

ASX Announcement

17 November 2020

**Mastermyne Group Limited (ASX Code: MYE)
("Mastermyne" / "the Company")**

Chairman's Address and Managing Director's Update to 2020 Annual General Meeting

Below are the Chairman's address to the AGM and the Managing Director's Update presentation.

Chairman's Address

It is a pleasure to be talking to you after the Company's most successful year since listing around ten years ago. The results the Mastermyne team produced were excellent but I will leave it to Tony to take you through them in detail. Importantly, we have delivered total shareholder returns exceeding 16% per annum over the last three years and a resumption of dividend payments. Dividends last year totalled 6 cents per share.

This performance has its roots in the strategy the Company has adopted since the coal industry was affected by a strong downturn during 2013 to 2015. During that period very low prices saw producers do what they always do – cut production and reduce costs. At that time Mastermyne had net debt of about \$10 million and significant exposure to overhead costs meaning that the reduction in revenue caused financial losses and significant pressure from our bank. The Board and Management did what was necessary to restore financial health including substantially cutting overheads (meaning people lost their jobs), eliminating dividends, stopping capital investment and prioritising debt repayments. Thankfully these actions bolstered our balance sheet and eventually coal prices recovered (as they always do) and profitability improved.

More importantly, the Board adjusted our strategy to better recognise the industry cycles and ensure financial health throughout the full economic cycle. Overhead reductions were sustained by investment in our systems, allowing us to leverage processes company wide and retain more margin from new contracts. Excess cash was allocated to eliminating debt and establishing a strong net cash position. Dividends recommenced once the balance sheet reached a position of strength rewarding our patient shareholders.

The company ended this latest financial period with a net cash position of \$21.4 million, even with a significant investment in fleet renewal. We are well positioned to invest in opportunities in a counter cyclical fashion when the economics of many investments are more favourable. And, while sadly a lot of people have left the company as contracts have ended in the current downturn, we have been able to retain many talented leaders and redeploy them.

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ABN: 96 142 490 579

In our full year results release we articulated our approach to managing our capital. We will aim to maintain a net cash position, up to \$20 million. This is essential to ensure the company can operate within an industry renowned for its strong price cycles. We will pay out 40-60% of net profit after tax in dividends to shareholders. Dividends will be weighted with a more conservative interim dividend. Other capital management initiatives will be considered from time to time and we will continue to invest in growth.

In the year ahead, the Board is focussed on strong performance at our existing contracts facilitated by continued investment in our people and technologies. The development of our people is a critical goal on our business strategy as we strongly believe this is a source of competitive advantage. This investment is occurring through on-the-job learning programs, feedback systems and formal training and development. These initiatives are backed up by a succession planning process to ensure the availability of high quality people to lead our business for a long time to come.

The Board continues to evaluate opportunities to establish “whole of mine” operations for suitable clients. This model is well suited to clients with access to mining leases but limited knowledge, capability or resources to develop underground operations. We continue to evaluate a number of opportunities and are confident that at some point one of these will be initiated.

The other main area of potential growth is the underground metalliferous sector. After successfully acquiring and integrating Wilson Mining into the Mastermyne Group last year we have been introducing its products and services into that sector. Already we have delivered successful projects to underground metalliferous mines. Beyond this we are looking to strengthen our capability in this sector and evaluate other potential entry points.

The Company continues to enjoy the benefit of a stable, high quality leadership team under Tony Caruso's leadership. In a year that presented numerous unique challenges, the whole Mastermyne team has performed magnificently. I thank all Board members and the Leadership Team for their outstanding contribution to leading Mastermyne. I also thank all of our employees for their continued efforts and contribution to Mastermyne's performance.

Colin Bloomfield
Chairman

Further information:

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MANAGING DIRECTOR'S UPDATE

Annual General Meeting

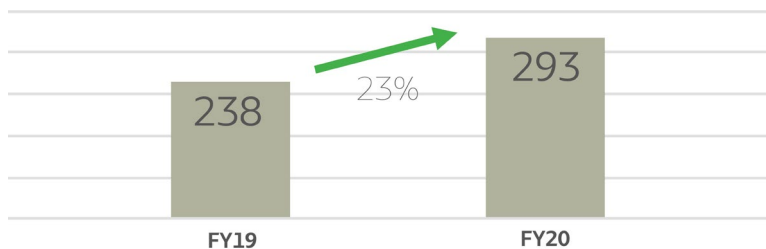
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Tony Caruso, CEO & Managing Director

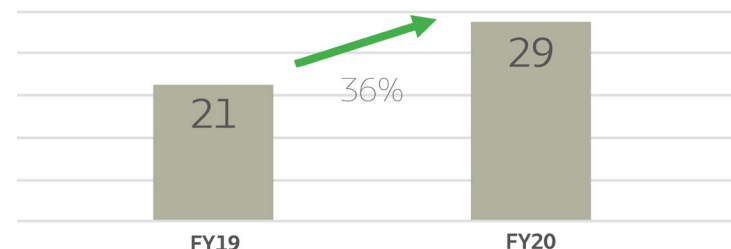
Mastermyne in excellent shape after another strong year

