

APPENDIX 4E PRELIMINARY FINAL REPORT

MASTERMYNE GROUP LIMITED
ABN 96 142 490 579

Reporting period: Financial year ended 30 June 2017

Previous Corresponding period: Financial year ended 30 June 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2017 \$'000	2016 \$'000	Change \$'000	Change %
Revenue from Ordinary Activities	124,162	168,434	(44,272)	(26.3%)
Profit for the year attributable to equity holders of the parent	(2,012)	(13,156)	11,144	84.7%

DIVIDENDS

DIVIDEND	Record Date	Payment Date	Amount per Security	Franked Amount per Security
Final Dividend for year ended 30 June 2017	N/A	N/A	Nil	Nil
Final Dividend for year ended 30 June 2016	N/A	N/A	Nil	Nil

FINANCIAL RESULTS

Results

Mastermyne Group Limited and its controlled subsidiaries recorded a loss after tax of \$2.110 million for the full year ended 30 June 2017 (2016: loss after tax of \$13.186 million).

The current year result included the negative impact of expenses associated with the Board's decision to exit workshops. Incurred predominantly in the second half of the financial year, the pre-tax impact of these expenses on the current year's result is summarised below, and indicates the improvement in the Group's underlying profit in the second half of the financial year:

	1H17	2H17	FY17
Loss before income tax	(2.001)	(0.880)	(2.881)
Impairment of workshop plant and equipment		0.664	0.664
Loss on sale of plant and equipment	0.154	0.071	0.225
Write-down of workshop inventories		0.428	0.428
Underlying profit/(loss) before income tax	(1.847)	0.283	(1.564)

FY17 revenue was \$124.162 million, a decrease of 26% on the previous corresponding period. The reduction is primarily attributed to run off of contracts in the mining division, specifically the completion of the Grosvenor Civils project (\$7 million) and the run off of the Grosvenor Development & Umbrella contract (\$28 million). Also impacting revenue was the closure of the loss making Mastertec workshops (\$8 million) and the finalisation of various smaller Mining contracts (\$7 million). However, late in the first half of FY17 the Group experienced a significant increase in tender activity on the back of improved coal markets. This has translated into an increase in second half revenue through both increased scope on existing contracts and the award of the Peabody Wambo Roadway Development contract which started in April 2017.

Balance Sheet and Cash Flows

The overall cash position at 30 June 2017 resulted in a net decrease in cash and cash equivalents of \$2.603 million. The reduction was a result of an increase in capital expenditure to overhaul the Group's Mining Equipment Fleet for new contracts and for placement at existing sites. The cash flow movements were as follows:

- net cash inflows from operating activities for the full-year ended 30 June 2017 of \$5.452 million (full-year ended 30 June 2016: inflows of \$0.381 million);
- net cash outflows from investing activities for the full-year ended 30 June 2017 of \$4.309 million (full-year ended 30 June 2016: outflows of \$1.994 million);
- net cash outflows from financing activities for the full-year ended 30 June 2017 of \$3.746 million (full-year ended 30 June 2016: outflows of \$5.274 million).

The net assets of the Group decreased by \$2.104 million to \$42.329 million with the decrease as a result of the loss for the full year ended 30 June 2017.

The Group maintains sufficient headroom in its current bank facilities with a recent restructure of the facility to provide additional working capital to support the growth that Mastermyne is currently experiencing. Under the new Deed, Mastermyne has increased the amount of its existing bank facilities from \$15.25 million to \$17.75 million as at 30 June 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

In thousands of AUD

	2017	2016
Revenue	124,162	168,434
Other income	158	257
Contract disbursements	(27,504)	(35,612)
Personnel expenses	(86,527)	(120,866)
Office expenses	(4,159)	(7,672)
Depreciation and amortisation expense	(6,433)	(7,562)
Impairment loss	(664)	(7,999)
Other expenses	(1,360)	(3,173)
Results from operating activities	<u>(2,327)</u>	<u>(14,193)</u>
Finance income	22	59
Finance expense	(576)	(907)
Net finance expense	<u>(554)</u>	<u>(848)</u>
Loss before income tax	(2,881)	(15,041)
Income tax benefit	771	1,855
Loss for the year	<u>(2,110)</u>	<u>(13,186)</u>
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	<u>(2,110)</u>	<u>(13,186)</u>
Attributable to:		
Owners of the Company	(2,012)	(13,156)
Non-controlling interests	(98)	(30)
Loss for the year	<u>(2,110)</u>	<u>(13,186)</u>
Earnings per share		
Basic earnings per share (AUD)	<u>(0.02)</u>	<u>(0.14)</u>
Diluted earnings per share (AUD)	<u>(0.02)</u>	<u>(0.14)</u>

