

20th August 2019

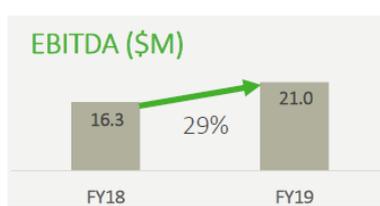
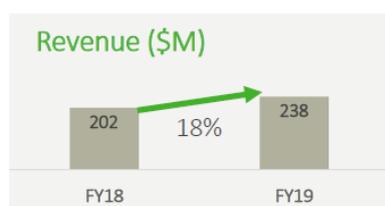
ASX Announcement

Mastermyne Group Limited Full Year 2019 Results

Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) is pleased to announce its full year results which includes a number of highlights including the resumption of ordinary dividend payments to shareholders. The result clearly demonstrates the Company’s operating leverage as it continues to capitalise on the sustained strength of the coal market.

Key highlights of the FY2019 result are:

- Revenue increased by 18% to \$238 million with EBITDA increasing 29% to \$21 million and Net Profit up 89% to \$10.6 million
- Strong cash generation which resulted in \$16.4 million of Net Cash at the completion of the year
- Safety statistics well ahead of Industry averages with nine sites completing between six months and three years without a recordable injury
- Divestment of the Scaffolding, Blast and Paint business on a strong multiple generating a \$2.0 million profit on sale
- Acquisition of Wilsons Mining, a strategic investment that increases the underground service offering
- Resumption of normal dividends (2cps) along with a special 2cps dividend from the gain on sale of the Mastertec business
- Upgrading of an already strong order book to record order book of \$584 million with a tendering pipeline of \$1.8 billion
- Improved EBITDA margins with H2 FY2019 exit rate of 9.7%, on track to achieving the goal of double digit EBITDA margins
- Market guidance for FY2020 Revenue and EBITDA of \$295-315 million and \$27-31 million respectively



Mastermyne Managing Director and CEO, Tony Caruso said “this result shows the excellent operating leverage this business has and combined with our disciplined approach to improving contract terms, maintaining a low overhead cost base and leveraging our specialised fleet of underground equipment has enabled us to deliver this great result. We have been especially pleased to divest the Mastertec business on good terms, pay a special dividend from the proceeds of the sale and to acquire a niche complementary business that will add value to our underground business and to our clients. We will continue to work hard to deliver value to shareholders through opportunistic divestment, like Mastertec, and sensible acquisitions. We are excited by the year ahead which has us well on our way to delivering the strongest ever result for the Mastermyne business”.

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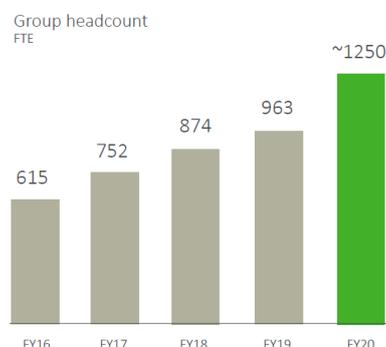
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The strength of the full year result is highlighted further when taking into account the suspension of the North Goonyella Contract in September 2018. Despite the loss of this major project the Company maintained and delivered a strong financial result largely in line with the guidance provided to the market. Along with the focused operating approach the focus on debt reduction and cash generation resulted in a Net Cash position of \$16.4 million compared to Net Debt position of \$3.5 million at the end of FY2018. The cash advance facility has now been fully repaid at 30 June 2019.

During the period Mastermyne delivered record roadway development metres across the most number of development units operated by the Company since its inception. The Company successfully renegotiated contracts, secured extensions and won new contracts which flowed into revenue growth and improved margins. As revenue grew, the Company maintained its disciplined approach to overheads with only minimal escalation to support the increased activities, and subsequently overheads have materially decreased as a percentage of revenue which also contributed to improved EBITDA margins. The Company was very pleased with an exit EBITDA margin run rate for 2H FY2019 of 9.7% as compared to the overall FY2019 EBITDA margin of 8.8%.

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

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at 963. Resources have become more constrained as demand for mining services has increased, however the Company has successfully resourced all current projects with highly skilled and capable personnel. The Company is forecasting further workforce growth this year and anticipates workforce numbers to reach approximately 1,250 by the end of FY2020.



The Company is pleased with the safety outcomes achieved across all the projects with over half of the projects completing extended periods with recordable injuries. The relentless focus on building a self-supporting safety culture underpins the strong result, and the Company continues to challenge the safety management paradigm with pleasing results.

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The Group's Order Book, which is largely made up of coking coal projects, currently stands at a record \$584 million with \$251 million of this to be delivered in FY2020, and \$333 million in FY2021 and beyond. In addition to the contracted works, the Company forecasts a further \$15-20 million in recurring and purchase order work over the FY2020 year. The tendering activity is increasing with the total tendering pipeline currently exceeding \$1.8 billion. Of the total tender pipeline \$0.7 billion relates to whole of mine operations.



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

Outlook

The continued strong industry fundamentals are supporting a strong project pipeline across the contracting business as mines look to maintain record output and take advantage of the current coal prices. The robust outlook further supports the re-emergence of greenfield and brownfield projects like the recently awarded Aquila project. At years end the Company had submitted tenders with combined annual revenues of \$50 million and had been shortlisted on these tenders. Revenue from these projects, if successful, will commence in the 2nd half of FY2020. The competitor landscape remains unchanged and the Company has not observed any change in the approach by existing competitors. The Company is also progressing a pipeline of Whole of Mine opportunities with proponents who are looking to restart operations utilizing a contract miner supporting the Company's whole of mine growth strategy.

The Company will focus on delivering its current order book safely and profitably and will continue to generate strong cash into FY2020. EBITDA margins will also be a focus through FY2020 as they edge towards the long-term goal of double-digit margins. The Company will continue with its disciplined capital management strategy and will maintain a net cash position of approximately 10% of the Company's market capitalisation to ensure the Company maintains its financial strength through the market cycles. Investment in existing and new fleet will continue to be assessed through the year with EBITDA margins expected to improve from any investment.

The group is guiding to full year Revenue and EBITDA of \$295-315 million and \$27-31 million respectively.

Further information:

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