APPENDIX 4D
HALF YEAR REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2018

MASTERMYNE GROUP LIMITED
ABN 96 142 490 579

Reporting period: Half year ended 31 December 2018
Previous Corresponding period: Half year ended 31 December 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2018 $'000	31 Dec 2017 $'000	Change $'000	Change %
Revenue from Ordinary Activities	116,773	91,043	25,730	28.3%
Net Profit / (Loss) after tax from ordinary activities	3,161	1,803	1,358	75.3%

DIVIDENDS

There was no interim dividend declared for the 6 months ended 31 December 2018.

FINANCIAL RESULTS

Mastermyne Group Limited and its controlled subsidiaries recorded a profit after tax of $3.161 million for the half-year ended 31 December 2018. This result is up on the previous corresponding period (net profit after tax for the half-year ended 31 December 2017 of $1.803 million).

Revenue has increased 28.3% on the previous corresponding period to $116.773 million ($91.043 million for the half-year ended 31 December 2017) as a result of improved economic conditions in the Coal sector.

The overall cash position increased during the half-year ended 31 December 2018. The Group's balance sheet remains strong with debt reduced by $1.5 million during the half-year ended 31 December 2018.

The net increase in cash and cash equivalents during the half year-ended 31 December 2018 of $4.49 million (half-year ended 31 December 2017: decrease of $2.45 million) comprised:

- net cash inflows from operating activities for the half-year ended 31 December 2018 of $10.4 million (half-year ended 31 December 2017: $0.39 million)
- net cash outflows from investing activities for the half-year ended 31 December 2018 of $4.257 million (half-year ended 31December 2017: $3.51 million)
- net cash outflows from financing activities for the half-year ended 31 December 2018 of $1.653 million (half-year ended 31 December 2017: inflows of $0.67 million)

The net assets of the Group increased by $3.081 million to $56.839 million, the increase resulting from the profit for the half-year ended 31 December 2018 of $3.161 million.

NET TANGIBLE ASSET BACKING

	2018	2017
Net tangible assets per ordinary share (cents per share)	0.50	0.43

CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was gained during the period.

LOSS OF CONTROL OF ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities over which control was lost during the period.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

There were no entities or group of entities that were associates or joint venture entities during the period.

Mastermyne Group Limited
and its Controlled Entities

ABN 96 142 490 579

Interim Financial Report

31 December 2018

Mastermyne Group Limited and its Controlled Entities

Contents

Mastermyne Group Limited and its Controlled Entities

Directors' report

For the half year ended 31 December 2018

The directors present their report together with the Interim financial report of the Group comprising Mastermyne Group Limited ("the Company") and its subsidiaries, for the half-year ended 31 December 2018 and the auditor's report thereon.

1 Directors

The directors of the Company at any time during the half year and up to the date of this report are:

Mr C. Bloomfield (appointed 6 March 2014, appointed Chairman 26 February 2015) - Bachelor of Engineering (Mining), Graduate Certificate of Management
Independent Chairman

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

Mr A. Watts (appointed 10 March 2010)
Non - executive Director

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

Mr G. Meena (appointed 15 September 2015) - Bachelor of Engineering (Mechanical)
Non - executive Director

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 1 November 2018)

Ms J Whitcombe (appointed 7 June 2018) - Bachelor of Engineering (Mining)(First Class Honours), MBA, CA
Non - executive Director

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

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

2 Operating and financial review
Financial Overview

Results
Mastermyne Group Limited has continued to capiltise on the strong coal market recovery and is well positioned for future growth. For the half year ended 31 December 2018 the Company recorded a profit after tax of $3.2 million. This result is a significant increase on the previous corresponding period which was a net profit of $1.8 million.

Revenue in the period of $116.8 million was an increase of 28% on the previous corresponding period ($91.0 million). The increase in revenue is attributed to the award of new contracts in the mining division along with scope increase and extensions of existing mining contracts. Despite the increase in activity and revenue, the overhead cost has remained relatively unchanged. EBITDA for H1 FY19 was $9.3 million with an EBITDA Margin of 8.0% compared to 7.3% in the previous corresponding period.

The Company retains previous guidance for Revenue ($230-250 million) and EBITDA ($20-23 million) excluding any opportunities from whole of mine contracts.

Balance Sheet and Cash Flows
A significant focus on debt reduction has resulted in a Net Cash position of $2.5 million at the end of the period (compared to a Net Debt position of $3.5 million at the end of FY18). The outstanding cash advance facility of $1.5 million is expected to be fully repaid by 30 June 2019.

