HY23 FINANCIAL RESULTS AND OUTLOOK

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

HIGHLIGHTS

- Statutory Revenue of $175.9 million up $34.0 million on the prior corresponding period (pcp).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) up 16.8% to $16.5 million versus $14.2m in pcp, a strong result, given material cost and wage inflation pressures.
- Statutory Net Profit After Tax (NPAT) up 40.5% to $2.6m ($1.8m in pcp).
- Headcount has increased significantly by 28.1% from 648 in June 2022 to 830 in January 2023
- Material reduction in capital expenditure to $18.1 million ($33.0m in pcp) following large investment in new equipment in the prior year.
- Successfully commenced new project wins with Westgold and Gold Fields (Barren Lands project) during the period.
- Improvements in financial performance trends later in the first half continuing into 2023 with expectations for a materially stronger second half as new projects deliver full 6 months contribution and margins continue to improve.

MLG Oz Ltd (MLG or the Company) (ASX:MLG) is pleased to deliver its financial results for the half year ended 31 December 2022 (HY2023). 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*	**HY2022**	**HY2023**	**% Variance**
Revenue				
Mine Site Services and Bulk Haulage		123,354	150,557	+22.1%
Crushing and Screening		13,055	16,080	+23.2%
Export Logistics		3,734	4,896	+31.1%
Total revenue		**140,143**	**171,534**	**+22.4%**
Costs of sales	1	(117,740)	(144,794)	+23.0%
Gross profit		**22,403**	**26,740**	**+19.4%**
General and administration		(8,245)	(10,207)	+23.8%
EBITDA		**14,158**	**16,533**	**+16.8%**
Depreciation		(10,892)	(10,915)	+0.2%
EBIT		**3,266**	**5,618**	**+72.0%**

Notes: [1] Pro Forma offsets fuel tax credit revenue and other income against costs of sales

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MLG founder, Managing Director and majority shareholder, Mr Murray Leahy said: "*It has been a challenging period with inflationary cost pressures and the tight labour market constraining margins. Our team has worked extremely hard this year to increase our productivity and control our costs. Our new systems have delivered better tools to help manage our operations and provide immediate transparency on our daily performance with this improvement in performance for the last six months demonstrating the resilience of our business model.*"

Statutory Group revenue for HY2023 was $175.9 million, up $34.0 million (23.8% on pcp of $142.9 million). Statutory NPAT was $2.6m versus $1.8 million in HY2023. The increase in revenue and control of costs helped increase EBITDA to $16.5 million in HY2023 versus $14.2 million in pcp.

The Board of Directors has resolved not to pay an interim dividend. The decision was made to maintain balance sheet strength through conservative capital management. MLG's Board and leadership team are committed to responsible capital management to support the Company's growth aspirations.

HY2023 BUSINESS PERFORMANCE

Mine site services and bulk haulage

Revenues from mine site services and bulk haulage, MLG's largest business division, continued to increase up $27.1 million (22.1%) on the pcp to $150.6m versus $123.4 million in HY2022. Key drivers of the increase in mine site services revenue were:

- Renegotiated client rates across multiple client operations;
- The commencement of the Cue, Fortnum and Meekatharra operations with Westgold ; and
- New open pit mining works in Gold Fields Barren Lands operation.

The focus has been on improving the delivery across sites where margin is below our expectations, leveraging our new tools to identify the cause of issues and to monitor progress in order to optimise the operational performance and profitability.. We have materially increased our employee numbers through the period. Our internal training program for new-to -industry recruits, has successfully embedded graduates of this program into our operations and our broader recruitment efforts both domestically and internationally have been highly successful. Foreign recruitment through international skills migration is now gaining momentum with a large pool of international employees actively working in the group. Turnover of labour remains high both across the industry and within MLG. Our focus is on showcasing and enhancing MLG's culture and creating an employee environment of choice and in turn lifting our staff retention.

The roll out of our integrated reporting platform has provided capacity to track productivity levels and in turn monitor revenue run rates daily. In addition, this platform is also providing timely insight into costs, asset utilisation and headcount which allow our project managers to make more effective and informed operational decisions. Parts and materials and fuel costs remain highly volatile, however a greater focus on procurement in conjunction with the insight our tools are providing over costs is leading to better cost control.

Crushing and screening

Revenue for this half was $16.1m up 23.2% ($3.0m) on the pcp. The overall volume of crushing services as a portion of MLG's wider service is currently lower than historic levels and represents an opportunity given the higher margins delivered through this business. We continued to deliver a material operation for Lithco at its Bald Hill site throughout the half and commenced a crushing campaign for Fortescue. A number of other short term crushing campaigns are also ongoing and we are currently mobilising a crushing operation to Koolan Island which is expected to commence in March 2023.

Export logistics

Revenues from export logistics were up 31.1% to $4.9 million compared to $3.7 million in HY2022. The increase attributable to increased production volumes from our existing clients.

FY2023 OUTLOOK

The Company's market position remains well placed. Our integrated service offering continues to be in high demand. Our existing clients are driving higher throughput rates through their processing facilities which in turn is delivering increased demand for the full suite of MLG's services. We are also fielding material inbound enquiry for our integrated offering across both new projects and new customers.

Based on our recent monthly performance and the full impact of new projects over the next six months our expectation is for a material increase in profitability in FY2023 as compared to FY2022. We are pleased to have improved our profits over the last six months given the continued cost pressures and labour market turnover. With our input costs beginning to stabilise and the labour market remaining in line with the last few months we expect a stronger second half.

MLG founder, Managing Director and majority shareholder, Mr Murray Leahy said: "*I am very proud of the effort of our team, who have worked extremely hard, to reset the business and optimise our performance in what has been a very challenging operating environment. Their efforts have resulted in an improved performance in the first half of FY2023 compared to the second half of FY2022. Our objective is to further increase our monthly run rate and deliver a materially stronger six months to end the financial year well ahead of FY2022. The material increase in the overall cost to deliver our services has placed pressure on ourselves and on our clients, however we are now well placed to increase our profitability and grow the business while continuing to deliver for clients. We recognise the business is not currently delivering an acceptable return on capital and remain focused on ensuring we improve this. Our recent trading performance and outlook for FY2023, along with the sale of our high-capacity crushing plants, will strengthen our financial position ensuring we are well placed for the future.*"

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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