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**mastermyne**

**stronger values. greater results.**

**ANNUAL REPORT**

**2021**



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## CHAIRMAN'S REPORT

### Dear Shareholder

Thank you for taking the time to read our annual report on an unprecedented year marked by the COVID-19 pandemic which extensively disrupted life and business throughout the period. While, in the main, operations were able to continue without major disruption, markets were significantly affected. The pandemic was only part of this story with Australian coal exports being impacted by Chinese Government policy on the import of Australian goods. Prices for metallurgical coal exports were disproportionately affected, until markets rebalanced, which put additional pressure on many of our clients. Major operational interruptions at two of our client mines added to this pressure.

In this environment, the Mastermyne focus was on those factors squarely within our control: safely running efficient operations, working closely with clients to improve their outcomes, and managing our own costs to ensure financial strength. The net result of this was a solid profit result and dividends to our shareholders in a period of severely depressed metallurgical coal prices. The result is a great testament to the strong leadership of Tony Caruso and our outstanding leadership group, plus the hundreds of committed employees of Mastermyne.

Throughout the period we continued to pursue our strategic priorities knowing that the market would at some point return to a position of relative strength. The Board did not hesitate to invest counter-cyclically when the opportunity emerged to purchase four second hand continuous miners. Maintaining a strong balance sheet has meant we can capture opportunities like these in leaner times. We continued to invest in the training and development of our people with well over twenty five percent of our workforce undertaking personal development or leadership training. These people will ultimately fill leadership roles as our workforce expands in better times. We also maintained a strong mine feasibility study team helping potential clients understand their coal leases and progress their feasibility work.

These initiatives have delivered success with the award of a six year contract to operate the Crinum Mine on behalf of Sojitz Blue. This contract marks the culmination of a multi-year strategy to become a mine operator which will deliver more visibility and stability to our order book. After year end we announced that we will also operate Cook Colliery on behalf of QCoal adding another similar size mine operation to our order book once contracts are finalised. These contracts will transform our company and expand our revenue base.

The Company continues to pursue opportunities in the adjacent underground hard rock sector where we believe our operational capability and financial discipline will be well suited. We made key appointments at a leadership level with people deeply experienced in the sector. Subsequently, the company has begun to participate in tender processes and we are confident that we will capture work in the not too distant future.

All of these initiatives are designed to deliver a more diversified and growth orientated order book that will underpin our financial strength and returns to shareholders in the years to come. I hope you enjoy reading our Annual Report and I welcome your feedback at any time.



COL BLOOMFIELD

## MANAGING DIRECTOR'S REPORT



### Dear Shareholder

FY2021 has been a pivotal year for the business as it marks a turning point to what will be a materially different business moving forward. This year we have secured the first Mine Operations Contracts at Crinum Mine which forwards us a very strong outlook and increases our order book to a record \$1.1 billion. In addition to the Crinum Contract we have announced a second Mine Operations Contract where work has commenced through an early works contract. Whilst we are still to finalise the long-term mining contract for this project we are confident this will be successfully executed and will further increase our record order.

The successful onboarding of the Mine Operations Contracts creates a material change to our business make up and revenue streams and will provide long term, repeatable revenue which can increase the margins across the business. This augments well with our traditional Contracting revenue and the revenue generated from our Other Services in Wilson Mining and the MyneSight RTO businesses. When rounded out with our organic expansion into the adjacent underground Metalliferous sector it creates a strong diverse business with a strong outlook moving forward.

We finished the FY21 year with many highlights despite some challenges from low coal prices in the earlier stages of the year along with the temporary closures of the Grosvenor and Moranbah North underground mines. Pleasingly we have seen coal prices recover quite strongly and join the strong performance of commodity prices more broadly. Also both Grosvenor and Moranbah North mines are now back in full production.

Of the operational highlights for FY21 I would like to make particular mention of our safety performance which has been our best on record. Our ability to work safely is viewed as our license to operate and we are very pleased to have delivered this excellent result, the culmination of many years of good work in this area by the business. We have worked diligently to develop robust systems to underpin our safety approach which ensures the high levels of compliance needed to operate in this industry. We have also worked on supporting our approach through strong safety leadership which influences good safety behaviour, and over the past few years we have made good progress in the area of psychological safety. Our performance this year speaks to the continuing maturity of our business and being confident that we are managing the changing risk profile in our business as we move into the Mine Operations Contracts and the Hard Rock sector.

Our investment in learning and development has also been a highlight this year and we have seen significant effort channelled into growing the skills of our people in preparation for the growth pipeline we have in front of us. There has been increasing media around the impact of resources shortages across many industries and the work Mastermyne has done to develop a pipeline of skilled people from within the business has set us up to successfully navigate and mitigate these challenges. Similarly we have expanded our management capability and support systems in readiness for the growth we will deliver in FY22. We recognise the increased requirements to support our Mine Operations Projects and whilst much of this support will be provided directly from the site, we have invested in management capability and systems to support a larger and more complex order book.

Alongside the people investment has been the strategic investment in mining equipment for our Mine Operations Contracts. We have been strategic in acquiring the right equipment through the low point of the cycle ensuring we have the equipment needed to successfully execute our projects. Having located and acquired this equipment isolates the projects from equipment availability issues and extended lead times.

In further recognition of our increased order book and subsequent resourcing requirements we have taken the opportunity to acquire full ownership and control of the MyneSight RTO business. This will play a strategic part in managing workforce compliance on our projects and enables the Business to use this in-house resource to on board and train people through a managed pathway on to our projects. These pathways are underpinned by our underground simulators which deliver people into the projects under a nationally accredited framework. Maintaining this pipeline of people into our projects will

be beneficial in ensuring we have the right resources in the right place at the right time as we ramp up to fulfil the growth we have secured in FY22.

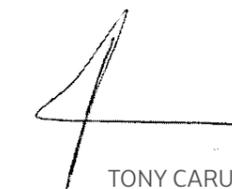
Our financial results this year were in line with guidance and given the headwinds faced through the year we were pleased with our revenue and margins. Our highlight was the strong \$24 million cash at bank position at the year end and this was the result of excellent operating discipline but also reinforces the strong cash generating business model that the Mastermyne business delivers year on year. With only a small amount of debt we finish the year with a net cash position of \$19m which will contribute to the funding of our growth in FY22 but also allows the Company to maintain its approach to dividends through the continuation of half and full year dividends to shareholders.

With FY21 now behind us our key message to shareholders is that we are in great shape moving into FY22. We have executed on our strategy to deliver a Mine Operations revenue stream and we are progressing well with expansion in to the adjacent underground hard rock sector. This combined with our Contracting and Other Services makes us a different business moving forward and we continue to see opportunities coming through in all of these areas.

We have used the FY21 year to set up the organisation to successfully deliver on the strong order book that we have secured. From investing in our people, to developing systems and sourcing the right equipment, we have set ourselves up to deliver our projects on time, on budget, productively and most importantly safely. We have built a long term, high quality order book of \$1.1 billion supported by a significant pipeline of further opportunities including expansion into adjacent sectors. Our order book is already at a record high and will be further bolstered with the inclusion of the second Mine Operations Contract.

Through strong operational discipline we have ended the year in a strong cash position and we will continue with strong cash conversion in FY22 which will be used to fund our growth and to continue to support the payment of dividends to our shareholders. With 85% of our FY22 revenue guidance locked in we are starting the year in great shape.

Our FY21 results and our FY22 outlook is the combination of great work by everyone across the Mastermyne business. I would like to take this opportunity to thank all our people and our board for their valued contribution to this year's results. I would also like to thank you, our shareholders, who continue to support the business and its direction. We look forward to another excellent year and converting the strong order book and other opportunities that are ahead of us.



TONY CARUSO

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# DELIVERING STRONG SAFETY AND OPERATIONAL PERFORMANCE

## Safety

Excellent Safety Performance with best TRIFR result since the company formed

**4.96**

## Learning & Development

We strongly invested in developing the capability of our people which sets us up for growth

**70/20/10**

## Order Book

\$250m of revenue booked to be delivered in FY22

**\$1.1b**

## Mine Operations

Contract executed (6.5 years, \$600 - \$660m revenue)

**Crinum Mine Contract**

## 2<sup>nd</sup> Mine Operations Announcement

Cook Colliery Mine Operation also announced post year end, with early works commenced

**Cook Colliery**

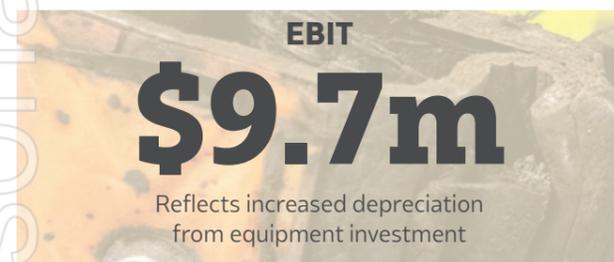
## Net Cash

Maintained strong balance sheet. Cash position of \$24.4m as at 30 June 2021

**\$19.3m**

# FINANCIAL SUMMARY

## STRONG RESULT DESPITE PRICE CYCLE HEADWINDS



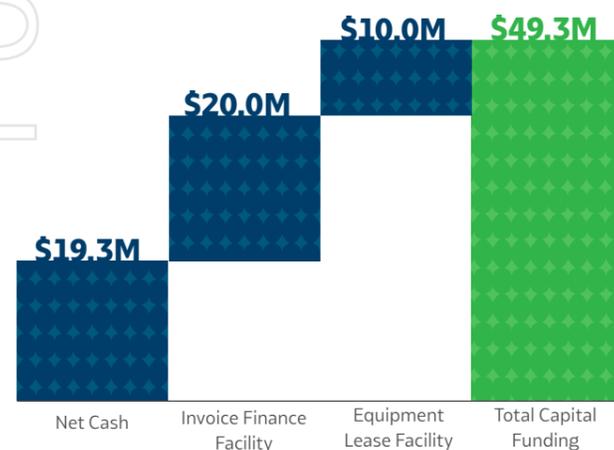
### STRATEGIC INVESTMENT

► Invested in acquiring equipment for mine services contracts along with investment in key personnel for hard rock diversification

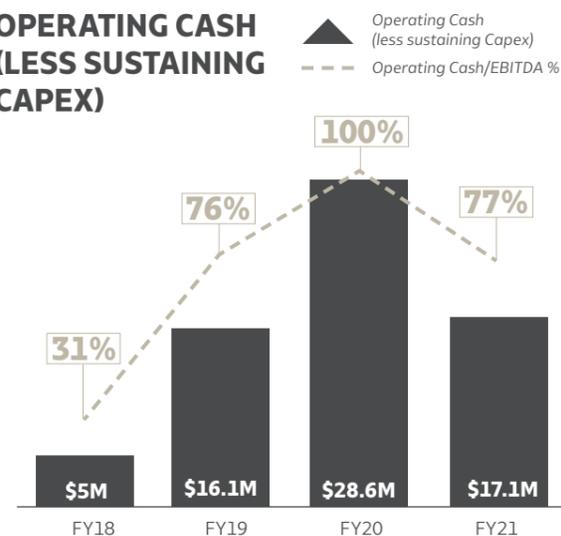
### MET COAL PRICES IMPROVE

► Coal price H2 95% higher than H1 From ~\$US 100/t to ~\$US195 at financial year end (currently at ~\$US 220/t)

### TOTAL CAPITAL FUNDING AVAILABILITY



### OPERATING CASH (LESS SUSTAINING CAPEX)



## CASH AT BANK AND UNDRAWN FACILITIES WILL FUND GROWTH



## FINANCIAL SUMMARY

### FY21 PROFIT AND LOSS STATEMENT

Year ended 30 June 2021	FY21	FY20
Total Revenue	\$233.1m	\$292.7m
EBITDA	\$22.3m	\$28.6m
EBITDA %	9.6%	9.8%
EBIT	\$9.8m	\$17.6m
Statutory profit/(loss) before tax	\$8.7m	\$16.8m
Tax benefit/(expense)	(\$2.8m)	(\$5.1m)
Statutory profit/(loss) after tax	\$5.5m	\$11.7m
EPS (cents)	5.5c	11.0c

### FY21 BALANCE SHEET

#### ASSETS

Year ended 30 June 2021 \$AUD millions	FY21	FY20
<b>Assets</b>		
Cash and cash equivalents	24.4	25.4
Trade and other receivables	40.4	49.1
Contract assets	1.2	-
Inventories	6.4	6.3
<b>Total current assets</b>	<b>72.4</b>	<b>80.7</b>
Deferred tax assets	7.5	7.9
Property, plant and equipment	23.0	22.4
Right-of-use assets	14.0	14.5
Intangible assets	12.3	12.2
<b>Total non-current assets</b>	<b>56.8</b>	<b>57.0</b>
<b>Total assets</b>	<b>129.2</b>	<b>137.7</b>

#### LIABILITIES

Year ended 30 June 2021 \$AUD millions	FY21	FY20
<b>Liabilities</b>		
Trade and other payables	24.4	34.1
Contract liabilities	0.2	-
Lease liabilities	4.7	4.9
Employee benefits	11.9	10.0
Current tax liability	1.0	1.6
Other liabilities	1.9	-
<b>Total current liabilities</b>	<b>44.2</b>	<b>50.6</b>
Lease liabilities	7.9	9.1
Employee benefits	0.1	0.2
Other liabilities	1.9	3.9
<b>Total non-current liabilities</b>	<b>9.9</b>	<b>13.2</b>
<b>Total liabilities</b>	<b>54.0</b>	<b>63.8</b>
<b>Net assets</b>	<b>75.2</b>	<b>73.9</b>

### FY21 CASH FLOW

Year ended 30 June 2021 \$AUD millions	FY21	FY20
<b>EBITDA (Statutory)</b>	<b>22.3</b>	<b>28.6</b>
Movements in working capital	(0.4)	8.2
Non-cash items	0.5	0.3
Net interest costs	(1.1)	(0.8)
Income tax receipts/ (payments)	(3.0)	(5.5)
<b>Net Operating Cash Flow</b>	<b>18.3</b>	<b>30.8</b>
Net capex (including intangibles)	(7.9)	(8.8)
Net borrowings/ (repayments)	(6.3)	(3.1)
Wilson Mining Acquisition	-	(3.8)
Acquisition of NCI interest	(0.4)	-
<b>Free Cash Flow</b>	<b>3.7</b>	<b>15.1</b>
Distribution to minority ownership	(0.2)	-
Dividends	(4.5)	(6.1)
<b>Net increase/(decrease) in cash and equivalents</b>	<b>(1.0)</b>	<b>9.0</b>
Cash and cash equivalents at beginning of period	25.4	16.4
Cash and cash equivalents at end of period	24.4	25.4

## HEALTH, SAFETY, ENVIRONMENT AND QUALITY

### COMPANY BEST PERFORMANCE

# TRIFR AT 4.96

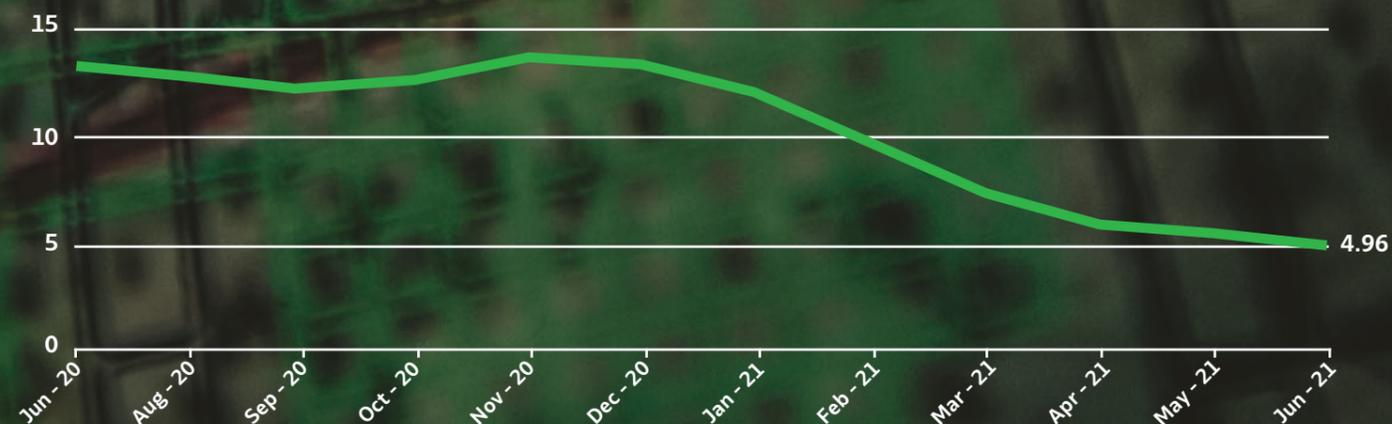
HEALTH & SAFETY APPROACH IS BUILT AROUND STRONG PSYCHOLOGICAL SAFETY PRINCIPLES WHICH IS MAKING THE DIFFERENCE

CONTINUING OUR JOURNEY TOWARDS BECOMING A RECOGNISABLE HIGH RELIABILITY ORGANISATION (HRO)