The overall cash position at 31 December 2018 was a net increase in cash and cash equivalents of $4.5 million (half-year ended 31 December 2017: decrease of $2.5 million). The increase in cash is attributable to improved operating cashflow from increased revenue and better financial performance for the six months. This result was achieved whilst still supporting the capital expenditure required to overhaul equipment and continued accelerated debt repayments for the period. The cash movements were as follows:

- net cash inflows from operating activities for the half-year ended 31 December 2018 of $10.4 million (half-year ended 31 December 2017: inflow of $0.4 million);
- net cash outflows from investing activities for the half-year ended 31 December 2018 of $4.3 million (half-year ended 31 December 2017: outflow of $3.5 million); and
- net cash outlfows from financing activities for the half-year ended 31 December 2018 of $1.7 million (half-year ended 31 December 2017: inflows of $0.7 million)

The Group maintains substantial capacity in its current bank facilities to support growth investment as momentum in the sector continues to improve.

Whilst the Company’s balance sheet is much improved, the Board remains conscious of the cyclic nature of mining services and the lack of support from financiers in low parts of the cycle. For these reasons, the company won’t pay a dividend for this period.

Operational Overview

Operational highlights for the period include:
- 9 sites had zero recordable injuries and Mastermyne’s injury rate continues to improve;
- Significant increase in roadway development meters;
- Workforce numbers continue to increase with a forecast workforce of 1250+ by year end;
- Equipment hire fleet ultilisation of 86%;
- Strong first half financial performance with stronger H2 based on current run rate and new projects;
- Significantly improved Order Book at $489 million (includes Anglo contract extension) with $324 million contracted beyond FY19; and
- A positive industry outlook including Brownfield and Greenfield expansion is supporting a strong pipeline.

Operational Overview (continued)

The Company is very pleased with the safety outcomes achieved across all the projects with nine stand out sites that worked the entire period without a recordable injury. The Company also boasts six projects that have achieved over twelve 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 with the Total Recordable Injury Frequency Rate of 7.7 remaining below the last published industry average.

During the period Mastermyne has operated a record seven development units. The total output of these units was also a record for Mastermyne since its inception. This, and the general strength of the market has delivered growth in the workforce and increased man hours across all projects. These results are being driven by a buoyant coal sector which continues to deliver record levels of coal production for the export market. These high production levels will continue to support strong demand for mining services and in turn underpin continued growth for the Company.

Whilst up compared to H1 FY18, revenue and margins were affected by the suspension of the North Goonyella contract and difficult mining conditions incurred on the Narrabri and Wambo unit rate development contracts. Both the Narrabri and Wambo contracts will see improved margins in the second half as these contracts were renegotiated with better terms insulating the Company from the full impact of poor mining conditions.

The Company has maintained its strong focus on a low overhead base with only minimal escalation to support the increased activities. Subsequently, overheads have materially decreased as a percentage of revenue, resulting in improved EBITDA margins. Overheads will remain largely unchanged in H2 FY19 and are expected to continue to decrease as a percentage of overall revenue.

Over the past six months the majority of the equipment fleet has been hired out and where the opportunity has presented, improved hire rates have been secured. Capital investment of $3.7 million was expended to overhaul the Company's mining equipment for hire into new contracts. As a result, the group's equipment utilisation rate improved to 86% 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 acquire additional equipment which has also been placed on hire. Whilst the demand for equipment remains strong there has been no material change in the availability of equipment or the introduction of new equipment and the company continues to leverage the fleet to secure further work and stronger pricing.

Mining Overview

The Mining division has underpinned the strong first half performance with revenue of $100.5 million, representing a growth of 30% from H1 FY18. The division has successfully secured contract extensions on several projects which underpin the significant improvement in the order book. Contract extensions were secured at Wambo (2 additional years), at Integra, where purchase order work was converted to contract work for a 2 year period with 2 x 1 year options, and lastly at Appin, where the option period was triggered for another 12 months. Negotiations on extension of the Anglo Moranbah Regional Umbrella Contract are well progressed. Given the value of the three year contract (plus options), it is expected to take most of the second half to finalise approval. The relationship with Anglo remains very positive and the Company remains confident this contract extension will complete.

Mastertec Overview

The Mastertec division delivered improved financial results with revenue up 18% on H1 FY18 to $16.3 million and a significantly improved EBITDA contribution compared to a loss in previous results. The consolidation back to core business in scaffolding and protective coating services has resulted in improvements across all aspects of the division. The Company has maintained its strict focus on operational flexibility enabling it to move quickly to increase and decrease costs as work necessitates. Margins should remain strong in the second half and will improve further where the Company can increase revenues and leverage the fixed overhead costs.

