena		100,000	-	-	-	100,000
Andrew Watts		12,262,245	-	-	-	12,262,245
Tony Caruso		1,419,693	-	-	-	1,419,693
		<b>14,881,938</b>	-	-	-	<b>14,881,938</b>
<b>Executives</b>						
Vivienne Gayton		13,366	-	-	-	13,366
David Sykes		-	1,000	-	-	1,000
		<b>13,366</b>	<b>1,000</b>	-	-	<b>14,366</b>
<b>Total shares held</b>		<b>14,895,304</b>	<b>1,000</b>	-	-	<b>14,896,304</b>

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:

Transaction	Note	Transaction value year ended 30 June (in AUD)		Balance outstanding as at 30 June	
		2018	2017	2018	2017
Andrew Watts - Watty Pty Ltd	(i)	140,437	194,775	-	-
Andrew Watts - Watty Pty Ltd	(ii)	-	206,940	-	-
		<b>140,437</b>	<b>401,715</b>	-	-
		<b>401,715</b>	<b>588,359</b>		

(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. The final payment for the leasehold improvements occurred in March 2017.

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.

## 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 industrial products and services in the coalfields and supporting industries of Queensland 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 2018.

## 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

There were no dividends paid or declared by the Company to members for the year ended 30 June 2018 (2017: nil).

## 9. Events subsequent to reporting date

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

The outlook moving into FY19 sees current operations continue to grow with the Sector utilising contracting companies for their operational needs in order to maintain flexible operations and cost control within their organisations. In addition, Mastermyne is actively engaged with the proponents of whole of mine contract opportunities with the potential to provide a material and resilient additional revenue stream for the Company.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 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
Colin Bloomfield	1,100,000	-
Gabe Meena	100,000	-
Andrew Watts	12,262,245	-
Tony Caruso	1,419,693	970,023

## 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. Indemnification and insurance of officers and auditors

#### Indemnification

The Company has agreed to indemnify the following current directors of the company Colin Bloomfield, Tony Caruso, Andrew Watts, Gabe Meena and Julie Whitcombe 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

During the financial year, the entity has paid premiums on behalf of the Company in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2018 and, since the end of the financial year, the entity has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the year ending 30 June 2019. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

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.

### 14. Non-audit services

During the year, Pitcher Partners, 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, Pitcher Partners, and its related practices for audit and non-audit services provided during the year are set out below.

In AUD	2018	2017
Audit services: (Pitcher Partners - Brisbane)		
Audit and review of financial reports	95,000	-
	<b>95,000</b>	<b>-</b>
Services other than statutory audit: (Pitcher Partners - Brisbane)		
Taxation compliance services	17,000	-
	<b>17,000</b>	<b>-</b>

In AUD	2018	2017
Audit services: (KPMG Australia)		
Audit and review of financial reports	-	160,000
Other regulatory audit services	-	10,000
	<b>-</b>	<b>170,000</b>
Services other than statutory audit: (KPMG Australia)		
Taxation compliance services	-	25,500
Data analytic services	-	11,000
	<b>-</b>	<b>36,500</b>

### 15. Proceedings on behalf of the Company

No person has 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 a part to any such proceedings during the year.

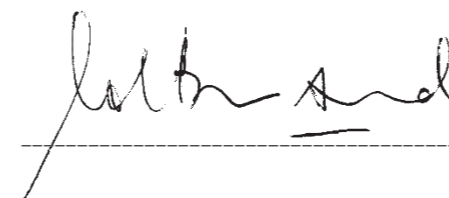
### 16. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2018.

### 17. Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors:



C. Bloomfield  
Chairman

Dated at Sydney this 21st day of August 2018.

# Lead Auditor's Independence Declaration



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The Directors  
Mastermyne Group Limited  
Level 1, Riverside Plaza  
45 River Street  
MACKAY QLD 4740

## Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Mastermyne Group Limited and the entities it controlled during the year.

*Pitcher Partners*

PITCHER PARTNERS

*J J Evans*  
J J EVANS  
Partner

Brisbane, Queensland  
21 August 2018

An Independent Queensland Partnership ABN 64 797 724 539  
Liability limited by a scheme approved under Professional Standards Legislation  
Pitcher Partners is an association of independent firms  
Adequately Brisbane Melbourne Newcastle Perth Sydney

an independent member of  
**BAKER TILLY**  
INTERNATIONAL

# Consolidated Statement of Financial Position

As at 30 June 2018

In thousands of AUD	Note	2018	2017
<b>Assets</b>			
Cash and cash equivalents	19	1	1
Trade and other receivables	18	43,427	29,454
Inventories	17	2,973	2,684
Current tax assets	16	-	202
<b>Total current assets</b>		<b>46,401</b>	<b>32,341</b>
Deferred tax assets	16	8,791	9,285
Property, plant and equipment	14	21,053	18,745
Intangible assets	15	6,748	6,894
<b>Total non-current assets</b>		<b>36,592</b>	<b>34,924</b>
<b>Total assets</b>		<b>82,993</b>	<b>67,265</b>
<b>Liabilities</b>			
Bank overdraft	19	521	768
Trade and other payables	25	19,024	11,392
Loans and borrowings	22	3,000	6,250
Employee benefits	23	5,235	3,388
Current tax liability	16	1,248	-
<b>Total current liabilities</b>		<b>29,028</b>	<b>21,798</b>
Loans and borrowings	22	-	3,000
Employee benefits	23	207	138
<b>Total non-current liabilities</b>		<b>207</b>	<b>3,138</b>
<b>Total liabilities</b>		<b>29,235</b>	<b>24,936</b>
<b>Net assets</b>		<b>53,758</b>	<b>42,329</b>
<b>Equity</b>			
Share capital		61,003	55,234
Reserves		(24,055)	(21,864)
Retained earnings		16,451	8,704
<b>Total equity attributable to equity holders of the Company</b>		<b>53,399</b>	<b>42,074</b>
Non-controlling interests		359	255
<b>Total equity</b>		<b>53,758</b>	<b>42,329</b>

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



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

<i>In thousands of AUD</i>	Note	2018	2017
Revenue	7	201,719	124,162
Other income	8	318	158
Contract disbursements		(37,740)	(27,504)
Personnel expenses	11	(142,826)	(86,527)
Office expenses		(4,240)	(4,159)
Depreciation and amortisation expense	14,15	(7,526)	(6,433)
Impairment loss	9	-	(664)
Other expenses	10	(887)	(1,360)
<b>Results from operating activities</b>		<b>8,818</b>	<b>(2,327)</b>
Finance income		25	22
Finance expense		(635)	(576)
<b>Net finance expense</b>	12	<b>(610)</b>	<b>(554)</b>
<b>Profit / (Loss) before income tax</b>		<b>8,208</b>	<b>(2,881)</b>
Income tax benefit / (expense)	13	(2,620)	771
<b>Profit / (Loss) for the year</b>		<b>5,588</b>	<b>(2,110)</b>
Other comprehensive income for the year, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>5,588</b>	<b>(2,110)</b>
<b>Attributable to:</b>			
Owners of the Company		5,435	(2,012)
Non-controlling interests		153	(98)
<b>Profit / (Loss) for the year</b>		<b>5,588</b>	<b>(2,110)</b>
<b>Earnings per share</b>			
Basic earnings per share (AUD)	21	0.05	(0.02)
Diluted earnings per share (AUD)	21	0.05	(0.02)