MANAGING THE CHANGED RISK PROFILE WITH THE APPOINTMENT TO COAL MINE OPERATOR

MAINTAINED CERTIFICATION (AS14001, AS45001, AS9001) ACROSS THE MASTERMYNE GROUP ACCREDITATION REGIME

### MASTERMYNE TRIFR (TOTAL RECORDABLE INJURY FREQUENCY RATE)



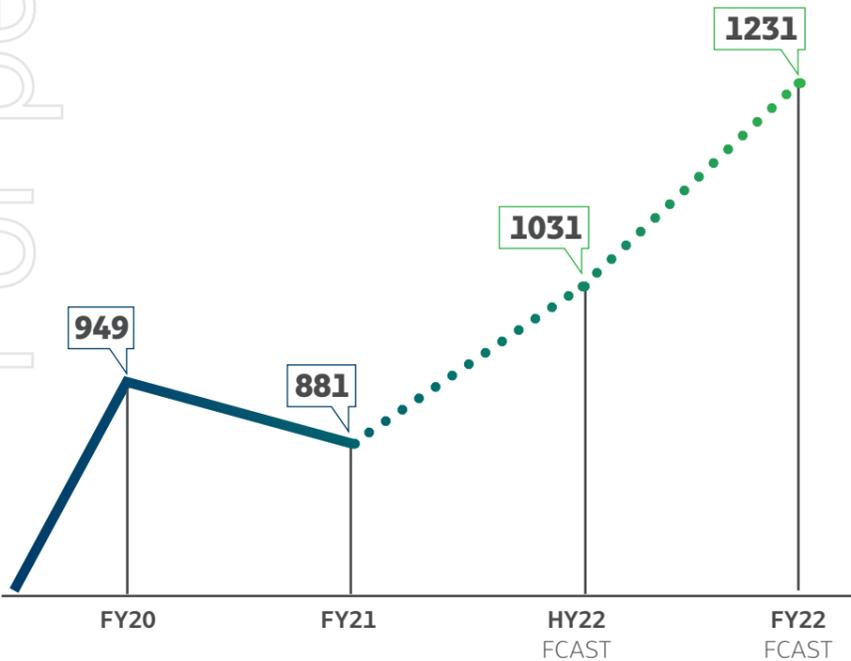
PEOPLE

INVESTING IN OUR PEOPLE DEVELOPMENT AND SOURCING THE RIGHT EQUIPMENT

- ▶ Expanded management team in place in readiness for Mine Operations contracts at Crinum and Cook
- ▶ Investment in our people through our 70/20/10 Rule of Thumb for Development
- ▶ Significant investment in Asset Lifecycle Management to manage larger more complex fleet of production equipment
- ▶ Additional Management Systems implemented to support mine operations contract
- ▶ Significant investment on internal people development 70/20/10
- ▶ Large fleet of bespoke equipment acquired through the low point of the cycle
- ▶ Acquired full ownership of Mynesight RTO business to support training and onboarding of workforces



FY21 WORKFORCE NUMBERS



14

completed Diploma Project Management

223

completed MasterMe Brain Science Program

12

completing Mastermyne Deputy Program

50

completing Cert II and III Nationally Accredited Programs

81

participate in Finance, HR/IR & Commercial Masterclass's

TAILORED AND DELIVERED BY INTERNAL RESOURCES

GROUNDED BY NEUROSCIENCE APPROACH

COMMITMENT TO GROW OUR OWN

HUMAN CENTRIC CULTURE



## MINE OPERATIONS AND HARD ROCK CHANGE THE OUTLOOK OF THE BUSINESS

### MINE OPERATIONS

FY22 \$80M  
FY23 AND  
BEYOND  
\$150M+

Brings a material shift around control of projects

Shifts MYE in the value chain to become a strategic partner for the mine owner

Our Order Book now provides longer term visibility and stability in earnings and profit

Multiple large-scale contracts bring revenue diversity and de risks financial outcomes

Contract Mining provides the opportunity to materially improve margins through performance

### CONTRACTING

HISTORICALLY  
RUNS AT  
BETWEEN  
\$200-\$300M PA

Operating for 25 years

Long standing tier 1 clients

Average 10+ year relationships

Contracts tied to production activities making them less likely to swith off

Commercially low risk contracts

Diversified client base all in the bottom quartile for production cost

+95% metallurgical coal projects

### HARD ROCK

BRINGS STRONG  
COMMODITY  
DIVERSIFICATION

Organically diversifying adjacent hard rock sector

Synergistic with Mastermyne contracting business

Focusing on East Coast market

Specialising in underground only

Progressing acquisition opportunities

### OTHER SERVICES

WILSON MINING  
AND MYNESIGHT

Wilson Mining specialist ground consolidation business providing niche services to the underground sector

Mynesight registered training organisation which provides internal services to Mastermyne and external services to a range of clients

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## OPERATIONS

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### CONTRACTING BUSINESS:

## CONTRACTING BUSINESS PERFORMED WELL DESPITE SOME HEADWINDS

- ▶ Challenging year stemming from low coal prices and temporary mine closures in Qld
- ▶ Anglo's Aquila Longwall Project has largely offset contraction on other projects for MYE
- ▶ First full year of operating Wilson Mining business with very strong results
- ▶ Acquired remaining shareholding in Mynesight RTO business and now taking full control
- ▶ Contracts extended on Integra, Broadmeadow, Moranbah North Chemicals and Tahmoor
- ▶ Labour market for underground coal remains stable with no major resourcing issues to date

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## OPERATIONS

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### MINE OPERATIONS:

#### CRINUM MINE OPERATIONS CONTRACT

## EXECUTED WITH WORK ALREADY COMMENCED ON SITE

- ▶ Work on site commenced and tracking to schedule and budget
- ▶ First production coal to be delivered late HY2022
- ▶ Mastermyne capex requirement \$20m-\$25m over FY22 and FY23 funded from cash reserves and existing facilities
- ▶ Re-establishment works progressing on plan
- ▶ Key personnel engaged and in place with strong pipeline of candidates to build the workforce
- ▶ All equipment secured and currently undergoing overhauls in preparation for mining to commence early in H2

**CONTRACT EXECUTED FOR ~ 7 YEAR TERM TO RE-ESTABLISH AND OPERATE UNDERGROUND MINE AT CRINUM**

**TOTAL CONTRACT VALUE OF \$600-660 MILLION, DELIVERING \$80-\$100 MILLION ANNUAL REVENUE**

**180 FULL TIME PERSONNEL AT FULL PRODUCTION**

**11 MILLION TONNES OF ROM**



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## OPERATIONS

### MINE OPERATIONS:

# EARLY WORKS STARTED AND MINING CONTRACT BEING FINALISED

### SECOND MINE OPERATIONS CONTRACT ANNOUNCED AT COOK COLLIERY

- ▶ Located in Central Queensland producing high quality metallurgical coal
- ▶ Low risk approach through selective mining method and locations
- ▶ QCoal is a very experienced and well-regarded mining organisation currently operating high-quality assets across the Bowen Basin
- ▶ Stage 1 works have commenced to bring the operation out of care and maintenance and transitioning back into production
- ▶ In parallel to the Stage 1 works, the parties will finalise a Mining Services Contract with a commercial model commensurate with the risk profile
- ▶ Contract term expected to be similar to Crinum
- ▶ Key personnel engaged for Stage 1 from within MYE business supported by external recruitment
- ▶ Equipment will come largely from MYE fleet supported by new equipment purchased through OEM's

## OPERATIONS

### HARD ROCK DIVERSIFICATION:

# WE ARE CLEAR ON OUR DELIVERY STRATEGY

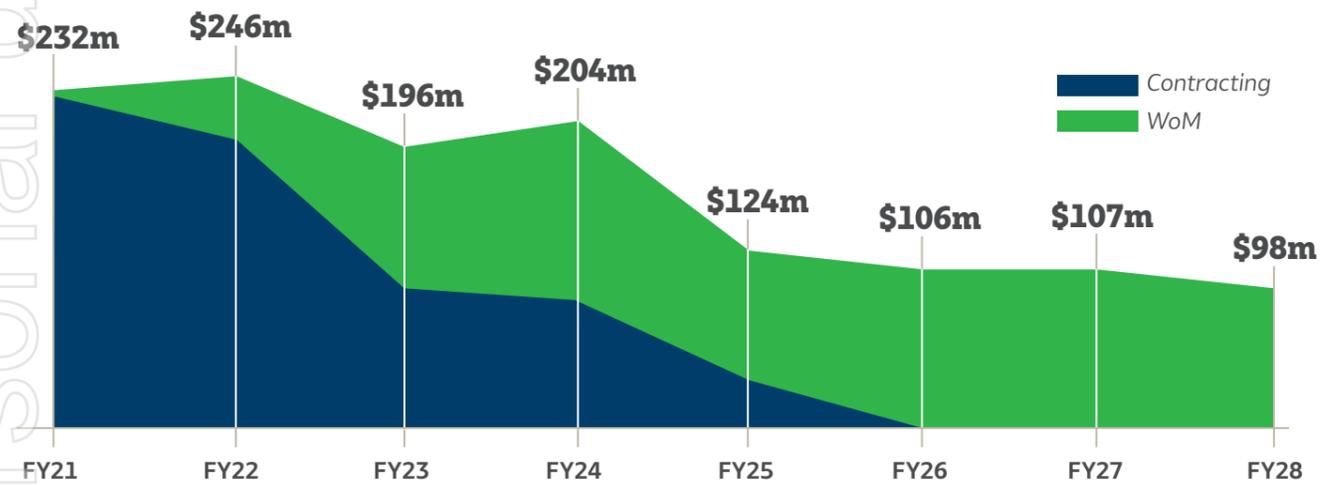
- ▶ Formed new business division for Mastermyne Hard Rock division
- ▶ Recruitment of key management roles is complete with candidates for other key positions now shortlisted
- ▶ Submitted tenders with aggregated value in excess of \$100 million
- ▶ Tendering pipeline has grown to >\$250 million
- ▶ Engaging with OEM's and key plant & equipment suppliers to form strategies to resource projects when secured
- ▶ Building a workforce database of suitable hard rock employees
- ▶ Acquisition strategy is being progressed in parallel with an organic strategy

# ORDER BOOK AND PIPELINE

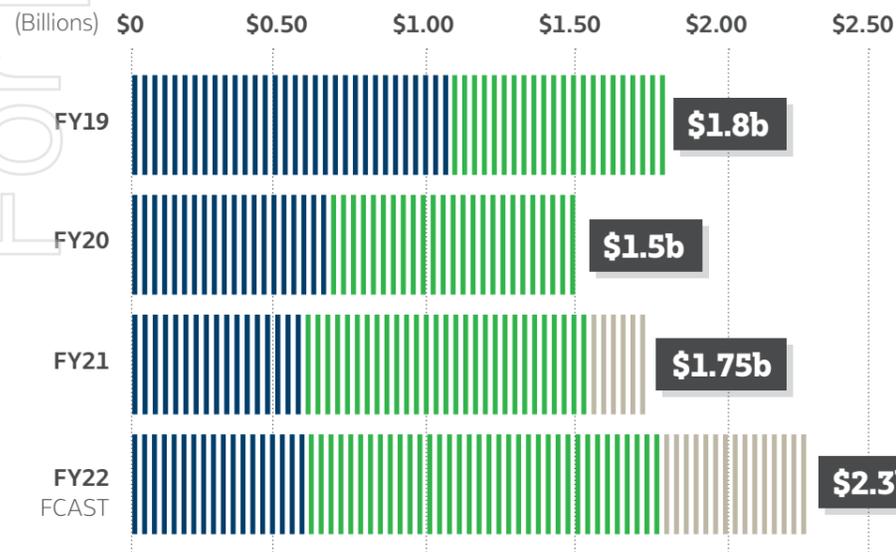
## BOOKED REVENUE IS WELL DIVERSIFIED AND AT RECORD HIGHS

- ▶ Booked revenue now stands at \$1.1b (excluding Cook which is being finalised)
- ▶ Contracting projects are all long mine life large scale longwall operations
- ▶ Contracting business has a long history of recurring contracts
- ▶ Contracts with long term Blue Chip customers with multiple years to run

### BOOKED REVENUE SPLIT (CONTRACTING VS MINE OPERATIONS)



### TENDER PIPELINE YR ON YR CHANGE

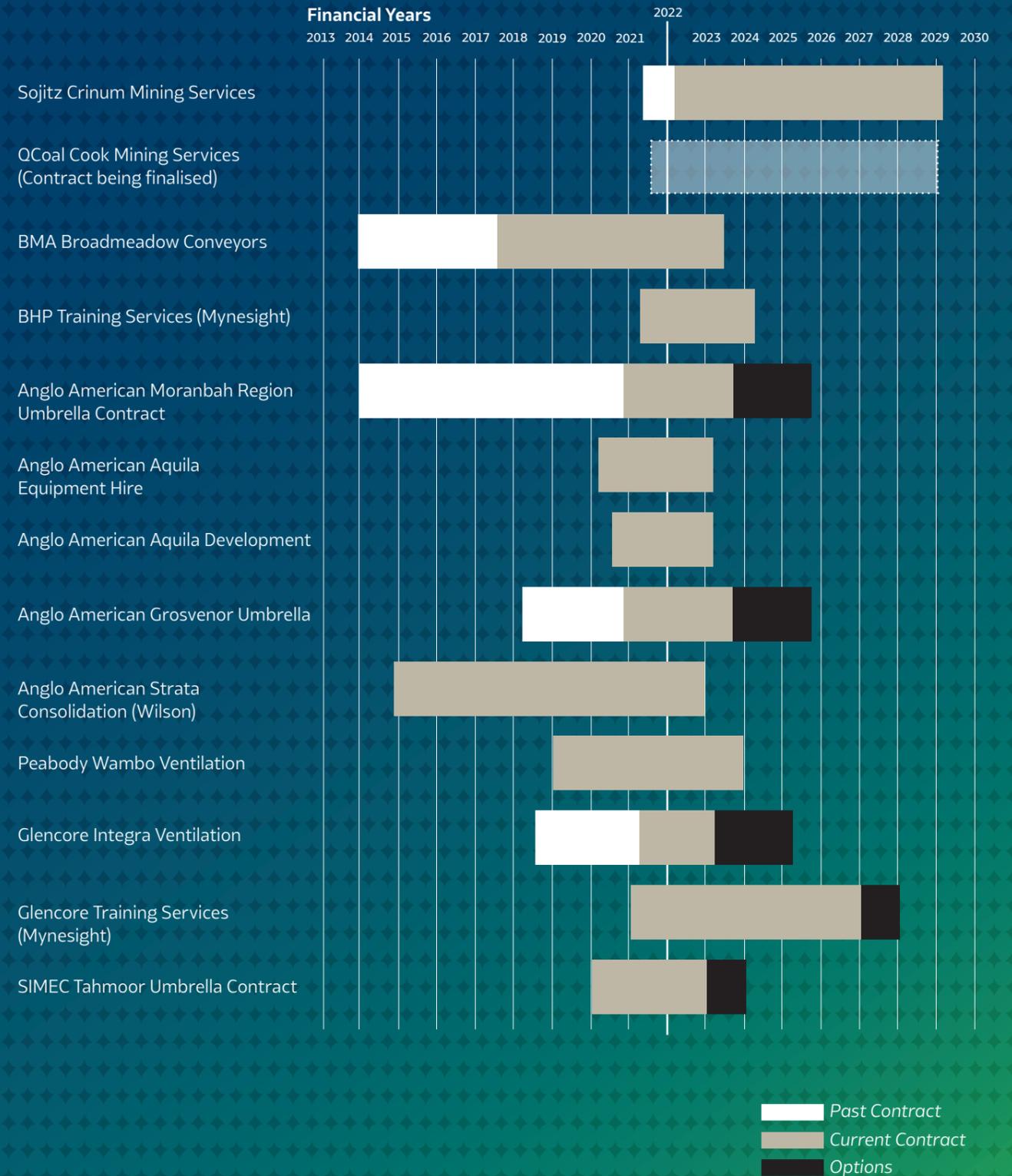


### DIVERSIFYING PIPELINE OF NEW WORK

- ▶ Hard rock pipeline continues to expand with the investment made by the company
- ▶ Further Bowen Basin mine operations opportunities progressing through feasibility studies



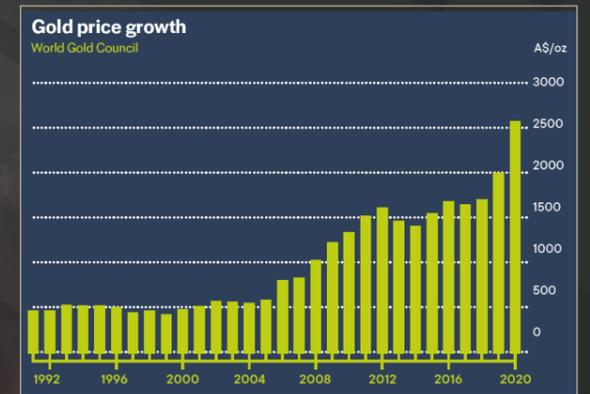
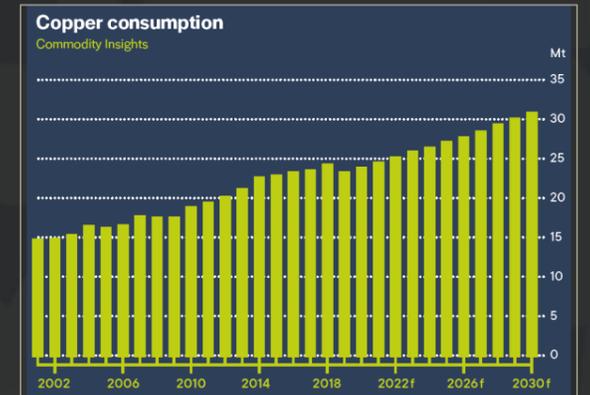
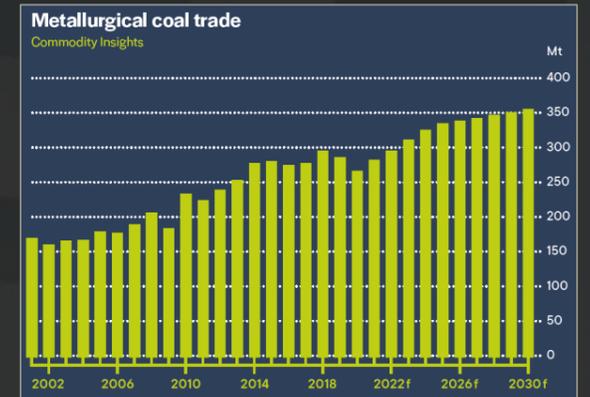
## BOOKED REVENUE TENURE





## RECOVERY HAS BEEN SUBSTANTIAL AND OUTLOOK IS POSITIVE

- ▶ Metallurgical coal prices have strengthened returning to historical averages moving from ~\$US 100/tonne to ~\$US 220/tonne since December
- ▶ Long term fundamentals are very strong for met coal (95%+ of Mastermyne revenue exposure)
- ▶ Currently no near term viable substitution for met coal in the steel making process
- ▶ Australia remains one of the lowest cost coal producers in the world
- ▶ Very few countries have suitable reserves of high quality met coal
- ▶ Asian steel demand forecasts remain robust
- ▶ 20 of Australia's 22 closest neighbours are developing nations and still have significant steel and power requirements
- ▶ MYE contracting revenue is supported by volumes exported more so than price
- ▶ Stronger pricing in key metals (copper, nickel and gold) driving increase volume in the pipeline



# CORPORATE OVERVIEW

## BOARD OF DIRECTORS



**Colin Bloomfield** Non-Executive Chairman

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.