3 Outlook

The outlook for Mastermyne remains very positive underpinned by a buoyant coal sector. 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 $489 million (includes Anglo contract extension) with $115 million to be delivered in the second half, (excludes purchase order and recurring revenue that tracks at approximately $30 million per annum). In the outer years, revenue of $166 million for FY20 and $208 million beyond FY20, exclusively with Tier 1 mining clients, provides a very strong platform for growth.

Second half activities 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. Any capital expenditure will continue to be aligned with contract terms ensuring satisfactory returns.

The robust outlook further supports the re-emergence of greenfield and brownfield expansion projects with several proponents undertaking feasibility studies, or recommencing stalled underground projects. The Company continues to be involved in discussions with proponents who are acquiring existing underground mines and are looking to restart operations utilising contract miners. This is driving the Company's Whole of Mine growth strategy. Whilst the most advanced Whole of Mine opportunity has not proceeded due to external factors outside the control of the company, other opportunities continue to present.

The group maintains its FY19 Revenue and EBITDA guidance of $230-$250 million and $20-$23 million.

4 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the six months ended 31 December 2018.

5 Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, amounts in the financial report and Directors' Report have been rounded 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 19th day of February 2019.

PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, Queensland 4000

Postal Address
GPO Box 1144
Brisbane, Queensland 4001

Tel +61 7 3222 8444
Fax +61 7 3221 7779
www.pitcher.com.au
info@pitcherpartners.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Mastermyne Group Limited,

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mastermyne Group Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mastermyne Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Pitcher Partners

PITCHER PARTNERS

J. Evans

J J EVANS
Partner

Brisbane, Queensland
19 February 2019

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated statement of financial position

As at 31 December 2018

In thousands of AUD	*Note*	31 Dec 2018	30 Jun 2018
Assets			
Cash and cash equivalents	*7*	3,970	1
Trade and other receivables		39,281	43,427
Inventories		3,174	2,973
Current tax assets		699	-
Total current assets		47,124	46,401
Deferred tax assets	*6(a)*	6,789	8,791
Property, plant and equipment		21,009	21,053
Intangible assets		6,679	6,748
Total non-current assets		34,477	36,592
Total assets		81,601	82,993
Liabilities			
Bank overdraft	*7*	-	521
Trade and other payables		16,791	19,024
Loans and borrowings		1,500	3,000
Employee benefits		6,283	5,235
Current tax liability		-	1,248
Total current liabilities		24,574	29,028
Employee benefits		188	207
Total non-current liabilities		188	207
Total liabilities		24,762	29,235
Net assets		56,839	53,758
Equity			
Share capital	*8*	61,003	61,003
Reserves		(24,047)	(24,055)
Retained earnings		19,573	16,451
Total equity attributable to owners of the Company		56,529	53,399
Non-controlling interests		310	359
Total equity		56,839	53,758

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2018

In thousands of AUD	***Note***	**31 Dec 2018**	**31 Dec 2017**
Revenue	*5*	116,773	91,043
Other income		72	290
Contract disbursements		(21,103)	(17,846)
Personnel expenses		(83,548)	(64,240)
Office expenses		(2,426)	(2,175)
Depreciation and amortisation expense		(4,369)	(3,550)
Other expenses		(462)	(390)
Results from operating activities		4,937	3,132
Finance income		18	5
Finance expense		(337)	(335)
Net finance expense		(319)	(330)
Profit / (Loss) before income tax		4,618	2,802
Income tax benefit / (expense)	*6*	(1,457)	(999)
Profit / (Loss) for the period		3,161	1,803
Total comprehensive Profit / (Loss) for the period		3,161	1,803
Attributable to:			
Owners of the Company		3,057	1,754
Non-controlling interests		104	49
Profit / (Loss) for the period		3,161	1,803
Earnings per share			
Basic earnings per share (cents per share AUD)		3.0	1.7
Diluted earnings per share (cents per share AUD)		3.0	1.7

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated statement of changes in equity
For the six months ended 31 December 2018