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

<i>In thousands of AUD</i>	Attributable to owners of the Company						
	Share capital	Retained earnings	Share-based payment reserve (note 20)	Common Control Reserve (note 20)	Total	Non-Controlling interests	Total
Balance at 1 July 2016	55,234	10,716	2,322	(24,237)	44,035	398	44,433
<b>Total comprehensive income for the year</b>							
Loss for the year	-	(2,012)	-	-	(2,012)	(98)	(2,110)
<b>Total comprehensive income for the year</b>		<b>(2,012)</b>			<b>(2,012)</b>	<b>(98)</b>	<b>(2,110)</b>
<b>Transactions with owners recorded directly in equity</b>							
Share-based payment transactions	-	-	51	-	51	-	51
Distribution to non-controlling interest	-	-	-	-	-	(45)	(45)
<b>Total contributions by and distributions to owners</b>			<b>51</b>		<b>51</b>	<b>(45)</b>	<b>6</b>
<b>Balance at 30 June 2017</b>	<b>55,234</b>	<b>8,704</b>	<b>2,373</b>	<b>(24,237)</b>	<b>42,074</b>	<b>255</b>	<b>42,329</b>
Balance at 1 July 2017	55,234	8,704	2,373	(24,237)	42,074	255	42,329
<b>Total comprehensive income for the year</b>							
Profit for the year	-	5,435	-	-	5,435	153	5,588
<b>Total comprehensive income for the year</b>		<b>5,435</b>			<b>5,435</b>	<b>153</b>	<b>5,588</b>
<b>Transactions with owners recorded directly in equity</b>							
Issue of ordinary shares	5,769	-	-	-	5,769	-	5,769
Transfer of unvested share based payment transactions to equity	-	2,312	(2,312)	-	-	-	-
Share-based payment transactions	-	-	121	-	121	-	121
Distribution to non-controlling interest	-	-	-	-	-	(49)	(49)
<b>Total contributions by and distributions to owners</b>	<b>5,769</b>	<b>2,312</b>	<b>(2,191)</b>		<b>5,890</b>	<b>(49)</b>	<b>5,841</b>
<b>Balance at 30 June 2018</b>	<b>61,003</b>	<b>16,451</b>	<b>182</b>	<b>(24,237)</b>	<b>53,399</b>	<b>359</b>	<b>53,758</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2018

In thousands of AUD	Note	2018	2017
<b>Cash flows from operating activities</b>			
Cash receipts from customers		207,402	136,299
Cash paid to suppliers and employees		(195,858)	(130,363)
Cash generated from operations		11,544	5,936
Interest paid		(635)	(576)
Interest received		25	22
Income tax received / (paid)		(578)	92
<b>Net cash flows from operating activities</b>	<b>28</b>	<b>10,356</b>	<b>5,474</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		318	981
Acquisition of property, plant and equipment	14	(9,798)	(5,312)
<b>Net cash flows used in investing activities</b>		<b>(9,480)</b>	<b>(4,331)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital, net of issue costs		5,670	-
Repayment of borrowings	22	(6,250)	(3,701)
Distribution to non-controlling interest		(49)	(45)
<b>Net cash flows used in financing activities</b>		<b>(629)</b>	<b>(3,746)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>247</b>	<b>(2,603)</b>
Cash and cash equivalents at beginning of year		(767)	1,836
<b>Cash and cash equivalents at end of year</b>	<b>19</b>	<b>(520)</b>	<b>(767)</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

## 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 2018 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 providing contracting services to the underground long wall mining operations and industrial products and services in the coalfields and supporting industries of Queensland and New South Wales.

## (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 Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, 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 16- recoverability of deferred tax assets
- note 24- measurement of share-based payments

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2018.

### (b) Basis of measurement

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

### 3. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 3(a)(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 3(g)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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.

##### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 shareholder's 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

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### (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

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### (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 consolidated statement of cash flows.

Accounting for finance income and expense is discussed in note 3(l).

#### Other

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

##### (ii) Share capital

#### Ordinary shares

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

#### (c) Property, plant and equipment

##### (i) Recognition and measurement

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, 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" or "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 a straight-line or diminishing value 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 period are as follows:

	2018	2017
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%
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.

##### (i) 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.

##### (ii) 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.

## (d) Intangible assets (continued)

### Subsequent Measurement (continued)

#### (iii) 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 period are as follows:

	2018	2017
Customer relationships	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 reporting date, and adjusted if appropriate.

### (e) 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.

### (f) Unbilled Revenue

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

### (g) 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 amount 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, 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 (CGU) 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 generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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, 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 CGUs 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.

### (h) 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. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

#### (iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If the benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

#### (iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These liabilities are calculated on an undiscounted basis on 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 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 "sundry creditors and accruals" 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.

### (i) 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 a finance expense.

### (j) 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.

## **(j) Revenue (continued)**

### **(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 a 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.

### **(k) 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.

### **(l) Finance income and expense**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss using the effective interest method.

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.

### **(m) 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 accrual for tax liabilities are adequate based on its assessment of several 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 existing tax liabilities; such changes to tax liabilities will impact income 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.

## **(n) 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 Australian Taxation Office (ATO) is included as a current asset or liability in the Group's statement of financial position.

Cash flows are included in the consolidated 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.

## **(o) 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, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and 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).

## **(p) 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.

## **(q) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017 and earlier applications is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

### **AASB 9 Financial Instruments**

In July 2014, the Australian Accounting Standards Board has issued the final version of AASB 9 Financial Instruments.

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply AASB 9 initially for the year ending 30 June 2019.

The actual impact of adopting AASB 9 on the Group's consolidated financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of AASB 9 on its position at 30 June 2018.

#### **(i) Classification - Financial assets**

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 30 June 2018, would have had a material impact on its accounting for trade receivables.

## (q) New standards and interpretations not yet adopted (continued)

### AASB 9 Financial Instruments (continued)

#### (ii) Impairment - Financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

Under AASB 9, loss allowances will be measured on either of the following bases:

- **12-month ECLs:** These are ECLs that result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLs:** These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; an entity may choose to apply this policy also for trade receivables with a significant financing component.

The Group does not believe that impairment losses are likely to increase and become more volatile for assets in the scope of AASB 9 impairment model. However, the Group has not yet finalised the impairment methodologies that it will apply under AASB 9.

#### (iii) Classification - Financial liabilities

AASB 9 largely contains the existing requirements in AASB 139 for the classification of financial liabilities.

However, under AASB 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value if presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if AASB 9's requirements regarding the classification of financial liabilities were applied at 30 June 2018.

#### (iv) Disclosures

AASB 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's assessment did not indicate any material impact if AASB 9's requirements were applied at 30 June 2018.

#### (v) Transition

The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.

### AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of AASB 15 on its consolidated financial statements.

#### (i) Sales of goods

For the sale of goods, revenue is currently recognised when the goods are delivered to customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing involvement with the goods.

Under AASB 15, revenue will be recognised when a customer obtains control of the goods. Based on the Group's assessment, when the customer obtains control of the goods and the time the customer accepts the goods and the related risks and rewards of ownership transfer are broadly similar. Therefore, the Group does not expect the application of AASB15 to result in significant differences in the timing of revenue recognition for the sale of goods.

#### (ii) Rendering of services

For contracting income and machinery hire, revenue is currently recognised in accordance with the schedule of rates specified within the contract for actual quantities supplied in service, or if fixed price in nature in accordance with the stage of completion method as at the reporting date.

The Group has performed an assessment and does not expect the application of AASB15 to result in significant differences in the timing of revenue recognition for these services.

#### (iii) Transition

The Group plans to adopt AASB 15 in its consolidated financial statements for the year ending 30 June 2019, using the retrospective approach. As a result, the Group will apply all of the requirements of AASB 15 to each comparative period presented and adjust its consolidated financial statements.

### AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance including AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of premises, equipment and motor vehicles.

In addition, the nature of expenses related to those leases will now change as AASB16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

#### (i) Transition

As a lessee, the Group can either apply the standard using a:

- **Retrospective approach;** or
- **Modified retrospective approach with optional practical expedients.**

The lessee applies the election consistently to all of its leases. The Group currently plans to apply AASB 16 initially for the year ended 30 June 2019 using the modified retrospective approach.

Using the modified retrospective approach the Group expects that a right of use asset of \$0.122 million will be recognised, together with a lease liability of \$0.122 million.

The impact of AASB16 is minimal for the Group as all current property leases expire within 12 months of the date of application and therefore do not fall under the scope of AASB16.

## 4. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant, unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit and Risk Management Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 24 - share based payment arrangements; and
- Note 26 - financial instruments.

## 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

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

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.

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

The majority of the Group's customers are large multinational mining companies with strong payment track records and credit history. There is no formal credit policy in place, however, each customer is assessed 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.

The Group's exposure to credit risk at 30 June 2018 is disclosed in note 26.

### 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 maintain sufficient liquidity levels to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains the following lines of credit:

Facility	Facility Limit	Amount Drawn
<b>Multi Option Facility</b>	<i>In thousands of AUD</i>	
Invoice Finance Facility	20,000	521
LC Facility	500	47
Corporate Card Facility	500	-
<b>Total Multi Option Facility</b>	<b>21,000</b>	<b>568</b>
Amortising Cash Advance Facility	3,000	3,000
<b>Total All Facilities</b>	<b>24,000</b>	<b>3,568</b>

### 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 two 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:

- Mastermyne - This segment incorporates the provision of project management; labour and equipment hire; underground conveyor installation, extension and maintenance; underground roadway development; underground ventilation device installation; bulk materials handling system installation and relocation and underground mine support services.
- Mastertec - Mastertec provides a range of above-ground contracting services to industry sectors such as Ports, Resources, Industrial and Infrastructure. The divisions core services offerings are access services (scaffolding and rigging) and blast and painting along with the supply of consumables, primarily to the resources sector.

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

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

## 6. Segment information (continued)

### Business segments (continued)

In thousands of AUD	Mastermyne		Mastertec		Consolidated	
	2018	2017	2018	2017	2018	2017
External revenues	174,382	92,390	27,337	31,772	201,719	124,162
Intersegment revenue	-	10	493	979	493	989
Reportable segment revenue	174,382	92,400	27,830	32,751	202,212	125,151
Depreciation and amortisation	(6,699)	(5,414)	(856)	(1,058)	(7,555)	(6,472)
Net finance costs	(145)	(556)	14	2	(131)	(554)
Impairment loss on non-financial assets	-	-	-	(664)	-	(664)
	-	-	-	(428)	-	(428)
Reportable Segment profit/(loss) before income tax	9,211	888	352	(2,939)	9,563	(2,051)
Segment assets	64,147	45,949	22,187	22,548	86,334	68,497
Capital expenditure	9,596	5,197	739	114	10,335	5,311
Segment liabilities	(36,121)	(25,805)	(4,706)	(8,196)	(40,827)	(34,001)

### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

In thousands of AUD	2018	2017
<b>Revenues</b>		
Total revenue for reportable segments	202,212	125,151
Elimination of inter-segment revenue	(493)	(989)
<b>Consolidated revenue</b>	<b>201,719</b>	<b>124,162</b>
<b>Profit or loss</b>		
Total profit / (loss) for reportable segments	9,563	(2,051)
Elimination of inter-segment profits	-	-
Unallocated amounts: net corporate expenses	(1,355)	(830)
<b>Consolidated profit / (loss) before income tax</b>	<b>8,208</b>	<b>(2,881)</b>
<b>Assets</b>		
Total assets for reportable segments	86,334	68,497
Other assets	507	399
Representation of segment liabilities	(17,016)	(10,979)
Unallocated amounts: corporate tax asset	13,168	9,348
<b>Consolidated total assets</b>	<b>82,993</b>	<b>67,265</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	(40,827)	(34,001)
Other liabilities	(5,424)	(1,914)
Representation of segment liabilities	17,016	10,979
<b>Consolidated total liabilities</b>	<b>(29,235)</b>	<b>(24,936)</b>

### Geographical information

The Group has only operated in Australia during the current and comparative period. All assets are held within Australia as at 30 June 2018 and 30 June 2017.

### Major customers

The Group has three (2017: four) customers that individually represent in excess of 10% of Group revenues. The total revenue from these customers represents \$135,713 thousand (2017: \$89,976 thousand) of the Group's total revenues, reported in the Mastermyne and the Mastertec segments as follows:

- Mastermyne \$129,152 thousand (2017: \$80,366 thousand)
- Mastertec \$6,561 thousand (2017: \$9,610 thousand)

## 7. Revenue

In thousands of AUD	2018	2017
Contracting revenue	180,760	102,030
Sale of goods	9,517	15,851
Machinery hire	11,442	6,281
<b>Total</b>	<b>201,719</b>	<b>124,162</b>

## 8. Other income

In thousands of AUD	Note	2018	2017
Administration income		110	158
Gain on sale of property, plant and equipment	28	208	-
<b>Total</b>		<b>318</b>	<b>158</b>

## 9. Impairment loss

In thousands of AUD	Note	2018	2017
Impairment of property, plant and equipment	14	-	664
<b>Total</b>		<b>-</b>	<b>664</b>

## 10. Other expenses

In thousands of AUD	2018	2017
Bad and doubtful debts	4	61
Write-down of inventories to net realisable value	-	428
Loss on sale of property, plant and equipment	-	225
Business development costs	107	17
Insurance	776	629
<b>Total</b>	<b>887</b>	<b>1,360</b>

## 11. Personnel expenses

In thousands of AUD	2018	2017
Wages and salaries	125,139	75,422
Other associated personnel expenses	9,922	6,165
Contributions to defined contribution superannuation funds	7,644	4,889
Equity-settled share-based payment transactions	121	51
<b>Total</b>	<b>142,826</b>	<b>86,527</b>

## 12. Finance income and expense

Recognised in profit or loss	2018	2017
Interest Income	25	22
Finance Income	25	22
Bank charges	(40)	(55)
Interest expenses	(595)	(507)
Finance lease interest	-	(14)
Finance expense	(635)	(576)
<b>Net finance expense recognised in profit or loss</b>	<b>(610)</b>	<b>(554)</b>

## 13. Income tax expense

In thousands of AUD	2018	2017
<b>Current tax expense</b>		
Current period	1,769	-
Adjustment for prior periods	259	-
<b>Total</b>	<b>2,028</b>	<b>-</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	737	(706)
Adjustment for prior period	(145)	(65)
<b>Subtotal</b>	<b>592</b>	<b>(771)</b>
<b>Total income tax benefit</b>	<b>2,620</b>	<b>(771)</b>
<b>Numerical reconciliation between tax expense and pre-tax accounting profit</b>		
Profit / (Loss) excluding income tax	8,208	(2,881)
Income tax using the Group's statutory income tax rate of 30% (2017: 30%)	2,462	(864)
Imputation credits	(29)	-
Other non-deductible expenses	73	78
Under provision of previous year	114	15
<b>Total</b>	<b>2,620</b>	<b>(771)</b>



