mastermyne

stronger values. greater results.

mining | products | training

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ANNUAL REPORT
2019

mastermyne

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Chairman's Report

Dear Shareholder

I welcome you to the Mastermyne Group's Annual Report for the Financial Year ended 30th June 2019. I am very pleased to report that last year was another successful one for your company with improvement in most key metrics and the resumption of dividend payments.

The coal industry as a whole saw more buoyant conditions during the year with improved pricing for both metallurgical and thermal coal types. This has led to some increased activity in the sector as our clients sought to maximise production to take advantage of stronger pricing. The long term outlook for metallurgical coal remains very strong with limited supply of the very high quality Australian coal types and high barriers to entry in the sector. While the outlook for thermal coal is more difficult to predict, high quality thermal coals with high energy value and low impurities are likely to see strong demand in the long term.

Mastermyne's performance was assisted by the better industry conditions which helped grow revenue by 18%. However, the strong result was also derived from our long term plan to become more efficient by implementing scalable systems that ultimately deliver lower overhead costs as a proportion of revenue. Overheads reduced to a record low of 6.4% of revenue while EBITDA margins grew to 8.8%. Both measures have improved considerably over prior periods.

Translating improved operating performance to create a stronger financial base has been a core focus for the Company. A large proportion of the EBITDA generated was converted to free cash flow allowing Mastermyne to become debt free. At balance date, the Company had a net cash position of $16.4M and the Board decided to resume dividend payments with an ordinary dividend of 2.0 cents per share. The Board will continue to hold a strong net cash position to ensure the business is well positioned for the full industry cycle which is characteristic of resources businesses.

The period also saw the sale of our Scaffolding, Blast and Paint business. This business had limited growth options and was ultimately deemed to be non-core. The sale attracted a good price with the net proceeds being distributed to shareholders as a special dividend of 2.0 cents per share. Subsequent to balance date the purchase of Wilson Mining was announced. This business supplies and installs cavity fill and strata consolidation products and ventilation control devices. It is well known to Mastermyne and the industry and will complement our existing range of products and services.

The Company continues to enjoy the benefit of a stable, high quality leadership team under Tony Caruso's leadership. We also welcomed Brett Maff to this team as Chief Financial Officer and we thank Liz Blockley for her service to the Company as the previous CFO. Your Board also remains stable with no changes during the period although new Committee chairs were assigned. I thank all Board members and the Leadership Team for their outstanding contribution to leading Mastermyne to great results delivered the right way. I also thank all of our employees for their continued efforts and contribution to Mastermyne's performance.

I hope you enjoy reading our Annual Report and I welcome your feedback at any time.

Colin Bloomfield

Managing Director's Report

Dear Shareholder

We are very pleased to have delivered you this very strong set of results for FY19. We have continued to build on what was a strong platform from the previous year and a combination of disciplined growth and a focus on executing well has seen this year's results significantly up from last year.

The coal sector continues to benefit from strong pricing and the focus from our clients on maintaining or increasing production has underpinned not only this year's results but sets us up for further growth in the year ahead.

Throughout the year the Company has successfully rolled over contracts that were executed in the bottom of the last cycle and with that we have taken the opportunity to improve the terms and conditions along with strengthening the margins. This combined with our ongoing focus on growing the business without a material increase to the overheads has allowed us to extract further advantage from our operating leverage. Through our disciplined approach we delivered an increase in both our revenue and margins with the highlight being the EBITDA margin run rate for the second half at 9.7%. Cash conversion has also remained a focus through the year and we are pleased that on completion of the financial year the Company has a net cash position of $16m and is debt free.

Our commitment to working safely has not shifted this year and whilst we continue to maintain statistics that are well ahead of industry benchmarks we want to be better. Our leaders continue to drive a safety culture that is led by example and we continue to challenge the way safety is approached in the mining sector. Over the year we have had 5 sites complete the full year of operations without a single recordable injury and a further nine sites that have completed the same result for over six months. These results demonstrate that we have the right focus on safety but there is still more work to do.

We continue to improve our order book and have record contracted revenue secured for the FY20 year. We have successfully tendered and won new work through the year and are well positioned for further contracts. Pleasingly we have added new Tier 1 clients to the order book through projects at Narrabri (Whitehaven Coal), Wambo and North Goonyella (Peabody Coal Australia). Our mix of

Coking and Thermal coal has shifted in the year with the weighting now shifting back to metallurgical coal projects. This is important as we see the price and outlook for metallurgical coal remaining strong due to quality and demand for Australian metallurgical coal.

As we move into FY2020 we have provided guidance for the year that delivers further growth and maintains our improved margins. We are well positioned with a secure order book and we have a record pipeline of opportunities that are supported by strong demand for coal and clients who are looking to maintain or increase output. Our disciplined approach will ensure we take full advantage of the opportunities in the coming year and we look forward to delivering another strong result for the Company.

Lastly I would like to thank our board, the management team and our workforce. Without the capable and committed people we have in our organization delivering strong results year after year would not be possible. On behalf of all the team at Mastermyne we look forward to delivering another great year for our shareholders.

Tony Caruso

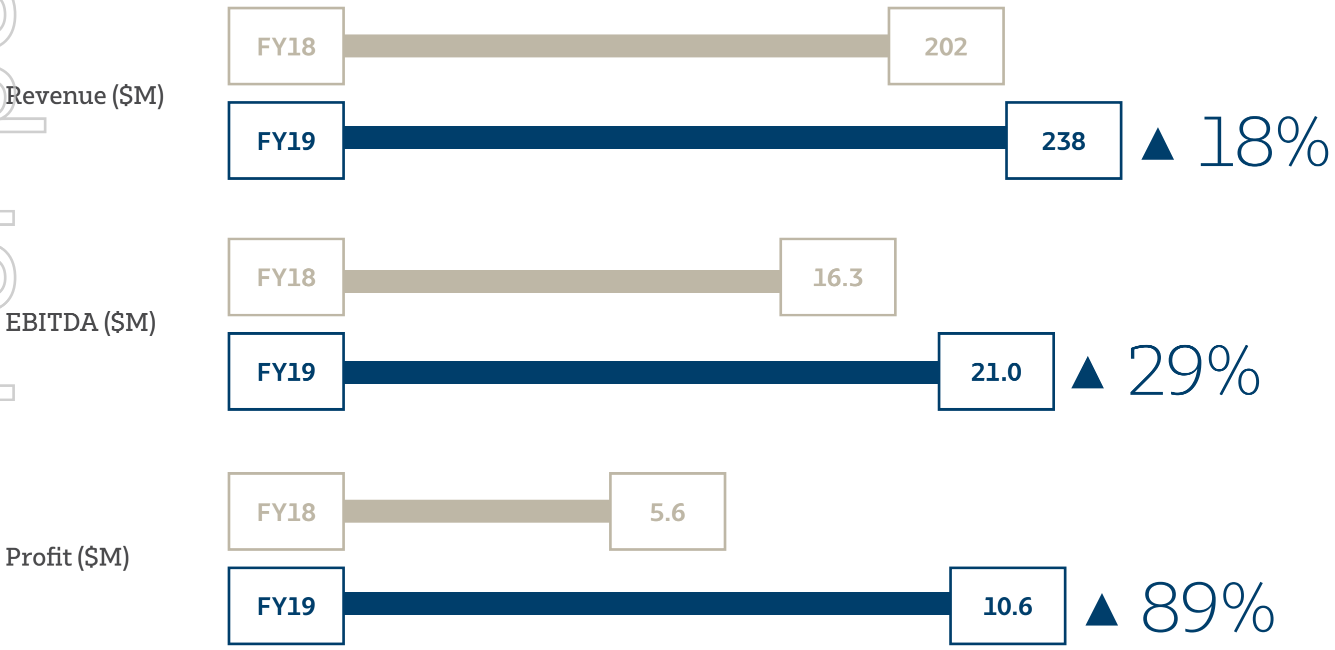
FY2019 Summary

New projects and fleet underpin a strong financial result

- *Buoyant coal industry - long term fundamentals remain strong*
- *Mastermyne operating model is delivering real leverage*
  - **Revenue increased by 18% to $238m**
  - **EBITDA increased 29% to $21m (within guidance)**
  - **Net Profit rose 89% to $10.6m (excluding the profit on sale of Scaffolding, Blast & Paint business NPAT rose 50% to $8.6m)**
- *Very strong cash generation delivered an end of year Net Cash position of $16.4m*
- *Acquisition of Wilson Mining increases service offering*
- *Sale of Scaffolding, Blast and Paint business*
  - **Net proceeds returned to shareholders through a 2 cents per share Special Dividend**
- *Resumption of Ordinary Dividends with a 2 cents per share full year dividend declared*

Mastermyne Income Statement

Period ended 30 June 2019	FY19	FY18		Change
Total Revenue	$238 .04m	$201.72m	▲	+18.0%
EBITDA	$21.01m	$16.34m	▲	+28.5%
EBITDA %	8.8%	8.1%	▲	+0.7%
Statutory profit/ (loss) before tax	**$12 .14m**	**$8.21m**	▲	**+47.9%**
Tax benefit/ (expense)	($3.60m)	($2.62m)		(37.5%)
Gain on sale of divested business	**$2.03m**	-		-
Statutory profit/ (loss) after tax	*$10.57m*	*$5.59m*	▲	+89.1%
EPS (cents)	*10.4c*	*5.5c*	▲	+88.0%



Board of Directors

Colin Bloomfield,
Non-executive Chairman

Anthony (Tony) Caruso,
CEO & Managing Director

Andrew Watts,
Non-executive Director

Gabriel (Gabe) Meena,
Non-Executive Director

Julie Whitcombe,
Non-Executive Director

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, 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.

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.

Gabriel (Gabe) Meena, Non-Executive Director

Gabe brings to the Company over 30 years' experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Currently Mr Meena is General Manager Operations with Patrick Terminals.

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.

He brings a wealth of experience to Mastermyne from working across multiple sectors.

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.

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 Chief Operations Officer for Vermeer Australia and RDO Equipment, supplying and servicing John Deere and Vermeer equipment in support of a range of industry sectors in Australia.

Prior to her current role, Julie spent nine years as part of the executive team of Senex Energy Limited, an ASX-listed oil and gas company. Her roles at Senex have included Executive General Manger Queensland Assets (with responsibility for the operation and development of the company's coal seam gas acreage in Queensland), Executive General Manger Strategic Planning and Chief Financial Officer. 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

Continued growth is delivering excellent cash flow

- *EBITDA of $21.0m converted to $17.1m in Free Cash Flow*
- *Full Year EBITDA margin of 8.8%, with H2 exit run rate margin of 9.7%*
- *Overhead costs as a proportion of revenue has reduced from 10% in FY2017 to 6.4% in FY2019 (6.2% FY2020 Forecast)*
- *Tax losses utilised of $2.7m (effective tax rate of ~27%for FY2020)*

Strong capital position provides flexibility

- *End of year Net Cash position of $16.4m*
- *Debt repayments of $3.0m during FY2019*
- *Debt free – fully repaid facility in June 2019*
- *Undrawn working capital and equipment lines of $20m and$10m respectively*
- *Maintaining a net cash position of ~10% of market cap to ensure strength through market cycles*
- *Committed $14m in equipment capex in FY2020 aligned to contracts terms*

Balance Sheet

Assets

Period ended 30 June 2019 $AUD millions	FY19	FY18
Cash and cash equivalents	16.42	0.001
Tradeand other receivables	39.17	43.43
Inventories	3.22	2.97
Total current assets	58.81	46.40
Deferred tax assets	8.13	8.79
Property, plant and equipment	18.28	21.05
Intangible assets	6.76	6.75
Total non-current assets	33.16	36.59
Total assets	**91.97**	**82.99**

Liabilities

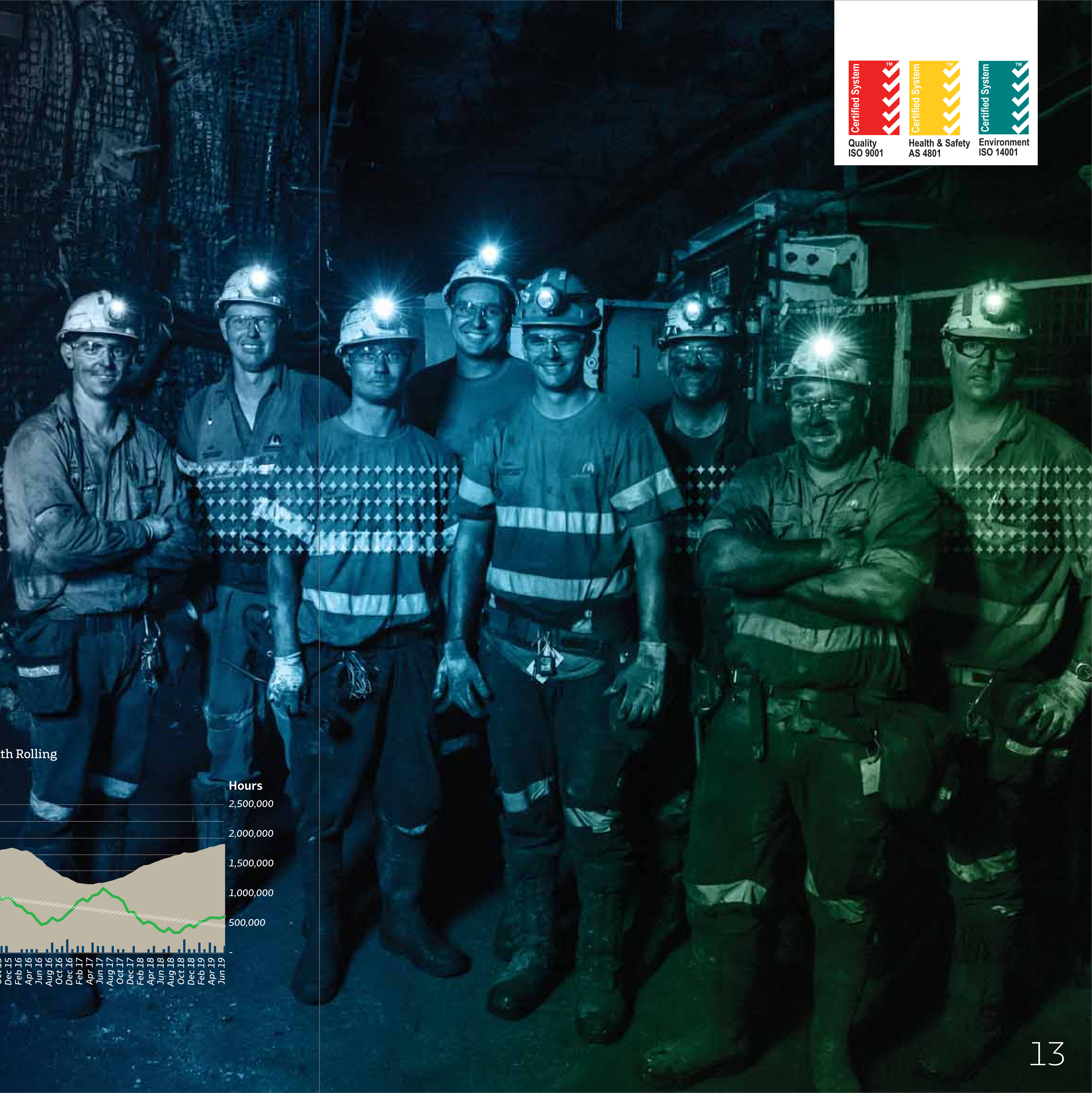
Period ended 30 June 2019 $AUD millions	FY19	FY18
Bank overdraft	-	0.52
Trade and other payables	16.82	19.02
Loans and borrowings	-	3.00
Employee benefits	8.14	5.24
Current tax liability	2.42	1.25
Total current liabilities	27.39	29.03
Employee benefits	0.24	0.21
Total non-current liabilities	0.24	0.21
Total liabilities	**27.63**	**29.24**
Net assets	**64.34**	**53.76**

