

27 February 2011

**ASX announcement**



**Mastermyne FY12 Half Year Results**

Key points:

- Combined Group Revenue was up 68.8% from the previous corresponding period to \$124.3 million. (versus guidance of \$115 to \$120 million)
- Net Profit was up by 72.2% on FY11 first half to \$7.84 million (versus guidance of \$7 to \$7.5 million)
- Interim dividend will be paid at 3 cents per share fully franked up 25% on prior corresponding period.
- Safety performance improved for the 6 months to December.
- Total Full Time Employee number at 1012. A Net Increase in workforce numbers of 23% in the 6 months to December
- Construction started on a second Underground training centre based in Brisbane with final commissioning expected in April 2012.
- The Company expects a strong second half resulting in a full year performance substantially up on the last financial year.
- The Order Book for FY 2013 has increased to \$212 million from \$141 million (excludes recurring revenue of approx \$30M)
- 2 Greenfield Mine construction contracts tendered

Leading Underground Coal Contractor Mastermyne Group Limited (ASX Code:MYE) today released a net profit after tax (NPAT) result of \$7.84 million which was up 72.2% from the previous corresponding period.

Mastermyne's Chief Executive Officer, Tony Caruso said that "in the first 6 months of the financial year the group has exceeded expectations due to the organic growth of the existing project base. This has set the company up for a strong second half performance. We are also pleased with the step change in our safety performance which under the more stringent Occupational Safety and Health Administration (OSHA) classifications has been continually improving from where we finished the FY2011 year."

The company noted that in an increasingly tough labour market Mastermyne has also continued to increase the size and quality of its workforce. Since June, Mastermyne has increased its workforce by a further 23% to give it a full time workforce of in excess of 1000 employees.

As planned, the company used the first half of the year to consolidate and prepare the organisation for further growth from new projects from FY2013. These initiatives included recruiting for key roles, investment in front line leadership training, talent identification and refinement and upgrading of operating systems to set the business

up for new Brownfield contracts and larger Greenfield construction contracts. The company noted that in addition to continuing strong demand for underground contract services from existing operations there is a significant pipeline of large Greenfield projects that commence construction from FY2013. The company has submitted tenders for the first of these Greenfield projects.

Underpinning these new project opportunities is an order book that has grown to in excess of \$200 million for FY2013, up from \$141 million, excluding traditional recurring revenue of approximately \$30 million.

### **Balance sheet and cash flow**

Net Assets of the Group increased \$7 million to \$49.8 million at the end of December. Working capital requirements increased during the period to meet the needs of the growing business however operating cash flows of \$9.5 million was much improved on the prior corresponding period with comparable growth.

The Interim Dividend will be paid at 3 cents per share fully franked with a record date for the dividend of 16 March 2012, and payment date of 19 April 2012. This is an increase of 25% from the interim dividend paid last year. The board reaffirmed its policy of paying out 40% to 60% of profit after tax on a full year basis.

### **Operations overview**

The first half of FY2012 has seen the group exceed budget and profit guidance. The top line growth was a result of expanded services on several of the Group's larger more established projects. This increase in scope required additional labour and equipment which was mobilised in the early part of the financial year. This scope expansion has resulted in growth without securing any new contracts, which is consistent with the plan to consolidate the business during FY2012.

Mastermyne Underground has been the driver behind the substantial growth from the previous corresponding period. The underground operations continue to experience strong demand for customary contract services and there is a large pipeline of projects that will continue this demand for Mastermyne's services, the first of which is expected to commence in FY2013. The remainder of the current financial year will see this division focus on delivering further growth from the existing project base and to commission the last of the capital equipment purchased in FY2011.

Mastermyne Engineering has continued to expand its footprint in Qld and NSW and has increased its top line revenue while maintaining historical margins. The recent relocation to new workshops in Qld and NSW has allowed the division to expand and take up the additional capacity afforded in the larger workshops. This division continues to service the existing underground market and is well placed to capitalise on the pipeline of new projects which will all require a substantial investment in the products manufactured by the Engineering division.

Mastermyne Services has continued to build its operation and successfully tendered and won a \$36 million project on Rio Tinto's new Kestrel Mine Extension (KME). The project commenced mobilising in October and there has been an upfront investment on mobilisation which will be recouped over the delivery of the project. Access to the work areas on the project has been delayed for reasons beyond the control of Mastermyne and as a result the early stages of the project have been disrupted. This access delay will also mean that the majority of the revenue from this project will be delivered in FY2013. Tendering in the Services division is continuing and the division will benefit from the increased construction activity in the Bowen Basin.

### **Safety Performance**

The safety performance of the Group has continued to improve and the Group is well underway in transforming its safety performance to its goal of zero harm. Whilst lagging statistics have not decreased significantly in the first half of the year, based on the current performance, there will be a visible decrease in this lagging metric for the full year. This safety improvement has been delivered whilst transitioning to the much more stringent OSHA reporting regime and with a significant increase in exposure hours.

### **Human Resources**

Recruitment and retention strategies are continuing to work well and are ensuring we have the personnel required to meet the increased demands from the projects. The Training Centre has been integral in the increase to 1012 full time employees, a 23% net growth since June 2011 and the facilities are well recognised by industry as a reliable solution to introducing domestic labour into underground coal mines. Since its inception the Myne Start facility has delivered in excess of 200 people into full time underground roles.

On the back of the acceptance and success of the Myne Start centre the Company has commenced construction of a second facility located in Brisbane. The Brisbane facility will focus on up skilling of labour with underground complementary skills such as tunnel miners. This operation will commence from May 2012.

### **Growth opportunities**

Tendering activity is expected to increase in the second half of the year and will be focused on a mixture of Brownfields and Greenfields opportunities. The underground division will continue to source brownfields projects in existing underground operating mines that are low on the cost curve and complement these projects with new Greenfields opportunities. The Engineering division will continue to expand as the demand for minor equipment and consumables increases with the number of new coal mines as will the Services Division with the increase in construction activity.

### **Outlook**

The outlook for Mastermyne continues to be very positive. Demand for domestic coal remains strong and the investment in infrastructure by major mining houses suggests

that this cycle will continue for some time and with it the demand for contract services. Complementing this current demand for Mastermyne's services is the ongoing expansion of new underground coal mines over open cut mines placing Mastermyne in a very strategic position as one of the dominant underground coal contractors. A substantial pipeline of Greenfield underground projects scheduled to be developed over the next 3 to 5 years will support the long term growth of Mastermyne. The company's contracted order book for FY2013 has swelled to \$212 million excluding recurring revenue. Mastermyne is well positioned for a strong finish to the current year and is well set up for the next financial year and beyond. As always the focus on zero harm will lead our efforts as will our focus on new initiatives to recruit and retain our workforce.

### **About Mastermyne**

Mastermyne Group Limited (ASX:MYE) was established in 1996 and is a leading provider of specialised services to the Australian coal mining industry. Mastermyne listed on the ASX on 7 May 2010.

It has three operating divisions, Mastermyne Underground (underground roadway development, installation of conveyors and longwall relocation), Mastermyne Engineering (design and engineering of specialised mining equipment and consumables) and Mastermyne Services (surface electrical, mechanical and maintenance services).

Based in Mackay Queensland, Mastermyne has operations in Queensland's Bowen Basin and the Illawarra and Hunter Valley regions in New South Wales.

### **Further information:**

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