**Anthony Caruso** Managing Director

Tony has held a number of senior management positions in contracting services over 30+ years working across major underground mining projects in QLD and NSW.

Joining Mastermyne in 2005, under Tony's leadership the company has hit many milestones including the ASX listing in 2010.



**Andrew Watts** Non-Executive Director

Andrew co-founded Mastermyne in 1996 and has been involved in contracting within the mining industry since 1994.

From 1996 -2005 Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO.



**Gabriel Meena** Non-Executive Director

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

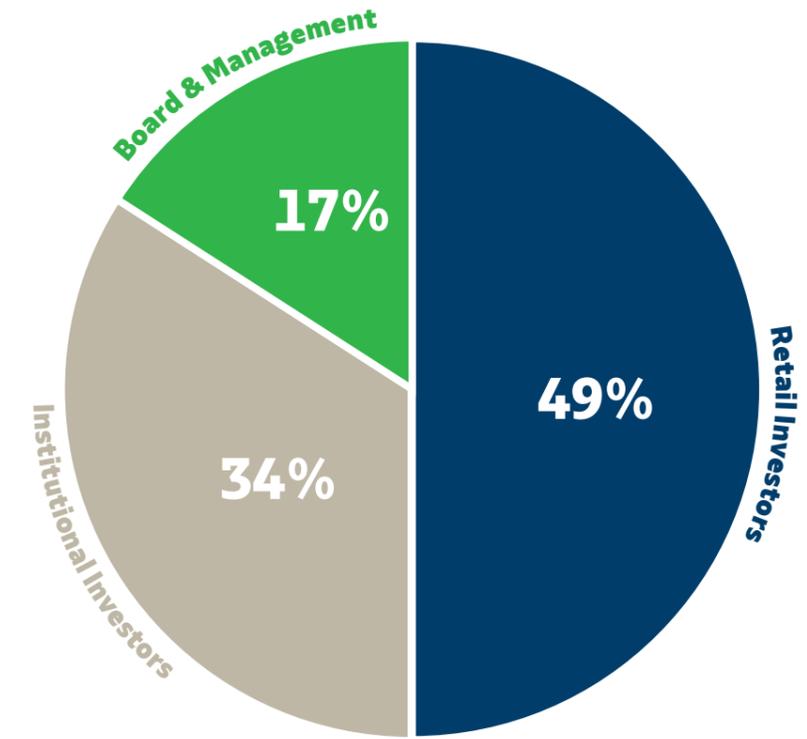


**Julie Whitcombe** Non-Executive Director

Julie is currently GM Strategy and Development for CleanCo, a Government Owned Corporation focused on the development and supply of firmed renewable energy for Queensland customers.

Prior to her current role, Julie held various leadership roles including Chief Executive Officer of RDO Australia Group, an industrial and agricultural equipment dealer, and nine years on the executive team of Senex Energy, an Australian oil and gas explorer and developer.

## SHAREHOLDER COMPOSITION



Capital Structure	
Share price as at 1 September 2021	\$0.96
Shares on issue as at 1 September 2021	107.4m
Market capitalisation	\$103.1m
Net Cash/(Debt) as at 30 June 2021	\$19.3m
Enterprise value	\$83.8m

Figures in \$AUD

Major Shareholders	
Andrew Watts	11.42%
Kenneth Kamon	10.12%
Darren Hamblin	8.97%
Greig & Harrison Pty Ltd	5.84%

Volume

## TWO YEAR TRADING HISTORY



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**MASTERMYNE  
GROUP LIMITED  
AND ITS  
CONTROLLED  
ENTITIES**

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# CORPORATE GOVERNANCE STATEMENT

The Company and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council (“Recommendations”) in the reporting period. These Recommendations are guidelines, designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive, but if a company considers that a recommendation should not be followed having regard to its own circumstances, the company has the flexibility not to follow it but in its Annual Report it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement (“Statement”) and the Company’s suite of corporate governance documents referred to in the Statement, and other relevant information for stakeholders, are displayed on the Company’s website [www.mastermyne.com.au](http://www.mastermyne.com.au). The Company has complied with the Recommendations, to the extent outlined in this Statement, throughout the year or as otherwise noted.

## 1.1 SCOPE OF RESPONSIBILITY OF BOARD

Responsibility for the Company’s proper corporate governance rests with the Board. The Board’s guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Mastermyne Group’s Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders. The Board’s broad function is to:

- ▶ chart strategy and set financial targets for the Company;
- ▶ monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- ▶ appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- ▶ composition of the Board itself including the appointment and removal of Directors;
- ▶ oversight of the Company including its control and accountability system;
- ▶ appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- ▶ reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- ▶ monitoring senior management’s performance and implementation of strategy; and
- ▶ approving and monitoring financial and other reporting and the operation of committees.

The Board has delegated functions, responsibilities and authorities to the Managing Director and senior executives to enable them to effectively manage the Company’s day-to-day activities.

## 1.2 COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the Council’s guidelines

The Board currently comprises five Directors as follows:

- ▶ **Colin Bloomfield**  
– Independent non-executive Chairman
- ▶ **Andrew Watts**  
– Non-executive Director
- ▶ **Gabriel Meena**  
– Independent non-executive Director
- ▶ **Julie Whitcombe**  
– Independent non-executive Director
- ▶ **Tony Caruso**  
– Managing Director

Details of each Director’s qualifications, experience and expertise, their involvement in Board and committee meetings, and the period for which they have been in office, are set out in the Directors’ Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company’s annual general meeting.

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

The Board periodically conducts a review of the skills and experience of 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.

Skills	Combined
<b>Governance</b>	
Risk Management Systems	High
Health and Safety	High
Financial Risk	High
<b>Operations</b>	
Underground Coal Mining	High
Underground Metalliferous Mining	Low
Employee Relations	High
Contract Management	High
<b>Strategic</b>	
Strategy and Business Planning	High
Mergers and Acquisitions	Medium
Capital Markets	Low

Where appropriate, external advice is sought to supplement Board skills and experience. The Board has strengthened the underground metalliferous mining expertise within the management team, and Board members have been actively involved in tender reviews processes. With respect to the capital markets experience, the Board does use external advice to supplement the skill base on the Board.

## 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.

## 1.7 COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS (CONTINUED)

### 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:

- ▶ *Female representation on the Board and in Senior Executive roles*
- ▶ *3 women on formal and active succession for Senior Executive roles*

- ▶ *Australian Government Certification of Compliance with the Workplace Gender Equality Act*
- ▶ *Equal pay has been achieved in all positions regardless of gender*
- ▶ *Flexible working arrangements to facilitate return to work arrangements after maternity leave*
- ▶ *Executive and Senior Leadership participation in women mentoring programs*
- ▶ *'Baby Benefit' payment for male and female employees*
- ▶ *Flexible working arrangements to support transition into retirement to extend working-life and retain capability*

### 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 Chief Executive Officer and Chief Financial Officer 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 \$500,000 approved on 17 November 2020 and any increase must be approved by shareholders. Non-executive Directors are not provided with any retirement benefits, other than statutory superannuation.

# DIRECTORS' REPORT

30 JUNE 2021

## 1. DIRECTORS

**Colin Bloomfield**, Independent Chairman  
Qualifications: Bachelor of Engineering (Mining), Graduate Certificate of Management  
Appointed: 6 March 2014 and as Chairman on 26 February 2015

### 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 over 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 also Chairman of the Flagstaff Group and Destination Wollongong. 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

Chairman of the Board  
Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

**Andrew Watts**, 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

*The Directors present their report together with the financial report of Mastermyne Group Limited ('the Company') and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2021 and the auditor's reports thereon.*

**Gabriel (Gabe) Meena**, Non-executive Director  
Qualifications: Bachelor of Engineering (Mechanical)  
Appointed: 15 September 2015 and as Chair of the Remuneration and Nomination Committee on 1 November 2018

### 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  
Chair of the Remuneration and Nomination Committee

**Julie Whitcombe**, Non-executive Director  
Qualifications: Bachelor of Engineering (Mining - First Class Hons), MBA, CA (Distinction)  
Appointed: 7 June 2018 and Chair of the Audit and Risk Committee on 1 November 2018

### Experience and other directorships

Julie brings over 20 years of experience across financial, strategic and operational roles, with a focus throughout her career on the resources sector. Julie is currently GM Strategy and Development for CleanCo, a Government Owned Corporation focused on the development and supply of firmed renewable energy for Queensland customers. Prior to her current role, Julie held various leadership roles including Chief Executive Officer of RDO Australia Group, an industrial and agricultural equipment dealer, and nine years on the executive team of Senex Energy, an Australian oil and gas explorer and developer.

### Special Responsibilities

Chair of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

**Anthony (Tony) Caruso**, Managing Director  
Qualifications: Post Graduate Degree in Business  
Management Appointed: 10 March 2010

### 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 Practising Accountant.

## 3. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2021, and the numbers of meetings attended by each Director were:

	Board meetings		Audit Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Mr. C Bloomfield	8	8	4	4	3	3
Mr. A Watts	8	8	4	4	3	3
Mr. G Meena	8	8	4	4	3	3
Ms. J Whitcombe	8	8	4	4	3	3
Mr. A Caruso	7	8	3	4	2	3

A= Number of meetings attended

B= Number of meetings held during the time the Director held office or was a member of the committee during the year

## 4. OPERATING AND FINANCIAL REVIEW

### RESULTS

#### OVERVIEW

► Mastermyne Group Limited (ASX Code: MYE) ("Mastermyne" or "the Company") is pleased to announce its results for Full Year 2021 which has seen the Company position itself with a very strong outlook while delivering on a number of fronts.

Key highlights of the FY2021 result are:

- Excellent Safety Performance with lowest TRIFR result (4.96) since the company formed
- Strong investment in developing the capability of people which sets the Company up for the growth ahead
- Revenue of \$233 million
- EBITDA Margin of 9.6% in line with the prior corresponding period and EBITDA of \$22.3 million
- Strong Profit Result of \$5.9 million during a low point in the metallurgical coal price cycle
- Declared a 2.25 cent dividend bringing the full year dividend to 3.0 cents representing 56% of Net Profit
- Maintained a strong Balance Sheet with a year-end Net Cash position of \$19.3 million
- Executed the Company's first Mine Operations Contract with Sojitz Blue at the Crinum Mine totalling \$600-\$660 million of Revenue over a 6.5 year term
- Announced (post year-end) the second Mine Operations Contract with QCoal Group at the Cook Colliery Mine in Central Queensland
- An Order Book that lifts to \$1.1 billion (from \$600 million at half-year)

In a year that faced significant headwinds from low metallurgical coal prices and the temporary suspension of two major underground mines in Queensland, the Company was very pleased to deliver results in line with guidance and more notably to have positioned the business for significant growth in FY2022 and beyond. The addition of two Mine Operations contracts means the Company has a material new revenue stream that provides long term visibility and scale in earnings, gives the Company greater control of its order book and shifts the profile of the Company through its appointment as the coal mine operator. The order book now has a strong weighting of Mine Operations revenue alongside the traditional contracting revenue which combined provides a very strong long-term outlook for the business.

Having achieved a solid financial result and maintained a strong balance sheet with a net cash position supported by a record future order book, the Group has continued its commitment to shareholder returns declaring a final ordinary dividend of 2.25 cents per share (fully franked). This takes the full year dividend to 3.0 cents per share representing 56% of the net profit.

## 4. OPERATING AND FINANCIAL REVIEW (CONTINUED)

### RESULTS (CONTINUED)

#### OPERATIONAL OVERVIEW

The Company has delivered an outstanding safety performance over the last year with a TRIFR of 4.96, the lowest that the Company has achieved since its inception. This result is the outcome of a very targeted safety approach centred largely around psychological safety supported by strong compliance and behaviour. Mastermyne adopts an equally relentless focus on high potential hazards and learning from zero energy and near miss events. Adopting the principals of a High Reliability Organisation is central to our long-term approach to safety excellence. As the Company shifts to become a Mine Operator, performance like this demonstrates the maturity required across the organisation (people and systems) to safely manage its own operations.

Alongside the relentless investment in the health and safety of its people, there has been the significant investment in developing the Company's workforce. The internal learning management systems have positioned it with skilled people grown from within the Mastermyne business who are now ready to step up into roles to support the growth ahead. This investment in people de-risks the business from the resourcing pressures being experienced across the resources sector and additionally, by growing its own talent, strengthens and protects its culture.

The internal employee development systems have delivered some very impressive results with 14 coordinators completing Mastermyne Diploma of Project Management, 223 employees completing the MasterMe program, 12 employees (NSW & QLD) completing the Mastermyne Deputy Program, 9 employees completing the Frontline Leadership Course and 29 employees undertaking Cert II Underground Coal Operations with many other employees undergoing professional development and upskilling in addition to these highlights. Having this focus and these results around internal development has created a tangible point of difference for its workforce.

During the year the Company continued its commitment to developing its Hard Rock business with the appointment of key management roles solely focused on the underground hard rock sector. The appointments were experienced and well-respected hard rock executives who brought with them significant technical expertise and a strong network of contacts in the hard rock sector. Through the second half of the year the Company saw the hard rock tender pipeline grow significantly and more than \$100 million in hard rock tenders have been submitted. In addition to this organic approach the company continues to explore acquisition opportunities to accelerate entry into the sector.

The Company's second half results were stronger driven mainly by the strong recovery in coal prices over the latter half of the year and also assisted by the restart of two suspended mines in Central Queensland. The Anglo American Aquila project ramped up to full run rate during the period and the work scope and contract have subsequently been expanded. The earlier investment in the equipment fleet for this project has delivered improved margins and is providing a competitive advantage on the project. The Company was also successful during the period in securing contract extensions at Glencore's Integra Mine, BMA's Broadmeadow Mine, Anglo American's Moranbah North Mine (Chemical installations) and SIMEC's Tahmoor Mine.

Wilson Mining Services (acquired in 2019) delivered very strong results during the year. This business continues to gain market share and has expanded its product offering through new and improved ground stabilisation products. The Wilson Mining business was a strategic acquisition which broadened the range of services Mastermyne offers to its existing clients with the two businesses having strong synergies sharing similar customers, sites, equipment, workforce and general management. The business provides a nice counter play to the core Mastermyne business and throughout the year has demonstrated this when mines were experiencing major geotechnical issues that had an impact to the Mastermyne operations. The value created through this acquisition has been highly accretive for the overall business and the successful integration of the business into the Mastermyne Group is a strong endorsement of a structured and well run integration plan by the Company.

More recently the Company acquired the remaining 33% shareholding in the Registered Training Organisation (RTO) MyneSight, gaining full control and operation of this business. The MyneSight business provides an in-house training capability to support the resourcing of growth projects including our entry into the underground hard rock sector. The Company has maintained a majority shareholding in this business for several years and saw this opportunity as a low cost mitigation strategy for any future potential resourcing challenges.

The Company has not experienced any significant labour constraints at this point in the cycle but continues to closely monitor developments in the labour market. Strong interest has been received in roles for our Mine Operations contracts with most roles having excess applicants.

Similarly, the Company has not experienced any significant equipment shortages or extended lead times for equipment to resource the upcoming projects. This is largely due to the Company's counter cyclic acquisition of equipment through the low point in the coal price cycle. Equipment that was acquired and stored in readiness for Mine Operations contracts is now undergoing overhaul in preparation for deployment at the Crinum and Cook projects.

With the commencement of the first Mine Operations project now under way, the Company has invested in expanding the capability of the fleet management team.

This has predominately been through the resourcing of additional Asset Management roles that will be responsible for life cycle asset management through an integrated asset management system aligned to ISO 55000.

The Group's record order book, which is heavily weighted to Metallurgical coal projects (95%+), currently stands at \$1.1 billion (excluding Cook which is being finalised) with \$246 million to be delivered FY2022, \$196 million in FY2023, and \$640 million in FY2024 and beyond. In addition to the contracted works, the Company forecasts a further \$30-40 million per annum in recurring and purchase order work. The tendering pipeline now stands at \$2.3 billion with \$0.6 billion in the contracting business, \$1.5 billion in the Mine Operations area and \$0.2 billion in underground hard rock projects. In addition to the pipeline, the Company also finalised a Mining Services Agreement with Bengal Coal for the Dysart East Project and is currently moving through conditions precedent with work scheduled to start in FY2023 subject to the successful financing of the project. The size and tenure of this project is very similar to the Crinum project.

#### BALANCE SHEET AND CASH FLOWS

The overall cash position at 30 June 2021 represented a net decrease in cash and cash equivalents of \$1.0 million against prior period (30 June 2020), to \$24.4 million. The decrease was a result of lower operating cashflow generation in proportion to lower revenue and earnings performance, ongoing returns to shareholders through dividends and capital investment in equipment fleet.

The net cash position at the end of the period was \$19.3 million after the payment of dividends and capital expenditure through the period.

The cash flow movements were as follows:

- ▶ net cash inflows from operating activities for the full year ended 30 June 2021 of \$18.3 million (full year ended 30 June 2020: inflows of \$30.8 million), represented by reduced proportional cashflow generation from revenue and earnings performance and working capital movements across the balance date;
- ▶ net cash outflows from investing activities for the full year ended 30 June 2021 of \$8.3 million (full year ended 30 June 2020: outflows of \$12.7 million), predominantly represented by capital investment in existing fleet, and impact of acquisition payments (Wilson Mining Services Pty Ltd FY2020 \$3.8 million and acquisition of minority interest in MyneSight Pty Ltd FY2021 \$0.4 million); and
- ▶ net cash outflows from financing activities for the full year ended 30 June 2021 of \$11.0 million (full year ended 30 June 2020: outflows of \$9.2 million), represented the payment of dividends, and repayment of on-going lease liabilities.

The net assets of the Group have slightly increased from \$73.9 million (30 June 2020) to \$75.2 million at 30 June 2021.

In addition to a strong Net Cash position the Group maintains significant headroom in its current bank facilities providing additional working capital to support future growth. Mastermyne has an undrawn invoice finance facility limit of \$20 million for working capital and an available \$10 million for equipment funding.

#### OUTLOOK

With the execution of the Crinum Mine Operations contract and the announcement of the Cook Colliery Mine Operations contract the outlook for the Company looks exceptionally strong. In the coming year both the Crinum and Cook projects will be in the ramp up phase delivering revenue of about 50% of the expected long-term annual average. These projects are underpinned by the very stable contracting order book and growth pipeline in the coal and hard rock sectors. As a result, the Company is well positioned to deliver strong earnings growth in FY2022 which will most likely be surpassed in FY2023.

