Mastermyne
Underground • Services • Engineering

29 February 2012

**Mastermyne Half Year Results Presentation - correction**

We advise that the presentation lodged with the ASX yesterday had an error on page 17 in that some colour bars on the chart were misplaced.

A corrected version of the presentation is now lodged.

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## Mastermyne Group Limited

## FY2012

# Half Year Results Presentation

### February / March 2012


Tony Caruso – CEO & Managing Director
Chris Kneipp – Financial Controller

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# Results Summary

## Financial Highlights

- Group Revenue to the end of December was $124.299 million up 69% from the previous corresponding period (versus guidance of $115 to $120 million).
- Statutory Net Profit After Tax (NPAT) was $7.840 million (versus guidance of $7 to $7.5 million).
- EBITA margin increased to 10.1%.
- Expecting a strong second half result for the year.
- Order Book for FY 2013 has increased to $212 million from $141 million (excludes recurring revenue of approx $30M).
- Interim dividend of 3.0 cents per share fully franked.
- EPS up to 10.6 cps.
- Net Debt Down to $15.2 million.

# Results Summary

## Operational Highlights

- Our safety transformation is gaining momentum and we are seeing ingrained change.
- Recruitment and retention strategies are working well with Full Time Employee (FTE) numbers at 1012 to December and increasing. (up 23% from June).
- John Stuart-Robertson commenced in the COO role from early January.
- Board has approved a second larger Myne Start facility in Brisbane with operations commencing from May 2012.
- Demand for customary contract services remains very high from existing operating mines but there is a growing demand for services to execute a pipeline of new underground Greenfields projects.
- Tenders have been submitted for 2 major underground Greenfield projects both commencing in the first half of FY13.
- This is the first wave of a significant pipeline of major underground projects coming on line over the next 3 to 5 years.

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# FY12 Half Year Financial Review

## HY2012 Financial Overview

| Summary Income Statement | | | |
|---|---|---|---|
| ($'000) | HY 2012 | HY2011 | Change(%) |
| Total Revenue | 124,299 | 73,626 | 68.8% |
| **EBITDA** | **15,472** | **5,963** | **159.5%** |
| EBITA | 12,630 | 3,719 | 239.6% |
| **Profit before tax** | **11,708** | **2,809** | **85.1%** |
| Tax expenses | (3,868) | 1,616 | |
| **Statutory Profit after tax** | 7,840 | 4,425 | 72.2% |
| **Adjustments*** | | 3,559 | |
| **Tax Adjustments**** | | (3,430) | |
| **Adjusted EBITDA** | **15,472** | **9,523** | **62.5%** |
| Adjusted EBITA | 12,630 | 7,279 | 73.5% |
| **Adjusted Profit after tax** | 7,840 | 4,554 | 72.2% |
| EBITA Margins | 10.16% | 9.89% | 0.27% |
| EPS | 10.6 | 6.1 | 73.7% |
| DPS | 3.0 | 2.4 | 25.0% |

* Adjustments to prior corresponding period EBITDA relate to Impairment on a continuous miner lost in Pike River mine and resulting bad debts provided for.

**Tax adjustments for prior corresponding period are a result of the abovementioned adjustments and a one off tax adjustment from forming a tax consolidated group.

- Revenue is up 69% resulting from increased scope of works on existing projects.
- Adjusted Profit is up 72.2% due to the increased revenues, resulting EPS increasing by 74% to 10.6cps.
- EBITA margins have remained strong and inline with expectations at 10.16%.
- Dividends will be paid at 3 cents per share up 25% on prior corresponding period. The board reaffirmed its policy of paying out 40% to 60% of profits after tax on a full year basis.

# FY12 Half Year Financial Review

## FY2012 Divisional Performance

| Business Unit Performance | | | | | | |
|---|---|---|---|---|---|---|
| ($'000) | Underground | | Engineering | | Services | |
| | Dec 2011 | Dec 2010 | Dec 2011 | Dec 2010 | Dec 2011 | Dec 2010 |
| External Revenue | 112,821 | 66,452 | 9,628 | 6,243 | 1,850 | 3,021 |
| Inter Segment Revenue* | 1,858 | 49 | 1,038 | 1,141 | 21 | 3,021 |
| **Total Divisional Revenues** | **114,679** | **66,501** | **10,666** | **7,384** | **1,871** | **3,952** |
| **Profit Before Tax** | 11,314 | 2,926 | 1,165 | 319 | (633) | (146) |
| **PBT%** | 9.9% | 4.4% | 10.9% | 4.3% | (33.8%) | (3.7%) |

* Intersegment revenues are arms length transactions between the divisions for goods and services provided including capital equipment.