In thousands of AUD	Attributable to owners of the Company						
	Share capital	**Retained earnings**	**Share-based payment reserve (Note 8)**	**Common control reserve**	**Total**	**Non-Controlling interests**	**Total equity**
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
Transfer of unvested share based payment transactions to equity	-	2,312	(2,312)	-	-	-	-
Share-based payment transactions	-	-	121	-	121	-	121
Distribution to non-controlling interest	-	-	-	-	-	(49)	(49)
Total contributions by and distributions to owners	5,769	2,312	(2,191)	-	5,890	(49)	5,841
Balance at 30 June 2018	60,904	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 profit for the period							
Profit for the period	-	3,057	-	-	3,057	104	3,161
Total comprehensive profit for the period	-	3,057	-	-	3,057	104	3,161
Transactions with owners recorded directly in equity							
Share options exercised	-	65	(65)	-	-		-
Share-based payment transactions	-	-	73	-	73	-	73
Distribution to non-controlling interest	-	-	-	-	-	(153)	(153)
Total contributions by and distributions to owners	-	65	8	-	73	(153)	(80)
Balance at 31 December 2018	61,003	19,573	190	(24,237)	56,529	310	56,839

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

Mastermyne Group Limited and its Controlled Entities

Condensed consolidated statement of cash flows

For the six months ended 31 December 2018

In thousands of AUD	***Note***	**31 Dec 2018**	**31 Dec 2017**
Cash flows from operating activities			
Cash receipts from customers		132,771	88,015
Cash paid to suppliers and employees		(120,650)	(87,302)
Cash generated from / (used in) operations		12,121	713
Interest paid		(337)	(335)
Interest received		18	5
Income tax paid		(1,402)	12
Net cash flows from operating activities	*9*	10,400	395
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	182
Acquisition of property, plant and equipment		(4,257)	(3,697)
Net cash flows from / (used in) investing activities		(4,257)	(3,515)
Cash flows from financing activities			
Proceeds from issue of share capital, net of issue costs		-	5,670
Repayment of borrowings		(1,500)	(5,000)
Distribution to non-controlling interest		(153)	-
Net cash flows from / (used in) financing activities		(1,653)	670
Net decrease in cash and cash equivalents		4,490	(2,450)
Cash and cash equivalents at beginning of period		(520)	(767)
Cash and cash equivalents at end of period	*7*	3,970	(3,217)

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

1 Reporting entity

Mastermyne Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 45 River Street, Mackay Qld 4740.

The interim financial statements of the Company as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at Level 1, 45 River Street Mackay or at www.mastermyne.com.au.

2 Basis of preparation

(a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* , the *Corporations Act 2001* , and IAS 34 *Interim Financial Reporting* .

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group for the year ended 30 June 2018.

The interim report was authorised for issue by the Board of Directors on 19 February 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

These interim financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of each entity in the Group.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 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 interim 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 6(a) – recoverability of deferred tax assets

Notes to the consolidated financial statements

For the six months ended 31 December 2018

3 Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

New and amended standards adopted by the Group

The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers with a date of initial application of 1 July 2018. Neither standard had a material impact on the consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contacts and Interpretation 13 Customer Loyalty Programmes.
AASB 15 did not have a significant impact on the Group's accounting policies.

AASB 9 Financial Instruments

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model for impairment of financial assets. The Group has reviewed the requirements of the 'expected credit loss' model and did not identify any material differences in the level of the required provision.

4 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 wide range of above-ground contracting services to industry sectors such as Ports, Resources, Industrial and Infrastructure. The divisions offerings include scaffolding and rigging, blast and paint, and training services.

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.

Notes to the consolidated financial statements (continued)

For the six months ended 31 December 2018

4 Segment information (continued)

Business Segments (continued)

	Mastermyne		Mastertec		Eliminations		Consolidated	
In thousands of AUD	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
External revenues	100,461	77,257	16,312	13,786	-	-	116,773	91,043
Intersegment revenue	-	-	441	247	(441)	(247)	441	247
Reportable segment revenue	100,461	77,257	16,753	14,033	(441)	(247)	117,214	91,290
Depreciation and amortisation	(3,967)	(3,142)	(435)	(426)	33	18	(4,369)	(3,550)
Net finance costs	11	(331)	4	1	-	-	(319)	(330)
Reportable Segment profit/(loss) before income tax	3,879	3,831	1,471	(468)	(312)	(37)	5,038	3,363

Reconciliations of reportable segment revenues and profit or loss

in thousands of AUD	31 Dec 2018	31 Dec 2017
Revenues		
Total revenue for reportable segments	117,214	91,290
Elimination of inter-segment revenue	(441)	(247)
Consolidated revenue	116,773	91,043
Profit or loss		
Total profit / (loss) for reportable segments	5,350	3,363
Elimination of inter-segment loss	(312)	(37)
Unallocated amounts: net corporate expenses	(420)	(524)
Consolidated profit / (loss) before income tax	4,618	2,802

5 Revenue from contracts with customers

Information regarding the disaggregation of the Company's revenues from contracts with customers is presented below.