Metallurgical coal prices have recovered substantially from ~\$US100/t (December 2020) to ~\$US220/t currently. Australia remains one of the lowest cost coal producers in the world, providing high quality metallurgical coal into Asian steel production markets. The demand for Australian seaborne metallurgical coal is expected to remain robust in the medium to long term. Already the Company is seeing scope increases on its existing projects along with an increase in tendering activity which is expected to remain supported through the cycle. Stronger pricing is also evident in key metals with Copper, Nickel and Zinc being particularly robust. Exposure to these and other metals will drive growth and provide stability in cashflows in future periods.

FY2022 will see the Company deliver substantial packages of work to restart the Crinum and Cook mines and the operational focus will be on executing these works on time and on budget. Crinum works are progressing well against schedule and budget and these same project disciplines will be applied to the Cook Colliery re-start. Labour and equipment resourcing strategies are well developed and to date the Company is not experiencing any delays or concerns. The Company has well developed strategies for large scale recruiting and on boarding and is confident it can mitigate any execution risk in the Mine Operations projects. With a strong balance sheet supported by the current undrawn funding facilities, the Company is adequately funded to manage the capital requirements in bringing both the Crinum and Cook projects on line.

## 5. REMUNERATION REPORT (AUDITED)

The Directors present the Mastermyne Group Limited 2021 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

### (A) PRINCIPLES OF REMUNERATION

Key management personnel have the 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.

Name	Position
Non-executive and executive Directors (see pages 1 to 2 for details about each Director)	
Mr. C Bloomfield	Independent Chairman
Mr. A Watts	Non-executive Director
Mr. G Meena	Non-executive Director
Ms. J Whitcombe	Non-executive Director
Mr. A Caruso	Managing Director and Chief Executive Officer
Other executives	
Mr. D Sykes	General Manager Strategy and Growth
Ms. V Gayton	General Manager Human Resources
Mr. P Green	General Manager Mining QLD
Mr. W Price	General Manager Mining NSW
Mr. B Maff	Chief Financial Officer
Mr. R Bedggood	General Manager Hardrock (Appointed 12 January 2021)

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 and Nomination Committee (RNC) 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 key management personnel;
- ▶ the key management personnel's ability to control the relevant performance; and
- ▶ the recognition of the key management personnel's

contribution to the Group's performance.

In addition to their salaries, the Group also provides non-cash benefits to its KMP and contributes to a post-employment defined contribution superannuation plan on their behalf. The reviews are conducted under the terms of reference set down for the RNC.

### FIXED REMUNERATION

Fixed remuneration consists of base compensation (which is calculated on total cost basis and includes any fringe benefit tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as travel allowances.

Fixed remuneration is reviewed annually, or on promotion, by the RNC through a process that considers individual, segment and overall performance of the Group. In addition, external data is provided for analysis of KMP's remuneration to ensure it remains competitive by benchmarking against the market place. The chairman of the RNC sources data independently of management from appropriate independent advisors. For key executive management other than the CEO/Managing Director, 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.

In FY2021 fixed remuneration was increased for 5 executives, with an average increase of 4%. This was done to align the remuneration with the level for comparative roles.

### PERFORMANCE LINK 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 KMP's performance against predetermined KPIs.

Feature	Description									
Award opportunity	CEO/Managing Director: 75% of fixed remuneration Other executives: 50% of fixed remuneration									
Performance metrics	The STI metrics align with our strategic objectives of the Group, with specific financial and non-financial measures (normally 5 or 6) for individual performance, group performance and underlying performance of the Group. A summary of the measures and weightings are set out in the table below:									
	<table border="1"> <thead> <tr> <th>KMP</th> <th>Financial</th> <th>Non-financial</th> </tr> </thead> <tbody> <tr> <td>CEO/Managing Director</td> <td>40%</td> <td>60%</td> </tr> <tr> <td>Other executives</td> <td>40%</td> <td>60%</td> </tr> </tbody> </table>	KMP	Financial	Non-financial	CEO/Managing Director	40%	60%	Other executives	40%	60%
	KMP	Financial	Non-financial							
CEO/Managing Director	40%	60%								
Other executives	40%	60%								
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. At the commencement of each performance year, the Board approves the corporate performance scorecard and metrics to be measured for that year. The metrics generally have performance levels set as: ▶ Threshold: Being the minimum level of performance deserving of reward. Achievement of the Threshold results in 50% of the STI Award Opportunity being awarded. ▶ Target: Being a challenging but achievable level of performance. Achievement of the Target results in 100% of the STI Award Opportunity being awarded. ▶ Stretch: Being the upper limit of possible outcomes that were planned for and a very challenging goal that is unlikely to be achieved. Achievement of the Stretch results in 150% of the STI Award Opportunity being awarded.										
Delivery of STI	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 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 KPI's as assessed by the RNC and recommended to the Board. Employees can nominate for up to 50% of their STI award to be settled in shares. When a nomination is made, performance rights are issued to the employee and vest at the end of the year in line with the achievements of their relative KPI's. Any balance not elected to be paid as shares in the Company is paid in cash at the end of the financial year. STI payments must be self funding.									
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes, including reducing down to zero, if appropriate.									

## 5. REMUNERATION REPORT (AUDITED) (CONTINUED)

### (A) PRINCIPLES OF REMUNERATION (CONTINUED)

#### LONG-TERM INCENTIVES

Executive KMP participate at the Board's discretion, in the Employee Performance Rights Plan comprising annual grants of rights which are subject to various vesting conditions outlined in the table below. 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.

Performance Rights issued in 2020 or thereafter have the following structure:

Feature	Description																
Opportunity/ Allocation	CEO/Manging Director: 75% of fixed remuneration Other executives: 50% of fixed remuneration The opportunity is divided by the share price face value to determine the number of rights.																
Performance hurdle	<p>Vesting of the rights will be subject to achievement of the vesting conditions set out below:</p> <ul style="list-style-type: none"> <li>▶ Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment has ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.</li> <li>▶ 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.</li> <li>▶ Vesting Condition 3: If Vesting Conditions 1 and 2 are achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. These Vesting Conditions depend on Mastermyne's TSR percentile rank during the TSR measurement period and the Earnings per Share (EPS) performance over the measurement period: <ul style="list-style-type: none"> <li>(a) Tranche A: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX Peer Group index; and</li> <li>(b) Tranche B: 50% of the performance rights will be conditional on the Company's EPS performance.</li> </ul> </li> </ul> <p>For each tranche, the percentage of performance rights which will vest will be as specified in the table below:</p> <table border="1"> <thead> <tr> <th>TSR Rank during TSR measurement period</th> <th>Proportion of Tranche A to vest</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile of the ASX Peer Group</td> <td>0%</td> </tr> <tr> <td>50th percentile to 75th percentile of the ASX Peer Group</td> <td>50% plus 2% for each percentile above 50th percentile</td> </tr> <tr> <td>Above 75th percentile of the ASX Peer Group</td> <td>100%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>EPS Performance during measurement period</th> <th>Proportion of Tranche B to vest</th> </tr> </thead> <tbody> <tr> <td>EPS growth at &lt;6%</td> <td>0%</td> </tr> <tr> <td>EPS growth between 6% and 12%</td> <td>0% to 100% pro rata</td> </tr> <tr> <td>EPS growth &gt;12%</td> <td>100%</td> </tr> </tbody> </table>	TSR Rank during TSR measurement period	Proportion of Tranche A to vest	Below 50th percentile of the ASX Peer Group	0%	50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile	Above 75th percentile of the ASX Peer Group	100%	EPS Performance during measurement period	Proportion of Tranche B to vest	EPS growth at <6%	0%	EPS growth between 6% and 12%	0% to 100% pro rata	EPS growth >12%	100%
TSR Rank during TSR measurement period	Proportion of Tranche A to vest																
Below 50th percentile of the ASX Peer Group	0%																
50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile																
Above 75th percentile of the ASX Peer Group	100%																
EPS Performance during measurement period	Proportion of Tranche B to vest																
EPS growth at <6%	0%																
EPS growth between 6% and 12%	0% to 100% pro rata																
EPS growth >12%	100%																
Exercise price	The exercise price is \$Nil.																
Forfeiture and termination	Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.																

Performance Rights issued before 2020 have the following structure:

Feature	Description														
Opportunity/ Allocation	CEO/Manging Director: 40% of fixed remuneration Other executives: 20% of fixed remuneration The opportunity is divided by the share price face value to determine the number of rights.														
Performance hurdle	<p>Vesting of the rights will be subject to achievement of the vesting conditions set out below:</p> <ul style="list-style-type: none"> <li>▶ Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment has ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.</li> <li>▶ 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.</li> <li>▶ 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).</li> <li>▶ 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: <ul style="list-style-type: none"> <li>(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</li> <li>(b) Tranche B: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX 200 Resources Accumulation index.</li> </ul> </li> </ul> <p>For each tranche, the percentage of performance rights which will vest will be as specified in the table below:</p> <table border="1"> <thead> <tr> <th rowspan="2">TSR Rank during TSR measurement period</th> <th colspan="2">Proportion to vest</th> </tr> <tr> <th>Tranche A</th> <th>Tranche B</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile of the ASX Peer Group or the Resources Peer Group</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group</td> <td>50% plus 2% for each percentile above 50th percentile</td> <td>50% plus 2% for each percentile above 50th percentile</td> </tr> <tr> <td>Above 75th percentile of the ASX Peer Group or the Resources Peer Group</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	TSR Rank during TSR measurement period	Proportion to vest		Tranche A	Tranche B	Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%	0%	50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group	50% plus 2% for each percentile above 50th percentile	50% plus 2% for each percentile above 50th percentile	Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%	100%
TSR Rank during TSR measurement period	Proportion to vest														
	Tranche A	Tranche B													
Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%	0%													
50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group	50% plus 2% for each percentile above 50th percentile	50% plus 2% for each percentile above 50th percentile													
Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%	100%													
Exercise price	The exercise price is \$Nil.														
Forfeiture and termination	Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.														

#### 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.

### (B) LINK BETWEEN REMUNERATION AND PERFORMANCE

#### CURRENT FINANCIAL YEAR PERFORMANCE AND IMPACT ON REMUNERATION

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 Group's performance in 2021 remained strong during a low point in the metallurgical coal price cycle, with a solid profit result achieved, and healthy balance sheet position, while continuing to focus on keeping our people safe and recording its best safety result in the Company's history. For more information on 2021 results, see page 3 of the operating and financial review.

#### STATUTORY PERFORMANCE INDICATORS

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001

However, these are not necessarily consistent with the measures used in determining variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between statutory key performance measures and the variable remuneration.

## 5. REMUNERATION REPORT (AUDITED) (CONTINUED)

### (B) LINK BETWEEN REMUNERATION AND PERFORMANCE (CONTINUED)

Performance indicator	2021	2020	2019	2018	2017
Profit for the year attributable to owners of Mastermyne (\$'000)	5,864	11,557	10,348	5,435	(2,012)
Dividends payments (\$'000)	5,057	6,346	-	-	-
Increase/ (decrease) in share price (%)	23.0	(37.0)	(14.0)	+248.0	+182.0
Return on capital employed from continuing operations (%)	13.0	24.0	18.0	17.0	(6.0)

### (C) CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMPS

The RNC recommends Group remuneration policies for Key Management Personnel. The RNC 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.

Component	CEO description	Senior executive description
Fixed remuneration	\$438,343 (i)	Range between \$264,680 and \$358,963 (i)
Contract duration	Ongoing contract	Ongoing contract
Notice by the individual/ company	9 months	3 months
Termination of employment (without a cause)	Entitlement to pro-rata STI for the year Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing The Board has discretion to award a greater or lower amount	
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse	

(i) The actual remuneration paid to KMP during the year will vary from the contracted amounts depending on the number of payroll weeks in the financial year.

Different contractual terms apply to the following individuals:

- P Green is employed as a contractor through a consulting company. As a contractor he does not receive superannuation benefits and he is not entitled to STI's or LTI's. The current contract in place expired on 30 June 2021. A new contract is currently under negotiation. Both parties to the Professional Service Agreement acknowledge the terms of the original contract remain ongoing during this period, until the variations, including new term, are agreed in writing.
- R Bedggood is employed as a contractor through a consulting company. As a contractor he does not receive superannuation benefits and is not entitled to STI's or LTI's. The current contract in place expires on 10 January 2022.

### (D) REMUNERATION EXPENSES FOR EXECUTIVE KMP

The following tables show details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

2021	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share based payments	Termination benefits \$	Total \$	Performance related
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Employee entitlements \$	Rights \$			
<b>Executive Director</b>									
Mr. A Caruso	500,209	353,414	15,000	75,884	27,908	126,481	-	1,098,896	43.67%
<b>Other key management personnel</b>									
Mr. D Sykes	363,528	183,571	-	50,375	9,866	59,100	-	666,440	36.41%
Ms. V Gayton	262,044	132,340	-	37,923	7,623	43,397	-	483,327	36.36%
Mr. P Green	363,000	-	-	-	-	-	-	363,000	-%
Mr. W Price	299,660	97,622	-	40,740	-	52,252	-	490,274	30.57%
Mr. B Maff	367,793	142,862	-	21,694	-	108,918	-	641,267	39.26%
Mr. R Bedggood	164,103	-	-	-	-	-	-	164,103	-%
<b>Total key management personnel compensation</b>	<b>2,320,337</b>	<b>909,809</b>	<b>15,000</b>	<b>226,616</b>	<b>45,397</b>	<b>390,148</b>	<b>-</b>	<b>3,907,307</b>	<b>33.27%</b>

#### Notes in relation to the 2021 table of remuneration expenses for executive KMP:

\* R Bedggood was appointed as Executive General Manager Hard Rock on 12 January 2021.

\* 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.

2020	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share based payments	Termination benefits \$	Total \$	Performance related
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Employee entitlements \$	Rights \$			
<b>Executive Director</b>									
Mr. A Caruso	376,108	138,379	15,000	47,584	34,513	109,231	-	720,815	34.35%
<b>Other key management personnel</b>									
Mr. D Sykes	336,981	62,818	-	36,689	24,343	47,401	-	508,232	21.69%
Ms. V Gayton	254,808	63,000	-	29,675	33,047	32,197	-	412,727	23.07%
Mr. P McCoy	177,387	-	19,500	16,797	(24,378)	-	-	189,306	-%
Mr. P Green	74,250	-	-	-	-	-	-	74,250	-%
Mr. W Price	312,891	76,747	-	37,015	19,969	24,319	-	470,941	21.46%
Mr. B Maff	328,702	97,113	-	21,404	22,043	10,241	-	479,503	22.39%
<b>Total key management personnel compensation</b>	<b>1,861,127</b>	<b>438,057</b>	<b>34,500</b>	<b>189,164</b>	<b>109,537</b>	<b>223,389</b>	<b>-</b>	<b>2,855,774</b>	<b>23.16%</b>

#### Notes in relation to the 2020 table of remuneration expenses for executive KMP:

\* P McCoy transferred to a non-KMP role on 30 March 2020.

\* P Green was appointed as Executive General Manager QLD Mining on 30 March 2020.

\* 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. REMUNERATION REPORT (AUDITED) (CONTINUED)

### (E) PERFORMANCE BASED REMUNERATION GRANTED & FORFEITED DURING THE YEAR

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of rights that were granted and exercised during FY 2021. The number of rights and percentages vested/forfeited for each grant date are disclosed in Section (h) Equity instruments on pages 45 to 46.

2021	Total STI bonus			LTI Rights	
	Total opportunity	Awarded	Forfeited	Value granted *	Value exercised **
	\$	%	%	\$	\$
Mr. A Caruso	328,757	108	-	206,019	194,148
Mr. D Sykes	174,830	105	-	109,559	85,226
Ms. V Gayton	132,340	100	-	82,932	54,701
Mr. P Green	-	-	-	-	-
Mr. W Price	325,407	60	40	101,960	-
Mr. B Maff	176,482	108	-	178,100	-
Mr. R Bedggood	-	-	-	-	-

\* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

\*\* The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

### (F) 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.

\$7,500 in external fees were paid for remuneration research reports during the 2021 financial year.

### (G) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Non-executive Directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the board taking into account comparable roles and market data provided by the board's independent remuneration adviser.

Board fees		\$
Chair		109,500
Other non-executive directors		65,700
Committee fees		
Audit	Chair	5,475
	Member	-
Remuneration and nomination	Chair	5,475
	Member	-

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of Director.

The actual remuneration paid to Non-executive Directors during the year will vary from the contracted amounts depending on the number of payroll weeks in the financial year.

The following table shows details of the remuneration expense recognised for the Group's non-executive directors for the current and previous financial year measured in accordance with the requirements of the accounting standards.

2021	Short-term employee benefits			Post-employment benefits	Total
	Board fees	Audit committee fees	Remuneration and nomination committee fees	Superannuation	
	\$	\$	\$	\$	\$
Non-executive Directors					
Mr. C Bloomfield	100,000	-	-	9,509	109,509
Mr. A Watts	60,000	-	-	5,706	65,706
Mr. G Meena	60,000	-	5,000	6,181	71,181
Ms. J Whitcombe	60,000	5,000	-	6,181	71,181
<b>Total non-executive directors</b>	<b>280,000</b>	<b>5,000</b>	<b>5,000</b>	<b>27,577</b>	<b>317,577</b>

2020	Short-term employee benefits			Post-employment benefits	Total
	Board fees	Audit committee fees	Remuneration and nomination committee fees	Superannuation	
	\$	\$	\$	\$	\$
Non-executive Directors					
Mr. C Bloomfield	82,923	-	-	7,878	90,801
Mr. A Watts	46,154	-	-	4,385	50,539
Mr. G Meena	46,154	-	5,096	4,869	56,119
Ms. J Whitcombe	46,154	5,096	-	4,869	56,119
<b>Total non-executive directors</b>	<b>221,385</b>	<b>5,096</b>	<b>5,096</b>	<b>22,001</b>	<b>253,578</b>

### (H) EQUITY INSTRUMENTS

#### RIGHTS

The terms and conditions of each grant of rights affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
Tranche A						
24/11/20	1/10/23	1/10/23	-	0.4945	To be determined	-
21/11/19	1/10/22	1/10/22	-	0.7415	To be determined	-
21/11/18	1/10/21	1/10/21	-	0.8077	To be determined	-
21/11/17	1/10/20	1/10/20	-	0.5225	>75th percentile	100
Tranche B						
24/11/20	1/10/23	1/10/23	-	0.4784	To be determined	-
21/11/19	1/10/22	1/10/22	-	0.7100	To be determined	-
21/11/18	1/10/21	1/10/21	-	0.7727	To be determined	-
21/11/17	1/10/20	1/10/20	-	0.4695	71st percentile	94
Granted in relation to STI						
22/1/21	1/10/21	1/10/21	-	0.7030	To be determined	-

The number of performance rights provided as remuneration to key management personnel is shown in the table below. 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. REMUNERATION REPORT (AUDITED) (CONTINUED)

### (H) EQUITY INSTRUMENTS (CONTINUED)

The following table shows a reconciliation of rights held by each KMP from the beginning through to the end of FY2021. There were no vested rights as at 1 July 2020.