## 14. Property, plant and equipment

<i>In thousands of AUD</i>	Plant and equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
<b>Cost or deemed cost</b>					
Balance at 1 July 2016	57,374	1,769	1,607	392	61,142
Additions	5,128	15	169	-	5,312
Disposals	(9,980)	(365)	(142)	(120)	(10,607)
Transfers	807	(66)	(675)	(66)	-
<b>Balance at 30 June 2017</b>	<b>53,329</b>	<b>1,353</b>	<b>959</b>	<b>206</b>	<b>55,847</b>
Balance at 1 July 2017	53,329	1,353	959	206	55,847
Additions	9,243	-	509	46	9,798
Disposals	(3,534)	(51)	(37)	(87)	(3,709)
Transfers	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>59,038</b>	<b>1,302</b>	<b>1,431</b>	<b>165</b>	<b>61,936</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 July 2016	37,124	868	1,294	316	39,602
Depreciation for the year	5,928	132	147	31	6,238
Disposals	(9,004)	(196)	(142)	(60)	(9,402)
Impairment loss	641	-	-	23	664
Transfers	776	(22)	(647)	(107)	-
<b>Balance at 30 June 2017</b>	<b>35,465</b>	<b>782</b>	<b>652</b>	<b>203</b>	<b>37,102</b>
Balance at 1 July 2017	35,465	782	652	203	37,102
Depreciation for the year	7,113	98	168	1	7,380
Disposals	(3,456)	(40)	(16)	(87)	(3,599)
Transfers	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>39,122</b>	<b>840</b>	<b>804</b>	<b>117</b>	<b>40,883</b>
<b>Carrying amounts</b>					
At 1 July 2016	20,250	901	313	76	21,540
<b>At 30 June 2017</b>	<b>17,864</b>	<b>571</b>	<b>307</b>	<b>3</b>	<b>18,745</b>
At 1 July 2017	17,864	571	307	3	18,745
<b>At 30 June 2018</b>	<b>19,916</b>	<b>462</b>	<b>627</b>	<b>48</b>	<b>21,053</b>

## 15. Intangible assets

<i>In thousands of AUD</i>	2018	2017
<b>Goodwill</b>		
Cost (gross carrying amount)	6,429	6,429
<b>Net carrying amount</b>	<b>6,429</b>	<b>6,429</b>
<b>Customer relationships</b>		
Cost (gross carrying amount)	2,945	2,945
Accumulated amortisation and impairment	(2,945)	(2,945)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>
<b>Intellectual property</b>		
Cost (gross carrying amount)	1,773	1,773
Accumulated amortisation and impairment	(1,454)	(1,308)
<b>Net carrying amount</b>	<b>319</b>	<b>465</b>
<b>Total intangible assets</b>		
Cost (gross carrying amount)	11,147	11,147
Accumulated amortisation and impairment	(4,399)	(4,253)
<b>Net carrying amount</b>	<b>6,748</b>	<b>6,894</b>

### Reconciliation of carrying amounts

<i>In thousands of AUD</i>	2018	2017
<b>Goodwill</b>		
Carrying amount - opening	6,429	6,429
<b>Carrying amount - closing</b>	<b>6,429</b>	<b>6,429</b>
<b>Customer relationships</b>		
Carrying amount - opening	-	34
Amortisation	-	(34)
<b>Carrying amount - closing</b>	<b>-</b>	<b>-</b>
<b>Intellectual property</b>		
Carrying amount - opening	465	626
Amortisation	(146)	(161)
<b>Carrying amount - closing</b>	<b>319</b>	<b>465</b>
<b>Total intangible assets</b>		
Carrying amount - opening	6,894	7,089
Amortisation	(146)	(195)
<b>Carrying amount - closing</b>	<b>6,748</b>	<b>6,894</b>

Goodwill relates to the acquisition of Mastermyne Underground 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:

<i>In thousands of AUD</i>	1 July 2017	Acquired in Business Combination	Transfer	Impairment	2018	2017
Mastermyne Mining	6,429	-	-	-	6,429	6,429
<b>Total All Segments</b>	<b>6,429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,429</b>	<b>6,429</b>

The recoverable amount of the cash-generating units as at 30 June 2018 was based on their value in use and was determined by reference to the discounted future cash flows expected to be generated from the continuing use of each CGU, based on past experience, actual operating results and the business plans and long-term strategy for the relevant cash generating unit. For the Mastermyne Mining CGU, the value in use was determined to be greater than the relevant carrying amount. The key assumptions for each cash generating unit were as follows:

	FY 2018 assumptions			FY 2017 assumptions		
	Annual revenue growth rate (FY2019-FY2023)	Terminal growth rate	Pre-tax discount rate	Annual revenue growth rate (FY2018-FY2022)	Terminal growth rate	Pre-tax discount rate
Mastermyne Mining	3.8%	2.5%	16.9%	6.9%	2.5%	15.3%

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 \$1,248 thousand (2017: current tax asset \$202 thousand) represents the amount of income taxes payable (2017: refundable), in respect of current and prior periods.

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Employee benefits	1,691	1,058	-	-	1,691	1,058
Property, plant and equipment	-	-	(765)	(1,350)	(765)	(1,350)
Receivables	-	-	-	(102)	-	(102)
Intangible assets	-	-	(57)	(87)	(57)	(87)
Accruals	321	251	-	-	321	251
Capital raising and business acquisition costs	79	15	-	(31)	79	(16)
Provisions	-	-	-	(4)	-	(4)
Other Items	-	129	(21)	-	(21)	129
Tax loss carry-forwards	7,543	9,406	-	-	7,543	9,406
<b>Tax assets/(liabilities)</b>	<b>9,634</b>	<b>10,859</b>	<b>(843)</b>	<b>(1,574)</b>	<b>8,791</b>	<b>9,285</b>
Set off of tax	(843)	(1,574)	843	1,574	-	-
<b>Net tax assets/(liabilities)</b>	<b>8,791</b>	<b>9,285</b>	<b>-</b>	<b>-</b>	<b>8,791</b>	<b>9,285</b>

At 30 June 2018 the Group has revenue losses totaling \$25,144 thousand (2017: \$31,352 thousand) which are available to be offset against future taxable income. These losses arose within the Diversified Mining Services prior to acquisition by the Group.

## 16. Tax assets and liabilities (continued)

### Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 2016	Recognised in profit or loss	Recognised Directly in Equity	Balance 30 June 2017
Employee benefits	1,002	56	-	1,058
Property, plant and equipment	(1,656)	306	-	(1,350)
Receivables	-	(102)	-	(102)
Intangible assets	(97)	10	-	(87)
Accruals	163	88	-	251
Capital raising and business acquisition costs	44	(60)	-	(16)
Unbilled revenue	(1,402)	1,402	-	-
Provisions	(4)	-	-	(4)
Other Items	-	129	-	129
Tax loss carry-forwards	10,529	(1,123)	-	9,406
<b>Total</b>	<b>8,579</b>	<b>706</b>	<b>-</b>	<b>9,285</b>

In thousands of AUD	Balance 1 July 2017	Recognised in profit or loss	Recognised Directly in Equity	Balance 30 June 2018
Employee benefits	1,058	633	-	1,691
Property, plant and equipment	(1,350)	585	-	(765)
Receivables	(102)	102	-	-
Intangible assets	(87)	30	-	(57)
Accruals	251	70	-	321
Capital raising and business acquisition costs	(16)	(3)	98	79
Unbilled revenue	-	-	-	-
Provisions	(4)	4	-	-
Other Items	129	(150)	-	(21)
Tax loss carry-forwards	9,406	(1,863)	-	7,543
<b>Total</b>	<b>9,285</b>	<b>(592)</b>	<b>98</b>	<b>8,791</b>

## 17. Inventories

In thousands of AUD	2018	2017
Raw materials	440	516
Finished goods	2,533	2,596
Provision for obsolete stock	-	(428)
<b>Total</b>	<b>2,973</b>	<b>2,684</b>

During the year ended 30 June 2018, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to \$6,981 thousand (2017: \$13,144 thousand).