- Safe Operations remains our primary focus with lengthy injury free periods at multiple sites
- Record Revenue and NPAT well ahead of the PCP (Revenue increased by 23% to \$292.7m and Net Profit up 37%¹ to \$11.7m)
- Reported EBITDA of \$28.6m with margins increasing to 9.8% (8.8% before AASB16 impact, in line with PCP)
- Final dividend declared of 4.0 cents per share (fully franked)
- New projects were won and mobilised at Aquila and Moranbah North
- Wilson Mining successfully integrated and poised to deliver further growth
- Key milestone in growth strategy achieved, appointment as Mine Operator at Gregory Crinum
- Record order book of \$656m²

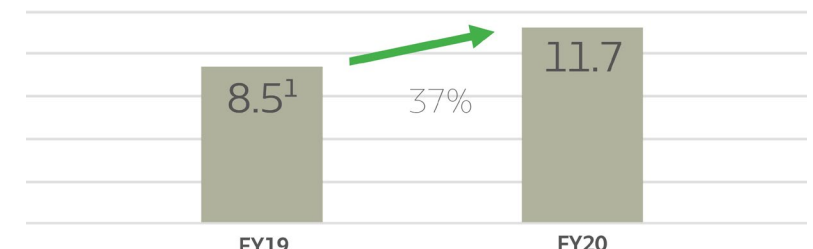
Revenue (\$M)



EBITDA (\$M)



Profit (\$M)