2021	Grant Date	Balance at the start of the year		Granted as compensation		Vested		Exercised	Forfeited		Balance at the end of the year	
		Unvested				Number	%		Number	%	Vested and exercisable	Unvested
<b>Tranche A</b>												
Mr. A Caruso	24/11/20	-	211,758	-	-	-	-	-	-	-	-	211,758
Mr. A Caruso	21/11/19	73,947	-	-	-	-	-	-	-	-	-	73,947
Mr. A Caruso	21/11/18	58,980	-	-	-	-	-	-	-	-	-	58,980
Mr. A Caruso	21/11/17	128,369	-	128,369	100	(128,369)	-	-	-	-	-	-
Mr. D Sykes	24/11/20	-	112,611	-	-	-	-	-	-	-	-	112,611
Mr. D Sykes	21/11/19	31,924	-	-	-	-	-	-	-	-	-	31,924
Mr. D Sykes	21/11/18	25,168	-	-	-	-	-	-	-	-	-	25,168
Mr. D Sykes	21/11/17	56,351	-	52,834	100	(56,351)	-	-	-	-	-	-
Ms. V Gayton	24/11/20	-	85,243	-	-	-	-	-	-	-	-	85,243
Ms. V Gayton	21/11/19	24,181	-	-	-	-	-	-	-	-	-	24,181
Ms. V Gayton	21/11/18	17,591	-	-	-	-	-	-	-	-	-	17,591
Ms. V Gayton	21/11/17	36,168	-	36,168	100	(36,168)	-	-	-	-	-	-
Mr. W Price	24/11/20	-	104,800	-	-	-	-	-	-	-	-	104,800
Mr. W Price	21/11/19	31,411	-	-	-	-	-	-	-	-	-	31,411
Mr. W Price	21/11/18	24,818	-	-	-	-	-	-	-	-	-	24,818
Mr. B Maff	24/11/20	-	111,754	-	-	-	-	-	-	-	-	111,754
Mr. B Maff	21/11/19	30,398	-	-	-	-	-	-	-	-	-	30,398
<b>Tranche B</b>												
Mr. A Caruso	24/11/20	-	211,758	-	-	-	-	-	-	-	-	211,758
Mr. A Caruso	21/11/19	73,947	-	-	-	-	-	-	-	-	-	73,947
Mr. A Caruso	21/11/18	58,980	-	-	-	-	-	-	-	-	-	58,980
Mr. A Caruso	21/11/17	128,369	-	120,357	94	(120,357)	(8,012)	6	-	-	-	-
Mr. D Sykes	24/11/20	-	112,611	-	-	-	-	-	-	-	-	112,611
Mr. D Sykes	21/11/19	31,294	-	-	-	-	-	-	-	-	-	31,294
Mr. D Sykes	21/11/18	25,168	-	-	-	-	-	-	-	-	-	25,168
Mr. D Sykes	21/11/17	56,351	-	52,934	94	(52,834)	(3,517)	6	-	-	-	-
Ms. V Gayton	24/11/20	-	85,243	-	-	-	-	-	-	-	-	85,243
Ms. V Gayton	21/11/19	24,181	-	-	-	-	-	-	-	-	-	24,181
Ms. V Gayton	21/11/18	17,591	-	-	-	-	-	-	-	-	-	17,591
Ms. V Gayton	21/11/17	36,168	-	33,910	94	(33,910)	(2,258)	6	-	-	-	-
Mr. W Price	24/11/20	-	104,800	-	-	-	-	-	-	-	-	104,800
Mr. W Price	21/11/19	31,411	-	-	-	-	-	-	-	-	-	31,411
Mr. W Price	21/11/18	24,818	-	-	-	-	-	-	-	-	-	24,818
Mr. B Maff	24/11/20	-	111,754	-	-	-	-	-	-	-	-	111,754
Mr. B Maff	21/11/19	30,398	-	-	-	-	-	-	-	-	-	30,398
<b>Granted as part of STI</b>												
Mr. B Maff	24/11/20	-	98,684	-	-	-	-	-	-	-	-	98,684

## SHAREHOLDINGS

The movements 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:

Name	2021			
	Balance at the start of year	Received during the year on exercise of rights	Other changes during the year	Balance at the end of the year
Mr. C Bloomfield	1,100,000	-	17,629	1,117,629
Mr. A Watts	12,262,245	-	-	12,262,245
Mr. G Meena	100,000	-	-	100,000
Ms. J Whitcombe	94,000	-	-	94,000
Mr. A Caruso	2,132,979	248,726	9,850	2,391,555
Mr. D Sykes	175,626	109,185	-	284,811
Ms. V Gayton	89,200	70,078	-	159,278
Mr. B Maff	89,024	-	-	89,024
Mr. W Price	-	-	11,173	11,173

### (I) INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

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 GIVEN TO KEY MANAGEMENT PERSONNEL

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

### OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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 transaction with the Group in the reporting period. The terms and conditions of the transaction 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 related entities on an arm's length basis. These include the following:

- ▶ The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
- ▶ The Group 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.
- ▶ The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payments terms.

Aggregate amounts of each of the above types of other transactions with key management personnel of Mastermyne Group Limited:

	2021	2020
	\$	\$
<b>Amounts recognised as expense</b>		
Rent of 45 River Street	194,453	189,739
Rent of 56A Grosvenor Drive	23,808	23,464
General plumbing repairs	2,367	116
	<b>220,628</b>	<b>213,319</b>

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.

### AMOUNTS RECOGNISED AS ASSETS AND LIABILITIES

At the end of the reporting period there were no amounts recognised as assets or liabilities in relation to the above transactions.

This concludes the remuneration report, which has been audited.

## 6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were to provide underground contracting services and industrial products and services in the coalfields and supporting industries of Queensland and New South Wales.

## 7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Group acquired the remaining 33% of the issued shares of MyneSight Pty Ltd making it a wholly-owned subsidiary.

In addition, the Group was awarded their first Mine Operations contract.

Other than these items, there were no other significant changes in the state of affairs.

## 8. ENVIRONMENTAL REGULATION

The Group is subject to various environmental regulations under both Commonwealth and State legislation in relation to its involvement in the operations 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.

## 9. DIVIDENDS - MASTERMYNE GROUP LIMITED

Dividends paid to members during the financial year were as follows:

### ORDINARY SHARES

	2021	2020
	\$'000	\$'000
Final dividend for the year ended 30 June 2020 of 4 cents (2019 - 2 cents) per fully paid share	4,252	2,110
No Special Dividend was paid for the year ended 30 June 2020 (2019 - 2 cents per fully paid share)	-	2,110
Interim dividend for the year ended 30 June 2021 of 0.75 cents (2020 - 2 cents) per fully paid share	805	2,126
<b>Total dividends paid</b>	<b>5,057</b>	<b>6,346</b>
Distributions to non-controlling interest	182	-

### DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD

	2021	2020
	\$'000	\$'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2.25 cents per fully paid ordinary share (2020 - 4 cents)	2,417	4,252

## 10. EVENTS SUBSEQUENT TO REPORTING DATE

On 28 July 2021, 1,106,600 shares were issued to the Vendors of Wilson Mining Services Pty Ltd in settlement of the outstanding purchase consideration for the prior year business combination discussed in Note 21. An additional 100,394 shares were issued as compensation for the dividends paid while the shares remained unissued.

Other than the matter discussed above and the dividend declared subsequent to balance date as disclosed in the previous section, no matter or circumstance has arisen

since 30 June 2021 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

## 11. LIKELY DEVELOPMENTS

Despite the impacts of global COVID restrictions the outlook for metallurgical coal continues to be supported by strong fundamentals. The demand for Australian seaborne metallurgical coal is expected to remain robust in the medium to long term. The COVID restrictions globally have weighed on short term coal pricing, but metallurgical and thermal coal pricing have recovered substantially over the last 6 months. The Sector continues to utilise contracting companies for their operational needs in order to maintain flexible operations and cost control with their organisations. The Company has progressed its first whole of mine project and is progressing with several further 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.

## 12. 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	Rights over ordinary shares
Colin Bloomfield	1,100,000	-
Gabe Meena	100,000	-
Julie Whitcombe	94,000	-
Andrew Watts	12,262,245	-
Tony Caruso	2,132,979	522,592

## 13. SHARES UNDER OPTION

### UNISSUED ORDINARY SHARES

At the date of this report there were no unissued ordinary shares of the Company under option.

## 14. INSURANCE OF OFFICERS AND INDEMNITIES

### INDEMNITY

The Company has agreed to indemnify the following current Directors of the Company, Colin Bloomfield, Tony Caruso, Andrew Watts, Gabe Meena and Julie Whitcombe for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position within the Company and its controlled entities, except where liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

The Company has not made a relevant agreement, or indemnified against a liability, for any person who is or has been an auditor of the Company.

### INSURANCE OF OFFICERS

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 2021 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 ended 30 June 2022. 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.

## 15. 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 of Directors 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 & Risk 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 have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- ▶ none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Details of the amounts paid or payable 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.

	2021	2020
	\$	\$
<b>Audit services</b>		
<b>Pitcher Partners</b>		
Audit and review of financial statements	147,500	110,000
<b>Total remuneration for audit services</b>	<b>147,500</b>	<b>110,000</b>
<b>Taxation services</b>		
<b>Pitcher Partners</b>		
Tax compliance services	16,500	-
<b>Total remuneration for taxation services</b>	<b>16,500</b>	<b>-</b>

## 16. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. The Group was not a part to any such proceedings during the year.

## 17. AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 50 and forms part of the Directors' report for the financial year ended 30 June 2021.

## 18. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report and directors' report. Amounts in the financial report and the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of Directors.



**Mr. C Bloomfield**  
Director

Brisbane.  
17/08/2021

# AUDITOR'S INDEPENDENCE DECLARATION



Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

## Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, 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 (including Independence Standards)*.

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

PITCHER PARTNERS

**J. J. EVANS**  
Partner

Brisbane, Queensland  
17 August 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER | PETER CAMENZULLI | KYLIE LAMPRECHT | BRETT HEADRICK | COLE WILKINSON | JEREMY JONES | JAMES FIELD | ROBYN COOPER | CHERYL MASON | MURRAY GRAHAM  
MARK NICHOLSON | JASON EVANS | NORMAN THURECHT | WARWICK FACE | SIMON CHUN | TOM SPLATT | DANIEL COLWELL | FELICITY CRIMSTON | KIERAN WALLIS | ANDREW ROBIN

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020
		\$'000	\$'000
Revenue from contracts with customers	3	233,067	292,670
Other income	4	798	1,345
Contract disbursements		(30,440)	(37,305)
Personnel expenses	5	(172,231)	(220,030)
Office expenses		(7,134)	(6,495)
Depreciation and amortisation expense	5	(12,547)	(11,086)
Other expenses	5	(1,783)	(1,563)
<b>Results from operating activities</b>		<b>9,730</b>	<b>17,536</b>
Finance income		20	44
Finance expenses		(1,071)	(798)
<b>Net finance expense</b>	6	<b>(1,051)</b>	<b>(754)</b>
Profit before income tax		8,679	16,782
Income tax expense	7	(2,804)	(5,122)
<b>Total comprehensive income for the period</b>		<b>5,875</b>	<b>11,660</b>
Profit is attributable to:			
Owners of Mastermyne Group Limited		5,864	11,557
Non-controlling interests		11	103
		<b>5,875</b>	<b>11,660</b>
<b>Total comprehensive income for the period</b>			
Owners of Mastermyne Group Limited		5,864	11,557
Non-controlling interests		11	103
		<b>5,875</b>	<b>11,660</b>

	Notes	2021	2020
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	17	5.5	11.0
Diluted earnings per share	17	5.4	10.9

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	24,389	25,359
Trade and other receivables	9	40,399	49,092
Contract assets	3(b)	1,242	-
Inventories	10	6,415	6,262
<b>Total current assets</b>		<b>72,445</b>	<b>80,713</b>
Property, plant and equipment	11	22,949	22,421
Right-of-use assets	15	14,043	14,462
Intangible assets	12	12,267	12,221
Deferred tax assets	7(d)	7,526	7,879
<b>Total non-current assets</b>		<b>56,785</b>	<b>56,983</b>
<b>Total assets</b>		<b>129,230</b>	<b>137,696</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	24,405	34,136
Contract liabilities	3(b)	212	-
Lease liabilities	15	4,681	4,918
Current tax liabilities	7(c)	1,039	1,593
Employee benefit obligations	14	11,882	9,987
Other current liabilities	16	1,944	-
<b>Total current liabilities</b>		<b>44,163</b>	<b>50,634</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	7,876	9,124
Employee benefit obligations	14	98	169
Other non-current liabilities	16	1,911	3,855
<b>Total non-current liabilities</b>		<b>9,885</b>	<b>13,148</b>
<b>Total liabilities</b>		<b>54,048</b>	<b>63,782</b>
<b>Net assets</b>		<b>75,182</b>	<b>73,914</b>
<b>Equity</b>			
Share capital	19	64,295	61,003
Other equity	19	1,153	4,033
Other reserves	19	(23,639)	(23,859)
Retained earnings		33,373	32,212
Equity attributable to owners of Mastermyne Group Limited		75,182	73,389
Non-controlling interests		-	525
<b>Total equity</b>		<b>75,182</b>	<b>73,914</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Attributable to owners of Mastermyne Group Limited					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Retained earnings \$'000	Other equity \$'000	Share- based payments \$'000	Common Control Reserve \$'000			
Balance at 1 July 2019		61,003	26,878	-	277	(24,237)	63,921	422	64,343
Profit for the period		-	11,557	-	-	-	11,557	103	11,660
Other comprehensive income		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>11,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,557</b>	<b>103</b>	<b>11,660</b>
<b>Transactions with owners in their capacity as owners:</b>									
Issue of ordinary shares as consideration for Wilson Mining acquisition		-	-	3,799	-	-	3,799	-	3,799
Payment of Dividends	18	-	(6,346)	-	-	-	(6,346)	-	(6,346)
Share-based payment transactions		-	-	-	224	-	224	-	224
Share options exercised		-	123	-	(123)	-	-	-	-
Shares issued or to be issued on dividends reinvested		-	-	234	-	-	234	-	234
Total contributions by and distributions to owners		-	(6,223)	4,033	101	-	(2,089)	-	(2,089)
<b>Balance at 30 June 2020</b>		<b>61,003</b>	<b>32,212</b>	<b>4,033</b>	<b>378</b>	<b>(24,237)</b>	<b>73,389</b>	<b>525</b>	<b>73,914</b>
<b>Balance at 1 July 2020</b>		<b>61,003</b>	<b>32,212</b>	<b>4,033</b>	<b>378</b>	<b>(24,237)</b>	<b>73,389</b>	<b>525</b>	<b>73,914</b>
Profit for the period		-	5,864	-	-	-	5,864	11	5,875
Other comprehensive income		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>5,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,864</b>	<b>11</b>	<b>5,875</b>
<b>Transactions with owners in their capacity as owners:</b>									
Issue of ordinary shares as consideration for Wilson Mining acquisition	21	2,779	156	(2,935)	-	-	-	-	-
Transactions with non-controlling interests	22	-	(23)	-	-	-	(23)	(354)	(377)
Payment of Dividends	18	-	(5,057)	-	-	-	(5,057)	-	(5,057)
Distribution to non-controlling interest	18	-	-	-	-	-	-	(182)	(182)
Share-based payment transactions		-	-	-	441	-	441	-	441
Share options exercised		-	221	-	(221)	-	-	-	-
Shares issued or to be issued on dividends reinvested		513	-	55	-	-	568	-	568
Total contributions by and distributions to owners		3,292	(4,703)	(2,880)	220	-	(4,071)	(536)	(4,607)
<b>Balance at 30 June 2021</b>		<b>64,295</b>	<b>33,373</b>	<b>1,153</b>	<b>598</b>	<b>(24,237)</b>	<b>75,182</b>	<b>-</b>	<b>75,182</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		264,379	315,613
Payments to suppliers and employees (inclusive of GST)		(242,811)	(278,557)
		<b>21,568</b>	<b>37,056</b>
Interest received		20	44
Interest paid		(1,071)	(798)
Income taxes paid		(3,005)	(5,471)
Receipts of government grants and subsidies		777	-
<b>Net cash inflow from operating activities</b>	<b>8</b>	<b>18,289</b>	<b>30,831</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired		-	(3,799)
Payments for property, plant and equipment		(7,286)	(8,285)
Initial direct costs on right-of-use assets		(295)	(485)
Payment of software development costs		(421)	(281)
Proceeds from sale of property, plant and equipment		88	129
Payment for purchase of non-controlling interest		(377)	-
<b>Net cash (outflow) from investing activities</b>		<b>(8,291)</b>	<b>(12,721)</b>
<b>Cash flows from financing activities</b>			
Principal elements of finance lease payments		(6,297)	(3,062)
Dividends paid to company's shareholders	18	(4,489)	(6,112)
Dividends paid to non-controlling interests in subsidiaries		(182)	-
<b>Net cash (outflow) from financing activities</b>		<b>(10,968)</b>	<b>(9,174)</b>
Net (decrease) increase in cash and cash equivalents		(970)	8,936
Cash and cash equivalents at the beginning of the financial year		25,359	16,423
<b>Cash and cash equivalents at end of year</b>	<b>8</b>	<b>24,389</b>	<b>25,359</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

## 1. BASIS OF PREPARATION

The financial statements are for the Group consisting of Mastermyne Group Limited ('the Company') and its controlled entities (together referred to as the 'Group' and individually as 'Group entities'). The principal accounting policies adopted in the preparation of this annual report are set out in the following notes to the financial statements. These policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of each entity in the Group. These financial statements have been prepared under the historical cost convention. Mastermyne Group Limited is a for-profit entity for the purpose of preparing the financial statements. The Group is primarily 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.