In 2017, the Group tested its slow moving inventory at its Gladstone Workshop for impairment and wrote down the related inventories to their net realisable value. This resulted in a loss of \$428 thousand.

## 18. Trade and other receivables

In thousands of AUD	2018	2017
Trade receivables	31,676	21,074
Prepayments	1,031	1,639
Unbilled revenue	10,357	6,476
Other receivables	363	265
<b>Total</b>	<b>43,427</b>	<b>29,454</b>

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

In thousands of AUD	2018	2017
Cash on hand	1	1
Cash and cash equivalents in the statement of financial position	1	1
Bank overdrafts used for cash management purposes	(521)	(768)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>(520)</b>	<b>(767)</b>

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

## 20. Capital and reserves

### The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares	
	2018	2017
On issue at 1 July	91,087,536	91,087,536
Issued for cash		
Placement 10,000,000 shares @ \$0.60	10,000,000	-
<b>On issue at 30 June - fully paid</b>	<b>101,087,536</b>	<b>91,087,536</b>

### 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 equity instruments 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

There were no dividends recognised in the current year by the Group.

There were no dividends declared after the balance sheet date.

### Dividend franking account

In thousands of AUD	Company	
	2018	2017
30% franking credits available to shareholders of Mastermyne Group Limited for subsequent financial years	15,341	14,784

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:

- franking credits/debits that will arise from the payment of the current tax liabilities or refund of current tax assets;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables by the Group at the year-end; and
- 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.

As no dividends are proposed after balance date that are not recognised as a liability, there is no impact on the dividend franking account.

## 21. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on the profit attributable to ordinary shareholders of \$5,435 thousand (2017: \$2,012 thousand) and a weighted average number of ordinary shares outstanding of 98,841 thousand (2017: 91,088 thousand), calculated as follows:

Profit / (Loss) attributable to ordinary shareholders		
In thousands of AUD	2018	2017
Profit / (Loss) attributable to ordinary shareholders	5,435	(2,012)

Weighted average number of ordinary shares		
In thousands of AUD	2018	2017
Issued ordinary shares at 1 July	20,464	91,088
Effect of shares issued in September 2017	78,377	-
Weighted average number of ordinary shares at 30 June	98,841	91,088

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2018 was based on the profit attributable to ordinary shareholders of \$5,435 thousand (2017: \$2,012 thousand) and a weighted average number of ordinary shares outstanding of 100,349 thousand (2017: 91,088 thousand), calculated as follows:

Profit / (Loss) attributable to ordinary shareholders (diluted)		
In thousands of AUD	2018	2017
Profit / (Loss) attributable to ordinary shareholders	5,435	(2,012)

Weighted average number of ordinary shares (diluted)		
In thousands of AUD	2018	2017
Weighted average number of ordinary shares (basic)	98,841	91,088
Weighted average number of ordinary shares (diluted) at 30 June	100,349	91,088

## 22. 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 26.

In thousands of AUD	2018	2017
Current liabilities		
Cash advance facility (secured)	3,000	6,250
<b>Total</b>	<b>3,000</b>	<b>6,250</b>
Non-current liabilities		
Cash advance facility (secured)	-	3,000
<b>Total</b>	<b>-</b>	<b>3,000</b>

### Security

#### Westpac cash advance facility

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

### Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise the cash advance facility are summarised below.

In thousands of AUD	2018	2017
Balance at the beginning of the year	9,250	12,951
Payments made	(6,250)	(3,701)
<b>Balance at the end of the year</b>	<b>3,000</b>	<b>9,250</b>

## 23. Employee benefits

In thousands of AUD	2018	2017
Current		
Liability for annual leave	3,349	2,086
Liability for vesting sick leave	1,735	1,163
Liability for long service leave	151	139
<b>Total</b>	<b>5,235</b>	<b>3,388</b>
Non-current		
Liability for long service leave	207	138
<b>Total</b>	<b>207</b>	<b>138</b>

## 24. Share-based payment arrangements

### Description of the share-based payment arrangements

At 30 June 2018, 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 15 September 2015 and the plan was activated by resolution of the Board as of 16 November 2015. 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	Vesting Conditions	Contractual Life of Rights
Performance rights granted to KMP including CEO/Managing Director on 21 November 2017 (FY 2018 Tranche A)	258,006	Vesting Conditions 1, 2, 3 and 4a	2.9 Years
Performance rights granted to KMP including CEO/Managing Director on 21 November 2017 (FY 2018 Tranche B)	258,006	Vesting Conditions 1, 2, 3 and 4b	2.9 Years
Performance rights granted to KMP including CEO/Managing Director on 15 November 2016 (FY 2017 Tranche A)	308,750	Vesting Conditions 1, 2, 3 and 4a	2.9 Years
Performance rights granted to KMP including CEO/Managing Director on 15 November 2016 (FY 2017 Tranche B)	308,750	Vesting Conditions 1, 2, 3 and 4b	2.9 Years
Performance rights granted to KMP including CEO/Managing Director on 21 January 2016 (FY 2016 Tranche A)	288,975	Vesting Conditions 1, 2, 3 and 4a	2.5 Years
Performance rights granted to KMP including CEO/Managing Director on 21 January 2016 (FY 2016 Tranche B)	288,975	Vesting Conditions 1, 2, 3 and 4b	2.5 Years

Vesting of the rights will be subject to achievement of the vesting conditions set out below and the eligible participant being employed at the vesting date:

- Vesting Condition 1:** The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment is ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board, at its absolute discretion, determines otherwise.
- Vesting Condition 2:** Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Mastermyne. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Mastermyne, the Board, at its discretion, may determine that some or all of the performance rights will lapse.
- Vesting Condition 3:** There is an overriding Vesting Condition requiring a minimum 8% total shareholder return (TSR) during the TSR measurement period (i.e. from the Time of Grant to the Test Date).
- Vesting Condition 4:** If Vesting Condition 3 is achieved, there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. Both of these Vesting Conditions depend on Mastermyne's TSR percentile rank during the TSR measurement period:
  - Tranche A: 50% of the performance rights will be conditional on the company's TSR rank relative to companies in the ASX All Ordinaries Accumulation index;
  - Tranche B: 50% of performance rights will be conditional on the company's TSR rank relative to the ASX 200 Resources Accumulation index.

## 24. Share-based payment arrangements (continued)

### Performance Rights programme (equity settled) (continued)

For each tranche, the percentage of performance rights which will vest will be as specified in the table below:

TSR Rank during TSR measurement period	Percentage of Tranche A or Tranche B performance rights vesting
Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%
50th percentile to 75th percentile of the ASX Peer Group or the Resources Peer Group	50% plus 2% for each percentile above 50th percentile
Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%

### Measurement of fair values

The fair value of the rights granted through the employee performance rights programme was measured based on the 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 Rights			
Fair value of share options and assumptions	2018	2017	2016
Fair value at grant date Tranche A	\$0.5225	\$0.1993	\$0.1116
Fair value at grant date Tranche B	\$0.4695	\$0.1997	\$0.1140
Share price	\$0.88	\$0.33	\$0.21
Exercise price	\$ nil	\$ nil	\$ nil
Expected volatility (weighted average volatility)	85.0%	78.4%	71.1%
Option life (expected weighted average life)	2.9 years	2.9 years	2.5 years
Expected dividends	5.81%	9.50%	9.50%
Risk-free interest rate (based on government bonds)	1.86%	1.84%	2.09%

## 25. Trade and other payables

In thousands of AUD	2018	2017
Trade payables	7,554	4,537
Sundry creditors and accruals	11,470	6,855
	19,024	11,392

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

In thousands of AUD	Notes	2018	2017
Trade and other receivables	18	42,396	27,815
Cash and cash equivalents	19	(520)	(767)
		41,876	27,048

The Group has three (2017: four) significant customers each representing more than 10% of the carrying amount of trade receivables at 30 June 2018. The total of the receivables from these customers is \$20,863 thousand (2017: \$16,135 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 period, the Group's cash and cash equivalents are held with a AA-Rated Australian bank.