Cashflow

FY19 Cashflow

Period ended 30 June 2019 $AUD millions	FY19	FY18
EBITDA (Statutory)	**21.01**	**16.34**
Movements in working capital	3.37	(4.71)
Non-cash items	0.18	(0.08)
Interest costs	(0.59)	(0.64)
Income tax receipts / (payments)	(1.76)	(0.58)
Net Operating Cash Flow	**22.21**	**10.33**
Net capex (including intangibles)	(2.16)	(9.48)
Net borrowings / (repayments)	(3.00)	(6.25)
Proceeds for issue of share capital (net of issue costs)	-	5.67
Interest received	0.05	0.02
Free Cash Flow	**17.10**	**0.30**
Distribution to minority ownership	(0.15)	(0.05)
Net increase/(decrease) in cash and equivalents	**16.94**	**0.25**
Cash and cash equivalents at beginning of period	(0.52)	(0.77)
Cash and cash equivalents at end of period	**16.42**	**(0.52)**

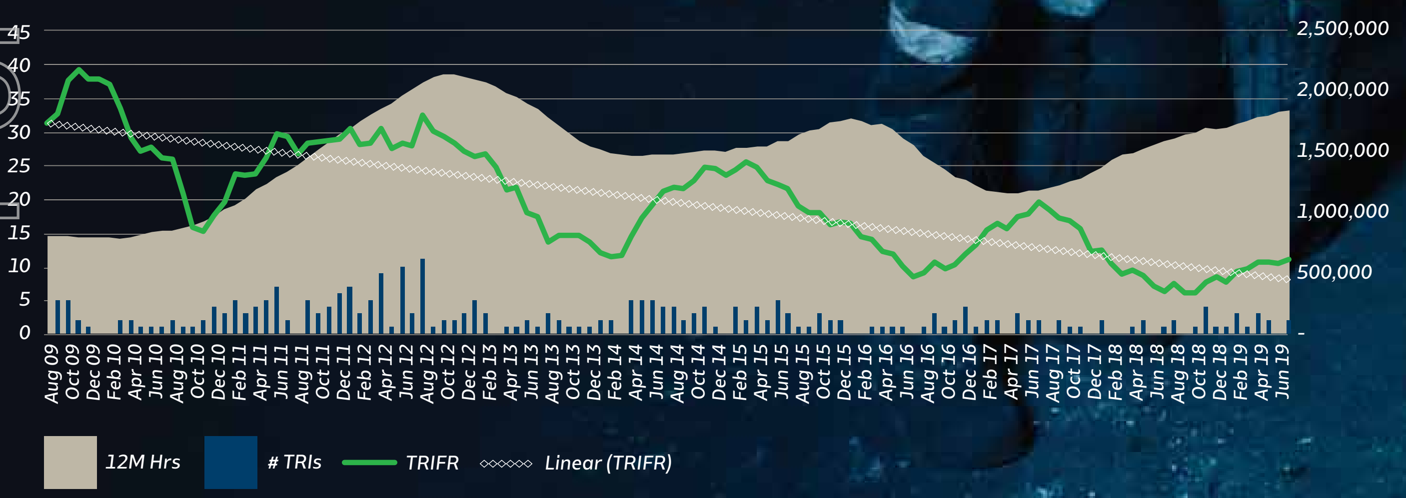
Health, Safety, Environment and Quality



Our safety performance is good, but we want to be better

- *Focus on safety culture is delivering outcomes*
- *Strong leadership element in all Mastermyne safety improvement initiatives*
- *Brain Science project is providing insights into improving safety message delivery*
- *Mastermyne is participating in Queensland safety reset across all client sites*
- *Five sites completed the full year and nine sites completed the prior six-month period with no recordable injuries*

Mastermyne Group TRIFR 12 Month Rolling vs Hours Worked 12 Month Rolling



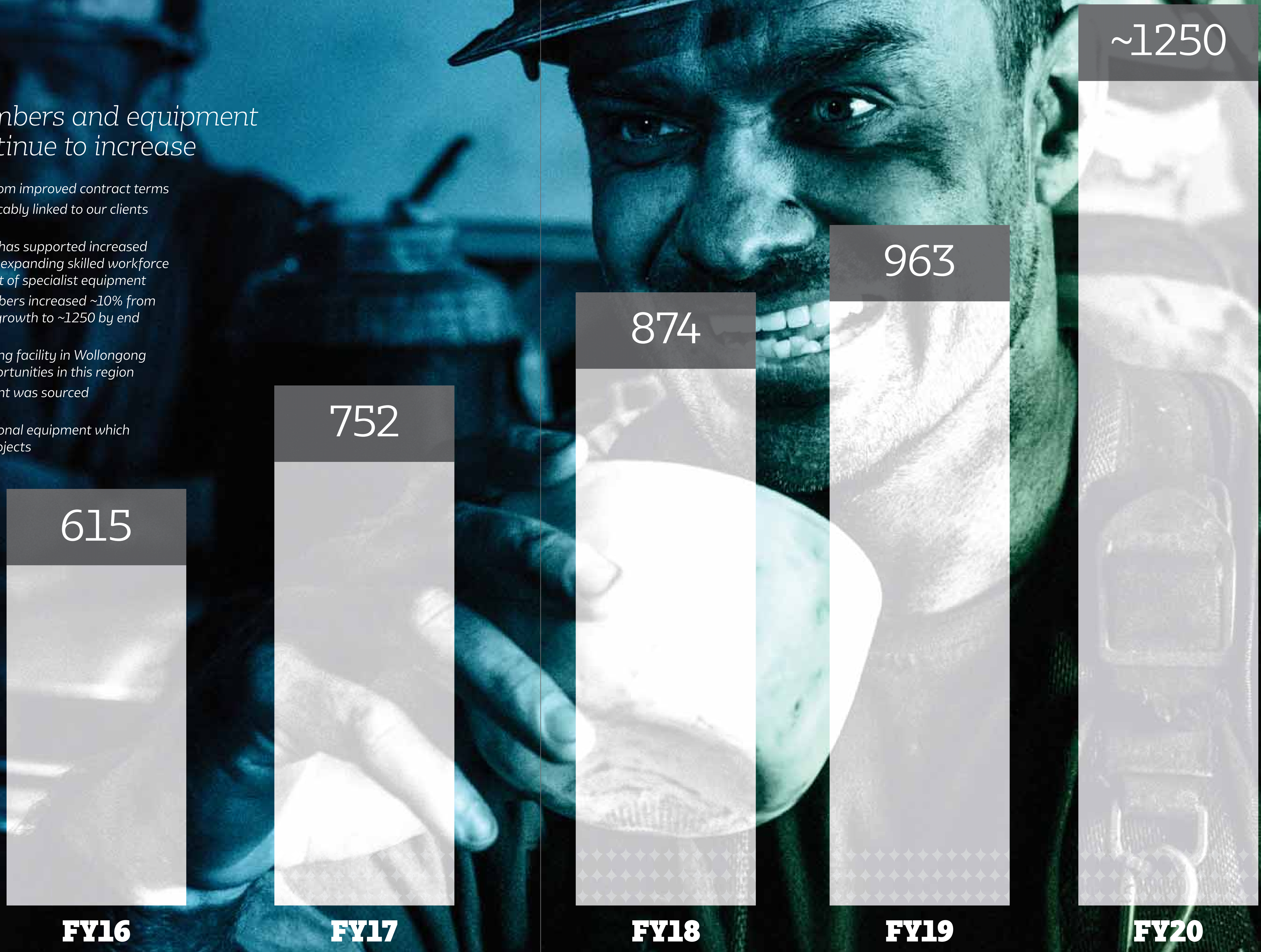
Certified System Quality ISO 9001
Certified System Health & Safety AS 4801
Certified System Environment ISO 14001

Human Resources

Workforce numbers and equipment utilisation continue to increase

- *Gross margins benefited from improved contract terms*
- *Our services remain inextricably linked to our clients production outcomes*
- *Mastermyne performance has supported increased production delivered by an expanding skilled workforce and a tightly managed fleet of specialist equipment*
- *The Mining Workforce numbers increased ~10% from 874 to 963, with expected growth to ~1250 by end of FY2020*
- *Established a second training facility in Wollongong to support the growth opportunities in this region*
- *Additional mining equipment was sourced and deployed*
- *Continuing to source additional equipment which sets us up for upcoming projects*

Group Headcount FTE

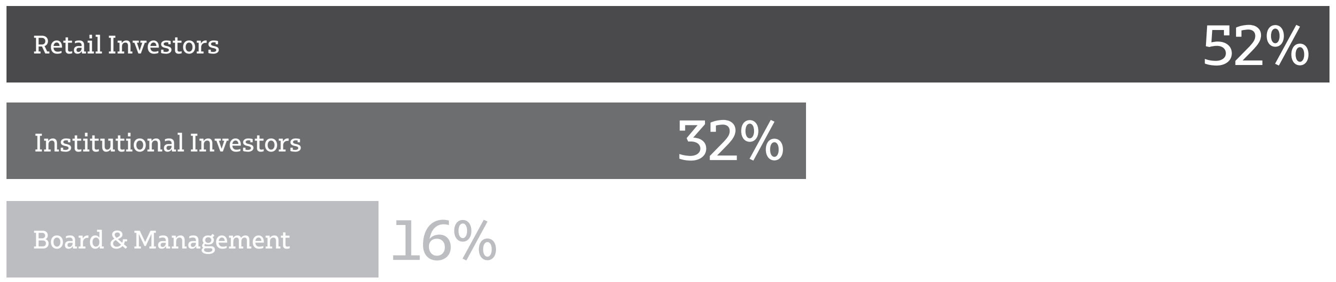


Corporate Overview

Major shareholders	
Andrew Watts	12.06%
Kenneth Kamon	10.70%
Darren Hamblin	9.47%
Paradice Investment Management	6.53%
Grieg & Harrison Pty Ltd	4.83%

Capital structure	
Share price as at 14 August 2019	$1.06c
Shares on issue	101.7m
Market capitalisation	$107.3m
Net cash/(Debt) as at 30 June 2019	$16.4m
Enterprise value	$90.8m

Shareholder Composition



Two-Year Trading History

Strategy and Growth

Key focus areas to deliver further growth

Maximise returns from core coal business

Priorities

- *Convert current tender pipeline opportunities*
- *Improve contract terms to support margin growth*
- *Continue to drive operating leverage*

Expand underground service offering

Priorities

- *Leverage Wilson Mining acquisition through niche service offering*
- *Bolt on additional product and service offerings*

Build a whole of mine business

Priorities

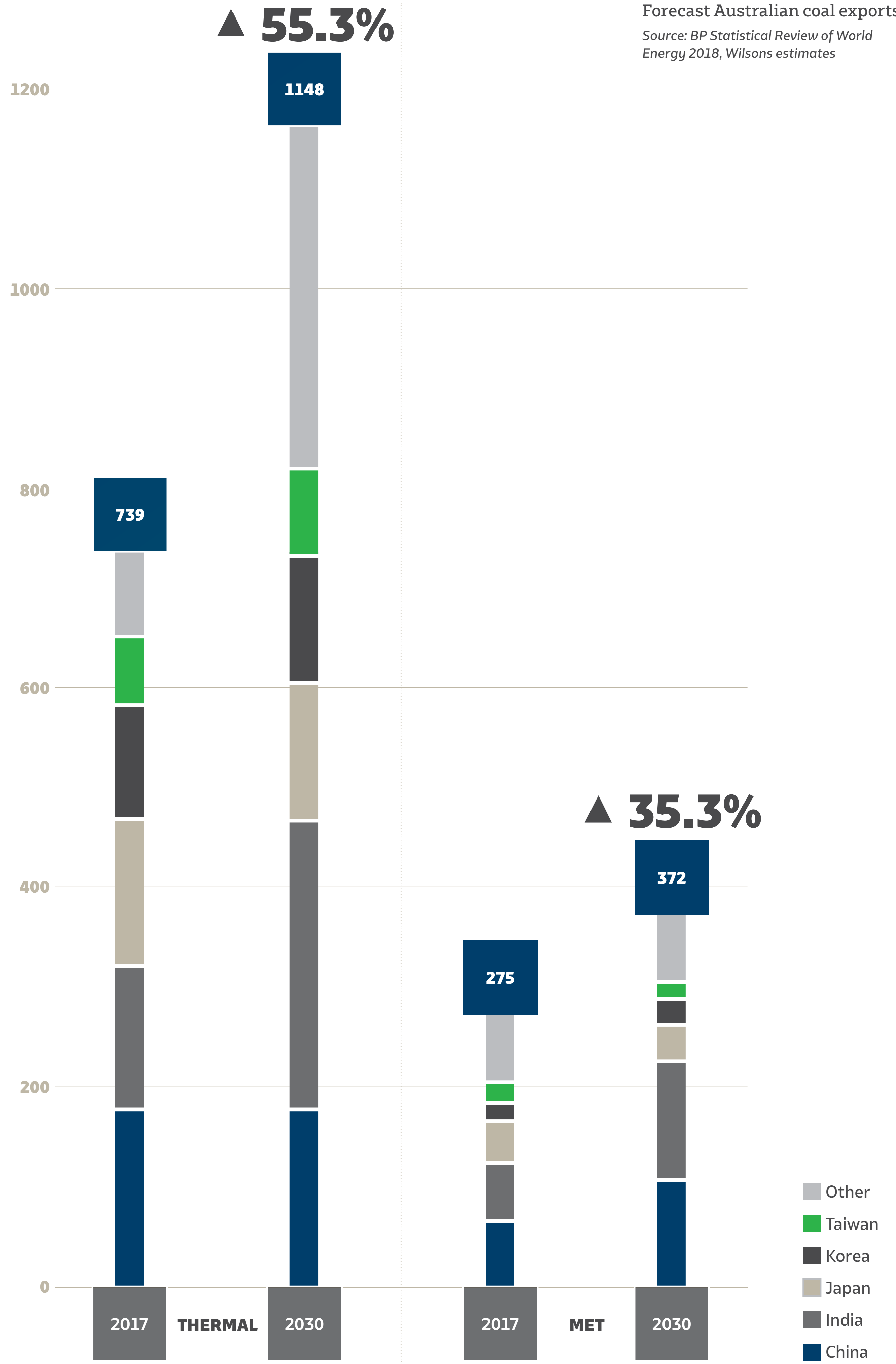
- *Assessing multiple WOM opportunities moving through the pipeline*
- *Source strategic mining fleet to provide a competitive advantage*
- *Study Group assisting clients on early stage Greenfield and Brownfield projects*

