FY2022 FINANCIAL RESULTS AND OUTLOOK

MLG OZ LTD ABN 53 102 642 366 ACN 102 642 366

HIGHLIGHTS

- Statutory Revenue of $289.8 million up 12.4% on the prior corresponding period (pcp).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $30.0 million (pcp $42.7m) following the loss of a major crushing contract at the end of FY2021 and a challenging labour market in FY2022.
- Statutory Net Profit After Tax (NPAT) of $4.8 million (pcp $12.5m).
- Higher capital expenditure of $55.8 million driven by upfront resourcing of new project wins (Jundee, Paddington, Bald Hill, Evolution and Red5) along with further preordered equipment, to support the Company's growth plans.
- Performance improved in the second half of FY2022 but remained constrained by rising fuel costs, ongoing labour shortages and material weather events. These key input costs are showing signs of stability in recent weeks with fuel prices declining and labour rate increases slowing, along with an improvement in the levels of job applications and visa approvals.
- A strong pipeline of secured work, capacity to deploy equipment and scope for additional works within our existing client base provide a positive outlook for FY2023.
- Revenue in FY2023 expected to be higher than FY2022 with $250.0 million work already committed in FY2023 and EBITDA margin expected to be in line with or higher than FY2022

MLG Oz Ltd (MLG or the Company) (ASX:MLG) is pleased to deliver its financial results for the year ended 30 June 2022 (FY2022). The following table outlines our pro forma result which adjusts the statutory financial result for fuel tax credits and other income to offset these against cost of sales rather than show as revenue.

		Pro Forma	
		Actuals	
$'000	*Notes*	*FY2021*	*FY2022*
Revenue			
Mine Site Services and Bulk Haulage		191,818	252,006
Crushing and Screening		55,478	27,523
Export Logistics		6,720	7,312
Total revenue		**254,016**	**286,841**
Costs of sales	1	(196,313)	(242,452)
Gross profit		**57,703**	**44,389**
General and administration		(14,984)	(14,345)
EBITDA		**42,719**	**30,044**
Depreciation	2	(18,519)	(21,300)
EBIT		**24,200**	**8,744**

Notes: [1] Pro Forma offsets fuel tax credit revenue and other income against costs of sales
[2] Includes impairment of the Fixed Plants at the Fortescue's Christmas Creek site in Statutory Actual and Pro Forma Actual FY2021

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MLG founder, and Managing Director, Mr Murray Leahy said: *"Our business has demonstrated its resilience and strength in what has been one of the most challenging years I've seen in the sector for 20 years. We have made important structural and procedural changes which have underpinned strong revenue growth and demand for our services. Margins have been impacted by ongoing cost pressures and labour shortages as well as the higher than average rainfall being experienced across Australia. We are well placed to continue to generate returns on capital and capitalise as conditions improve."*

Statutory Group revenue for FY2022 was $289.8 million, up $32.0 million (12.4% on pcp of $257.9 million). Statutory NPAT was $4.8 million compared to $12.5 million in FY2021, which has primarily been impacted by labour shortages, escalating labour costs, supply chain challenges, and higher costs of freight, parts and fuel. To mitigate these cost challenges the group has managed to successfully renegotiate the majority of its client contracts through rise and fall provisions and renewals incorporating material increases in our charge out rates throughout the period. This has helped deliver an improved performance in the second half as increased rates contributed to higher revenue. Our focus in the coming year will be on tight management of costs in what has been an inflationary period to maximise margins.

The Board of Directors has resolved not to pay a dividend at this time. The decision was made to maintain balance sheet strength and in consideration of the higher capital expenditure incurred in FY2022. MLG's Board and leadership team are committed to responsible capital management to support the Company's growth aspirations.

FY2022 BUSINESS PERFORMANCE

Mine site services and bulk haulage

Revenues from mine site services and bulk haulage, MLG's largest business division, grew strongly to $252.0 million (up 31.4% on the pcp). Key drivers of the increase in revenue were:

- Renegotiated rates across the majority of client operations;
- Expansion of services with Northern Star for the Jundee operation;
- The commencement of the Paddington operation with Norton Gold Fields;
- New civil construction works to support tailings dam expansion at existing clients;
- Expansion of services across both Evolution and Red5 projects; and
- Higher sales of construction materials.

The activity levels across client operational sites continued to be high, however labour market constraints resulted in the business more actively managing its resourcing pool to ensure effective operational delivery. While revenues have grown strongly, the rising costs of parts, fuel, labour and freight have restricted the profit margins. High levels of turnover and absenteeism also reduced productivity. Weather has had a greater impact than in recent years with higher rainfall and severe cyclone events across Western Australia and at the Granites operation in the Northern Territory, disrupting the ability to haul and operate in multiple sites.