### Impairment losses

The aging of the Group's trade receivables at the reporting date is as follows:

In thousands of AUD	2018	2017
Not Past Due	25,576	16,908
Past due 0-30 days	4,917	3,344
Past due 31-60 days	660	583
Past due 61-90 days	294	239
Greater than 90 days	229	-
	31,676	21,074

Impairment losses of \$4 thousand were recognised at 30 June 2018 (2017: \$65 thousand).

The movement in the allowance for impairment in respect of trade and other receivables during the year ended 30 June 2018 was as follows:

In thousands of AUD	2018	2017
Balance at 1 July	(4)	-
Impairment loss recognised	-	(65)
Impairment allowance utilised	4	61
Balance at 30 June	-	(4)

Impairment allowance utilised during the year relates to a number of customers that were placed into receivership during the year ended 30 June 2018. At the time, the Group raised an allowance for the full amount of the receivable and it is unlikely that that the amount will become recoverable.

### Liquidity risk

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

In thousands of AUD	Note	30 June 2018						
		Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Cash advance facility	22	3,000	(3,050)	(3,050)	-	-	-	-
Trade and other payables	25	19,024	(19,024)	(19,024)	-	-	-	-
Bank Overdraft	19	521	(521)	(521)	-	-	-	-
<b>Total</b>		<b>22,545</b>	<b>(22,595)</b>	<b>(22,595)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

In thousands of AUD	Note	30 June 2017						
		Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Cash advance facility	22	9,250	(9,486)	(5,103)	(1,331)	(3,052)	-	-
Trade and other payables	25	11,392	(11,392)	(11,392)	-	-	-	-
Bank Overdraft	19	768	(768)	(768)	-	-	-	-
<b>Total</b>		<b>21,410</b>	<b>(21,646)</b>	<b>(17,263)</b>	<b>(1,331)</b>	<b>(3,052)</b>	<b>-</b>	<b>-</b>

### Interest rate risk

#### Profile

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

In thousands of AUD	Carrying amount	
	2018	2017
Variable rate instruments		
Financial assets	1	1
Financial liabilities	(3,000)	(9,250)
Bank Overdraft	(521)	(768)
<b>Total</b>	<b>(3,520)</b>	<b>(10,017)</b>

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:

In thousands of AUD	2018	2017
Four or more years trading history with the Group	29,560	19,547
Less than four years trading history with the Group	2,116	1,523
	31,676	21,070

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

### 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.

### 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.

## 26. Financial instruments (continued)

### Sensitivity analysis for variable rate instruments

As at 30 June 2018, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

Effect In thousands of AUD	2018	2017
Change in profit		
Increase in interest rate by 1%	(35)	(100)
Decrease in interest rate by 1%	35	100

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.

### Fair values

#### Fair values versus carrying amounts

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

In thousands of AUD	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets Carried at Amortised Cost</b>				
Trade and other receivables	42,396	42,396	27,815	27,815
Cash and cash equivalents	1	1	1	1
<b>Total</b>	<b>42,397</b>	<b>42,397</b>	<b>27,816</b>	<b>27,816</b>
<b>Liabilities Carried at Amortised Cost</b>				
Bank overdraft	(521)	(521)	(768)	(768)
Cash advance facility	(3,000)	(3,000)	(9,250)	(9,250)
Trade and other payables	(19,024)	(19,024)	(11,392)	(11,392)
<b>Total</b>	<b>(22,545)</b>	<b>(22,545)</b>	<b>(21,410)</b>	<b>(21,410)</b>

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

## 27. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2018	2017
Less than one year	2,276	1,019
Between one and five years	428	530
<b>Total</b>	<b>2,704</b>	<b>1,549</b>

The Group leases a number of residential premises and office facilities under operating leases. The residential premise leases typically run for a period of 1 year. The office premise leases typically run for a period of between 1 and 5 years, with an option to renew the lease after that date in some cases.

The Group leases a number of motor vehicles under operating leases. The leases typically run for a period of 2-4 years.

The amount recognised in relation to operating lease payments for the year ended 30 June 2018 totalled \$1,853 thousand (2017: \$1,983 thousand) for the Group.

## 28. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the year		5,588	(2,110)
Adjustments for:			
Depreciation	14	7,380	6,238
Amortisation of intangible assets	15	146	195
Impairment loss	9	-	664
(Gain)/Loss on sale of property, plant and equipment	8 & 10	(208)	225
Write-down of inventories to net realisable value	10	-	428
Share based payments	11	121	51
Net finance expense	12	610	554
Income tax benefit	13	2,620	(771)
<b>Operating profit before changes in working capital and provisions</b>		<b>16,257</b>	<b>5,474</b>
Change in trade and other receivables		(13,973)	(370)
Change in inventories		(289)	293
Change in trade and other payables		7,633	352
Change in provisions and employee benefits		1,916	187
		<b>11,544</b>	<b>5,936</b>
Interest paid		(635)	(576)
Interest received		25	22
Income taxes paid		(578)	92
<b>Net cash flows from operating activities</b>		<b>10,356</b>	<b>5,474</b>

## 29. Related parties

### Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 11) are as follows:

In thousands of AUD	2018	2017
Short-term employee benefits	2,536,910	1,298,634
Post-employment benefits	133,272	98,079
Share-based payments	121,134	54,270
<b>Total</b>	<b>2,791,316</b>	<b>1,450,983</b>

### Individual directors and executives compensation disclosures

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.

### Loans to key management personnel

No loans were made, guaranteed or secured by the Group to key management personnel for the year.

## 29. Related parties (continued)

### 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 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 management persons and their 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:

Transaction	Note	Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2018	2017	2018	2017
Andrew Watts - Watty Pty Ltd	(i)	140,437	194,775	-	-
Andrew Watts - Watty Pty Ltd	(ii)	-	206,940	-	-
		140,437	401,715	-	-

- 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.
- 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. The final payment for the leasehold improvements occurred in March 2017.

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.

## 30. Group entities

### Parent and ultimate controlling party

Parent entity	Country of incorporation	Ownership interest	
		2018 %	2017 %
Mastermyne Group Limited	Australia		
<b>Significant subsidiaries</b>			
Mastermyne Pty Ltd	Australia	100	100
Mastermyne Engineering Pty Ltd	Australia	100	100
Mastermyne Underground Pty Ltd	Australia	100	100
Mastermyne Underground NNSW Pty Ltd	Australia	100	100
Myne Start Pty Ltd	Australia	100	100
MyneSight Pty Ltd	Australia	66.67	66.67
Mastermyne Contracting Services Pty Ltd	Australia	100	100
Mastertec Industrial and Maintenance Pty Ltd	Australia	100	100
Ausscaffold Pty Ltd	Australia	100	100
Diversified Mining Services Pty Ltd	Australia	100	100
Falcon Mining Pty Ltd	Australia	100	100

## 31. Deed of Cross Guarantee

Pursuant to ASIC Corporations (wholly owned companies) Instrument 2016/785, 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 Underground NNSW Pty Ltd
- Myne Start Pty Ltd
- Mastermyne Contracting Services Pty Ltd
- Mastertec Industrial and Maintenance Pty Ltd
- Ausscaffold Pty Ltd
- Diversified Mining Services Pty Ltd
- Falcon Mining Pty Ltd

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2017 is set out as follows.