Strong industry fundamentals support long term growth

- *Coal industry has been buoyant over the last 12 months with both metallurgical and thermal prices enjoying a period of relative strength*
- *Coal mine operators responded with a strong production focus and continued investment*
- *Rising Asian demand driving a forecast 490mt increase in Australian coal exports to 2030*
- *Several owners are looking at greenfield opportunities with some clearly going ahead (e.g. Aquila project)*
- *Long term fundamentals remain very strong for Metallurgical coal (~85% of Mastermyne revenue exposure) while Australian thermal coal is favourably positioned in that market*

Forecast Australian coal exports

Source: BP Statistical Review of World Energy 2018, Wilsons estimates



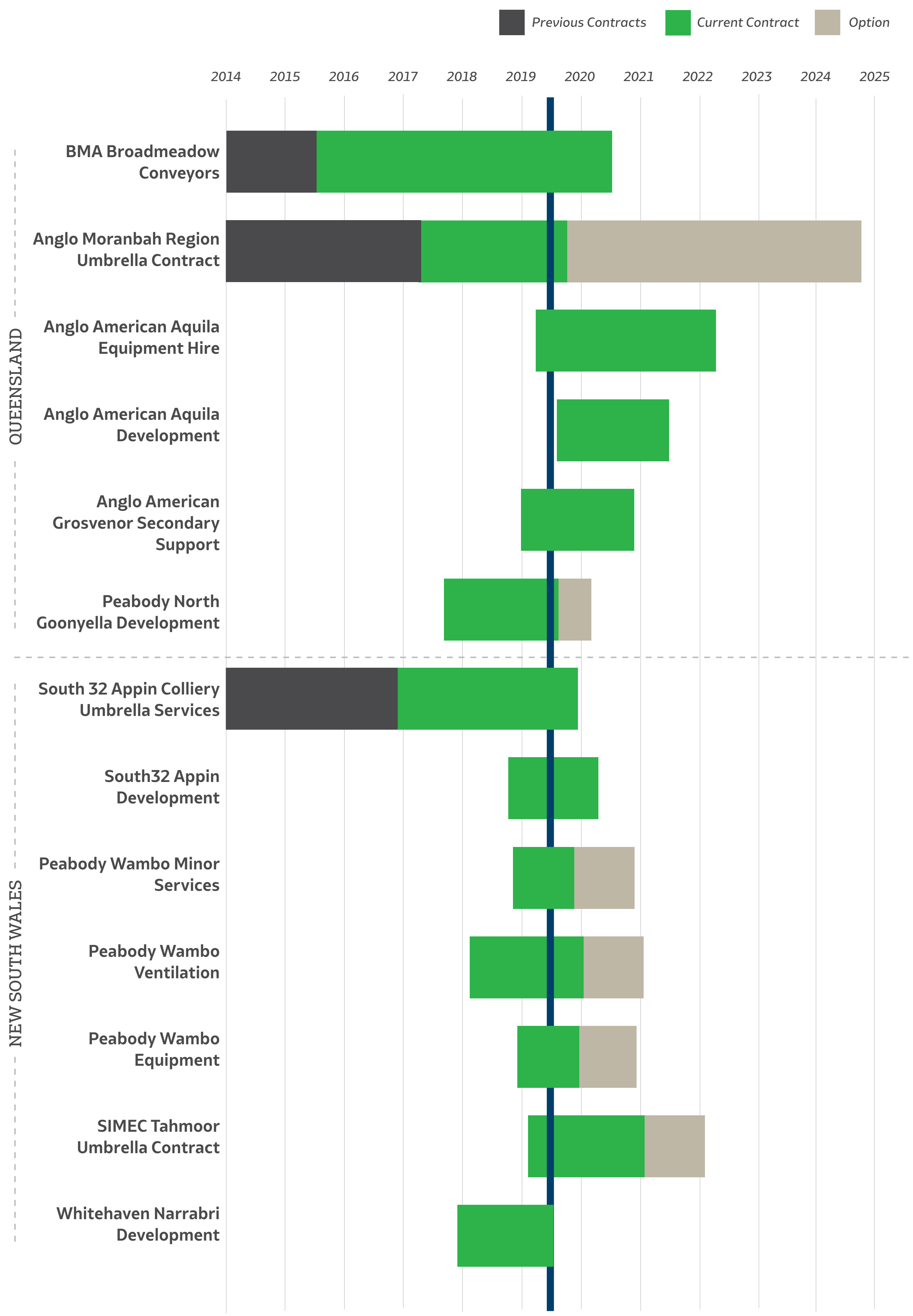
Orderbook and Pipeline

World class assets and long term relationships supporting record order book

FY2020 ORDER BOOK	FY2021 ORDER BOOK	POST FY2021 ORDER BOOK	TENDERING PIPELINE
$251 million*	**$185 million**	**$148 million**	**$1.8 billion**

** Order book excludes recurring work of ~$15-20m pa. Wilson Mining revenue not included in order book*

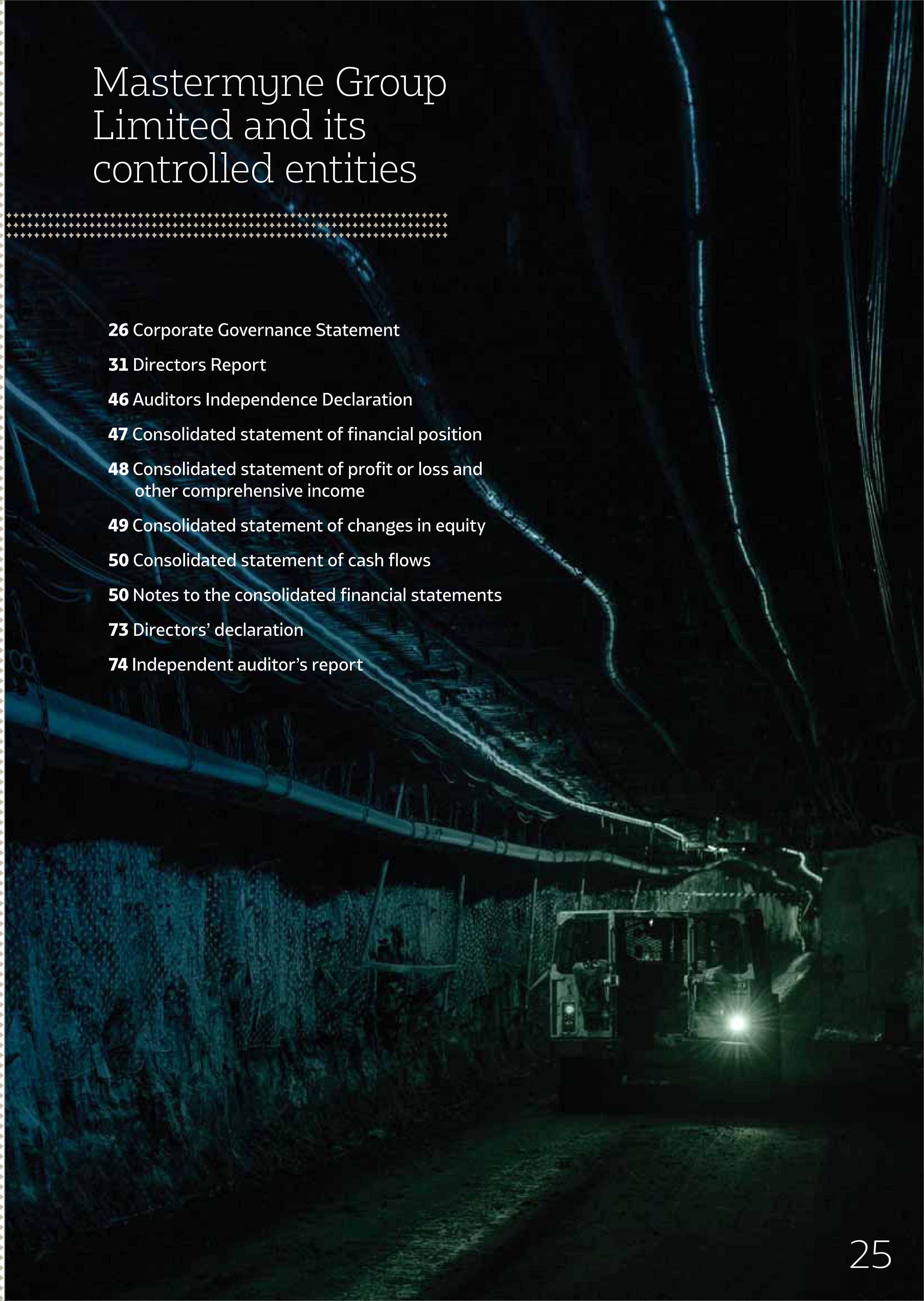
- *Recently announced the Aquila Development contract for a two-year term which adds $95m revenue over two years*
- *Moranbah North Regional Umbrella contract is due for renewal late H1 and discussions are well progressed*
- *Finalising negotiations on another current project to extend terms for up to three years*
- *Potential for North Goonyella development contract to resume during the year depending on the progress of the mine re-entry (not included in order book)*
- *Tendering pipeline over $1.8b, $1.1b in core business, $0.7b in Whole of Mine Projects*



Outlook

Outlook for Mastermyne is continued growth in FY2020

- *Strong industry fundamentals support a large pipeline of opportunities*
- *Order book significantly bolstered with strong bias back to metallurgical coal*
- *Greenfield opportunities progressing with some projects well advanced (e.g. Aquila, Eagle Downs)*
- *FY2020 guidance range Revenue $295-315m and EBITDA $27-31m*
- *EBITDA margins edging towards our long-term goal of double-digit margins*
- *Competitor landscape remains unchanged and supports higher win confidence on new opportunities*
- *Approximately $50m pending in tenders where we have been shortlisted (potential 2nd half revenue)*
- *Capital Management strategy (net cash at ~10% market cap) ensures strength through market cycles*



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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. 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.

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:

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

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:

- *Gabriel Meena (Chair)*
- *Andrew Watts*
- *Colin Bloomfield*
- *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.

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*
- *'Baby Benefits' available to both men and women to support them as they welcome a new arrival*

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

For the year ended 30 June 2019

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
Member of the Remuneration and Nomination Committee

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
Member of the Remuneration and Nomination Committee (replaced as Chairman 1 November 2018)

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

Member of the Audit and Risk Management Committee (replaced as Chairman 1 November 2018)
Chairman of the Remuneration and Nomination Committee (appointed Chairman on 1 November 2018)

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 Chief Operations Officer for Vermeer Australia and RDO Equipment, supplying and servicing John Deere and Vermeer equipment in support of a range of industry sectors in Australia. Prior to her current role, Julie spent nine years as part of the executive team of Senex Energy Limited, an ASX-listed oil and gas company. Her roles at Senex have included Executive General Manger Queensland Assets (with responsibility for the operation and development of the company's coal seam gas acreage in Queensland), Executive General Manger Strategic Planning and Chief Financial Officer. 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. Julie is a graduate of the Australian Institute of Company Directors.

Special Responsibilities

Chairman of the Audit and Risk Management Committee (appointed 1 November 2018)
Member of the Remuneration and Nomination Committee

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1. Directors (continued)

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

Brett Maff was appointed Company Secretary and Chief Financial Officer on 12 November 2018.
Brett has over 20 years experience in senior financial, executive and company secretarial roles in the mining resources and mining services industries. Brett has a Bachelor of Commerce and is a Certified Practicing Accountant.

Liz Blockley resigned from the position of Company Secretary on 12 November 2018.

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	8	8	4	4	3	3
Tony Caruso	8	7	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 has continued to capitalise on the sustained strong coal market and are well positioned for further anticipated growth. For the full year ended 30 June 2019 the Company recorded a profit after tax of $10.6 million. This result is a significant increase from the previous corresponding period (pcp) which was a net profit of $5.6 million (89% increase). The results were in-line with previous guidance in terms of revenue and EBITDA inclusive of the Paint, Blast & Scaffold business contribution up to date of divestment. The Paint, Blast & Scaffold business was divested during the period representing a net profit on sale after tax of $2.0 million.

Revenue of $238.0 million represents an increase of 18% on the pcp ($201.7 million for the full year ended 30 June 2018). The revenue result for the year included $12.5 million from the divested Paint, Blast & Scaffold business up to April 2019. The increase in revenue is attributed to the award of new contracts along with scope increases and extensions of existing mining contracts with key clients with world class assets, which continue to build on our already long term relationships in place.

