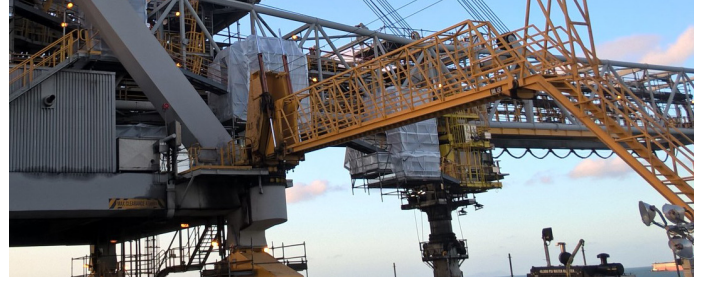


Shareholder Newsletter



The Ship Loader 2, Berth 2 & Outloading 2 Shutdown was completed at Dalrymple Bay Coal Terminal (DBCT) during October.

Welcome to our first edition of MYE Investor News, an initiative that reflects our commitment to providing our shareholders and investors with regular updates on the work we are doing in the Mastermyne business. We have begun an exciting period for the business headlined with our recent acquisition and rebranding and we want to keep you informed with the progress we are making. We see there are many opportunities coming for our business and we are excited by what we can deliver to shareholders through seizing organic growth opportunities but by also accelerating beyond organic growth.

Like many tightly linked to the resources sector we are working hard to keep our market share and seize on opportunities that are now fewer and further between and much more aggressively contested. Our underground business continues to benefit from less competition and where we have a strong value proposition and an even stronger track record and reputation.

The above ground market however is a different proposition and we have implemented a number of successful strategies to win work and explore other adjacent markets that utilize our niche services. Having said that we remain bullish on our counter cyclic investment and we are excited with the opportunities being presented in the adjacent markets to coal. Further in this newsletter we outline some of these opportunities. We have been pleased with the start to this financial year but with the unpredictability in the market we have not provided any financial guidance at this time. Full year guidance will be provided with the release of our half year results.

Tony Caruso

Managing Director

Safety

The Mastermyne Group has maintained its focus on safe operations and we are pleased to report that we have seen a continuing decline in our lagging recordable injury frequency rate. After the acquisition of DMS we saw a spike in our statistics when we merged the historical performance of the two businesses. This is now trending back down and is the result of a strong strategic focus across the group. Nothing fancy, just strong leadership and being visible in the work place and influencing safe operations through our actions.

We have also simplified our approach to risk management in the workplace using recognised and well understood tools that most organisations use in managing safety on projects. Our difference has been to focus on the highest quality risk assessments that identify the real hazards and introduce quality controls and sharing those good examples across the group. Too often we see the focus placed on quantity rather than quality.

At the end of the quarter we've achieved a TRIFR of 3.23 which has come down from 4.30 at the end of June. A full unit point in 4 months; a good start but still a way to go to reach our target of 2 by the end of the financial year.

Our safety culture starts with the top 10% of the Group's leaders who are our key influencers and front line leaders. We are continuing to work as a collective to achieve our goal of where our operations own and lead safety.

Outlook

We are expecting FY2016 to remain challenging due to continuing low coal prices, but despite this we have a clear and well-articulated strategy which will focus on both organic growth and growth through partnerships and acquisition. We are also continuing to peruse our strategy to become a coal mine operator.

In the Mastertec Division we will continue to build a brand and focus on both coal and non-coal sectors. Our engineering and maintenance services position the division well to service a number of sectors adjacent to the coal sector and we remain committed to our long term market growth strategy which is based around underground and above ground activities in coal and outside of coal.

The resources sector will rely heavily on contractors to maintain low cost operations that provide flexibility in an uncertain economic environment and we are well positioned with our diversifying range of services and geographical footprint. We maintain a strong balance sheet and order book and we are executing on our strategy to build a more resilient and diversified service offering that will steer the company back to strong profitability as the resources cycle reaches its bottom and starts its recovery.



Our Underground division has had a strong start to the financial year, winning and subsequently mobilising a team on an underground roadway development contract in the Bowen Basin. The contract has a term of 2 years with an option to extend for a further year. We are expecting the contract to generate revenues of approximately \$10-\$12 million a year for the term of the contract.

We have identified through our growth strategies that partnerships and Joint Ventures will provide us a platform to expand and grow our range of services and a recent example of this was our first chemical injection project. We successfully injected liquid chemicals into the roof of an underground mine to bind the strata together to provide extra integrity. The concept is well used in underground mines but the product supplier Mastermyne has partnered with is a new provider in this market and the product has received a great review. We are confident this will lead to more opportunities and establish Mastermyne as a key installer in this market.

- Underground Roadway Development Contract now mobilised and operating for 2 years
- Increased tender activity in the first quarter
- Successfully undertaken first ground consolidation project at a Central Queensland mine using pumped chemical injection products



The Mastertec Division has delivered varied results in the first 4 months of this year with our protective coatings and access solutions division gaining good traction outside of our traditional sectors but the traditional mining markets continue to experience very soft conditions. This time of year is usually busy with shutdown activity but to date there has been limited opportunities in this space as mining companies defer shutdowns or engage in on the run maintenance to avoid major stoppages on their assets.

Despite these softer conditions we haven't stopped our plans to grow into other markets outside of the traditional mining shutdown projects. We have targeted new opportunities utilizing the Mastertec skill set and since January we have tendered work in sugar processing, roads & bridges, water infrastructure, oil & gas, power stations, rail and metalliferous mines. We have also seen the scale and complexity of the tenders increase with some of the more material opportunities identified and tendered.

In early July we moved to establish a presence in the Hunter Region with particular focus on the ports and major infrastructure in the region. Our track record and experience in the protective coatings, access solutions and maintenance works has already opened many doors and we are looking forward to tendering on some major works when the tenders are released.

- Increased port project work drives record month for Protective Coating and Access Solutions Division
- Mackay Workshop attained AS3800 Electrical equipment for explosive atmospheres - Repair and overhaul accreditation
- Established a Protective Coating and Access Solutions presence in Newcastle

Equipment utilisation rates whilst having increased a little over the last month still remain well below historical levels. Most of our roadway development fleet still remains off hire and whilst there are a few opportunities for hire we aren't anticipating any material change to utilization rates in the short term.

Overall the outlook for the Mastermyne Division continues to be quite positive mainly supported by the increase in tendering opportunities over the first quarter and some reasonable growth in the pipeline. We are experiencing increased tenure in the contracts we are tendering and the majority of tenders relate to work supporting production activities in the underground operations.



Mobilising Kestrel Development Contract

We have completed several smaller projects in the region and from this base we have already spread our reach into the Illawarra and Northern Hunter areas.

Since January we have also undertaken an expansion in the Mackay workshop to now provide electrical overhaul services to the underground market. This required a complex accreditation for "AS3800 Electrical equipment for explosive atmospheres - Repair and overhaul accreditation" which is a requirement to carry out these overhauls. With the accreditation now in place we have started to see the first tenders roll in for electrical overhaul. Our first job was on an underground auxiliary fan which was only small but had the workshop personnel excited to have the first job out the door.

We are continuing to unlock synergies across the Mastertec division and at the same time removing duplication where possible. Opportunities were identified to restructure some workshops and overheads and we took advantage of this opportunity to further reduce our cost of operations in Mastertec. Importantly we replaced some of these overhead roles to ensure we target our identified growth opportunities. The Mastertec outlook remains positive and while the first few months have been mixed overall the division is establishing itself as a valued provider in the above ground sector.