	Mastermyne		**Mastertec**		**Total**	
In thousands of AUD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Product line						
Contracting revenue	94,192	71,871	13,322	8,228	107,514	80,099
Sale of goods	-	-	2,990	5,558	2,990	5,558
Machinery hire	6,269	5,386	-	-	6,269	5,386
Total revenue	100,461	77,257	16,312	13,786	116,773	91,043

6 Income tax expense

Numerical reconciliation between tax benefit and pre-tax accounting loss

In thousands of AUD	**31 Dec 2018**	**31 Dec 2017**
Profit / (Loss) for the period	3,161	1,803
Total income tax benefit	1,457	999
Profit / (Loss) before income tax	4,618	2,802
Income tax using the Group's statutory income tax rate of 30% (2018: 30%)	1,385	841
Non-deductible expenses		
Other	62	63
Tax offset for franked dividends	-	(24)
Under / (over) provision of previous year	10	119
Income tax benefit	1,457	999

6(a) As at 30 June 2018, the Group had revenue tax losses totalling $30.174 million which are available to offset against future taxable income. Together with assessable and deductible temporary differences, the net deferred tax asset at 30 June 2018 was $8.791 million. After operating profits incurred during the six months ended 31 December 2018, the net deferred tax asset associated with temporary differences and revenue tax losses is $6.789 million.

Notes to the consolidated financial statements (continued)

For the six months ended 31 December 2018

7 Cash and cash equivalents

In thousands of AUD	31 Dec 2018	30 Jun 2018
Bank balances		
Cash on hand	1	1
Cash at Bank	3,969	-
Cash and cash equivalents in the statement of financial position	3,970	1
Bank overdraft used for cash management purposes	-	(521)
Cash and cash equivalents in the statement of cash flows	3,970	(520)

8 Capital and reserves

Share Capital

	In thousands of AUD 31 Dec 2018	30 Jun 2018
Ordinary Shares - fully paid	$ 61,003	$ 61,003

	Number of Shares 31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
Balance at the beginning of the year	101,087,536	91,087,536	$ 61,003	$ 55,234
Placement 10,000,000 shares @ $0.60	-	10,000,000	$ -	$ 6,000
Share issue costs	-	-	$ -	$ (231)
Movement in performance rights	577,949	-	$ -	$ -
Balance at the end of the period	101,665,485	101,087,536	$ 61,003	$ 61,003

In September 2017 the Company undertook an equity raise. In total $6.0 million was raised to fund its ongoing activities.

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 10).

Dividends

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

9 Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	31 Dec 2018	31 Dec 2017
Cash flows from operating activities			
Profit / (Loss) for the period		3,161	1,803
Adjustments for:			
Depreciation		4,300	3,474
Amortisation of intangible assets		69	76
Loss / (Gain) on sale of property, plant and equipment		1	(184)
Share based payments		73	35
Net finance expense		319	330
Income tax expense / (benefit)		1,457	999
Operating profit before changes in working capital and provisions		9,380	6,533
Change in trade and other receivables		4,146	(11,474)
Change in inventories		(202)	73
Change in trade and other payables		(2,233)	3,495
Change in provisions and employee benefits		1,030	2,086
		12,121	713
Interest paid		(337)	(335)
Interest received		18	5
Income taxes paid		(1,402)	12
Net cash flow from operating activities		10,400	395

10 Share-based payments

During the period 577,949 performance rights were converted into ordinary shares of the Company. The Group incurred $73,000 in expenses relating to share based payments during the period (31 Dec 17: $34,000).

11 Subsequent events

There has not arisen in the interval between 31 December 2018 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Mastermyne Group Limited and its Controlled Entities

Directors' declaration

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

1. the financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six months ended on that date; and

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

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

Signed in accordance with a resolution of directors.

C. Bloomfield
Chairman

Dated at Brisbane this 19th day of February 2019.

PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, Queensland 4000

Postal Address
GPO Box 1144
Brisbane, Queensland 4001

Tel +61 7 3222 8444
Fax +61 7 3221 7779
www.pitcher.com.au
info@pitcherpartners.com.au

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

Auditor's Independence Declaration

To the Directors of Mastermyne Group Limited

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001;* and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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

Pitcher Partners

PITCHER PARTNERS

J. Evans

J J EVANS
Partner

Brisbane, Queensland
19 February 2019