EBITDA for FY2019 was $21.0 million representing an increase of 29% compared to the pcp ($16.3 million). EBITDA margins continue to improve with an increase to 8.8% compared to 8.1% in the pcp. The 2H FY2019 EBITDA margin exit rate was 9.7%. The FY2019 results have continued the Company's improving financial position and delivered a consecutive third full year period of top line revenue, EBITDA and NPAT growth.

A significant focus on debt reduction and cash generation resulted in a Net Cash position of $16.4 million compared to Net Debt position of $3.5 million at the end of FY2018. The cash advance facility has now been fully repaid at 30 June 2019.

Mastermyne have resumed the payment of an ordinary dividend at 2.0c/share, and a further special dividend of 2.0c/share declared with net proceeds returned to shareholders in relation to sale of the Paint, Blast and Scaffolding business during the year.

Balance Sheet and Cash Flows

The overall cash position at 30 June 2019 represented a net increase in cash and cash equivalents of $16.9 million against prior year, to $16.4 million. The increase was a result of strong operating cashflows from the business, the proceeds from divestment of Mastertec, offset by an increase in capital expenditure to overhaul the Group's Mining Equipment Fleet for new contracts, and debt repayments.

The cash flow movements were as follows:

- *net cash inflows from operating activities for the full-year ended 30 June 2019 of $22.259 million (full-year ended 30 June 2018: inflows of $10.356 million), represented by strong cashflow generation from operational performance;*
- *net cash outflows from investing activities for the full-year ended 30 June 2019 of $2.164 million (full-year ended 30 June 2018: outflows of $9.480 million), represented by capital expenditure offset by proceeds from sale of the Mastertec business; and*
- *net cash outflows from financing activities for the full-year ended 30 June 2019 of $3.153 million (full-year ended 30 June 2018: outflows of $0.629 million), represented the repayment of the outstanding debt facility.*

The net assets of the Group increased by $10.6 million to $64.343 million as a result of increases in working capital assets reflecting the increased business activity and revenue of the Group.

The Group had $16.4 million cash at bank at year-end and no borrowings outstanding.

The Group maintains significant headroom in its current bank facilities providing additional working capital to support the growth that Mastermyne is anticipating. Mastermyne has bank facility limit of $20.0m for working capital and a further $10m for equipment funding.

Operational Overview

Operational highlights for the financial year include:

- *Strong second half financial performance with contract scope increases and new project awards*
- *Record order book at $584 million*
- *5 sites completed the full year and 9 sites completed the 2H FY2019 with no recordable injuries*
- *All major projects other than Aquila Development fully resourced and delivering at full run rate*
- *Paint, Blast & Scaffold business divested during the period for a net profit on sale after tax of $2.0 million*
- *Signed acquisition agreement to purchase renowned underground coal ground consolidation business, Wilson Mining Services Pty Ltd*
- *Shortlisted on pending tenders for approx. $50m of 2nd half revenue*
- *Tendering Pipeline greater than $1.1 billion for core business (excluding Whole of Mine contracts) and approximately $0.7 billion in Whole of Mine opportunities*

During the period Mastermyne has delivered record roadway development metres across the most number of development units operated by the Company since its inception. This output is being driven by a buoyant coal sector which continues to deliver record levels of coal production for the export market. These record production levels will continue to support the strong demand for mining services and in turn support continued growth for the Company.

Through the period the Company has successfully renegotiated contracts, secured extensions and secured new contracts which has flowed into revenue growth of 29% compared to the pcp. As revenue grew, the Company maintained its low overhead base with only minimal escalation to support the increased activities, and subsequently overheads have materially decreased as a percentage of revenue, resulting in improved EBITDA margins. Pleasingly the exit EBITDA margin run rate for 2H FY2019 was 9.7%, with overall FY2019 EBITDA margin at 8.8%.

Whilst margins were up from the pcp the expected EBITDA margin improvement was constrained by the suspension of the North Goonyella contract, and difficult mining conditions experienced on the Narrabri and Wambo unit rate development contracts in the first half of the year. The impact to margins from the North Goonyella contract suspension was unavoidable due to the heating event at the mine, however both the Narrabri and Wambo contracts have seen improved margins in the second half as these contracts were renegotiated with better terms to insulate the Company from the full impact of the mining conditions. The strength of the full year result is highlighted further when taking into account the suspension of the North Goonyella Contract in September 2018. Despite the loss of this major project the Company maintained and delivered a strong financial result in line with the guidance provided to the market.

4. Operating and financial review (continued)

Operational Overview (continued)

Over the past year the Company has continued to maintain the majority of its fleet in hire and have secured improved hire rates. During the period, $4.0 million in capital was expended to overhaul the Company's mining equipment for hire into new contracts and has been a strong contributor to the improvement in the EBITDA margin. With the ongoing demand for mining equipment the Company has taken the opportunity to successfully acquire additional equipment which has also been placed on hire.

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at 963. Resourcing has become more difficult as demand for labour has increased, 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 1,250 by the end of FY2020. In this tightening labour market the Company has been highly successful with its cleanskin miner program and underground mine simulator in Mackay, with a similar facility now established at Wollongong, NSW. The Company remains confident it can meet the upcoming demand for skilled labour through this and other initiatives.

The Company is very pleased with the safety outcomes achieved across all the projects with over half of the projects completing extended periods with recordable injuries. In the second half of FY2019 nine sites worked the 6 month period without a recordable injury. The Company is pleased that five of these projects have achieved over 12 months without a recordable injury. The relentless focus on building a self-supporting safety culture underpins the strong result, and the Company continues to challenge the safety management paradigm with pleasing results. Lagging safety performance continues its overall downward trend and the groups lagging statistics of 10.9 remain well below the last published average industry frequency rates (Industry Average TRIFR 2018 - NSW 15.1 and QLD 21.7).

The Group's Order Book currently stands at a record $584 million with $251 million of this Order Book expected to be delivered in FY2020, and $333 million in FY2021 and beyond. In addition to the contracted works, the Company forecasts a further $15-20 million in recurring and purchase order work over the FY2019 year (Wilson Mining Services revenue not included in Order Book). The tendering activity is increasing with the total tendering pipeline currently exceeding $1.8 billion. Of the total tender pipeline $0.7 billion relates to whole of mine operations.

Operations

The Mining division has underpinned the full year performance with revenue of $210.4 million in the year, representing a growth of 21% from FY2018. During the year the Company has successfully secured contract extensions on a number of projects which underpin the significant improvement in the order book. Contract extensions were secured at Wambo where the expiring contract was extended for a further 2 years, at Integra where the largely purchase order work was contracted for a 2 year period with 2 x 1 year options and lastly at Appin where the option period was triggered for the remaining 12 months. The relationship with Anglo remains very strong, with the group recently announcing a 2 year contract award for the Aquila development project. Negotiations on the extension of the major Anglo Moranbah Regional Umbrella Contract are well progressed and are expected to be finalised in 1H FY2020 to extend for a further 3 years, with 2 x 1 year options thereafter.

During FY2019 the group divested the Scaffold and Blast & Paint component of the Mastertec subsidiary for consideration of $6.0 million. The divestment was in line with the group's strategy to continue to focus and grow our core specialist capabilities within the buoyant underground coal mining market. The divestment provided further balance sheet strength and capital flexibility to support further growth opportunities.

Subsequent to year end, Mastermyne signed a conditional acquisition agreement to purchase all the shares in renowned underground coal ground consolidation business, Wilson Mining Services Pty Ltd (WMS). WMS have 25 years experience supporting the Australian underground coal industry and are highly regarded for the supply and installation of cavity fill and strata consolidation phenolic foams, polyurethane chemicals and ventilation control devices. WMS fits well with Mastermyne's growth strategy of providing niche, value adding underground services to our existing clients. WMS's highly valued services complements and enhances the Mastermyne suite of services, all of which are essential for the continuation of underground longwall and mining operations.

Outlook

The continued strong coal market is supporting a strong project pipeline across the traditional contracting business as mines look to maintain record output and take advantage of the current high coal prices. The robust outlook further supports the re- emergence of greenfield and brownfield expansion projects with several proponents undertaking feasibility studies or well underway with recommencing stalled underground projects in both Queensland and New South Wales. The Company also continues to be involved in discussions with proponents who are acquiring existing underground mines and are looking to restart operations utilizing contract miners supporting the Company's whole of mine growth strategy.

First half FY2020 will be dominated by recruitment and resourcing of new projects and will require a continued focus on project execution to unlock the margin upside still within the current projects. Equipment will continue to be on-boarded as new projects are mobilised and the Company will remain focused on maximising utilisation as this occurs.

The Company will continue with its well managed capital spend program to align with contract terms and ROCE and re-invest in existing fleet and new fleet to improve margins in future periods. The company is looking to take possession of 8 new Sandvik loaders during the FY2020 at a value of $8 million, which will replace ageing and hired fleet in addition to supporting higher margin contribution.

The company is focused on delivering its current order book safely and profitably and will continue to generate strong cash into FY2020. A continued robust market outlook, supported by solid fundamentals is driving further demand for our services and the pipeline, combined with the contract mining opportunities, underpins the growth outlook. Mastermyne is currently shortlisted on pending tenders for approximately $50m of second half revenue, if successful.

The outlook for Mastermyne remains very positive underpinned by a buoyant coal sector. With three consecutive annual periods of growth and a record order book supported by contracted work and new projects the Company remains confident of significant growth in FY2020. The Company will continue to focus on growth through the depth and quality of the order book and the significant pipeline in both the contracting area and the whole of mine projects. The Order Book currently stands at $584 million with $251 million to be delivered in FY2020, (excluding purchase order and recurring revenue that tracks at approx.$15-20 million per annum) $333 million contracted for FY2021 and beyond. This order book, is exclusively with Tier 1 mining clients, and provides a very strong platform for planned growth for the future years.

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, resigned 12 November 2018)*
- *Patrick McCoy, Executive General Manager QLD Mining (appointed 22 January 2018)*
- *Wayne Price, Executive General Manager NSW Mining (appointed 29 January 2018)*
- *Brett Maff, Chief Financial Officer (appointed 12 November 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 ost-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.

5.1 Principles of remuneration - audited (continued)

Fixed remuneration (continued)

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 253,114 (Managing Director 117,960) performance rights during the financial year ended 30 June 2019, which vest in two tranches at 1 October 2021. 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; and**
  b. **Tranche B: 50% of performance rights will be conditional on the company's TSR rank relative to the ASX 200 Resources Accumulation index.**

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 2019:

Name	Amount	
	30 June 2019	30 June 2018
Tony Caruso	$153,113	$340,817
Liz Blockley	$-	$136,875
David Sykes	$105,678	$174,548
Vivienne Gayton	$98,498	$133,367
Wayne Price	$112,922	$86,088
Patrick McCoy	$81,405	$53,463
Brett Maff	$72,994	$-
Total	**$624,610**	**$925,158**

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.

	2019	2018	2017	2016	2015
Profit/(Loss) attributable to owners of the Company	$10,348,000	$5,435,000	$(2,012,000)	$(13,156,000)	$(4,376,000)
Dividends paid	$-	$-	$-	$911,000	$1,968,121
Change in share price	-14%	248%	182%	-31%	-65%
Return on capital employed from continuing operations	18%	17%	-6%	-32%	-6%

Profit is considered as one of the financial performance targets in setting the STI. Profit amounts for 2015 to 2019 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.

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.

5.1 Principles of remuneration - audited (continued)

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 2019 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:

2019	Short Term				Post-Employment	Long-term benefits		Share-based payments		
in AUD	Salary & Fees ($)	STI cash bonus ($)	Non-monetary benefits	Total ($)	Superannuation Benefits ($)	LSL ($)	Termination Benefits ($)	Rights ($)	Total ($)	Proportion of remuneration performance related (%)
Non -executive directors										
Colin Bloomfield	79,442	-	-	79,442	7,547	-	-	-	86,989	0.00%
Andrew Watts	46,685	-	-	46,685	4,435	-	-	-	51,120	0.00%
Gabe Meena	49,039	-	-	49,039	4,659	-	-	-	53,698	0.00%
Julie Whitcombe	48,315	-	-	48,315	4,590	-	-	-	52,905	0.00%
Executive Directors										
Tony Caruso	353,164	153,113	19,500	525,777	32,307	9,961	-	93,267	661,312	37.26%
Executives										
David Sykes	316,676	105,678	-	422,354	28,841	17,216	-	40,848	509,259	28.77%
Vivienne Gayton	221,012	98,498	-	319,510	20,499	8,906	-	25,411	374,326	33.10%
Liz Blockley	203,200	-	-	203,200	13,866	(29,484)	61,923	-	249,505	0.00%
Patrick McCoy	226,356	81,405	19,500	327,261	21,430	11,901	-	-	360,592	22.58%
Wayne Price	293,741	112,922	19,500	426,163	27,905	-	-	8,295	462,363	26.22%
Brett Maff	229,122	72,994	-	302,116	4,442	-	-	-	306,558	23.81%
Totals	**2,066,752**	**624,610**	**58,500**	**2,749,862**	**170,521**	**18,500**	**61,923**	**167,821**	**3,168,627**	**25.01%**

Notes in relation to the 2019 tables of directors' and executive officers' remuneration
- Liz Blockley resigned as Chief Financial Officer on 12 November 2018.
- Brett Maff was appointed interim Chief Financial Officer on 12 November 2018, and Chief Financial Officer on 8 April 2019.
- 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.

2018	Short Term				Post-Employment	Long-term benefits		Share-based payments		
in AUD	Salary & Fees ($)	STI cash bonus ($)	Non-monetary benefits	Total ($)	Superannuation Benefits ($)	LSL ($)	Termination Benefits ($)	Rights ($)	Total ($)	Proportion of remuneration performance related (%)
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	13,967	-	66,840	819,812	49.73%
Executives										
David Sykes	304,814	174,548	-	479,362	27,689	13,376	-	29,543	549,970	37.11%
Vivienne Gayton	195,346	133,367	-	328,713	18,051	12,903	-	16,964	376,631	39.91%
Liz Blockley	200,000	136,875	-	336,875	19,000	10,230	-	7,787	373,892	38.69%
Patrick McCoy	205,768	53,463	19,446	278,677	9,664	22,254	-	-	310,595	17.21%
Wayne Price	126,712	86,088	10,905	223,705	9,854	-	-	-	233,559	36.86%
Totals	**1,561,902**	**925,158**	**49,851**	**2,536,911**	**133,271**	**72,730**	**-**	**121,134**	**2,864,046**	**36.53%**

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.