Please refer to the annual financial statements lodged with the ASX on 15 August 2017 for the notes to the consolidated statement of profit or loss and other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

In thousands of AUD

	2017	2016
Assets		
Cash and cash equivalents	1	1,836
Trade and other receivables	29,454	29,084
Inventories	2,684	3,408
Current tax assets	202	226
Total current assets	<u>32,341</u>	<u>34,554</u>
Deferred tax assets	9,285	8,579
Property, plant and equipment	18,745	21,540
Intangible assets	6,894	7,089
Total non-current assets	<u>34,924</u>	<u>37,208</u>
Total assets	<u>67,265</u>	<u>71,762</u>
Liabilities		
Bank overdraft	768	-
Trade and other payables	11,392	11,039
Loans and borrowings	6,250	3,543
Employee benefits	3,388	3,237
Total current liabilities	<u>21,798</u>	<u>17,819</u>
Loans and borrowings	3,000	9,408
Employee benefits	138	102
Total non-current liabilities	<u>3,138</u>	<u>9,510</u>
Total liabilities	<u>24,936</u>	<u>27,329</u>
Net assets	<u>42,329</u>	<u>44,433</u>
Equity		
Share capital	55,234	55,234
Reserves	(21,864)	(21,915)
Retained earnings	8,704	10,716
Total equity attributable to equity holders of the Company	<u>42,074</u>	<u>44,035</u>
Non-controlling interests	<u>255</u>	<u>398</u>
Total equity	<u>42,329</u>	<u>44,433</u>

Please refer to the annual financial statements lodged with the ASX on 15 August 2017 for the notes to the consolidated statement of financial position.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2017

In thousands of AUD

	2017	2016
Cash flows from operating activities		
Cash receipts from customers	136,299	204,277
Cash paid to suppliers and employees	(130,363)	(203,443)
Cash generated from operations	5,936	834
Interest paid	(576)	(907)
Income tax received	92	454
Net cash flows from operating activities	5,452	381
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	981	418
Acquisition of property, plant and equipment	(5,312)	(2,244)
Acquisition of intangibles	-	(227)
Interest received	22	59
Net cash flows used in investing activities	(4,309)	(1,994)
Cash flows from financing activities		
Repayment of borrowings	(3,701)	(4,363)
Distribution to non-controlling interest	(45)	-
Dividends paid	-	(911)
Net cash flows used in financing activities	(3,746)	(5,274)
Net decrease in cash and cash equivalents	(2,603)	(6,887)
Cash and cash equivalents at beginning of year	1,836	8,723
Cash and cash equivalents at end of year	(767)	1,836

Please refer to the annual financial statements lodged with the ASX on 15 August 2017 for the notes to the consolidated cash flow statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

In thousands of AUD

	Attributable to owners of the Company				Total	Non-Controlling interests	Total
	Share capital	Retained earnings	Share-based payment reserve (note 20)	Common Control Reserve (note 20)			
Balance at 1 July 2015	55,234	24,783	2,293	(24,237)	58,073	428	58,501
Total comprehensive income for the year							
Loss for the year	-	(13,156)	-	-	(13,156)	(30)	(13,186)
Total comprehensive income for the year	-	(13,156)	-	-	(13,156)	(30)	(13,186)
Transactions with owners recorded directly in equity							
Share-based payment transactions	-	-	29	-	29	-	29
Dividends to equity holders	-	(911)	-	-	(911)	-	(911)
Total contributions by and distributions to owners	-	(911)	29	-	(882)	-	(882)
Balance at 30 June 2016	55,234	10,716	2,322	(24,237)	44,035	398	44,433
Balance at 1 July 2016	55,234	10,716	2,322	(24,237)	44,035	398	44,433
Total comprehensive income for the year							
Loss for the year	-	(2,012)	-	-	(2,012)	(98)	(2,110)
Total comprehensive income for the year	-	(2,012)	-	-	(2,012)	(98)	(2,110)
Transactions with owners recorded directly in equity							
Share-based payment transactions	-	-	51	-	51	-	51
Distribution to non-controlling interest	-	-	-	-	-	(45)	(45)
Total contributions by and distributions to owners	-	-	51	-	51	(45)	6
Balance at 30 June 2017	55,234	8,704	2,373	(24,237)	42,074	255	42,329

Please refer to the annual financial statements lodged with the ASX on 15 August 2017 for the notes to the consolidated statement of changes in equity.