### Statement of financial position

In thousands of AUD	2018	2017
<b>Assets</b>		
Trade and other receivables	42,513	28,846
Inventories	2,972	2,684
Current Tax Assets	(1,080)	111
<b>Total current assets</b>	<b>44,405</b>	<b>31,641</b>
Investments in subsidiaries	723	723
Deferred tax assets	8,729	9,419
Property, plant and equipment	20,968	18,680
Intangible assets	5,975	6,120
<b>Total non-current assets</b>	<b>36,395</b>	<b>34,942</b>
<b>Total assets</b>	<b>80,801</b>	<b>66,583</b>
<b>Liabilities</b>		
Bank overdraft	1,214	1,232
Trade and other payables	18,702	11,194
Loans and borrowings	3,000	6,250
Employee benefits	5,077	3,273
<b>Total current liabilities</b>	<b>27,993</b>	<b>21,949</b>
Loans and borrowings	-	3,000
Employee benefits	162	112
<b>Total non-current liabilities</b>	<b>162</b>	<b>3,112</b>
<b>Total liabilities</b>	<b>28,154</b>	<b>25,061</b>
<b>Net assets</b>	<b>52,646</b>	<b>41,522</b>
<b>Equity</b>		
Share capital	61,003	55,234
Reserves	(21,743)	(21,864)
Retained earnings	13,386	8,152
<b>Total Equity</b>	<b>52,646</b>	<b>41,522</b>

### Statement of profit or loss and other comprehensive income

In thousands of AUD	2018	2017
Revenue	196,874	120,595
Other income	309	158
Contract disbursements	(37,623)	(27,458)
Personnel expenses	(139,081)	(83,670)
Office expenses	(3,948)	(3,938)
Depreciation and amortisation expense	(7,511)	(6,413)
Impairment loss	-	(664)
Other expenses	(858)	(1,350)
<b>Results from operating activities</b>	<b>8,162</b>	<b>(2,740)</b>
Finance income	18	19
Finance expense	(630)	(574)
<b>Net finance expense</b>	<b>(613)</b>	<b>(555)</b>
<b>Profit/(loss) before income tax</b>	<b>7,550</b>	<b>(3,295)</b>
Income tax benefit	(2,423)	898
<b>Profit/(loss) for the year</b>	<b>5,127</b>	<b>(2,397)</b>
Other comprehensive income for the year, net of income tax	-	-
<b>Total comprehensive income for the year</b>	<b>5,127</b>	<b>(2,397)</b>

## 32. Subsequent events

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.

## 33. Auditor's remuneration

### Audit services

Auditors of the Company

Pitcher Partners - Brisbane		
In whole AUD	2018	2017
Audit and review of financial reports	95,000	-
<b>Total</b>	<b>95,000</b>	<b>-</b>

### Other services

Auditors of the Company

Pitcher Partners - Brisbane		
In whole AUD	2018	2017
Taxation compliance services	17,000	-
<b>Total</b>	<b>17,000</b>	<b>-</b>

### Audit services

Auditors of the Company

KPMG Australia		
In thousands of AUD	2018	2017
Audit and review of financial reports	-	160,000
Other regulatory audit services	-	10,000
<b>Total</b>	<b>-</b>	<b>170,000</b>

### Other services

Auditors of the Company

KPMG Australia		
In thousands of AUD	2018	2017
Taxation compliance services	-	25,500
Data analytic services	-	11,000
<b>Total</b>	<b>-</b>	<b>36,500</b>

## 34. Parent Entity Disclosures

As at and throughout the financial year ended 30 June 2018, the parent company of the group was Mastermyne Group Limited.

	Company	
In thousands of AUD	2018	2017
Results of the parent entity		
Loss for the year	(951)	(255)
<b>Total comprehensive loss for the year</b>	<b>(951)</b>	<b>(255)</b>
Financial position of parent entity at year end		
Current assets	1,172	861
<b>Total assets</b>	<b>66,020</b>	<b>54,568</b>
Current liabilities	8,289	1,834
<b>Subtotal</b>	<b>8,425</b>	<b>1,912</b>
Total equity of the parent entity comprising of:		
Share Capital	61,003	55,234
Share-based payments reserve	182	2,373
Retained earnings	(3,590)	(4,951)
<b>Total Equity</b>	<b>57,595</b>	<b>52,656</b>

### Parent Entity Contingencies

There were no parent entity contingencies required for the year ended 30 June 2018 (2017: Nil).

### Parent Entity Capital Commitments

There were no parent entity capital commitments at 30 June 2018 (2017: 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 31.

# Directors' Declaration

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 19 to 67 and the Remuneration report in section 5 of the Directors' report are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001; and

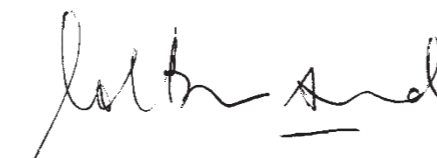
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (wholly owned companies) instrument 2016/785.

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 2018.

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 the directors.



**C. Bloomfield**  
Chairman

Dated at Brisbane this 21st day of August 2018.

# Independent Audit Report to the Members of Mastermyne Group Limited



Key Audit Matter	How our audit addressed the key audit matter
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Recoverability of deferred tax assets (\$8.791 million)	
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Refer to note 16	
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At 30 June 2018, the Group's consolidated statement of financial position included deferred tax assets of \$8.791 million of which \$7.543 million related to unused tax losses. The recognition of deferred tax assets is dependent upon an assessment that it is probable the Group will generate sufficient future taxable income to utilise them.

Our procedures included amongst others:

- Obtaining and testing the Group's calculation of its current and deferred tax balances for the year ended 30 June 2018;
- Challenging and evaluating the reasonableness of key judgements and assumptions used in the Group's forecast of taxable income including assessing their consistency with the Board-approved budget for the year ending 30 June 2019 and the cash flow assumptions used in the impairment model;
- Assessing the historical accuracy of the Group's budgeting and forecasting and considered implications for our assessment of key assumptions used in the Group's current forecast of taxable income;
- Assessing the availability of tax losses to the Group under the current Australian tax legislation including those acquired as part of business combinations; and
- Engaging our taxation experts in the completion of these procedures and in making our assessments of the available fraction calculations and application of the available fraction method.

The unused tax losses were recognised as part of a business combination and are to be utilised on an available fraction basis. It is due to the significant judgement and assumptions involved in assessing the Group's ability to generate future taxable income that we focused on this area as a key audit matter.