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.

	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
Directors			
Tony Caruso	153,113	50%	50%
	153,113	**50%**	**50%**
Executives			
David Sykes	105,678	60%	40%
Vivienne Gayton	98,498	80%	20%
Liz Blockley	-	0%	0%
Patrick McCoy	81,405	60%	40%
Wayne Price	112,922	65%	35%
Brett Maff	72,994	85%	15%
	471,497	**68%**	**32%**
TOTAL	**624,610**	**62%**	**38%**

(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 2019 financial year.

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

5.4 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

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.

Name	Number of rights granted during 2019	Grant date	Fair value per right at grant date ($)	Exercise price per right ($)	Expiry date	Number of rights vested during 2019
Tranche A:						
Tony Caruso	58,980	21/11/2018	0.8077	-	1/10/2021	-
David Sykes	25,168	21/11/2018	0.8077	-	1/10/2021	-
Vivienne Gayton	17,591	21/11/2018	0.8077	-	1/10/2021	-
Wayne Price	24,818	21/11/2018	0.8077	-	1/10/2021	-
Tranche B:						
Tony Caruso	58,980	21/11/2018	0.7727	-	1/10/2021	-
David Sykes	25,168	21/11/2018	0.7727	-	1/10/2021	-
Vivienne Gayton	17,591	21/11/2018	0.7727	-	1/10/2021	-
Wayne Price	24,818	21/11/2018	0.7727		1/10/2021	

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 the following shares were issued on the exercise of rights previously granted as compensation.

Name	Name of company issuing the shares	Class of equity instrument granted	# of options exercised	Fair value of options exercised	# of shares issued	Amount paid per share	Amount unpaid per share
David Sykes (tranche A)	Mastermyne Group Limited	Ordinary share	77,137	8,608	77,137	-	-
Tony Caruso (tranche A)	Mastermyne Group Limited	Ordinary share	173,718	19,387	173,718	-	-
Vivienne Gayton (tranche A)	Mastermyne Group Limited	Ordinary share	38,120	4,254	38,120	-	-
David Sykes (tranche B)	Mastermyne Group Limited	Ordinary share	77,137	8,794	77,137	-	-
Tony Caruso (tranche B)	Mastermyne Group Limited	Ordinary share	173,718	19,804	173,718	-	-
Vivienne Gayton (tranche B)	Mastermyne Group Limited	Ordinary share	38,120	4,346	38,120	-	-
Total			**577,950**	**65,193**	**577,950**	**-**	**-**

5.4.4 Analysis of rights over equity instruments granted as compensation (number) - audited

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

Name	Grant date	Expiry date	Fair value per right at grant date ($)	Held at 1 July 2018	Granted as compensation	Exercised	Forfeited or lapsed during the year	Held at 30 June 2019	Vested and exercisable at 1 July 2018	Lapsed or exercised during the year	Vested and exerciseable at 30 June 2019
Tranche A											
Tony Caruso	21/1/16	1/10/2018	0.1116	173,718	-	(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	-	-	-
Tony Caruso	21/11/18	1/10/2021	0.8077	-	58,980	-	-	58,980			
Total for Tony Caruso				**485,012**	**58,980**	**(173,718)**	**-**	**370,274**	**-**	**173,718**	**-**
Liz Blockley	21/11/17	1/10/2020	0.5225	37,119	-	-	(37,119)	-	-	37,119	-
Total for Liz Blockley				**37,119**	**-**	**-**	**(37,119)**	**-**	**-**	**37,119**	**-**
David Sykes	21/1/16	1/10/2018	0.1116	77,137	-	(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	-	-	-
David Sykes	21/11/18	1/10/2021	0.8077	-	25,168	-	-	25,168			
Total for David Sykes				**214,713**	**25,168**	**(77,137)**	**-**	**162,744**	**-**	**77,137**	**-**
Vivienne Gayton	21/1/16	1/10/2018	0.1116	38,120	-	(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	-	-	-
Vivienne Gayton	21/11/18	1/10/2021	0.8077	-	17,591	-	-	17,591			
Total for Vivienne Gayton				**118,888**	**17,591**	**(38,120)**	**-**	**98,359**	**-**	**38,120**	**-**
Wayne Price	21/11/18	1/10/2021	0.8077	-	24,818	-	-	24,818	-	-	-
Total for Wayne Price				**-**	**24,818**	**-**	**-**	**24,818**	**-**	**-**	**-**
Total Tranche A rights				855,732	126,557	(288,975)	(37,119)	656,195	-	326,094	-
Tranch B:											
Tony Caruso	21/1/16	1/10/2018	0.1140	173,718	-	(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	-	-	-
Tony Caruso	21/11/18	1/10/2021	0.7727	-	58,980	-	-	58,980			
Total for Tony Caruso				**485,012**	**58,980**	**(173,718)**	**-**	**370,274**	**-**	**173,718**	**-**
Liz Blockley	21/11/17	1/10/2020	0.4695	37,119	-	-	(37,119)	-	-	37,119	-
Total for Liz Blockley				**37,119**	**-**	**-**	**(37,119)**	**-**	**-**	**37,119**	**-**
David Sykes	21/1/16	1/10/2018	0.1140	77,137	-	(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	-	-	-
David Sykes	21/11/18	1/10/2021	0.7727	-	25,168	-	-	25,168			
Total for David Sykes				**214,713**	**25,168**	**(77,137)**	**-**	**162,744**	**-**	**77,137**	**-**
Vivienne Gayton	21/1/16	1/10/2018	0.1140	38,120	-	(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	-	-	-
Vivienne Gayton	21/11/18	1/10/2021	0.7727	-	17,591	-	-	17,591			
Total for Vivienne Gayton				**118,888**	**17,591**	**(38,120)**	**-**	**98,359**	**-**	**38,120**	**-**
Wayne Price	21/11/18	1/10/2021	0.7727	-	24,818	-	-	24,818			
Total for Wayne Price				**-**	**24,818**	**-**	**-**	**24,818**	**-**	**-**	**-**
Total Tranche B rights				**855,732**	**126,557**	**(288,975)**	**(37,119)**	**656,195**	**-**	**326,094**	**-**
Total rights on issue				**1,711,464**	**253,114**	**(577,950)**	**(74,238)**	**1,312,390**	**-**	**652,188**	**-**

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

Details of vesting profiles of the dollar value 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 2018	Granted as compensation	Value at date rights granted	Forfeited or lapsed during the year	Held at 30 June 2019	Vested and exercisable at 1 July 2018	Lapsed or exercised during the year	Vested and exercisable at 30 June 2019	Market value at date of exercise or forfeiture
Tranche A												
Tony Caruso	21/1/16	1/10/2018	0.1116	17,554	1,832	(19,386)	-	-	-	19,386	-	180,667
Tony Caruso	15/11/16	1/10/2019	0.1993	20,555	12,673	-	-	33,228	-	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.5225	14,185	23,427	-	-	37,612	-	-	-	-
Tony Caruso	21/11/18	1/10/2021	0.8077	-	10,075	-	-	10,075	-	-	-	-
Total for Tony Caruso				**52,294**	**48,007**	**(19,386)**	**-**	**80,915**	**-**	**19,386**	**-**	**180,667**
Liz Blockley	21/11/17	1/10/2020	0.5225	4,102	3,415	-	(7,517)	-	-	7,517	-	48,255
Total for Liz Blockley				**4,102**	**3,415**	**-**	**(7,517)**	**-**	**-**	**7,517**	**-**	**48,255**
David Sykes	21/1/16	1/10/2018	0.1116	7,795	814	(8,609)	-	-	-	8,609	-	80,222
David Sykes	15/11/16	1/10/2019	0.1993	9,127	5,627	-	-	14,754	-	-	-	-
David Sykes	21/11/17	1/10/2020	0.5225	6,227	10,284	-	-	16,511	-	-	-	-
David Sykes	21/11/18	1/10/2021	0.8077	-	4,299	-	-	4,299	-	-	-	-
Total for David Sykes				**23,149**	**21,024**	**(8,609)**	**-**	**35,564**	**-**	**8,609**	**-**	**80,222**
Vivienne Gayton	21/1/16	1/10/2018	0.1116	3,852	402	(4,254)	-	-	-	4,254	-	39,645
Vivienne Gayton	15/11/16	1/10/2019	0.1993	5,012	3,090	-	-	8,102	-	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.5225	3,997	6,601	-	-	10,598	-	-	-	-
Vivienne Gayton	21/11/18	1/10/2021	0.8077	-	3,005	-	-	3,005	-	-	-	-
Total for Vivienne Gayton				**12,861**	**13,098**	**(4,254)**	**-**	**21,705**	**-**	**4,254**	**-**	**39,645**
Wayne Price	21/11/18	1/10/2021	0.8077	-	4,239	-	-	4,239	-	-	-	-
Total for Wayne Price				**-**	**4,239**	**-**	**-**	**4,239**	**-**	**-**	**-**	**-**
Total Tranche A rights				92,406	89,783	(32,249)	(7,517)	142,423	-	39,766	-	348,789
Tranch B:												
Tony Caruso	21/1/16	1/10/2018	0.1140	17,932	1,872	(19,804)	-	-	-	19,804	-	180,667
Tony Caruso	15/11/16	1/10/2019	0.1997	20,596	12,699	-	-	33,295	-	-	-	-
Tony Caruso	21/11/17	1/10/2020	0.4695	12,746	21,051	-	-	33,797	-	-	-	-
Tony Caruso	21/11/18	1/10/2021	0.7727	-	9,638	-	-	9,638	-	-	-	-
Total for Tony Caruso				**51,274**	**45,260**	**(19,804)**	**-**	**76,730**	**-**	**19,804**	**-**	**180,667**
Liz Blockley	21/11/17	1/10/2020	0.4695	3,686	3,069	-	(6,755)	-	-	6,755	-	48,255
Total for Liz Blockley				**3,686**	**3,069**	**-**	**(6,755)**	**-**	**-**	**6,755**	**-**	**48,255**
David Sykes	21/1/16	1/10/2018	0.1140	7,963	831	(8,794)	-	-	-	8,794	-	80,222
David Sykes	15/11/16	1/10/2019	0.1997	9,145	5,639	-	-	14,784	-	-	-	-
David Sykes	21/11/17	1/10/2020	0.4695	5,595	9,241	-	-	14,836	-	-	-	-
David Sykes	21/11/18	1/10/2021	0.7727	-	4,113	-	-	4,113	-	-	-	-
Total for David Sykes				**22,703**	**19,824**	**(8,794)**	**-**	**33,734**	**-**	**8,794**	**-**	**80,222**
Vivienne Gayton	21/1/16	1/10/2018	0.1140	3,935	411	(4,346)	-	-	-	4,346	-	39,645
Vivienne Gayton	15/11/16	1/10/2019	0.1997	5,022	3,096	-	-	8,118	-	-	-	-
Vivienne Gayton	21/11/17	1/10/2020	0.4695	3,591	5,931	-	-	9,522	-	-	-	-
Vivienne Gayton	21/11/18	1/10/2021	0.7727	-	2,875	-	-	2,875	-	-	-	-
Total for Vivienne Gayton				**12,548**	**12,313**	**(4,346)**	**-**	**20,515**	**-**	**4,346**	**-**	**39,645**
Wayne Price	21/11/18	1/10/2021	0.7727	-	4,056	-	-	4,056	-	-	-	-
Total for Wayne Price				**-**	**4,056**	**-**	**-**	**4,056**	**-**	**-**	**-**	**-**
Total Tranche B rights				**90,211**	**84,522**	**(32,944)**	**(6,755)**	**135,034**	**-**	**39,699**	**-**	**348,789**
Total rights on issue				**182,617**	**174,305**	**(65,193)**	**(14,272)**	**277,457**	**-**	**79,465**	**-**	**697,578**

(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 rights 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.

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 value year ended 30 June (in AUD)		Balance outstanding as at 30 June	
Transaction	**Note**	**2019**	**2018**	**2019**	**2018**
Andrew Watts - Watty Pty Ltd	(i)	168,023	140,437	-	-
Andrew Watts - Watty Pty Ltd	(ii)	21,509	-	-	-
		189,532	**140,437**	**-**	**-**

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

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.

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 2018	Purchases	Received on exercise of options	Sales	Shares held at 30 June 2019
Directors					
Colin Bloomfield	1,100,000	-	-	-	1,100,000
Gabe Meena	100,000	-	-	-	100,000
Andrew Watts	12,262,245	-	-	-	12,262,245
Julie Whitcombe	-	44,000	-	-	44,000
Tony Caruso	1,427,668	-	347,436	-	1,775,104
	14,889,913	**44,000**	**347,436**	**-**	**15,281,349**
Executives					
Vivienne Gayton	13,366	-	76,240	(76,766)	12,840
David Sykes	1,000	-	154,274	(142,098)	13,176
Brett Maff	-	25,086	-	-	25,086
	14,366	**25,086**	**230,514**	**(218,864)**	**51,102**
Total shares held	**14,904,279**	**69,086**	**577,950**	**(218,864)**	**15,332,451**

Tony Caruso's shareholding at 30 June 2018 has been adjusted to include related party shareholding.

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

During the financial year the Group sold the Scaffold and Blast & Paint component of its Mastertec segment.

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

After balance sheet date an oridinary dividend of 2.0 cents per share and a special dividend of 2.0 cents per share was declared with a record date of 27 September 2019 and payment date of 17 October 2019.

9. Events subsequent to reporting date

On the 16 August 2019, Mastermyne announced that it has signed a conditional acquisition agreement for the purchase of all the shares of Wilson Mining Services Pty Ltd (WMS) for an upfront consideration of $7.6m, represented by the WMS's net tangible asset value. The consideration is to be paid as $3.8m cash and the balance issued as ordinary shares in Mastermyne. The consideration may also be supplemented by further cash payments, contingent on performance of WMS over the proceeding 3 year period.

WMS have 25 years experience supporting the Australian underground coal industry and are renowned for the supply and installation of cavity fill and strata consolidation phenolic foams, polyurethane chemicals and ventilation control devices. The cash component of the acquisition will be funded from Mastermyne's available cash. The transaction is expected to be completed by late August 2019, subject to satisfaction of conditions.