## STATEMENT OF COMPLIANCE

The consolidated financial statements of the Mastermyne Group Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted all of the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that are relevant to our operations and effective for an annual reporting period commencing 1 July 2020.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual

Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

## SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual result. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving significant estimates, assumptions or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- ▶ Note 7(d): Recognition of deferred tax asset for carried-forward tax losses;
- ▶ Note 12: Key assumptions used in value-in-use calculations;
- ▶ Note 15: Determining the lease term;
- ▶ Note 15: Determining the incremental borrowing rate;
- ▶ Note 16: Contingent consideration; and
- ▶ Note 25: Measurement of share-based payments.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## 1. BASIS OF PREPARATION (CONTINUED)

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### CORPORATE INFORMATION

The financial statements were authorised for issue by the Directors on 17/08/2021. The Directors have the power to amend and reissue the financial statements.

Mastermyne Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Riverside Plaza  
45 River Street  
Mackay QLD 4740

## 2. SEGMENT INFORMATION

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.

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

During the current reporting period, the Directors reassessed the reportable segments and are of the opinion that all operating segments meet the criteria for aggregation into a single reportable segment as the CODM reviews results, assesses performance and allocates resources at a Group level, and the operating segments have similar economic characteristics and customers.

As the information reported to the CODM is the consolidated results of the Group, the segment results for the year ended 30 June 2020 and 30 June 2021 are shown throughout these financial statements and are not duplicated here.

For information regarding major customers, refer to Note 20(b). The Group operates in one geographical segment, namely Australia.

For information regarding product and service sales, refer to Note 3 Revenue from contracts with customers.

## 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

### (A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from contracts with customers from the transfer of goods and services over time and at a point in time as follows:

	2021	2020
	\$'000	\$'000
Contracting revenue	213,877	271,233
Sale of goods	4,719	5,498
Machinery hire	14,471	15,939
	<b>233,067</b>	<b>292,670</b>

### (B) ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	2021	2020
	\$'000	\$'000
Current contract assets relating to mine operation contracts	1,242	-
Total contract assets	1,242	-
Contract liability - income received in advance	(212)	-

### (I) SIGNIFICANT CHANGES IN CONTRACT ASSETS AND LIABILITIES

Mastermyne Group Limited was awarded their first mine operation contract in May 2021. The contract asset at the end of the year represents capitalised costs to fulfil a contract.

### (II) UNSATISFIED LONG-TERM CONTRACTS

The following table shows unsatisfied performance obligations resulting from fixed-price long-term Whole-of-Mine contracts:

	2021	2020
	\$'000	\$'000
Aggregate amount of the contract price allocated to long-term mine operation contracts that are partially or fully unsatisfied as at 30 June.	656,978	-

The remaining contract price will be recognised over time over the remaining term of the underlying contract using the input or output method depending on the type of goods or services and relevant performance obligation.

## ACCOUNTING POLICY

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.

### 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.

*Revenue is recognised for the major business activities as follows:*

### CONTRACTING

Contracting revenue includes new mine development, mine operation and all mine support services such as training, roadway construction, ventilation, conveyors, longwall relocations and application of polymeric strata support. Contracting revenue is recognised over time, and dependent on the type of contract, is measured using either the input or output method.

For schedule of rates contracts, where a rate is prescribed for each of the activities performed, revenue is recognised in the amount to which Mastermyne Group Limited has a right to invoice.

For fixed-price contracts, either the input or output method is used to recognise revenue depending on the terms of the underlying contract. Where the output method is determined to be most appropriate, revenue is recognised on the basis of direct measurement of the value of goods or services transferred to the customer. Where the input method is determined to be most appropriate, revenue is recognised on the basis of resources consumed, costs incurred or machines hours. When the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date, revenue is recognised over-time by reference to the stage of completion of the contract activity and measurement is based on the proportion of contract costs incurred up to the end of the reporting period relative to the estimated total contract costs.

Contracts can contain multiple performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling

prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a production schedule. If the services rendered by Mastermyne Group Limited exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

### SALE OF GOODS

Revenue from the sale of goods is recognised at a point in time when the Company transfers control of goods to a customer for the amount to which the Company expects to be entitled.

### MACHINERY HIRE

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

### 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.

#### 4. OTHER INCOME

	2021	2020
	\$'000	\$'000
Administration Income	21	795
Contractual settlement	-	550
Government grants and subsidiaries	777	-
	<b>798</b>	<b>1,345</b>

#### ACCOUNTING POLICY

##### GOVERNMENT GRANTS

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

#### 5. EXPENSES

	Notes	2021	2020
		\$'000	\$'000
<b>Personnel expenses</b>			
Wages and salaries		151,598	191,670
Other associated personnel expenses		10,990	16,129
Contributions to defined contribution superannuation funds		9,202	12,007
Equity-settled share based payment transactions		441	224
		<b>172,231</b>	<b>220,030</b>
<b>Depreciation and amortisation</b>			
Depreciation	11, 15	12,172	10,794
Amortisation	12	375	292
		<b>12,547</b>	<b>11,086</b>
<b>Other expenses</b>			
Business development costs		139	122
Insurance		1,560	1,375
Impairment losses arising from contracts with customers		46	-
Loss on sale of property, plant and equipment		23	66
Royalty expense		15	-
		<b>1,783</b>	<b>1,563</b>

#### 6. FINANCE INCOME AND COSTS

	2021	2020
	\$'000	\$'000
Interest income from financial instruments measured using the effective interest method	(20)	(44)
<b>Finance income</b>	<b>(20)</b>	<b>(44)</b>
Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	1071	798
<b>Finance Expense</b>	<b>1,071</b>	<b>798</b>
<b>Net finance costs recognised in profit or loss</b>	<b>1,051</b>	<b>754</b>

#### ACCOUNTING POLICY

##### INTEREST INCOME

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

##### FINANCE EXPENSES

Finance expenses comprise interest expense on borrowings, interest in respect of lease liabilities and unwinding of the discount on provisions. 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.

#### 7. INCOME TAX

##### (A) INCOME TAX EXPENSE

The major components of income tax expense follow:

	2021	2020
	\$'000	\$'000
Current income tax expense	2,515	4,818
Adjustment for prior period	(2)	(47)
<b>Total current tax expense</b>	<b>2,513</b>	<b>4,771</b>
Deferred income tax relating to the origination and reversal of temporary differences	291	351
<b>Income tax expense</b>	<b>2,804</b>	<b>5,122</b>

##### (B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:

	2021	2020
	\$'000	\$'000
Profit from operations before income tax expense	8,679	16,782
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	2,604	5,035
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-deductible expenses	202	134
Non-assessable income	202	134
	<b>2,806</b>	<b>5,169</b>
Under/(over) provision of previous year	(2)	(47)
<b>Income tax expense</b>	<b>2,804</b>	<b>5,122</b>

##### (C) CURRENT TAX ASSETS AND LIABILITIES

The current tax liability for the Group of \$1,039,000 (2020: \$1,593,000) represents the amount of income taxes payable, in respect of current and prior periods.

##### (D) DEFERRED TAX BALANCES

Deferred income tax assets and liabilities are attributable to the following temporary differences::

	2021	2020
	\$'000	\$'000
Tax losses	5,687	6,289
Employee benefits	3,637	3,097
Accruals	489	385
Capital raising and business acquisition costs	23	44
Lease liabilities	2,289	3,040
Property, Plant and Equipment	-	251
<b>Total deferred tax assets</b>	<b>12,125</b>	<b>13,106</b>
Property, Plant and Equipment	(127)	-
Receivables	-	(87)
Intangible Assets	(395)	(468)
Right-of-use assets	(2,221)	(2,997)
Unbilled Revenue	(1,856)	(1,675)
<b>Total deferred tax liabilities</b>	<b>(4,599)</b>	<b>(5,227)</b>
<b>Net deferred tax assets</b>	<b>7,526</b>	<b>7,879</b>

##### (D) DEFERRED TAX BALANCES (CONTINUED)

Movements in deferred tax assets and liabilities are as follows:

Movements	Tax losses \$'000	Employee benefits \$'000	Accruals \$'000	Capital raising and business acquisition costs \$'000	Lease liabilities \$'000	Property, plant and equipment \$'000	Receivables \$'000	Intangible assets \$'000	Right-of-use assets \$'000	Other \$'000	Unbilled revenue \$'000	Total \$'000
Balance at 1 July 2019	7,065	2,568	332	62	-	(44)	(100)	(10)	-	-	(1,747)	8,126
(Charged)/ credited												
- to profit or loss	(1,308)	92	53	(22)	3,040	493	13	49	(2,997)	148	88	(351)
- to current tax liability	11	-	-	4	-	-	-	-	-	-	-	15
Acquisition of subsidiary	521	437	-	-	-	(198)	-	(507)	-	(148)	(16)	89
<b>Balance at 30 June 2020</b>	<b>6,289</b>	<b>3,097</b>	<b>385</b>	<b>44</b>	<b>3,040</b>	<b>251</b>	<b>(87)</b>	<b>(468)</b>	<b>(2,997)</b>	<b>-</b>	<b>(1,675)</b>	<b>7,879</b>
Balance at 1 July 2020	6,289	3,097	385	44	3,040	251	(87)	(468)	(2,997)	-	(1,675)	7,879
(Charged)/ credited												
- to profit or loss	(549)	540	104	(21)	(751)	(381)	99	73	776	-	(181)	(291)
- to current tax liability	(53)	-	-	-	-	3	(12)	-	-	-	-	(62)
<b>Balance at 30 June 2021</b>	<b>5,687</b>	<b>3,637</b>	<b>489</b>	<b>23</b>	<b>2,289</b>	<b>(127)</b>	<b>-</b>	<b>(395)</b>	<b>(2,221)</b>	<b>-</b>	<b>(1,856)</b>	<b>7,526</b>

## 7. INCOME TAX (CONTINUED)

### (D) DEFERRED TAX BALANCES (CONTINUED)

#### ACCOUNTING POLICY

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### TAX CONSOLIDATION LEGISLATION

Mastermyne Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

### SIGNIFICANT ESTIMATE: RECOGNITION OF DEFERRED TAX ASSET FOR CARRIED FORWARD LOSSES

The deferred tax assets include an amount of \$5,687,000, which relate to revenue losses totalling \$18,956,000 (2020: \$20,964,000) which are available to be offset against future taxable income. These losses arose within Diversified Mining Services Pty Ltd and Wilson Mining Services Pty Ltd prior to the acquisition by the Group. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The losses can be carried forward indefinitely and have no expiry date.

## 8. CASH AND CASH EQUIVALENTS

	2021	2020
	\$'000	\$'000
Current assets		
Cash on hand	-	1
Bank balances	24,389	25,358
<b>Cash and cash equivalents in the statement of financial position</b>	<b>24,389</b>	<b>25,359</b>

#### ACCOUNTING POLICY

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

## RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2021	2020
		\$'000	\$'000
<b>Profit for the period</b>		<b>5,875</b>	<b>11,660</b>
Adjustments for:			
Depreciation		12,172	10,793
Amortisation of intangible assets	11, 15	375	292
Provision for impairment of trade debtors	12	46	-
Non-cash employee benefits expense - share-based payments		441	224
Net (gain)/loss on sale or loss of non-current assets	25	23	66
Net finance expense	5	1,051	754
Income tax expense		2,804	5,122
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		8,647	(7,738)
(Increase)/decrease in contract assets		(1,242)	-
(Increase)/decrease in inventories		(153)	680
Increase/(decrease) in trade and other payables		(9,731)	15,022
Increase in contract liabilities		212	-
Increase/(decrease) in provisions and employee benefits		1,825	181
Interest paid		(1,071)	(798)
Interest received		20	44
Income taxes paid		(3,005)	(5,471)
<b>Net cash inflow from operating activities</b>		<b>18,289</b>	<b>30,831</b>

## NON-CASH INVESTING AND FINANCING ACTIVITIES

	Notes	2021	2020
		\$'000	\$'000
Acquisition of right-of-use assets	15	4,812	16,147
Rights and shares issued to employees under the Employee Performance Rights			
Plan for no cash consideration		221	123
Shares to be issued in partial settlement of business combination	21	-	3,799
Dividends on unissued shares to be issued as additional ordinary shares	18, 21	55	234
		<b>5,088</b>	<b>20,303</b>

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following section sets out the movements in liabilities arising from financing activities for the period presented.

	Leases
	\$'000
Recognised on adoption of AASB 16	(957)
Net debt as at 1 July 2019	(957)
Cash flows	3,062
Acquisitions - finance leases and operating lease incentives	(16,147)
<b>30 June 2020</b>	<b>(14,042)</b>
Cash flows from financing activities	6,297
Acquisition - leases	(4,812)
<b>30 June 2021</b>	<b>(12,557)</b>

## 9. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$'000	\$'000
Current		
Trade and other receivables (i)	32,515	42,072
Unbilled revenue (ii)	6,207	5,582
	<b>38,722</b>	<b>47,654</b>
Prepayments	1,677	1,438
	<b>40,399</b>	<b>49,092</b>

#### ACCOUNTING POLICY

Loans and receivables are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period of maturity. We establish an allowance for expected credit losses for loans and receivables using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and unbilled revenue have been grouped based on shared credit risk characteristics and the days past due. The unbilled revenue represents receivables from contracts with customers for which the Company has an 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) and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled revenue. The expected loss rates are based on the historical credit losses experienced over the previous ten years. We adjust historical loss rates to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

### ACCOUNTING POLICY (CONTINUED)

#### (i) TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

Trade and other receivables include amounts for insurance reimbursements if the Group is virtually certain that some or all of a contractual claim will be reimbursed. The expense and reimbursement are presented on a net basis in the profit and loss.

#### (ii) UNBILLED REVENUE

Unbilled revenue represents receivables from contracts with customers for which the Company has an unconditional right to consideration arising from the transfer of goods or services from the customer, but has not been invoiced at balance date. They are generally converted to trade receivables within 30 days and then due for settlement and are therefore all classified as current. The Group holds unbilled revenue with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

## 10. INVENTORIES

	2021	2020
	\$'000	\$'000
Raw materials	2,567	2,464
Finished goods	3,848	3,798
	<b>6,415</b>	<b>6,262</b>

Inventories recognised as expense in cost of goods sold during the year ended 30 June 2021 amounted to \$4,566,000 (2020: \$3,769,000).

### ACCOUNTING POLICY

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 11. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	\$'000	\$'000
<b>Plant and equipment</b>		
Gross value	73,318	68,937
Accumulated depreciation	(51,582)	(47,689)
	<b>21,736</b>	<b>21,248</b>
<b>Motor vehicles</b>		
Gross value	987	1,024
Accumulated depreciation	(657)	(558)
	<b>330</b>	<b>466</b>
<b>Leasehold improvements</b>		
Gross value	214	214
Accumulated depreciation	(197)	(181)
	<b>17</b>	<b>33</b>
<b>Computer equipment</b>		
Gross value	2,481	2,051
Accumulated depreciation	(1,615)	(1,377)
	<b>866</b>	<b>674</b>
	<b>22,949</b>	<b>22,421</b>

### RECONCILIATION OF CARRYING AMOUNTS

	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Total \$'000
Year ended 30 June 2020					
Opening net book amount	17,419	164	65	628	18,276
Acquisition of subsidiary	3,114	434	-	173	3,721
Additions	7,915	169	-	201	8,285
Disposals	(23)	(171)	-	-	(194)
Transfers	17	-	-	(17)	-
Depreciation charge	(7,194)	(130)	(32)	(311)	(7,667)
Closing net book amount	<b>21,248</b>	<b>466</b>	<b>33</b>	<b>674</b>	<b>22,421</b>
Year ended 30 June 2021					
Opening net book amount	21,248	466	33	674	22,421
Additions	6,856	-	-	430	7,286
Disposals	(91)	(20)	-	-	(111)
Depreciation charge	(6,277)	(116)	(16)	(238)	(6,647)
Closing net book amount	<b>21,736</b>	<b>330</b>	<b>17</b>	<b>866</b>	<b>22,949</b>

## ACCOUNTING POLICY

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the costs 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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 period are as follows:

- ▶ *Plant and equipment* **7.50 - 50.00%**
- ▶ *Motor vehicles* **12.50 - 30.00%**
- ▶ *Computer equipment* **37.50 - 50.00%**
- ▶ *Leasehold improvements* **7.50 - 15.00%**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

## 12. INTANGIBLE ASSETS

	2021	2020
	\$'000	\$'000
<b>Goodwill</b>		
Gross value	10,324	10,324
	<b>10,324</b>	<b>10,324</b>
<b>Software</b>		
Gross value	432	432
Accumulated amortisation and impairment	(266)	(93)
	<b>166</b>	<b>339</b>
<b>Intellectual property</b>		
Gross value	1,870	1,449
Accumulated amortisation	(1,387)	(1,342)
	<b>483</b>	<b>107</b>
<b>Customer relationships</b>		
Gross value	590	3,536
Accumulated amortisation	(186)	(3,030)
	<b>404</b>	<b>506</b>
<b>Exclusive distribution rights</b>		
Gross value	991	991
Accumulated amortisation	(101)	(46)
	<b>890</b>	<b>945</b>
	<b>12,267</b>	<b>12,221</b>

### RECONCILIATION OF CARRYING AMOUNTS

	Goodwill \$'000	Software \$'000	Intellectual property \$'000	Customer relationships \$'000	Exclusive distribution rights \$'000	Total \$'000
Year ended 30 June 2020						
Opening net book amount	6,429	146	181	-	-	6,756
Additions	-	281	-	-	-	281
Acquisition of business	3,895	-	-	590	991	5,476
Amortisation charge	-	(88)	(74)	(84)	(46)	(292)
<b>Total closing net book value</b>	<b>10,324</b>	<b>339</b>	<b>107</b>	<b>506</b>	<b>945</b>	<b>12,221</b>
Year ended 30 June 2021						
Opening net book amount	10,324	339	107	506	945	12,221
Additions - internal development	-	-	421	-	-	421
Amortisation charge	-	(173)	(45)	(102)	(55)	(375)
<b>Closing net book amount</b>	<b>10,324</b>	<b>166</b>	<b>483</b>	<b>404</b>	<b>890</b>	<b>12,267</b>

## 12. INTANGIBLE ASSETS (CONTINUED)

### ACCOUNTING POLICY

#### INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of the finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### GOODWILL

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, consistent with managements assessment of operating segments (note 2).