- Underground division performed well increasing both revenues and profit margins as a result of increased scope of works on existing projects.
- Engineering has expanded in both Queensland and New South Wales with the introduction of bigger workshops providing increased capacity.
- Services successfully tendered a large project on the development of Kestrel Mine Extension (KME). Upfront mobilisation, access interruptions out of the company's control and overhead on the demobilised workshop have resulted in the loss year to date. The project is expected to record a profit largely delivered in FY2013 when full access on the KME project becomes available.

# FY12 Half Year Financial Review

## FY2012 Working Capital & Cash Flow

| $AUD (000's) | Dec 2011 | Dec 2010 |
|---|---|---|
| EBITDA (Statutory) | 15,472 | 5,963 |
| Movements in Working Capital | (4,020) | (7,596) |
| Non cash items | 162 | 3,077 |
| Net Interest Costs | (720) | (615) |
| Income tax payments | (1,438) | (1,374) |
| Net Operating Cash Flow | 9,456 | (545) |
| Proceeds from exercise of share options | 1,840 | |
| Net Capex (includes intangibles) | (3,511) | (1,567) |
| Net borrowings/(repayments) | (3,704) | (3,522) |
| Interest Received | 91 | 43 |
| Free Cash Flow | 4,172 | (5,591) |
| Dividends | (2,789) | (875) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,383** | **(6,466)** |
| Cash and cash equivalents at beginning of period | 6,020 | 8,718 |
| Cash and cash equivalents at end of period | 7,403 | 2,252 |

- Positive Operating Cash Flows of $9.4 million. Working Capital requirements increased during the period due to funding the significant growth in the first half, but are down on previous corresponding period due to decreasing debtor days.
- Net capex increased with cash outflows for the refurbishment of Joy Continuous Miners purchased in FY11. These machines are expected to be in service by the 4$^{th}$ quarter of FY2012.

# FY12 Half Year Financial Review

| $AUD (000's) | Dec 2011 | Dec 2010 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 7,403 | 6,020 |
| Trade and other receivables | 40,851 | 31,929 |
| Inventories | 1,858 | 1,654 |
| **Total current assets** | 50,112 | 39,603 |
| Deferred tax assets | 665 | - |
| Property, plant and equipment | 34,599 | 30,680 |
| Intangible assets | 19,992 | 20,253 |
| **Total non-current assets** | 55,256 | 50,933 |
| **Total assets** | 105,368 | 90,536 |
| | | |
| **Liabilities** | | |
| Trade and other payables | 21,598 | 18,808 |
| Loans and borrowings | 5,289 | 5,955 |
| Employee benefits | 6,158 | 3,846 |
| Current tax payable | 4,973 | 1,195 |
| **Total current liabilities** | 38,018 | 29,804 |
| Loans and borrowings | 17,363 | 17,135 |
| Employee benefits | 91 | 87 |
| Deferred tax liabilities | - | 684 |
| **Total non-current liabilities** | 17,454 | 17,906 |
| **Total liabilities** | 55,472 | 47,710 |
| **Net assets** | 49,896 | 42,826 |

- Net Assets up to $49.9 million.
- Net Debt down to $15.2 million from $17 million from the 30 Jun 2011.
- Increase in payables and receivables as a result of the growth of operating activities.
- Increase in current tax payable as a result of the growth in operating activities.

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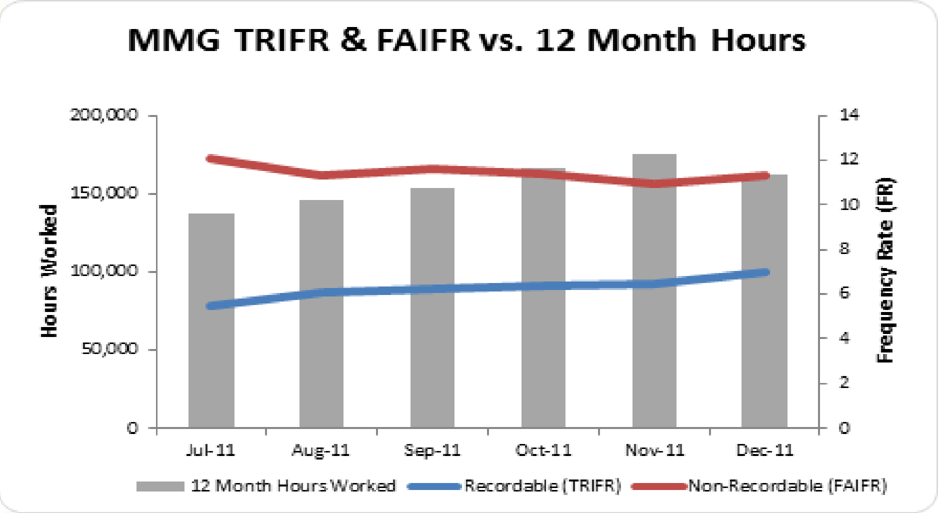
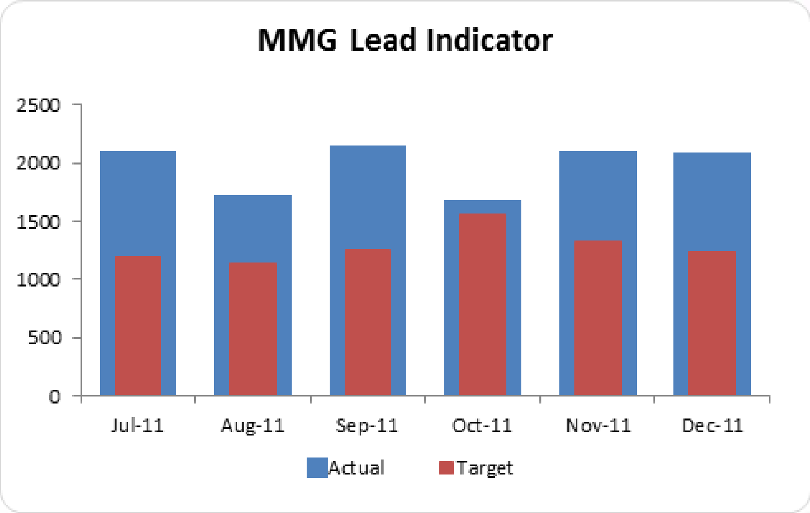
# Operational Review