10. Likely developments

The outlook moving into FY20 sees current operations continuing 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	-
Julie Whitcombe	44,000	-
Andrew Watts	12,262,245	-
Tony Caruso	1,775,104	740,548

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 relevent 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 2019 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 2020. 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	2019	2018
Audit services: (Pitcher Partners - Brisbane)		
Audit and review of financial reports	95,000	95,000
	95,000	**95,000**
Services other than statutory audit: (Pitcher Partners - Brisbane)		
Taxation compliance services	8,000	17,000
	8,000	**17,000**

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. Auditor's independence declaration

The Auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2019.

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 Brisbane this 20th day of August 2019.

Auditor's Independence Declaration

PITCHER PARTNERS

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MASTERMYNE GROUP LIMITED

In relation to the independent audit for the year ended 30 June 2019, 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. Evans

J. J EVANS
Partner

Brisbane, Queensland
20 August 2019

Consolidated statement of financial position

For the year ended 30 June 2019

In thousands of AUD	Note	2019	2018
Assets			
Cash and cash equivalents	18	16,423	1
Trade and other receivables	17	39,172	43,427
Inventories	16	3,218	2,973
Total current assets		**58,813**	**46,401**
Deferred tax assets	15	8,126	8,791
Property, plant and equipment	13	18,276	21,053
Intangible assets	14	6,756	6,748
Total non-current assets		**33,158**	**36,592**
Total assets		**91,971**	**82,993**
Liabilities			
Bank overdraft	18	-	521
Trade and other payables	24	16,824	19,024
Loans and borrowings	21	-	3,000
Employee benefits	22	8,141	5,235
Current tax liability	15	2,422	1,248
Total current liabilities		**27,387**	**29,028**
Employee benefits	22	241	207
Total non-current liabilities		**241**	**207**
Total liabilities		**27,628**	**29,235**
Net assets		**64,343**	**53,758**
Equity			
Share capital		61,003	61,003
Reserves		(23,960)	(24,055)
Retained earnings		26,878	16,451
Total equity attributable to equity holders of the Company		**63,921**	**53,399**
Non-controlling interests		**422**	**359**
Total equity		**64,343**	**53,758**

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 2019

In thousands of AUD	Note	2019	2018
Revenue from contracts with customers	6	225,593	190,514
Other income	7	147	317
Contract disbursements		(33,932)	(34,589)
Personnel expenses	9	(166,999)	(136,182)
Office expenses		(4,443)	(3,943)
Depreciation and amortisation expense	13,14	(7,812)	(6,983)
Other expenses	8	(1,002)	(887)
Results from operating activities		**11,552**	**8,247**
Finance income		44	25
Finance expense		(589)	(635)
Net finance expense	**10**	**(545)**	**(610)**
Profit before income tax		**11,007**	**7,637**
Income tax expense	11	(3,597)	(2,620)
Profit from continuing operations		**7,410**	**5,017**
Discontinued operation			
Revenue		12,442	11,206
Other revenue		12	-
Operating expenses		(10,801)	(10,092)
Depreciation		(524)	(543)
Profit before tax		**1,129**	**571**
Income tax expense		(5)	-
Profit after tax		**1,124**	**571**
Gain on sale		2,030	-
Profit from discontinued operation, net of income tax	**12**	**3,154**	**571**
Profit for the period		**10,564**	**5,588**
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive income for the period		**10,564**	**5,588**
Profit is attributable to:			
Owners of the Company		10,348	5,435
Non-controlling interests		216	153
		10,564	**5,588**
Profit for the period attributable to owners of the Company arises from:			
Continuing operations		7,194	4,864
Discontinued operations		3,154	571
		10,348	**5,435**
Earnings per share for profit from continuing operations attribuable to the ordinary equity holders of the Company:			
Basic earnings per share (AUD)	20	0.07	0.04
Diluted earnings per share (AUD)	20	0.07	0.04
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (AUD)	20	0.10	0.05
Diluted earnings per share (AUD)	20	0.10	0.05

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Attributable to owners of the Company						
In thousands of AUD	Share capital	Retained earnings	Share-based payment reserve (note 20)	Common Control Reserve (note 20)	Total	Non-Controlling interests	Total
Balance at 1 July 2017	55,234	8,704	2,373	(24,237)	42,074	255	42,329
Total comprehensive income for the year							
Profit for the year	-	5,435	-	-	5,435	153	5,588
Total comprehensive income for the year	**-**	**5,435**	**-**	**-**	**5,435**	**153**	**5,588**
Transactions with owners recorded directly in equity							
Issue of ordinary shares	5,769	-	-	-	5,769	-	5,769
Share options exercised	-	-	-	-	-		-
Transfer of unvested share based payment transactions to retained earnings	-	2,312	(2,312)	-	-	-	-
Share-based payment transactions	-	-	121	-	121	-	121
Dividends to equity holders	-	-	-	-	-	-	-
Distribution to non-controlling interest	-	-	-	-	-	(49)	(49)
Total contributions by and distributions to owners	**5,769**	**2,312**	**(2,191)**	**-**	**5,890**	**(49)**	**5,841**
Balance at 30 June 2018	**61,003**	**16,451**	**182**	**(24,237)**	**53,399**	**359**	**53,758**
Balance at 1 July 2018	61,003	16,451	182	(24,237)	53,399	359	53,758
Total comprehensive income for the year							
Profit for the year	-	10,348	-	-	10,348	216	10,564
Total comprehensive income for the year	**-**	**10,348**	**-**	**-**	**10,348**	**216**	**10,564**
Transactions with owners recorded directly in equity							
Issue of ordinary shares	-	-	-	-	-	-	-
Share options exercised	-	65	(65)	-	-		-
Transfer of unvested share based payment transactions to retained earnings	-	14	(14)	-	-	-	-
Share-based payment transactions	-	-	174	-	174	-	174
Distribution to non-controlling interest	-	-	-	-	-	(153)	(153)
Total contributions by and distributions to owners	**-**	**79**	**95**	**-**	**174**	**(153)**	**21**
Balance at 30 June 2019	**61,003**	**26,878**	**277**	**(24,237)**	**63,921**	**422**	**64,343**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

In thousands of AUD	Note	2019	2018
Cash flows from operating activities			
Cash receipts from customers		267,763	207,402
Cash paid to suppliers and employees		(243,202)	(195,858)
Cash generated from operations		**24,561**	**11,544**
Interest paid		(589)	(635)
Interest received		51	25
Income tax paid		(1,763)	(578)
Net cash flows from operating activities	**27**	**22,260**	**10,356**
Cash flows from investing activities			
Proceeds from sale of Mastertec	12	5,885	-
Proceeds from sale of property, plant and equipment		-	318
Acquisition of property, plant and equipment	13	(8,049)	(9,798)
Net cash flows used in investing activities		**(2,164)**	**(9,480)**
Cash flows from financing activities			
Proceeds from issue of share capital, net of issue costs		-	5,670
Repayment of borrowings	21	(3,000)	(6,250)
Distribution to non-controlling interest		(153)	(49)
Net cash flows used in financing activities		**(3,153)**	**(629)**
Net increase in cash and cash equivalents		16,943	247
Cash and cash equivalents at beginning of year		(520)	(767)
Cash and cash equivalents at end of year	**18**	**16,423**	**(520)**
Cash flows of discontinued operation	12		

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. Reporting entity

Mastermyne Group Limited (the Company) is a company domiciled in Australia. The address of the Companys 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 2019 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities).

The Group in 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.

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 20 August 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Companys 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 13– key assumptions used in discounted cash flow projections*
- *Note 15– recoverability of deferred tax assets*
- *Note 23– measurement of share-based payments*

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) New and revised accounting standards effective at 30 June 2019

The company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9: Financial Instruments (AASB 9) and AASB 15: Revenue from Contracts with Customers (AASB 15).

AASB 9 Financial Instruments

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- *simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;*
- *permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);*
- *simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;*
- *requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entitys own credit risk in OCI, except when it would create an accounting mismatch;*
- *introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and*

In accordance with the transition requirements of AASB 9, the company has elected to apply AASB 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017). The company has also applied to consequential amendments to AASB 7: Financial Instruments: Disclosure to the disclosure of information about the companys financial instruments for the current financial year, and the comparative reporting period.

The application of AASB 9 has not materially impacted the classification and measurement of the companys financial assets and financial liabilities.

Further details of the companys accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 3(c) .

AASB 15 Revenue from Contracts with Customers

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the company has elected to apply AASB 15 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).

The application of AASB 15 has not materially impacted the recognition and measurement of the companys revenue from contracts with customers.

Further details of the companys accounting policies in relation to accounting for revenue from contracts with customers under AASB 15 are contained in note 3(i) .

3. Significant accounting policies (continued)

(b) 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(b)(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 Groups controlling shareholders consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group. Any cash paid for the acquisition is recognised directly in equity.

(iiii) 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 acquirees identifiable net assets at the acquisition date.

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

(c) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Financial assets and financial liabilities recognised by the company are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the companys transactions with its customers and are normally settled within 30 days.

Consistent with both the companys business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

(d) 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:

	2019	2018
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.

(e) Intangible assets

(i) Goodwill

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

Subsequent measurement Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

	2019	2018
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.

(f) Inventories

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

(g) Impairment

(i) Impairment of financial assets

The company applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the company determines the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Impairment of financial assets (continued)

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Impairment of 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.

(iiii) 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) Revenue from contracts with customers

The company derives revenue from contracting, sale of goods and machinery hire. Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services.

Contracting - revenue is recognised over time and dependent on the type of contract is measured using either the input or output methods. For schedule of rate contracts the input method is used to recognise revenue based on the resources consumed, costs incurred or machine hours. For fixed price contracts the output method is used to recognise revenue on the basis of direct measurement of the value of good or services transferred, for example number of bolts performed.

Sale of goods - revenue is recognised when the company transfers contol of goods to a customer for the amount to which the company expects to be entitled.

Machinery hire - revenue is recognised over time using the input method.

Consideration included in the measurement of revenue

The consideration to be received from customers may include fixed amounts, variable amounts, or both. Where the contract includes a right to variable consideration, the group estimates the amount of variable consideration using the most likely amount approach on a contract-by-contract basis. Variable consideration is included in the measurement of revenue only to the extent that it is highly probable, based on historical experience, that a significant reversal of the cumulative amount recognised will not occur when the uncertainty associated with the variability is subsequently resolved.

Receivables from contracts with customers

A receivable from a contract with a customer represents the company's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment. Receivables from contracts with customers include trade and other receivables and unbilled revenue at year end.

(j) 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.

(k) 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.

(l) 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.

3. Significant accounting policies (continued)

(l) Income tax (continued)

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.

(m) 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.

(n) 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).

(o) 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.

(p) New standards and interpretations not yet adopted

AASB 16 Leases (applicable for annual reporting periods beginning on or after 1 January 2019)

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.

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 2020 using the modified retrospective approach.

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.

(q) Discontinued operations

A discontinued operation is a component of the company that has been disposed of in the current, or prior, reporting period or is classified as held for sale at the reporting date, and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are disclosed separately in the statement of profit or loss and other comprehensive income.

4. 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

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

Credit risk

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

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 2019 is disclosed in note 25.

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
Invoice Finance Facility	20,000	-
LC Facility	500	23
Corporate Card Facility	500	-
Total Multi Option Facility	**21,000**	**23**
Total all Facilities	**21,000**	**23**

4. Financial risk management (continued)

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.

5. 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 consumbles, primarily to the resources sector.*

In May 2019, the Group sold the Scaffold and Blast & Paint component of its Mastertec segment.

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

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

	Mastermyne		Mastertec		Consolidated	
In thousands of AUD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External revenues	210,410	174,382	27,625	27,337	238,035	201,719
Intersegment revenue	-	-	921	493	921	493
Reportable segment revenue	**210,410**	**174,382**	**28,546**	**27,830**	**238,956**	**202,212**
Depreciation and amortisation	(7,529)	(6,699)	(856)	(856)	(8,385)	(7,555)
Net finance costs	26	(145)	14	14	40	(131)
Reportable Segment profit/(loss) before income tax	11,054	9,211	3,794	352	14,848	9,563
Segment assets	68,110	64,147	11,270	22,187	79,380	86,334
Capital expenditure	6,939	9,596	1,110	739	8,049	10,335
Segment liabilities	(34,837)	(36,121)	(1,028)	(4,706)	(35,865)	(40,827)

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

In thousands of AUD	**2019**	**2018**
Revenues		
Total revenue for reportable segments	238,956	202,212
Elimination of inter-segment revenue	(921)	(493)
Elimination of discontinued operations	(12,442)	(11,205)
Consolidated revenue	**225,593**	**190,514**
Profit or loss		
Total profit for reportable segments	14,848	9,563
Elimination of inter-segment profits	-	-
Unallocated amounts: net corporate expenses	(687)	(1,355)
Elimination of discontinued operations	(3,154)	(571)
Consolidated profit before income tax	**11,007**	**7,637**
Assets		
Total assets for reportable segments	79,380	86,335
Other assets	10,625	507
Representation of segment liabilities	(8,963)	(17,016)
Unallocated amounts: corporate tax asset	10,929	13,167
Consolidated total assets	**91,971**	**82,993**
Liabilities		
Total liabilities for reportable segments	(35,865)	(40,827)
Other liabilities	(4,413)	(5,424)
Representation of segment liabilities	8,963	17,016
Unallocated amounts	3,687	-
Consolidated total liabilities	**(27,628)**	**(29,235)**

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 2019 and 30 June 2018.