In consultation with our clients, the Company has managed to agree revised pricing, and in some cases specific site support, to protect production volumes and enable MLG to sustain economic margins.

Crushing and screening

Contract crushing and screening operations continued across our customer base with a high demand for our services. Our crushing teams are now operating across the iron ore, base metal and battery metal sectors which has diversified revenue flows and created a broader scope for expansion. The business experienced high levels of interest in its high capacity crushing plants. These two plants form a material part of the crushing and screening business and as such a large focus has been on the redeployment and/or sale of these plants. MLG continues to evaluate opportunities in line with its capital needs and the long term return on investment for these assets.

Export logistics

Revenues from export logistics were $7.3 million, up $0.6 million on FY2021. Volume increases in client demand for this service have contributed to stronger revenue in FY2022.

Non-Recurring Costs

The business incurred approximately $1.5 million in costs associated with preparing the two remaining crushing plants at Christmas Creek for future redeployment. These works have now been completed. In addition, the importation of lime became uneconomic due to the escalation in sea freight costs. The business incurred $580,000 in costs before suspending the operation in the first half of FY2022.

FY2023 OUTLOOK

MLG services remain in high demand despite a challenging market in FY2022 which resulted in reduced margins through rising costs and limited availability of labour. Our existing clients continue to develop their own growth plans to maximise their production and mill volumes. This strategically places MLG in a strong position over the medium to long term.

We currently have excess capacity within our fleet which is largely a function of operator unavailability. To help address this we have invested in a dedicated training program to transition skilled drivers from outside of mining into our industry and train them in our expectations in relation to safe operation and broader safety standards. MLG is also well positioned as a Kalgoorlie-based company to leverage the Goldfield’s regional designated area migration agreement (DAMA). This will allow the Company to source international workers who previously would not have qualified for working visa’s into Australia. The Company has already established relationships with a high volume of appropriately skilled international workers and is well progressed in its plans to engage this workforce in 2022.

Revenue growth is still a key focus as we look to grow our footprint across Australia, however the current margins being achieved are not in line with our historic norms and we are focused on our cost base and productivity to improve these in FY2023. We are also focused on the potential redeployment and/or sale of one or both of our high capacity crushing plants. Any redeployment into an operational site is likely to have a long mobilisation period so less impact on FY2023 profit outlook but would represent significant upside to future years. A potential sale would have a material impact on the FY2023 capital position but is unlikely to impact profitability to the same extent.

The group has now completed its budgeting process for FY2023 and expects a sixth consecutive year of revenue growth. FY2023 revenue is guided to be higher than the $289.8 million achieved in FY2022 with an EBITDA margin in line with, or higher than, FY2022. At this stage, $250.0 million in work for FY2023 has been secured and we are in advanced discussions about a number of potential opportunities during this period. This guidance is subject to no further deterioration in market conditions and no material loss of contracts.

With the capacity in our fleet and the demand for our services the group has a strong outlook for FY2023 but does necessitate improvement in labour availability through MLG's internal training pathways, the leverage of skilled migration visa's, our Goldfields DAMA agreements, and our recruitment capabilities.

In addition, any redeployment or sale of our high capacity crushing plants mentioned above is also a potential upside financially and in the outlook for MLG.

MLG founder, Managing Director and majority shareholder, Mr Murray Leahy said: *"Our business has proven to be resilient through challenging cycles with continued growth and strong support of our customer base across what has been a very challenging period in the wider industry. There are a number of moving parts to the outlook for FY2023 but we have a strong expectation the business will continue to grow as we capitalise on the capacity in our fleet and the quality of the services we offer. We are committed to supporting our clients in mutually delivering value to both parties"*

MLG Oz Limited (ASX:MLG), ("MLG") is a founder led business which provides a range of services to mine sites, integrated around the needs of client's ore processing facilities. MLG is an Australian company based in Kalgoorlie, Western Australia, which provides integrated services across gold, iron ore, and other base metal clients throughout Western Australia and in the Northern Territory.

MLG's integrated business model offers clients a range of services under a single contractual framework. The breadth of services encompasses crushing and screening capabilities including build, own and operate models, contract crushing and screening services, crusher feed, and material management. The Company's integrated mine site service offering spans a range of capabilities including; on road and off road bulk haulage capacity, civil construction, road maintenance, rehabilitation work, vehicle maintenance, machine and labour hire, and end-to-end bulk commodity export logistics solutions. A dedicated facility at the Esperance Port supports export logistics services.

In addition to the provision of integrated service offerings above, MLG's 100%-owned quarries are strategically located near existing mining operations which facilitates the efficient supply of bulk construction materials (sand, and aggregate) to our clients.

Authorised for release by the Board of Directors.

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