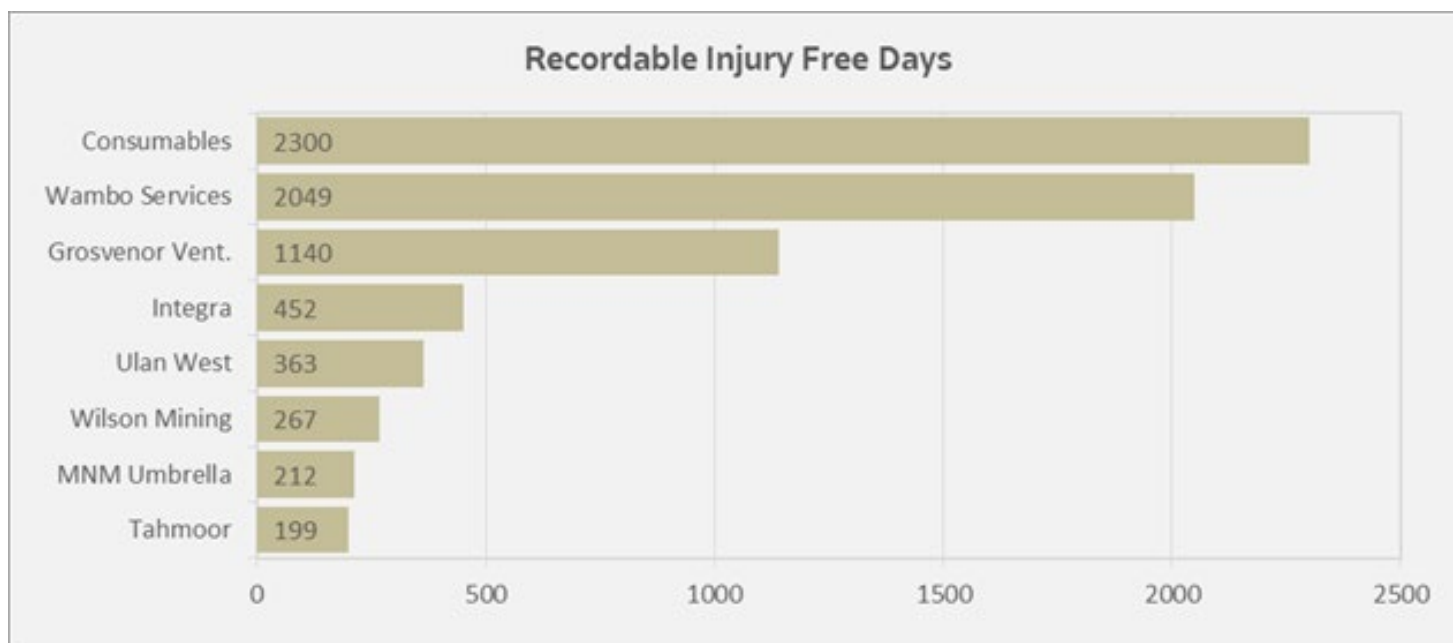


¹ Pre FY2019 Mastertec gain on sale of \$2.0m

² plus purchase order and recurring work ~\$30-40m pa

Safe Operations is still our primary focus

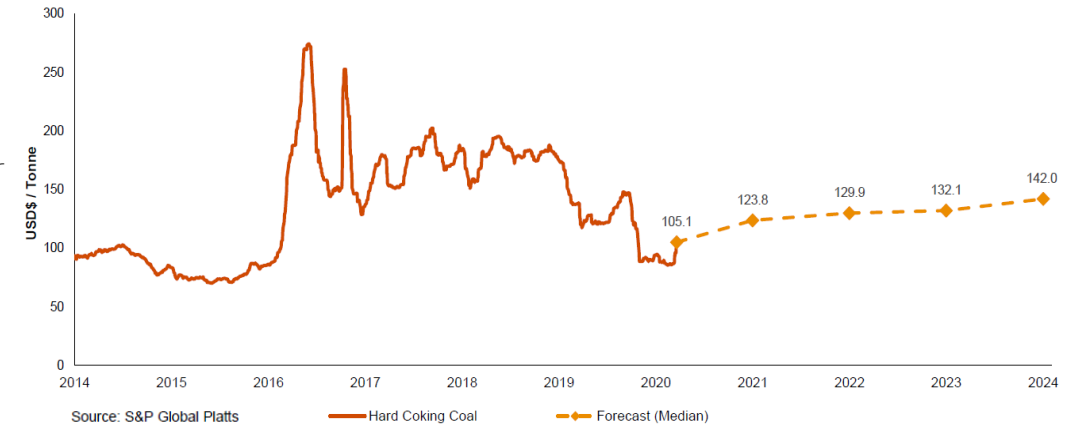
- Recent industry events reinforce focus on safety for mine workers
- The Queensland Parliament passed the Mineral and Energy Resources and Other Legislation Amendment Bill 2020
- Continued focus on risk management and reducing exposure to critical risks
- Leading safety indicators continue to guide our efforts
- “Brain Science” project is continuing to provide insights into improving safety message delivery and behaviours
- Continuing to see a number of sites working long periods injury free



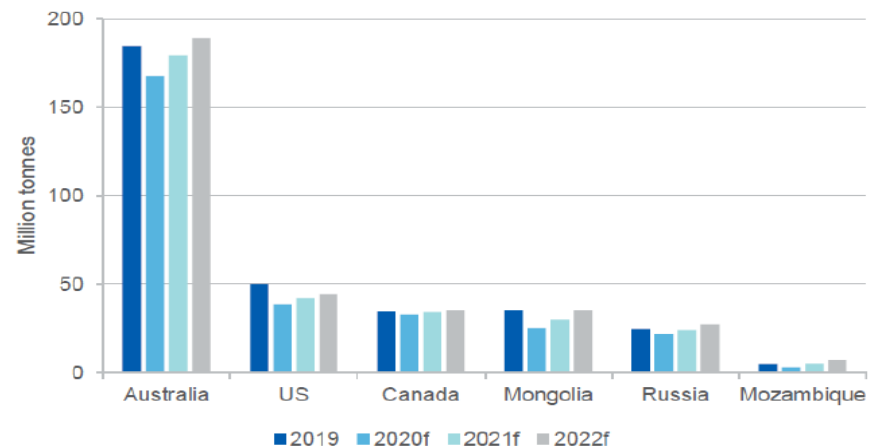
Market fundamentals remain strong despite recent market impacts

- Long term fundamentals remain very strong for Met. Coal (~95%+ of Mastermyne revenue exposure)
- Timing for an eventual recovery of the global economy will be a key driver to demand for steel production
- The Aust. seaborne trade for Met Coal to China is expected to recover in the short term, as very few countries have suitable reserves of high quality domestic met coal
- Steel production impacted globally by COVID with recovery expected, in addition to China's potential post-COVID for economic response
- Australian met coal exports forecast to recover to 2019 levels in 2021 and further increase in 2022

Historical and Forecast Metallurgical Coal Pricing



Metallurgical coal exports



Source: Department of Industry, Science, Energy and Resource | Resources and Energy Quarterly - Sept 2020

Note: S-Estimate F-Forecast



Business remains strongly cash positive with significant growth options

FY2021 order book

\$208 million*

FY2022 order book

\$173 million

Post FY2022 order book

\$275 million

- Metallurgical coal prices expected to recover sooner than Thermal coal prices
- Started the year with a strong order book that we expect to build on over the year
- 1H to 2H revenue weighted ~45%-55% respectively
- Business is well positioned with flexibility to weather the current softening in coal prices
- Major projects scheduled for FY2020 are expected to come through in 2H FY2021
- Gregory Crinum underground Whole of Mine project now well advanced with a suite of other near-term opportunities following

* plus purchase order and recurring work ~\$30-40m pa





Plan for Growth

01

Maximise returns from core coal business

- Convert current tender pipeline opportunities
- Deliver operational performance to support margin growth
- Strategic equipment investment to drive stronger margins
- Continue to develop and invest in our people
- Continue to unlock operating leverage

02

Expand underground service offering

- Leverage Wilson Mining acquisition
- Expand into hard rock sector through existing products and services
- Bolt on additional product and service offerings

03

Build a whole of mine business

- Assessing multiple WOM opportunities moving through the pipeline
- Source strategic mining fleet to provide a competitive advantage
- Align with key clients on early stage Greenfield and Brownfield projects



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Moranbah North



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