Major customers

The Group has three (2018: three) customers that individually represent in excess of 10% of Group revenues. The total revenue from these customers represents $178,792 thousand (2018: $135,713 thousand) of the Group's total revenues, reported in the Mastermyne and the Mastertec segments as follows:

- *Mastermyne $172,375 thousand (2018: $129,152 thousand)*
- *Mastertec $6,417 thousand (2018: $6,561 thousand)*

6. Revenue from contracts with customers

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Mastermyne		Mastertec		Total	
In thousands of AUD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Product line - continuing operations						
Contracting revenue	197,983	162,940	9,515	8,175	207,498	171,114
Sale of goods	-	-	5,619	7,958	5,619	7,958
Machinery hire	12,476	11,442	-	-	12,476	11,442
Revenue from continuing operations	**210,459**	**174,382**	**15,134**	**16,132**	**225,593**	**190,514**
Product line - discontinued operations						
Contracting revenue	-	-	12,442	11,206	12,442	11,206
Revenue from discontinued operations	-	-	12,442	11,206	12,442	11,206
	210,459	**174,382**	**27,576**	**27,338**	**238,035**	**201,720**

7. Other income

In thousands of AUD	**2019**	**2018**
Administration income	147	109
Gain on sale of property plant and equipment	-	208
	147	**317**

8. Other expenses

In thousands of AUD	**2019**	**2018**
Impairment losses arising from contracts with customers	-	4
Loss on sale of property, plant and equipment	5	-
Business development costs	66	107
Insurance	931	776
	1,002	**887**

9. Personnel expenses

In thousands of AUD	2019	2018
Wages and salaries	145,611	119,308
Other associated personnel expenses	12,111	9,480
Contributions to defined contribution superannuation funds	9,102	7,273
Equity-settled share-based payment transactions	175	121
	166,999	**136,182**

10. Finance income and expense

Recognised in profit or loss

In thousands of AUD	2019	2018
Interest income from financial instruments measured at amortised cost	44	25
Finance income	**44**	**25**
Bank charges	(86)	(40)
Interest expenses	(503)	(595)
Finance expense	**(589)**	**(635)**
Net finance expense recognised in profit or loss	**(545)**	**(610)**

11. Income tax expense

In thousands of AUD	2019	2018
Current tax expense		
Current period	5,181	1,769
Utilisation of carryforward capital losses not previously brought to account	(679)	-
Adjustment for prior periods	30	259
	4,532	**2,028**
Deferred tax expense		
Origination and reversal of temporary differences	(818)	737
Adjustment for prior period	(112)	(145)
	(930)	**592**
Total income tax expense	**3,602**	**2,620**
Income tax expense is attributable to:		
Profit from continuing operations	3,597	2,620
Profit from discontinued operations	5	-
	3,602	**2,620**

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2019	2018
Finance income	**14,168**	**8,208**
Income tax using the Group's statutory income tax rate of 30% (2018: 30%)	4,250	2,462
Imputation credits	(132)	(29)
Other non-deductible expenses	113	73
Non-assessable income	132	-
Utilisation of carryforward capital losses not previously brought to account	(679)	-
Under provision of previous year	(82)	114
	3,602	**2,620**

12. Discontinued Operations

See accounting policy in Note 3(q)

(a) Description

In May 2019, the Group sold the Scaffold and Blast & Paint component of its Mastertec segment.

The Scaffold and Blast & Paint business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and other comprehensive income has been represented to show the discontinued operation separately from continuing operations.

(b) Financial performance

In thousands of AUD	2019	2018
Revenue	12,454	11,206
Expenses	(11,325)	(10,635)
Profit before tax from discontinued operations	**1,129**	**571**
Income tax expense	(5)	-
Profit after tax from discontinued operations	**1,124**	**571**
Gain on sale of Mastertec after income tax	2,030	-
Profit from discontinued operations, net of income tax	**3,154**	**571**
Other comprehensive income, net of income tax	-	-
Total comprehensive income for period	**3,154**	**571**
Net cash inflow from operating activities	2,162	1,320
Net cash inflow/(outflow) from investing activities	4,624	(657)
Net increase in cash generated by the component	**6,786**	**663**

(c) Details of the sale

In thousands of AUD	2019	2018
Agreed enterprise value	6,045	-
Less: debt assumed (employee provisions)	(160)	-
Cash consideration	5,885	-
Carrying amount of net assets sold	(3,855)	-
Gain on sale before income tax	**2,030**	**-**
Income tax expense on gain	-	-
Gain on sale after income tax	**2,030**	**-**

No tax has been recognised on the gain on sale as the Group had available carry forward capital losses to offset the gain.

13. Property, plant and equipment

In thousands of AUD	Plant and equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
Cost or deemed cost					
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)
Balance at 30 June 2018	**59,038**	**1,302**	**1,431**	**165**	**61,936**
Balance at 1 July 2018	59,038	1,302	1,431	165	61,936
Additions	6,891	656	453	49	8,049
Disposals	(4,568)	(1,407)	(189)	-	(6,164)
Transfers	(55)	55	-	-	-
Balance at 30 June 2019	**61,306**	**606**	**1,695**	**214**	**63,821**
Depreciation and impairment losses					
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)
Balance at 30 June 2018	**39,122**	**840**	**804**	**117**	**40,883**
Balance at 1 July 2018	39,122	840	804	117	40,883
Depreciation for the year	7,797	66	298	32	8,193
Disposals	(2,977)	(519)	(35)	-	(3,531)
Transfers	(55)	55	-	-	-
Balance at 30 June 2019	**43,887**	**442**	**1,067**	**149**	**45,545**
Carrying amounts					
At 1 July 2017	17,864	571	307	3	18,745
At 30 June 2018	**19,916**	**462**	**627**	**48**	**21,053**
At 1 July 2018	19,916	462	627	48	21,053
At 30 June 2019	**17,419**	**164**	**628**	**65**	**18,276**

14. Intangible assets

In thousands of AUD	2019	2018
Goodwill		
Cost (gross carrying amount)	6,429	6,429
Net carrying amount	**6,429**	**6,429**
Customer relationships		
Cost	2,945	2,945
Accumulated amortisation and impairment	(2,945)	(2,945)
Net carrying amount	**-**	**-**
Intellectual property		
Cost	1,449	1,773
Accumulated amortisation and impairment	(1,268)	(1,454)
Net carrying amount	**181**	**319**
Software		
Cost	151	-
Accumulated amortisation and impairment	(5)	-
Net carrying amount	**146**	**-**
Total intangible assets		
Cost	10,974	11,147
Accumulated amortisation and impairment	(4,218)	(4,399)
Net carrying amount	**6,756**	**6,748**

Reconciliation of carrying amounts

In thousands of AUD	2019	2018
Goodwill		
Carrying amount - opening	6,429	6,429
Carrying amount - closing	**6,429**	**6,429**
Customer relationships		
Carrying amount - opening	-	-
Amortisation	-	-
Carrying amount - closing	**-**	**-**
Intellectual property		
Carrying amount - opening	319	465
Amortisation	(138)	(146)
Carrying amount - closing	**181**	**319**
Software		
Carrying amount - opening	-	-
Other acquisitions - internally developed	151	-
Amortisation	(5)	-
Carrying amount - closing	**146**	**-**
Total intangible assets		
Carrying amount - opening	6,748	6,894
Other acquisitions - internally developed	151	-
Amortisation	(143)	(146)
Carrying amount - closing	**6,756**	**6,748**

Goodwill relates to the acquisition of Mastermyne Underground Pty Ltd.

Amortisation and impairment charge

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

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 5.

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

In thousands of AUD	2019	2018
Mastermyne Mining	6,429	6,429
Total all segments	**6,429**	**6,429**

The recoverable amount of the cash-generating units as at 30 June 2019 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:

Mastermyne Mining	
FY 2019 assumptions	
Annual revenue growth rate (FY2020-FY2024)	3.8%
Terminal growth rate	2.5%
Pre-tax discount rate	14.6%
FY 2018 assumptions	
Annual revenue growth rate (FY2019-FY2023)	3.8%
Terminal growth rate	2.5%
Pre-tax discount rate	16.9%

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.

No reasonable change in any of the key assumptions would result in an impairment.

15. Tax assets and liabilities

Current tax assets and liabilities

The current tax liability for the Group of $2,422 thousand (2018: $1,248 thousand) represents the amount of income taxes payable, in respect of current and prior periods.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2019	2018	2019	2018	2019	2018
Employee benefits	2,568	1,691	-	-	2,568	1,691
Property, plant and equipment	-	-	(44)	(765)	(44)	(765)
Receivables	-	-	(100)	-	(100)	-
Intangible assets	-	-	(10)	(57)	(10)	(57)
Accruals	332	321	-	-	332	321
Capital raising and business acquisition costs	62	79	-	-	62	79
Unbilled revenue	-	-	(1,747)	-	(1,747)	-
Other items	-	-	-	(21)	-	(21)
Tax loss carry-forwards	7,065	7,543	-	-	7,065	7,543
Tax assets/(liabilities)	**10,027**	**9,634**	**(1,901)**	**(843)**	**8,126**	**8,791**
Set off of tax	(1,901)	(843)	1,901	843	-	-
Net tax assets/(liabilities)	**8,126**	**8,791**	**-**	**-**	**8,126**	**8,791**

At 30 June 2019 the Group has revenue losses totaling $23,550 thousand (2018: $25,144 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.

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 2017	Recognised in profit or loss	Recognised in Current Tax Liability	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
Provisions	(4)	4	-	-	-
Other items	129	(150)	-	-	(21)
Tax loss carry-forwards	9,406	(1,863)	-	-	7,543
	9,285	**(592)**	**-**	**98**	**8,791**

In thousands of AUD	Balance 1 July 2018	Recognised in profit or loss	Recognised in Current Tax Liability	Recognised Directly in Equity	Balance 30 June 2019
Employee benefits	1,691	877	-	-	2,568
Property, plant and equipment	(765)	721	-	-	(44)
Receivables	-	(100)	-	-	(100)
Intangible assets	(57)	48	(1)	-	(10)
Accruals	321	11	-	-	332
Capital raising and business acquisition costs	79	(21)	4	-	62
Unbilled revenue	-	1,360	(3,107)	-	(1,747)
Other items	(21)	21	-	-	-
Tax loss carry-forwards	7,543	(1,987)	1,509	-	7,065
	8,791	**930**	**(1,595)**	**-**	**8,126**

16. Inventories

In thousands of AUD	2019	2018
Raw materials	1,125	440
Finished goods	2,093	2,533
	3,218	**2,973**

During the year ended 30 June 2019, raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $4,263 thousand (2018 $6,981 thousand).

17. Trade and other receivables

In thousands of AUD	2019	2018
Trade receivables	32,058	31,676
Prepayments	1,092	1,031
Unbilled revenue	5,825	10,357
Other receivables	197	363
	39,172	**43,427**

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 25.

18. Cash and cash equivalents

In thousands of AUD	2019	2018
Bank balances	16,423	-
Cash on hand	-	1
Cash and cash equivalents in the statement of financial position	16,423	1
Bank overdrafts used for cash management purposes	-	(521)
Cash and cash equivalents in the statement of cash flows	**16,423**	**(520)**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

19. Capital and reserves

The share capital of Mastermyne Group Limited is as follows:

	Ordinary class shares	
	2019	2018
On issue at 1 July	101,087,536	91,087,536
Issued for cash		
Placement 10,000,000 shares @ $0.60	-	10,000,000
Exercise of share options	577,950	-
On issue at 30 June – fully paid	**101,665,486**	**101,087,536**

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

Dividends of $0.153 million were paid to a non-controlling interest during the year.

After the balance sheet date the following dividends were declared by the Directors, fully franked at the rate of 30%. The records date for entitlement will be 27 September 2019 and the payment date will be 17 October 2019.

	Dollars per share	Total amount (In thousands of AUD)	Franked / unfranked	Date of payment
2019 Ordinary - Ordinary Shares Final Dividend	$0.020	2,033	Franked	17/10/19
2019 Special - Ordinary Shares Dividend	$0.020	2,033	Franked	17/10/19

Dividend franking account

	Company	
In thousands of AUD	2019	2018
30% franking credits available to shareholders of Mastermyne Group Limited for subsequent financial years	17,034	15,341

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

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

(i) franking credits/debits that will arise from the payment of the current tax liabilities or refund of current tax assets;

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

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

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

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

The impact on the dividend franking account of the dividends proposed after balance sheet date but not recognised as a liability is to reduce it by $1,743 thousand.

20. Earnings per share

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

In dollars	2019	2018
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.07	0.04
From discontinued operations	0.03	0.01
Total basic earnings per share attributable to the ordinary equity holders of the company	**0.10**	**0.05**
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.07	0.04
From discontinued operations	0.03	0.01
Total basic earnings per share attributable to the ordinary equity holders of the company	**0.10**	**0.05**
Reconciliation of earnings used in calculating earnings per share.		
In thousands of AUD		
Profit attributable to the ordinary equity holders of the company used in calculation of basic and diluted earnings per share:		
From continuing operations	7,194	4,864
From discontinued operations	3,154	571
	10,348	**5,435**
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basis earnings per share	101,393	98,841
Adjustments for calculation of diluted earnings per share:		
Performance rights outstanding	1,512	1,508
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**102,905**	**100,349**

21. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, see note 25.

In thousands of AUD	2019	2018
Current liabilities		
Cash advance facility (secured)	-	3,000
	-	**3,000**

Security

Westpac cash advance facility

The Westpac cash advance facility, which was repaid during the year, was 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	2019	2018
Balance at the beginning of the year	3,000	9,250
Payments made	(3,000)	(6,250)
Balance at the end of the year	**-**	**3,000**

22. Employee benefits

In thousands of AUD	2019	2018
Current		
Liability for annual leave	5,259	3,349
Liability for vesting sick leave	2,700	1,735
Liability for long service leave	182	151
	8,141	**5,235**
Non-current		
Liability for long service leave	241	207
	241	**207**

23. Share-based payment arrangements

Description of the share-based payment arrangements

At 30 June 2019, 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 2018 (FY 2019 Tranche A)	126,556	1, 2, 3 and 4a	2.9 years
Performance rights granted to KMP including CEO/Managing Director on 21 November 2018 (FY 2019 Tranche B)	126,556	1, 2, 3 and 4a	2.9 years
Performance rights granted to KMP including CEO/Managing Director on 21 November 2017 (FY 2018 Tranche A)	258,006	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	1, 2, 3 and 4a	2.9 years
Performance rights granted to KMP including CEO/Managing Director on 15 November 2016 (FY 2017 Tranche A)	308,750	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	1, 2, 3 and 4a	2.9 years
Performance rights granted to KMP including CEO/Managing Director on 21 January 2016 (FY 2016 Tranche A)	288,975	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	1, 2, 3 and 4a	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:*

  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.