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## Independent Auditor's Report to the Members of Mastermyne Group Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Mastermyne Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Advisors: Brisbane JAM/Myne Newcastle PNTS Sydney





Key Audit Matter	How our audit addressed the key audit matter
<p>Recognition of revenue (\$201.719 million) and recoverability of related contract receivables (\$42.033 million)</p> <p>Refer to note 7 and 18</p> <p>The Group's consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 included revenues amounting to \$201.719 million. The consolidated statement of financial position as at 30 June 2018 included trade receivables of \$31.676 million and unbilled revenue of \$10.357 million.</p> <p>It is due to the revenues representing the most significant financial account balance within the financial statements that this was a key area of focus.</p> <p>A key audit matter for us was assessing the consistency of the Group's policies for revenue recognition with AASB 118 Revenue and the recoverability of the related contract receivables.</p> <p>Our audit focused on:</p> <ul style="list-style-type: none"> <li>The processes and controls adopted by the Group in relation to the recognition of revenue and related receivables;</li> <li>The processes and controls adopted by the Group in relation to key drivers of revenue recognition; and</li> <li>The recoverability of contract receivables including estimates made by management in relation thereto.</li> </ul>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>Assessing revenue recognised during the year against the requirements of AASB 118 Revenue and Group's policies;</li> <li>Evaluating the design and implementation of controls over the revenue recognition and invoicing process;</li> <li>Evaluating the design and implementation, and testing the operating effectiveness of relevant controls over the payroll and purchasing processes, being the key expenditure drivers of revenue;</li> <li>Testing the recognition of revenue transactions before 30 June 2018 to assess whether revenue around year-end was recognised in the period to which it properly relates;</li> <li>Assessing the recoverability of contract receivables through: <ul style="list-style-type: none"> <li>Testing of cash receipts from debtors subsequent to year-end;</li> <li>Testing of residual aged debtor balances and management's assessment of recoverability of older receivables; and</li> <li>With respect to unbilled revenue at 30 June 2018, testing of invoices issued subsequent to year-end, related to those projects for which revenues were accrued as at 30 June 2018.</li> </ul> </li> </ul>

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Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of goodwill (\$6.429 million)</p> <p>Refer to note 15</p> <p>Upon consolidation of subsidiaries acquired in previous years, goodwill on acquisition was recognised in the balance sheet.</p> <p>The carrying amount of goodwill is supported by the value-in-use calculations prepared by management which are based on budgeted future cash flows and key estimates such as growth and discount rates.</p> <p>It is due to the use of key estimates and judgement that this is a key area of audit focus.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>Assessing management's determination of the Group's CGU based on our understanding of the nature of the Group's business and internal reporting in order to assess how results were monitored and reported;</li> <li>Assessing the reasonableness of key estimates and judgements, considering supporting management prepared documentation or historical performance, where available;</li> <li>Comparing the prior year forecast to assess the accuracy of the forecasting process;</li> <li>Reviewing management's value-in-use calculations for accuracy; and</li> <li>Performing a sensitivity of management's value-in-use calculation to assess the level of headroom available.</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the [Group] or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 6 to 14 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Mastermyne Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

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 Australian Auditing Standards.



PITCHER PARTNERS

  
J.J. EVANS  
Partner

Brisbane, Queensland  
21 August 2018

## Additional Information

**Additional information required by the Australian Stock Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 3 October 2018.**

### 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: 101,087,536

Ordinary shares, each fully paid, held by 1,186 shareholders.

#### Unquoted: 1,195,449

Performance rights, having differing exercise prices, hurdles versing periods and terms, with latest expiry 1 October 2020, held by 4 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	%
100,000 and Over	82,809,018	81.92%	123	7.79%
50,001 to 100,000	5,417,316	5.36%	83	5.26%
10,001 to 50,000	9,913,908	9.81%	488	30.91%
5,001 to 10,000	1,739,942	1.72%	259	16.40%
1,001 to 5,000	1,129,289	1.12%	450	28.50%
1 to 1,000	78,063	0.08%	176	11.15%
<b>Total</b>	<b>101,087,536</b>	<b>100.00%</b>	<b>1579</b>	<b>100.00%</b>

There are 63 shareholders holding a total of 5,091 shares with less than a marketable parcel (or 330 shares based on the closing share price on 3 October 2018 of \$1.50).

### Twenty Largest Security Holders

Rank	Name	A/C designation	26 Sep 2017	%IC
1	MR KENNETH RUDY KAMON		10,874,887	10.76
2	NATIONAL NOMINEES LIMITED		8,799,789	8.71
3	DARREN WILLIAM HAMBLIN	HAMBLIN FAMILY	7,635,658	7.55
4	CARM NQ PTY LTD	THE CARNHOGAN FAMILY	3,268,332	3.23
5	ECARG PTY LTD	COOLABAH	2,710,000	2.68
6	ECARG PTY LTD	MIJ TRUST>	2,427,096	2.4
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		2,419,205	2.39
8	J P MORGAN NOMINEES AUSTRALIA LIMITED		2,301,651	2.28
9	ECARG PTY LTD	YMMIJ	2,100,000	2.08
10	MAY DOWNS PTY LTD	MAY DOWNS TRUST>	2,000,000	1.98
11	MCIF DMS NOMINEES LIMITED	NZ RESIDENTS	1,938,803	1.92
12	PAKASOLUTO PTY LIMITED	<BARKL FAMILY SUPER FUND A/C>	1,482,667	1.47
13	MCIF DMS NOMINEES LIMITED	AU RESIDENTS	1,323,868	1.31
14	HORRIE PTY LTD	HORRIE SUPERANNUATION	1,258,000	1.24
15	ANTHONY SALVATORE CARUSO	THE MAD INVESTMENTS	1,173,001	1.16
16	ANTHONY CHARLES ZAHRA	THE ZAHRA DISCRETIONARY UNIT	1,159,810	1.15
17	C & D BLOOMFIELD PTY LTD	<BLOOMFIELD FAMILY A/C>	1,100,000	1.09
18	MR ALAN JAMES LAWRENCE & MS JANINE EVELYN LAWRENCE		1,067,633	1.06
19	MR DAVID ROSS LAWRENCE & MRS ALLYSA JANE LAWRENCE		1,056,845	1.05
20	CITICORP NOMINEES PTY LIMITED		1,055,406	1.04

### Substantial Shareholders

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

Substantial Shareholders	Number of Shares
Watts, Andrew	12,262,245
Kamon, Kenneth	10,874,887
Hamblin, Darren	9,655,658
Paradice Investment Management	8,483,685

# Corporate Directory

## ■ Company

### **Mastermyne Group Limited**

ABN 96 142 490 579

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

## ■ Directors

Colin Bloomfield  
*Non-executive Chairman*

Tony Caruso  
*Managing Director*

Andrew Watts  
*Non-executive Director*

Gabriel (Gabe) Meena  
*Non-executive Director*

Julie Whitcombe  
*Non-executive Director*

## ■ Company Secretary

Liz Blockley

## ■ Registered and Head Office

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

P: +61 (7) 4963 0400  
F: +61 (7) 4944 0822

## ■ E-Contacts

master@mastermyne.com.au  
www.mastermyne.com.au

## ■ Postal Address

PO Box 1671  
Mackay QLD 4740  
AUSTRALIA

## ■ Share Registry

LINK Market Services Limited  
Level 21, 10 Eagle Street  
Brisbane QLD 4000  
AUSTRALIA

P: +61 (7) 3320 2200

## ■ Independent Auditors

Pitcher Partners  
Level 38, Central Plaza 1  
345 Queen Street  
Brisbane QLD 4000

P: +61(7) 3222 8444

## ■ Stock Exchange Listing

Mastermyne Group Limited is listed on the Australian Securities Exchange.

ASX Code MYE

## ■ Mastermyne Offices

### **Mastermyne Head Offices (Including Mastermyne Mining and Mastertec)**

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

P: +61 (7) 4963 0400  
F: +61 (7) 4944 0822

### **Rockhampton QLD (Consumables)**

42 Monier Road  
Parkhurst QLD 4702  
AUSTRALIA

P: +61 (7) 4920 0800  
F: +61 (7) 4920 0899

### **NSW Office (NSW Mastermyne Mining and Mastertec)**

4/17 Babilla Close  
Beresfield NSW 2322  
AUSTRALIA

P: +61 (2) 4041 3300  
F: +61 (7) 4944 0822