#### SOFTWARE

Significant costs associated with software are deferred and amortised using the diminishing value method over the estimated useful lives of the respective assets, generally 2 to 5 years. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of expected benefit, being their finite life, generally 2 to 5 years.

#### INTELLECTUAL PROPERTY

Separately acquired intellectual property is shown at historical cost. Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. Development costs are capitalised when it is probable that the project will be a success considering

its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight line method over the estimated useful lives of the respective assets, generally 8 to 10 years.

#### CUSTOMER CONTRACTS

The customer relationships were acquired as part of a business combination (see note 21 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the relationships over their estimated useful lives. Amortisation is calculated using the straight line method over the estimated useful lives of the respective assets, generally three to seven years. We test customer relationship assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and we write its value down when impaired.

#### EXCLUSIVE DISTRIBUTION RIGHTS

The exclusive distribution rights were acquired as part of a business combination (see note 21 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based over the life of the underlying agreement, currently eighteen years.

#### IMPAIRMENT TESTING

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

No impairment was identified at 30 June 2021 or 30 June 2020.

#### SIGNIFICANT ESTIMATE: KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS

For the purposes 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. The aggregate carrying amount of goodwill allocated to each CGU is as follows:

	2021	2020
	\$'000	\$'000
Mastermyne Mining	6,429	6,429
Wilson Mining	3,895	3,895
	10,324	10,324

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions.

#### MASTERMYNE MINING

The Mastermyne Mining calculations use cash flow projections based on financial budgets approved by management for 2022, with cash flows beyond the 2022 financial year extrapolated using an average growth rate of 3.5% (2020: 3.3%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2020: 2.5%).

A 12.41% before-tax discount rate was applied to cash flow projections (2020: 12.87%). The discount rate was estimated based the Group's weighted average cost of capital, an industry average beta, risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 2.00%, a market risk premium of 6.00% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

#### IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

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

#### WILSON MINING

The Wilson Mining calculations use cash flow projections based on financial budgets approved by management for 2022, with cash flows beyond the 2022 financial year extrapolated using an average growth rate of 4.0% (2020: 4.0%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2020: 2.5%).

A 13.42% before-tax discount rate was applied to cash flow projections (2020: 13.96%). The discount rate was estimated based the Group's weighted average cost of capital, an industry average beta, risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 2.00%, a market risk premium of 6.00% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

#### IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

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

## 13. TRADE AND OTHER PAYABLES

	2021	2020
	\$'000	\$'000
Current liabilities		
Trade and other payables	5,509	14,832
Sundry creditors and accruals	18,896	19,304
	24,405	34,136

### ACCOUNTING POLICY

#### TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables also include liabilities for contractual claims when the Group has a present legal obligation as a result of past events, it is probable that an outflow will be required to settle the obligation and the amount has been reliably estimated. In these circumstances the liability is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

#### WAGES AND SALARIES

Liabilities for wages and salaries, including non-monetary benefits, to be settled wholly within 12 months of the reporting date are recognised in sundry creditors and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled including on-costs, such as superannuation, workers compensation insurance and payroll tax.

#### BONUS PLANS

We recognise a liability for employee benefits in the form of bonus plans in sundry creditors and accruals when we have a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. We measure liabilities for bonus plans at the amounts expected to be paid when they are settled; settlement occurs within 12 months.

#### TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent, liabilities and Contingent Assets and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 14. EMPLOYEE BENEFIT OBLIGATIONS

	2021			2020		
	Current \$'000	Non-Current \$'000	Total \$'000	Current \$'000	Non-Current \$'000	Total \$'000
Liability for annual leave	7,826	-	7,826	6,488	-	6,488
Liability for vesting sick leave	3,477	-	3,477	3,033	-	3,033
Liability for long service leave	579	98	677	466	169	635
<b>Total employee benefit obligations</b>	<b>11,882</b>	<b>98</b>	<b>11,980</b>	<b>9,987</b>	<b>169</b>	<b>10,156</b>

### ACCOUNTING POLICY

#### ANNUAL LEAVE AND VESTED SICK LEAVE

Liabilities for annual leave and sick leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

#### LONG SERVICE LEAVE

The Group has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

## 15. LEASES

This note provides information for leases where the Group is a lessee. The Group does not have any leases where it is a lessor.

### (I) AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

	2021 \$'000	2020 \$'000
<b>Right-of-use assets</b>		
Buildings	3,539	4,052
Equipment	9,774	9,849
Vehicles	730	561
	<b>14,043</b>	<b>14,462</b>
<b>Lease liabilities</b>		
Current	4,681	4,918
Non-current	7,876	9,124
	<b>12,557</b>	<b>14,042</b>

Additions to the right-of-use assets during the 2021 financial year were \$5,107,000.

### (II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

	Notes	2021 \$'000	2020 \$'000
<b>Depreciation charge of right-of-use assets</b>			
Buildings		1,014	522
Equipment		3,998	2,259
Vehicles		513	346
		<b>5,525</b>	<b>3,127</b>
Interest expense (included in finance cost)	6	684	366
Expense relating to short-term leases (included in contract disbursements and office expenses)		6,645	12,321
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		41	28
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		89	85

Total cash outflow for leases in 2021 was \$13,756,000 (2020: \$15,862,000)

## ACCOUNTING POLICY

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ▶ fixed payments (including in-substance fixed payments), less any lease incentives receivable
- ▶ variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- ▶ amounts expected to be payable by the Group under residual value guarantees
- ▶ the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- ▶ payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- ▶ the amount of the initial measurement of lease liability
- ▶ any lease payments made at or before the commencement date less any lease incentives received
- ▶ any initial direct costs, and
- ▶ restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a

straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

### SHORT-TERM AND LOW VALUE LEASES

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### CRITICAL JUDGEMENT: DETERMINING THE LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- ▶ If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- ▶ If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

## 15. LEASES (CONTINUED)

### CRITICAL JUDGEMENT: DETERMINING THE LEASE TERM (CONTINUED)

- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

### SIGNIFICANT ESTIMATE: DETERMINING THE INCREMENTAL BORROWING RATE

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## 16. OTHER LIABILITIES

	2021	2020
	\$'000	\$'000
Current		
Contingent consideration	1,944	-
Non-current		
Contingent consideration	1,911	3,855

### SIGNIFICANT ESTIMATE: CONTINGENT CONSIDERATION

The contingent consideration arrangement requires the Group to pay the former owners of WM 50% of the EBITDA of WM for three years from 2020 to 2022, up to a maximum undiscounted amount of \$10,000,000 plus 25% of the EBITDA for the three years from 2020 to 2022 in excess of \$20,000,000 with no maximum amount payable. There is no minimum amount payable.

The fair value of the current contingent consideration is based on the actual EBITDA in WM for FY2021. The fair value of the non-current contingent consideration of \$1,911,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 4% and assumed probability-adjusted annual EBITDA in WM. The discount rate has been calculated with regard to the projection and credit risks associated with the liability.

No material changes have occurred to the liability as a result of differences arising from settlement, or changes in the range of outcomes during the year.

### ACCOUNTING POLICY

Contingent consideration is payable as part of the consideration for the Wilson Mining acquisition (refer to Note 21). Obligations falling due more than 12 months after the end of the reporting period are recognised as non-current liabilities and discounted to present value.

## 17. EARNINGS PER SHARE

### BASIC EARNINGS PER SHARE

	2021	2020
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the Company	5.5	11.0

### DILUTED EARNINGS PER SHARE

	2021	2020
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the Company	5.4	10.9

### RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2021	2020
	\$'000	\$'000
Earnings used in the calculation of basic and diluted earnings per share	5,864	11,557

### WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2021	2020
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	107,023,819	105,351,520
Adjustments for calculation of diluted earnings per share:		
Performance rights outstanding	1,631,128	1,211,803
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	108,654,947	106,563,323

### ACCOUNTING POLICY

The Group presents basic and diluted earnings per share data for its ordinary shares.

### BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 18. DIVIDENDS

### ORDINARY SHARES

	2021	2020
	\$'000	\$'000
Final dividend for the year ended 30 June 2020 of 4 cents (2019 - 2 cents) per fully paid share	4,252	2,110
No Special Dividend was paid for the year ended 30 June 2020 (2019 - 2 cents) per fully paid share	-	2,110
Interim dividend for the year ended 30 June 2021 of 0.75 cents (2020 - 2 cents) per fully paid share	805	2,126
<b>Total dividends paid</b>	<b>5,057</b>	<b>6,346</b>
<b>Total distributions to non-controlling interest</b>	<b>182</b>	<b>-</b>

Dividends include amounts on shares to be issued as consideration for the Wilson Mining Services Pty Ltd acquisition during the year. These dividends are payable and will be issued as additional ordinary shares. Refer to Note 19 and 21 for more information.

### DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD

	2021	2020
	\$'000	\$'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2.25 cents per fully paid ordinary share (2020 - 4 cents).	2,417	4,252

### FRANKED DIVIDENDS

The final dividends recommended after 30 June 2021 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2022.

	2021	2020
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2020 - 30.0%)	20,153	18,602

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity, Mastermyne Group Limited, if distributable profits of subsidiaries were paid as dividends.

## 19. EQUITY

### SHARE CAPITAL

	Notes	2021	2020	2021	2020
		Shares	Shares	\$'000	\$'000
Ordinary shares					
Fully paid		106,207,161	102,282,985	64,295	61,003
<b>Total share capital</b>		<b>106,207,161</b>	<b>102,282,985</b>	<b>64,295</b>	<b>61,003</b>

### MOVEMENTS IN ORDINARY SHARES:

Details	Notes	Number of shares (thousands)	Total \$'000
Opening balance 1 July 2019		101,665	61,003
Employee share scheme issues	25	618	-
Balance 30 June 2020		102,283	61,003
Employee share scheme issues		428	-
Dividend reinvestment plan issues		610	513
Acquisition of subsidiary	21	2,887	2,779
<b>Balance 30 June 2021</b>		<b>106,208</b>	<b>64,295</b>

### ORDINARY SHARES

The Company does not have authorised capital or par value in respect of issued shares. All issued shares are fully paid. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

## 19. EQUITY (CONTINUED)

### PERFORMANCE RIGHTS

Information relating to the Employee Performance Rights Plan, including details of rights issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 25.

### 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.

### RESERVES

#### (I) OTHER EQUITY

The other equity reserve represents the shares to be issued to the vendors of Wilson Mining Services Pty Ltd as part of the consideration paid for the acquisition of the business.

#### (II) 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 (note 25).

#### (III) 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 became the new parent entity of the Group.

## 20. FINANCIAL RISK MANAGEMENT

The Group's business activities can expose us to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk, and liquidity risk. 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.

All of the Group's financial assets except cash and cash equivalents are within the loans and receivables category, and our financial liabilities are all within the financial liabilities recorded at amortised cost category.

### (A) MARKET RISK

#### (I) FOREIGN EXCHANGE RISK

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Australian dollar. From time to time we make purchases from suppliers who require the currency of settlement to be a foreign currency. At 30 June 2021 and 2020 our exposure to foreign currency risk was immaterial.

#### (II) PRICE RISK

The Group is not exposed to equity securities or commodity price risks.

#### (III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's main interest rate risk arises from lease liabilities. These are obtained at fixed rates and expose the Group to fair value risk.

### (B) 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 and cash and cash equivalents.

The Group's exposure to credit risk is influenced 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. Collateral is not normally obtained. 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 has one (2020: two) significant customer representing more than 10% of the carrying amount of trade receivables at 30 June 2021. The total of the receivables from this customer is \$23,173,000 (2020: \$24,609,000). The breakdown of each customer is as follows:

	2021	2020
	\$'000	\$'000
Customer 1	23,173	20,267
Customer 2	-	4,342
<b>Total</b>	<b>23,173</b>	<b>24,609</b>

In the current and comparative period, the Group's cash and cash equivalents are held with AA-Rated Australian Banks.

### TRADE RECEIVABLES AND UNBILLED REVENUE

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and unbilled revenue.

To measure the expected credit losses, trade receivables and unbilled revenue have been grouped based on shared credit risk characteristics and the days past due. The unbilled revenue represents the Company's unconditional right to consideration arising from the transfer of goods and services to the customer (i.e. only the passage of time is required before payment of the consideration is due), and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled revenue.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 or 1 July 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, no loss allowance has been recognised as at 30 June 2021 and 30 June 2020.

### (C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. 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.

## (I) FINANCING ARRANGEMENTS

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Facility Limit	Undrawn Amount
	\$'000	\$'000
<b>30 June 2021</b>		
Invoice facility	20,000	20,000
Bank guarantee facility	500	443
Corporate credit card facility	500	481
Equipment facility	10,000	10,000
<b>Total Multi Option Facility</b>	<b>31,000</b>	
<b>30 June 2020</b>		
Invoice facility	20,000	20,000
Bank guarantee facility	500	443
Corporate credit card facility	500	498
Equipment facility	10,000	10,000
<b>Total Multi Option Facility</b>	<b>31,000</b>	<b>30,941</b>

## (II) MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

## 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) LIQUIDITY RISK (CONTINUED)

Contractual maturities of financial liabilities	Notes	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2021</b>								
Trade payables	13	24,405	-	-	-	-	24,405	24,405
Lease liabilities		2,589	2,576	4,237	2,984	1,267	13,653	12,557
<b>Total non-derivatives</b>		<b>26,994</b>	<b>2,576</b>	<b>4,237</b>	<b>2,984</b>	<b>1,267</b>	<b>38,058</b>	<b>36,962</b>
		<b>26,994</b>	<b>2,576</b>	<b>4,237</b>	<b>2,984</b>	<b>1,267</b>	<b>38,058</b>	<b>36,962</b>
<b>30 June 2020</b>								
Trade payables	13	34,135					34,135	34,135
Finance lease liabilities		2,799	2,636	3,750	4,536	1,667	15,388	14,042
<b>Total non-derivatives</b>		<b>36,934</b>	<b>2,636</b>	<b>3,750</b>	<b>4,536</b>	<b>1,667</b>	<b>49,523</b>	<b>48,177</b>
		<b>36,934</b>	<b>2,636</b>	<b>3,750</b>	<b>4,536</b>	<b>1,667</b>	<b>49,523</b>	<b>48,177</b>

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 21. BUSINESS COMBINATION

### PRIOR PERIOD

On 30 August 2019, Mastermyne Group Limited acquired 100% of the ordinary shares of Wilson Mining Services Pty Ltd ('WM'). Details of the business combination were disclosed in Note 23 of the Group's annual financial report for the year ended 30 June 2020.

During the half year period ended 31 December 2020, accounting for the business combination was completed.

A measurement period adjustment of \$33,000 was made increasing goodwill acquired to \$3,895,000 (30 June 2020 - \$3,862,000). The adjustment represents the final deferred tax asset acquired after the tax calculations for the stub period were completed. The comparative information has been revised in line with AASB 3 Business Combinations.

### UNISSUED SHARES TO VENDOR

During the year 2,886,557 shares were issued to the Vendors of WM in partial settlement of the \$3,799,000 outstanding purchase consideration to be settled with the issue of shares. At 30 June 2021, 1,106,600 (\$1,077,000) shares remain to be issued and are included in other equity. While unissued, the shares retain their dividend rights and any dividend paid will be settled as additional shares to the vendors calculated on a 5 day volume weighted average price prior to record date.

### ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Consideration for an acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the company. Consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's

incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## 22. RELATED PARTIES

### 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:

Name of entity	Country of incorporation	Equity holding (ordinary shares)	
		2021	2020
		%	%
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	100	67
Mastermyne Contracting Services Pty Ltd	Australia	100	100
Ausscaffold Pty Ltd	Australia	100	100
Diversified Mining Services Pty Ltd	Australia	100	100
Falcon Mining Pty Ltd	Australia	100	100
Wilson Mining Services	Australia	100	100
Mastermyne Crinum Operations Pty Ltd	Australia	100	-
Metarock Pty Ltd	Australia	100	-

### TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 28 May 2021, the Group acquired the remaining 33% of the issued shares of MyneSight Pty Ltd for \$377,000. Immediately prior to the purchase, the carrying amount of non-controlling interest in MyneSight Pty Ltd was \$354,000. The Group recognised a decrease in non-controlling interests of \$354,000 and a decrease in equity attributable to the owners of the parent of \$23,000. The effect on the equity attributable to the owners of Mastermyne Group Limited during the year is summarised as follows:

	2021	2020
	\$'000	\$'000
Carrying amount of non-controlling interests acquired	354	-
Consideration paid to non-controlling interests	(377)	-
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>	<b>(23)</b>	<b>-</b>

There were no transactions with non-controlling interests in 2020.

### PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### PARENT ENTITY FINANCIAL INFORMATION

Summarised financial information for the parent entity, Mastermyne Group Limited is as follows:

	2021	2020
	\$'000	\$'000
<b>Results of parent entity</b>		
Loss for the year	(3,668)	(1,013)
<b>Total comprehensive loss for the year</b>	<b>(3,668)</b>	<b>(1,013)</b>
<b>Financial position of parent entity at year-end</b>		
Current assets	1,823	34,875
<b>Total assets</b>	<b>67,866</b>	<b>97,898</b>
Current liabilities	7,701	15,295
<b>Total liabilities</b>	<b>16,299</b>	<b>43,818</b>
<b>Total equity of the parent entity at year-end</b>		
Share capital	64,295	61,003
Other equity	1,153	4,033
Retained earnings	(14,479)	(11,334)
Reserves	598	378
<b>Total equity</b>	<b>51,567</b>	<b>54,080</b>

## 22. RELATED PARTIES (CONTINUED)

### PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

#### GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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 23.

#### CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020. For information about guarantees given by the parent entity, please see above.

#### CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT

There were no parent entity capital commitments as at 30 June 2021 or 30 June 2020.