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EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of \$2,012 thousand (2016: \$13,156 thousand) and a weighted average number of ordinary shares outstanding of 91,088 thousand (2015: 83,580 thousand), calculated as follows:

Loss attributable to ordinary shareholders

In thousands of AUD

	2017	2016
Loss attributable to ordinary shareholders	(2,012)	(13,156)

Weighted average number of ordinary shares

In thousands of shares

	2017	2016
Issued ordinary shares at 1 July	91,088	91,088
Weighted average number of ordinary shares at 30 June	<u>91,088</u>	<u>91,088</u>

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of \$2,012 thousand (2016: \$13,156 thousand) and a weighted average number of ordinary shares outstanding of 91,088 thousand (2016: 91,088 thousand), calculated as follows:

Loss attributable to ordinary shareholders (diluted)

In thousands of AUD

	2017	2016
Loss attributable to ordinary shareholders	(2,012)	(13,156)

Weighted average number of ordinary shares (diluted)

In thousands of shares

	2017	2016
Weighted average number of ordinary shares (basic)	91,088	91,088
Weighted average number of ordinary shares (diluted) at 30 June	<u>91,088</u>	<u>91,088</u>

NET TANGIBLE ASSET BACKING

	2017	2016
Net tangible assets per ordinary share (dollars per share)	0.39	0.41

Business Segments

<i>In thousands of AUD</i>	Mastermyne		Mastertec		Consolidated	
	2017	2016	2017	2016	2017	2016
External revenues	92,390	130,585	31,772	37,849	124,162	168,434
Intersegment revenue	10	73	979	2,564	989	2,637
Reportable segment revenue	92,400	130,658	32,751	40,413	125,151	171,071
Depreciation and amortisation	(5,414)	(6,086)	(1,058)	(1,485)	(6,472)	(7,571)
Net finance costs	(556)	(856)	2	8	(554)	(848)
Impairment loss on goodwill	-	-	-	(7,999)	-	(7,999)
Impairment loss on non-financial assets	-	-	(664)	-	(664)	-
Inventory write-down	-	-	(428)	-	(428)	-
Reportable Segment profit/(loss) before income tax	888	2,040	(2,939)	(16,335)	(2,051)	(14,295)
Segment assets	45,949	45,303	22,548	27,714	68,497	73,017
Capital expenditure	5,197	1,113	114	1,132	5,311	2,245
Segment liabilities	(25,805)	(22,067)	(8,196)	(12,194)	(34,001)	(34,261)

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

<i>in thousands of AUD</i>	2017	2016
Revenues		
Total revenue for reportable segments	125,150	171,071
Elimination of inter-segment revenue	(989)	(2,637)
Consolidated revenue	124,161	168,434
Profit or loss		
Total loss for reportable segments	(2,051)	(14,295)
Elimination of inter-segment profits	-	-
Unallocated amounts: net corporate expenses	(830)	(746)
Consolidated loss before income tax	(2,881)	(15,041)
Assets		
Total assets for reportable segments	68,497	73,017
Other assets	398	719
Representation of segment liabilities	(10,979)	(8,640)
Unallocated amounts: corporate tax asset	9,348	6,666
Consolidated total assets	67,264	71,762
Liabilities		
Total liabilities for reportable segments	(34,001)	(34,261)
Other liabilities	(1,913)	(1,708)
Representation of segment liabilities	10,979	8,640
Consolidated total liabilities	(24,935)	(27,329)

CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities that control was gained during the period that had a material effect.

LOSS OF CONTROL OF ENTITIES HAVING A MATERIAL EFFECT

There were no entities or group of entities that control was lost during the period that had a material effect.

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.

ANNUAL GENERAL MEETING

The details of the Annual General Meeting are as follows:

Place: MACKAY QLD 4740

Date: 21 November 2017

Time: 11.00am