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	**2019**	**2018**	**2017**	**2016**
Fair value at grant date Tranche A	\$0.8077	\$0.5225	\$0.1993	\$0.1116
Fair value at grant date Tranche B	\$0.7727	\$0.4695	\$0.1997	\$0.1140
Share price	\$1.19	\$0.88	\$0.33	\$0.21
Exercise price	\$ nil	\$ nil	\$ nil	\$ nil
Expected volatility (weighted average volatility)	75.0%	85.0%	78.4%	71.1%
Option life (expected weighted average life)	2.9 years	2.9 years	2.9 years	2.5 years
Expected dividends	5.81%	5.81%	9.50%	9.50%
Risk-free interest rate (based on government bonds)	2.12%	1.86%	1.84%	2.09%

24. Trade and other payables

In thousands of AUD	2019	2018
Trade payables	5,348	7,554
Sundry creditors and accruals	11,476	11,470
	16,824	**19,024**

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

25. Financial instruments

Credit risk

Exposure to credit risk

In thousands of AUD	Notes	2019	2018
Trade and other receivables	17	32,255	32,039
Unbilled revenue	17	5,825	10,357
Cash and cash equivalents	18	16,423	(520)
		54,503	**41,876**

The Group has two (2018: three) significant customers each representing more than 10% of the carrying amount of trade receivables at 30 June 2019. The total of the receivables from these customers is \$22,172 thousand (2018: \$20,863 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.

Expected credit losses

The ageing of the receivables and expected credit loss rates applied are as follows:

	Expected credit loss rate		Carrying Amount		Allowance for expected credit losses	
	2019	2018	2019	2018	2019	2018
	%	%				
Not Past Due	0%	0%	29,704	36,296	-	-
Past due 0-30 days	0%	0%	5,893	4,917	-	-
Past due 31-60 days	0%	0%	1,621	660	-	-
Past due 61-90 days	0%	0%	83	294	-	-
Greater than 90 days	0%	0%	779	229	-	-
			38,080	**42,396**	**-**	**-**

The movement in the expected credit losses in respect of trade and other receivables during the year ended 30 June 2019 was as follows:

In thousands of AUD	2019	2018
Balance at 1 July	-	(4)
Credit loss recognised	-	-
Credit allowance utilised	-	4
Balance at 30 June	**-**	**-**

25. Financial instruments (continued)

Impairment losses (continued)

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	2019	2018
Four or more years trading history with the Group	28,734	29,560
Less than four years trading history with the Group	3,324	2,116
	32,058	**31,676**

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

Liquidity risk

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

30 June 2019								
In thousands of AUD	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	24	16,824	(16,824)	(16,824)	-	-	-	-
		16,824	**(16,824)**	**(16,824)**	**-**	**-**	**-**	**-**

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

30 June 2018								
In thousands of AUD	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Cash advance facility	21	3,000	(3,050)	(3,050)	-	-	-	-
Trade and other payables	24	19,024	(19,024)	(19,024)	-	-	-	-
Bank Overdraft	18	521	(521)	(521)	-	-	-	-
		22,545	**(22,595)**	**(22,595)**	**-**	**-**	**-**	**-**

Interest rate risk

Profile

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

	Carrying amount	
In thousands of AUD	**2019**	**2018**
Variable rate instruments		
Financial assets	16,423	1
Financial liabilities	-	(3,000)
Bank Overdraft	-	(521)
	16,423	**(3,520)**

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

Sensitivity analysis for variable rate instruments

As at 30 June 2019, 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	2019	2018
Change in profit		
Increase in interest rate by 1%	164	(35)
Decrease in interest rate by 1%	(164)	35

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

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

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

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2019	2018
Less than one year	2,055	2,276
Between one and five years	394	428
	2,449	**2,704**

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 2019 totalled $1,852 thousand (2018: $1,853 thousand) for the Group.

27. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2019	2018
Cash flows from operating activities			
Profit for the year		10,564	5,588
Adjustments for:			
Depreciation	13	8,193	7,380
Amortisation of intangible assets	14	143	146
Gain on sale of Mastertec	12	(2,030)	-
(Gain) / loss on sale of property, plant & equipment	8	5	(208)
Share based payments	9	175	121
Net finance expense	10	538	610
Income tax benefit	11	3,602	2,620
Operating profit before changes in working capital and provisions		**21,190**	**16,257**
Changes in operating asset and liabilities			
(Increase) / decrease in trade and other receivables		2,717	(13,973)
(Increase) / decrease in inventories		(245)	(289)
Increase / (decrease) in trade and other payables		(2,041)	7,633
Increase / (decrease) in provisions and employee benefits		2,940	1,916
Share based payments		**24,561**	**11,544**
Interest paid		(589)	(635)
Interest received		51	25
Income taxes paid		(1,763)	(578)
Net cash flows from operating activities		**22,260**	**10,356**

28. Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 9) are as follows:

In whole AUD	2019	2018
Short-term employee benefits	2,749,862	2,536,911
Post-employment benefits	170,521	133,271
Termination benefits	61,923	-
Long-term benefits	18,500	72,730
Share-based payments	167,821	121,134
	3,168,627	**2,864,046**

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.

28. 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 value year ended 30 June		Balance outstanding as at 30 June	
Transaction	Note	2019	2018	2019	2018
Andrew Watts - Watty Pty Ltd	(i)	168,023	140,437	-	-
Andrew Watts - Watty Pty Ltd	(ii)	21,509	-	-	-
		189,532	140,437	-	-

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 rents the premises at 56A Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.*

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.

29. Group entities

Wholly-owned group

The consolidated financial statements include the financial statements of Mastermyne Group Limited (being the ultimate parent entity) and the subsidiaries listed in the following table.

Parent entity	Country of formation or incorporation	Equity holding (ordinary shares)	
		2019	2018
		%	%
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	0	100
Ausscaffold Pty Ltd	Australia	100	100
Diversified Mining Services Pty Ltd	Australia	100	100
Falcon Mining Pty Ltd	Australia	100	100

30. 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 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*
- *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 2019 is set out as follows.

Statement of financial position

In thousands of AUD	2019	2018
Assets		
Cash and cash equivalents	15,246	-
Trade and other receivables	38,501	42,513
Inventories	3,218	2,972
Total current assets	**56,965**	**45,485**
Investments in subsidiaries	723	723
Deferred tax assets	8,052	8,729
Property, plant and equipment	18,146	20,968
Intangible assets	5,982	5,975
Total non-current assets	**32,903**	**36,395**
Total assets	**89,868**	**81,880**
Liabilities		
Bank overdraft	-	1,214
Trade and other payables	16,539	18,702
Loans and borrowings	-	3,000
Employee benefits	7,965	5,077
Current tax payable	2,141	1,080
Total current liabilities	**26,645**	**29,072**
Employee benefits	179	162
Total non-current liabilities	**179**	**162**
Total liabilities	**26,824**	**29,234**
Net assets	**63,044**	**52,646**
Equity		
Share capital	61,003	61,003
Reserves	(23,960)	(21,743)
Retained earnings	26,001	13,386
Total equity	**63,044**	**52,646**

Statement of profit or loss and other comprehensive income

In thousands of AUD	2019	2018
Revenue	232,573	196,874
Other income	137	309
Gain on sale of discontinued operation	2,030	-
Contract disbursements	(36,009)	(37,623)
Personnel expenses	(171,369)	(139,081)
Office expenses	(4,316)	(3,948)
Depreciation and amortisation expense	(8,284)	(7,511)
Other expenses	(973)	(858)
Results from operating activities	**13,789**	**8,162**
Finance income	40	18
Finance expense	(584)	(630)
Net finance expense	**(544)**	**(612)**
Profit before income tax	**13,245**	**7,550**
Income tax expense	(3,329)	(2,423)
Profit for the year	**9,916**	**5,127**
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	**9,916**	**5,127**

31. Subsequent events

On the 16 August 2019, Mastermyne announced that it has signed a conditional acquisition agreement for the purchase of all the shares of Wilson Mining Services Pty Ltd ("WMS") for an upfront consideration of $7.6m, represented by the WMS's net tangible asset value. The consideration is to be paid as $3.8m cash and the balance issued as ordinary shares in Mastermyne. The consideration may also be supplemented by further cash payments, contingent on performance of WMS over the proceeding 3 year period.

WMS have 25 years experience supporting the Australian underground coal industry and are renowned for the supply and installation of cavity fill and strata consolidation phenolic foams, polyurethane chemicals and ventilation control devices. The cash component of the acquisition will be funded from Mastermyne's available cash. The transaction is expected to be completed by late August 2019, subject to satisfaction of conditions.

32. Auditor's remuneration

Audit services

Auditors of the Company

Pitcher Partners - Brisbane		
In whole AUD	2019	2018
Audit and review of financial reports	95,000	95,000
	95,000	**95,000**

32. Auditor's remuneration (continued)

Other services

Auditors of the Company

Pitcher Partners - Brisbane		
In whole AUD	**2019**	**2018**
Taxation compliance services	8,000	17,000
	8,000	**17,000**

33. Parent entity disclosures

As at and throughout the financial year ended 30 June 2019, the parent company of the group was Mastermyne Group Limited.

	Company	
In thousands of AUD	**2019**	**2018**
Results of the parent entity		
Loss for the year	(526)	(951)
Total comprehensive loss for the year	**(526)**	**(951)**
Financial position of parent entity at year end		
Current assets	10,631	1,172
Total assets	**63,502**	**66,020**
Current liabilities	6,390	8,289
Total liabilities	**6,554**	**8,425**
Total equity of the parent entity		
Share Capital	61,003	61,003
Retained earnings	(4,332)	(3,590)
Total Equity	**56,948**	**57,595**

Parent entity contingencies

There were no parent entity contingencies required for the year ended 30 June 2019 (2018: Nil).

Parent entity capital commitments

There were no parent entity capital commitments at 30 June 2019 (2018: 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 30.

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

i. *giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and*

ii. *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 2019.

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 20th day of August 2019.

Auditor's Report

PITCHER PARTNERS

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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 2019, the consolidated statement of profit or loss and other 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:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
(b) 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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Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill ($6.429 million) *(Refer to note 14)*	
The consolidated statement of financial position as at 30 June 2019 includes goodwill of $6.429 million which relates to the consolidation of subsidiaries acquired in previous years. 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. Goodwill is deemed to be a key audit matter due to the use of key estimates and judgements in the value-in-use calculation.	Our procedures included amongst others: • 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; • Assessing the reasonableness of key estimates and judgements, considering supporting management prepared documentation or historical performance, where available; • Comparing the prior year forecast to assess the accuracy of the forecasting process; • Reviewing management's value-in-use calculations for accuracy; and • Performing a sensitivity of management's value-in-use calculation to assess the level of headroom available.
Recoverability of deferred tax assets ($8.126 million) *(Refer to note 15)*	
At 30 June 2019, the Group's consolidated statement of financial position included deferred tax assets of $8.126 million of which $7.065 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. 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.	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 2019; • 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 2020 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.

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 2019, 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.

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.
- 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 7 to 15 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Mastermyne Group Limited, for the year ended 30 June 2019, 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

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J. Evans

J. J EVANS
Partner

Brisbane, Queensland
20 August 2019

ASX Additional Information

Additional information required by the Australian Stock Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 3 October 2019.

Stock Exchange Quotation

Ordinary shares in Mastermyne Group Limited are quoted on the ASX under the code “MYE”.

Class Of Securities

The Company has the following securities on issue:

ASX Quoted: 101,665, 485
Ordinary shares, each fully paid, held by 1,624 shareholders.

Unquoted: 1,312,385
Performance rights, having differing exercise prices, hurdles, vesting periods and terms, with latest expiry 1 October 2021, 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 ne vote for each ordinary share held.*

Restricted Securities

3,857,665 Ordinary shares are to be issued and escrowed for 12 months (from 30th August 2019) in relation to the Wilson Mining Services Pty Ltd acquisition terms.

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:

		03 Oct 2019		
Range	**Securities**	**%**	**No. of holders**	**%**
100,001 and Over	78,592,166	77.30	111	6.83
50,001 to 100,000	7,088,096	6.97	95	5.85
10,001 to 50,000	12,222,197	12.02	513	31.59
5,001 to 10,000	2,365,387	2.33	297	18.29
1,001 to 5,000	1,301,231	1.28	421	25.92
1 to 1,000	96,408	0.09	187	11.51
Total	**101,665,485**	**100.00**	**1,624**	**100.00**

There are 76 shareholders holding a total of 10,659 shares with less than a marketable parcel.

Twenty Largest Security Holders

Security: MYE.ASX [Mastermyne Group Limited] **Period:** 02 Oct 2019 to 03 Oct 2019 **Top holders:** 20

Rank	Name	A/C designation	03 Oct 2019	%IC
1	Mr Kenneth Rudy Kamon		10,874,887	10.70
2	Hsbc Custody Nominees (Australia) Limited		8,655,936	8.51
3	Darren William Hamblin	Hamblin Family	7,631,898	7.51
4	Carm NQ Pty Ltd	The Carnhogan Family	4,236,032	4.17
5	Ecarg Pty Ltd	Coolabah	2,710,000	2.67
6	Ecarg Pty Ltd	Ymmij	2,100,000	2.07
7	May Downs Pty Ltd	May Downs Trust>	2,000,000	1.97
8	Anthony Salvatore Caruso	The Mad Investments	1,520,437	1.50
9	Ecarg Pty Ltd	Mij Trust>	1,459,396	1.44
10	CS Third Nominees Pty Limited	<HSBC Cust Nom Au Ltd 13 A/C>	1,437,814	1.41
11	Horrie Pty Ltd	Horrie Superannuation	1,258,000	1.24
12	Anthony Charles Zahra	The Zahra Discretionary Unit	1,159,810	1.14
13	National Nominees Limited		1,145,987	1.13
14	C & D Bloomfield Pty Ltd	<Bloomfield Family A/C>	1,100,000	1.08
15	Citicorp Nominees Pty Limited		1,070,131	1.05
16	Mr Alan James Lawrence & Ms Janine Evelyn Lawrence		1,067,633	1.05
17	Pakasoluto Pty Limited	<Barkl Family Super Fund A/C>	1,013,739	1.00
18	Ecarg Pty Ltd	<Esiuol A/C>	1,000,000	0.98
19	Moat Investments Pty Ltd	<Moat Investment A/C>	968,856	0.95
20	Mr Victor Mccullough & Mrs Elizabeth Mccullough	<Mccullough Family S/F A/C>	922,892	0.91
Total			**53,333,448**	**52.46**
Balance of register			**48,332,037**	**47.54**
Grand total			**101,665,485**	**100.00**

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	9,631,898
Paradice Investment Management	6,638,838

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

Brett Maff

Registered and Head Office

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Stock Exchange Listing

Mastermyne Group Limited is listed on the Australian Securities Exchange.

ASX Code MYE