## 23. DEED OF CROSS GUARANTEE

Mastermyne Group Limited and the wholly-owned subsidiaries listed below are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

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 as follows:

- ▶ Mastermyne Pty Ltd
- ▶ Mastermyne Engineering Pty Ltd
- ▶ Mastermyne Underground Pty Ltd
- ▶ Mastermyne Underground NNSW Pty Ltd
- ▶ Myne Start Pty Ltd
- ▶ MyneSight Pty Ltd
- ▶ Mastermyne Contracting Services Pty Ltd
- ▶ Ausscaffold Pty Ltd
- ▶ Diversified Mining Services Pty Ltd
- ▶ Falcon Mining Pty Ltd
- ▶ Wilson Mining Services Pty Ltd
- ▶ Mastermyne Crinum Operations Pty Ltd
- ▶ Metarock Pty Ltd

## CONSOLIDATED BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2021 of the closed group consisting of Mastermyne Group Limited.

	2021	2020
	\$'000	\$'000
<b>Current assets</b>		
Cash and cash equivalents	24,389	24,284
Trade receivables	40,399	48,302
Contract assets	1,242	-
Inventories	6,415	6,262
<b>Total current assets</b>	<b>72,445</b>	<b>78,848</b>
<b>Non-current assets</b>		
Property, plant and equipment	22,949	22,074
Right-of-use assets	14,043	13,923
Intangible assets	12,267	11,414
Deferred tax assets	7,526	7,819
Investments in subsidiaries	-	733
<b>Total non-current assets</b>	<b>56,785</b>	<b>55,963</b>
<b>Total assets</b>	<b>129,230</b>	<b>134,811</b>
<b>Current liabilities</b>		
Trade and other payables	24,617	33,775
Lease liabilities	4,681	4,533
Current tax liabilities	1,039	1,502
Employee benefits	11,882	9,793
Other current liabilities	1,944	3,799
<b>Total current liabilities</b>	<b>44,163</b>	<b>53,402</b>
<b>Non-current liabilities</b>		
Lease liabilities	7,876	8,962
Employee benefits	98	84
Other non-current liabilities	1,911	3,855
<b>Total non-current liabilities</b>	<b>9,885</b>	<b>12,901</b>
<b>Total liabilities</b>	<b>54,048</b>	<b>66,303</b>
<b>Net assets</b>	<b>75,182</b>	<b>68,508</b>
<b>Equity</b>		
Contributed equity	64,295	61,003
Reserves	(22,486)	(19,826)
Retained earnings	33,373	31,364
<b>Total equity</b>	<b>75,182</b>	<b>72,541</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Mastermyne Group Limited, they also represent the 'extended closed group'.

	2021	2020
	\$'000	\$'000
<b>Consolidated statement of comprehensive income</b>		
Revenue	228,189	286,726
Other income	524	1,330
Contract disbursements	(30,621)	(37,399)
Personnel Expenses	(167,849)	(215,239)
Office expenses	(6,647)	(6,010)
Depreciation and amortisation expense	(12,163)	(10,813)
Other expenses	(1,771)	(1,530)
<b>Results from operating activities</b>	<b>9,662</b>	<b>17,065</b>
Finance income	19	39
Finance expense	(1,049)	(773)
<b>Net finance expense</b>	<b>(1,030)</b>	<b>(734)</b>
Profit before income tax	8,632	16,331
Income tax expense	(2,790)	(4,985)
<b>Profit for the period</b>	<b>5,842</b>	<b>11,346</b>
<b>Total comprehensive income for the period</b>	<b>5,842</b>	<b>11,346</b>

## 24. KEY MANAGEMENT PERSONNEL

Key management personnel compensation is set out below.

	2021	2020
	\$	\$
Short-term employee benefits	3,485,408	2,565,261
Post-employment benefits	254,194	211,165
Long-term benefits	95,136	109,537
Share-based payments	390,147	223,389
	<b>4,224,885</b>	<b>3,109,532</b>

## INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION

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.

## 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 following transactions occurred with related parties:

	Transaction value Year ended 30 June	
	2021	2020
	\$	\$
<b>Transaction</b>		
Andrew Watts - Watty Pty Ltd (i)	194,453	189,739
Andrew Watts - Watty Pty Ltd (ii)	23,808	23,464
Tony Caruso - Treatwater & Plumbing Pty Ltd (iii)	2,367	116
	<b>220,628</b>	<b>213,319</b>

- i. The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
- ii. The Group 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.
- iii. The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payment terms.

## 24. KEY MANAGEMENT PERSONNEL (CONTINUED)

### SHAREHOLDINGS

The movements 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:

Name	2021			
	Balance at the start of year	Received during the year on exercise of rights	Other changes during the year	Balance at the end of the year
Mr. C Bloomfield	1,100,000	-	17,629	1,117,629
Mr. A Watts	12,262,245	-	-	12,262,245
Mr. G Meena	100,000	-	-	100,000
Ms. J Whitcombe	94,000	-	-	94,000
Mr. A Caruso	2,132,979	248,726	9,850	2,391,555
Mr. D Sykes	175,626	109,185	-	284,811
Ms. V Gayton	89,200	70,078	-	159,278
Mr. B Maff	89,024	-	-	89,024
Mr. W Price	-	-	11,173	11,173

## 25. SHARE-BASED PAYMENTS

### EMPLOYEE PERFORMANCE RIGHTS PLAN

The establishment of the Employee Performance Right Plan was approved by shareholders at the 2015 annual general meeting. The plan is designed to provide long-term incentives for senior managers and above (including executive Directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Rights or options are granted under the plan for no consideration and carry no dividend or voting right.

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.

Set out below are summaries of rights granted under the plan:

	2021		2020	
	Average exercise price per right	Number of rights	Average exercise price per right	Number of rights
As at 1 July	-	1,078,612	-	1,312,390
Granted during the year	-	1,439,850	-	383,722
Exercised during the year *	-	(427,989)	-	(617,500)
Forfeited during the year	-	(13,787)	-	-
As at 30 June	-	2,076,686	-	1,078,612

\* The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2021 was (\$0.78) (2020: \$0.95).

No rights expired during the periods covered by the above tables.

Performance rights outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Vesting conditions	Performance Rights 30 June 2021	Performance Rights 30 June 2020
22 January 2021	1/10/21	0.00	STI conditions	187,519	-
24 November 2020	1/10/23	0.00	1, 2, 3(a)	626,166	-
24 November 2020	1/10/23	0.00	1, 2, 3(b)	626,166	-
21 November 2019	1/10/22	0.00	1, 2, 3, 4(a)	191,861	191,861
21 November 2019	1/10/22	0.00	1, 2, 3, 4(b)	191,861	191,861
21 November 2018	1/10/21	0.00	1, 2, 3, 4(a)	126,557	126,557
21 November 2018	1/10/21	0.00	1, 2, 3, 4(b)	126,557	126,557
21 November 2017	1/10/20	0.00	1, 2, 3, 4(a)	-	220,888
21 November 2017	1/10/20	0.00	1, 2, 3, 4(b)	-	220,888
<b>Total</b>				<b>2,076,687</b>	<b>1,078,612</b>

\* Weighted average remaining contractual life of rights outstanding at end of period (years) 1.65 1.20

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:

Performance rights issued in 2020 or thereafter as long-term incentives

- **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 absolute discretion, may determine that some or all of the performance rights will lapse.
- **Vesting Condition 3:** If Vesting Conditions 1 and 2 are achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. These Vesting Conditions depend on Mastermyne's TSR percentile rank during the TSR measurement period and the Earnings per Share (EPS) performance over the measurement period:
  - Tranche A:** 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX Peer Group index; and
  - Tranche B:** 50% of the performance rights will be conditional on the Company's EPS performance.

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

Tranche A		Tranche B	
TSR Rank during the measurement period	Proportion to vest	EPS Performance during measurement period	Proportion to vest
Below 50th percentile of the ASX Peer Group	0%	EPS growth at <6%	0%
50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile	EPS growth between 6% and 12%	0% to 100% pro rata
Above 75th percentile of the ASX Peer Group	100%	EPS growth between >12%	100%

## 25. SHARE-BASED PAYMENTS (CONTINUED)

### EMPLOYEE PERFORMANCE RIGHTS PLAN (CONTINUED)

Performance rights issued before 2020 as long-term incentives

- ▶ **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 absolute 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 the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX 200 Resource Accumulation index.

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

Tranche A		Tranche B	
TSR Rank during the measurement period	Proportion to vest	TSR Rank during the measurement period	Proportion to vest
Below 50th percentile of the ASX Peer Group	0%	Below 50th percentile of the Resource Peer Group	0%
50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile	50th percentile to 75th percentile of the Resource Peer Group	50% plus 2% for each percentile above 50th percentile
Above 75th percentile of the ASX Peer Group	100%	Above 75th percentile of the Resource Peer Group	100%

### PERFORMANCE RIGHTS ISSUED AS SHORT-TERM INCENTIVES

Employees can nominate for up to 50% of their STI award to be settled in shares annually. When a nomination is made, performance rights are issued to the employee and vest at the end of the year in line with the achievements of their relative KPI's. The STI metrics align with the strategic objectives of the Group, with specific financial and non-financial measures (normally 5 or 6) for individual performance, Group performance and underlying performance of the Group.

### SIGNIFICANT ESTIMATE: MEASUREMENT OF SHARE BASED PAYMENTS

#### PERFORMANCE RIGHTS ISSUED AS LONG-TERM INCENTIVES

The assessed fair value at grant date of rights granted during the year ended 30 June 2021 as long-term incentives was \$0.49 per right for Tranche A and \$0.48 per right for Tranche B (2020: \$0.74 and \$0.71 respectively). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, volatility of the underlying share, the expected dividend yield, the risk-free interest for the term of the right and the correlations and volatilities of the peer group companies.

The model inputs for rights outstanding at year end are set out below:

	2021	2020	2019	2018
Fair value at grant date Tranche A	\$0.4945	\$0.7415	\$0.8077	\$0.5225
Fair value at grant date Tranche B	\$0.4784	\$0.7100	\$0.7727	\$0.4695
Share price	\$0.77	\$1.14	\$1.19	\$0.88
Exercise price	\$nil	\$nil	\$nil	\$nil
Expected volatility (weighted average volatility)	60.0%	60.0%	75.0%	78.4%
Option life (expected weighted average life)	2.9 years	2.9 years	2.9 years	2.9 years
Expected dividends	5.20%	1.90%	5.81%	5.81%
Risk-free interest rate (based on government bonds)	0.11%	0.66%	2.12%	1.86%

### PERFORMANCE RIGHTS ISSUED AS SHORT-TERM INCENTIVES

The assessed fair value at grant date of rights granted during the year ended 30 June 2021 as short-term incentives ranged from \$0.46 to \$0.70 (2020: No STI performance rights issued). Given the rights are issued with a \$nil exercise price, and the vesting conditions are non-market, the fair value at grant date is determined using the share price on the day the rights were issued (\$0.7600) and applying a probability factor representative of the relevant employee's likelihood of achieving their KPI's during the year.

### ACCOUNTING POLICY

The grant-date fair value of share-based payment awards granted to employees is recognised within "personnel expense" within the statement of comprehensive income, 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 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.

### EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2021	2020
	\$	\$
Equity-settled share based payment transactions	441	224

## 26. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Mastermyne Group Limited, its related practices and non-related audit firms:

### PITCHER PARTNERS AUSTRALIA

#### (I) AUDIT AND OTHER ASSURANCE SERVICES

	2021	2020
	\$	\$
Audit and review of financial statements	147,500	110,000
<b>Total remuneration for audit and other assurance services</b>	<b>147,500</b>	<b>110,000</b>

#### (II) TAXATION SERVICES

	2021	2020
	\$	\$
Tax compliance services	16,500	-
<b>Total remuneration for taxation services</b>	<b>16,500</b>	<b>-</b>
<b>Total auditors' remuneration</b>	<b>164,000</b>	<b>110,000</b>

## 27. CONTINGENT LIABILITIES

### CONTINGENT LIABILITIES

#### CLAIMS

A claim for unspecified damages was lodged against Falcon Mining Pty Ltd in 2021 in relation to an event that occurred at a customer site in May 2020. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

## 28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 July 2021, 1,106,600 shares were issued to the Vendors of Wilson Mining Services Pty Ltd in settlement of the outstanding purchase consideration for the prior year business combination discussed in Note 21. An additional 100,394 shares were issued as compensation for the dividends paid while the shares remained unissued.

Apart from the matter discussed above and the dividend declared as disclosed in Note 18, no matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

# DIRECTORS' DECLARATION

30 JUNE 2021

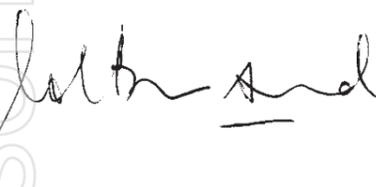
In the opinion of the directors of Mastermyne Group Limited (the 'Company'):

- (a) the consolidated financial statements and notes set out on pages 55 to 79 are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, 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, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



**Mr. C Bloomfield**

Director  
Brisbane  
17/08/2021



Level 38, 345 Queen Street  
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Brisbane, QLD 4001

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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 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2021 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 (including Independence Standards)* "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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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|NIGEL FISCHER |PETER CAMENZULI |KYLIE LAMPRECHT |BRETT HEADRICK |COLE WILKINSON |JEREMY JONES |JAMES FIELD |ROBYN COOPER |CHERYL MASON |MURRAY GRAHAM

Key Audit Matter	How our audit addressed the key audit matter
<b>Impairment assessment of goodwill (\$10.324 million)</b> <i>(Refer to note 12)</i>	
<p>The consolidated statement of financial position as at 30 June 2021 includes goodwill of \$10.324 million which relates to the consolidation of subsidiaries acquired in the current and previous years.</p> <p>The carrying amount of goodwill is supported by the value-in-use calculations prepared by management which are based on budgeted future cash flows and key assumptions such as growth and discount rates.</p> <p>Goodwill is deemed to be a key audit matter due to the use of key assumptions and judgements in the value-in-use calculation.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>Assessing management's determination of the Group's CGU's based on our understanding of the nature of the Group's business and internal reporting in order to assess how results were monitored and reported;</li> <li>Assessing the reasonableness of Management's key assumptions and judgements by considering supporting management prepared documentation or historical performance, where available;</li> <li>Comparing the prior year forecast to assess the accuracy of the forecasting process;</li> <li>Reviewing management's value-in-use calculations for accuracy;</li> <li>Performing a sensitivity analysis of management's value-in-use calculation; and</li> <li>Reviewing the adequacy of the disclosures in the financial statements.</li> </ul>

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 19 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Mastermyne Group Limited, for the year ended 30 June 2021, 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*  
PITCHER PARTNERS



**J. J. EVANS**  
Partner

Brisbane, Queensland  
18 August 2021



## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 1 September 2021.

### 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: 107,414,155

Ordinary shares, each fully paid, held by 1,800 shareholders.

#### UNQUOTED: 2,076,691

Performance rights, having differing exercise prices, hurdles, vesting periods and terms, with latest expiry 1 October 2023, held by 5 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, one vote only; and
  - b. on a poll, one vote for each ordinary share held.

### RESTRICTED SECURITIES

There are no current restricted securities.

### 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:

1 Sep 2021				
Range	Securities	%	No. of holders	%
100,001 and Over	85,176,520	79.30	139	7.72
10,001 to 100,000	18,277,564	17.02	559	31.06
5,001 to 10,000	2,346,765	2.18	302	16.78
1,001 to 5,000	1,464,028	1.36	528	29.33
1 to 1,000	149,278	0.14	272	15.11
<b>Total</b>	<b>107,414,155</b>	<b>100.00</b>	<b>1,800</b>	<b>100.00</b>
<b>Unmarketable Parcels</b>	<b>15,737</b>	<b>0.01</b>	<b>104</b>	<b>5.78</b>

There are 104 shareholders holding a total of 15,737 shares with less than a marketable parcel.

### TWENTY LARGEST SECURITY HOLDERS

Security: MYE.ASX (Mastermyne Group Limited) as at 1 September 2021

Rank	Name	1 Sep 2021	%IC
1	MR KENNETH RUDY KAMON	10,874,887	10.12
2	WATTY PTY LTD	8,178,396	7.61
3	DARREN WILLIAM HAMBLIN	7,631,898	7.11
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,053,192	5.64
5	CARM NQ PTY LTD	3,327,032	3.10
6	MOAT INVESTMENTS PTY LTD	2,356,827	2.19
7	ANTHONY SALVATORE CARUSO	2,135,013	1.99
8	MAY DOWNS PTY LTD	2,000,000	1.86
9	HORRIE PTY LTD	1,340,005	1.25
10	INVIA CUSTODIAN PTY LIMITED	1,206,994	1.12
11	ANTHONY CHARLES ZAHRA	1,159,810	1.08
12	C & D BLOOMFIELD PTY LTD	1,100,000	1.02
13	MR ALAN JAMES LAWRENCE & MS JANINE EVELYN LAWRENCE	1,067,633	0.99
14	PAKASOLUTO PTY LIMITED	1,013,739	0.94
15	HELEN WILSON	939,810	0.87
16	MR VICTOR MCCULLOUGH & MRS ELIZABETH MCCULLOUGH	922,892	0.86
17	JT MANAGEMENT CO PTY LTD	919,084	0.86
18	MICHAEL ALAN COOMBS	900,000	0.84
19	HILLMORTON CUSTODIANS PTY LTD	857,229	0.80
20	MAST FINANCIAL PTY LTD	834,556	0.78
<b>Total</b>		<b>54,818,997</b>	<b>51.04</b>
<b>Balance of register</b>		<b>52,595,158</b>	<b>48.96</b>
<b>Grand total</b>		<b>107,414,155</b>	<b>100.00</b>

### SUBSTANTIAL HOLDERS

The following substantial shareholders have been disclosed in substantial holding notices given to the company as at 1 September 2021:

Substantial Shareholders (>5%)	Number of Shares
Andrew Watts	12,262,245
Kenneth Kamon	10,874,887
Darren Hamblin	9,631,898
Greig and Harrison Pty Ltd	6,275,050

## 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

Level 1, Riverside Plaza  
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### MASTERMYNE OFFICES

#### MASTERMYNE HEAD OFFICES

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#### WILSON MINING

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**F:** +61 (7) 4904 8200

### SHARE REGISTRY

LINK Market Services Limited  
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**P:** +61 (2) 8280 7457

### INDEPENDENT AUDITORS

Pitcher Partners  
Level 38, 345 Queen Street  
Brisbane QLD 4000  
AUSTRALIA

### STOCK EXCHANGE LISTING

Mastermyne Group Limited is listed on the Australian Securities Exchange.

### ASX CODE MYE



**mastermyne**

**stronger values. greater results.**

mining | products | training

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