## Safety

- Improvement in safety performance is a result of a transformation in safety management across all divisions and sites.
- Lagging statistics are not yet reflecting the full effect of this transformation but based on current performance this will change in the 2nd half of the year.
- First half has seen stringent compliance to the adopted OSHA reporting standards, as well as the monitoring of non-recordable injuries giving a holistic picture of safety performance.
- Formal setting of Leading targets is driving a proactive safety approach.
- Undertaken a gap analysis and implementation of compliance to new Model Work Health and Safety Act 2012.

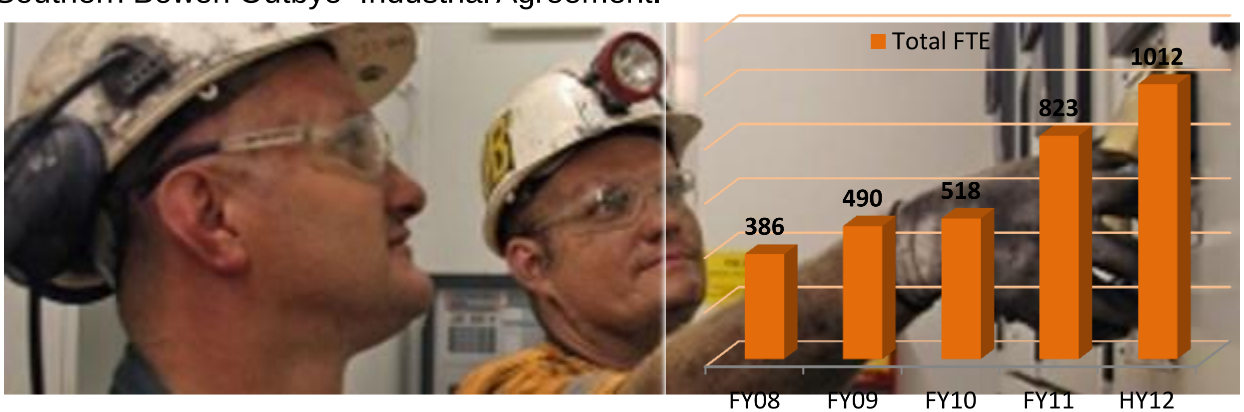


# Operational Review

## People

- Workforce has increased  since June from 823 to 1012 – 23% net growth.
- Retention rates are stable but recruitment of experienced labour has become more difficult.
- Labour rates have escalated in the first half of the year. We expect this trend to continue more aggressively.
- Our recruitment and retention strategy is working well but we expect to see the labour market continue to hot up on the back of a pipeline of new underground projects in Qld and NSW.
- Welcomed our first intake of experienced Miners from Poland with additional overseas experienced underground miners commencing in Mastermyne projects over the remainder of this calendar year.
- Introduced the Electrical MyneStart program in Mackay to accelerate electrical training for new underground electricians.
- Expanding the training at the Myne Start facilities to address skills shortages in other disciplines.
- Capital has been approved for a second Myne Start facility in Brisbane. Will commence operating from May 2012.
- Brisbane training centre will upskill labour with complimentary underground skills into coal operations.
- Implemented  Southern Bowen Outbye  Industrial Agreement.



# Operational Review

### Operational Units - Underground

- Organic growth on the existing projects has underpinned significant increase in revenue in the first half of FY2012.
- Margins are in line with budget forecast.
- Top line growth has been a result of expanded scopes requiring additional labour and equipment.
- Consolidation of operations in the first half has provided time to refine and embed operating systems and recruit key roles.
- We continue to build the capability in the Management team and are ready for new projects in FY2013.
- All underground equipment is on hire and demand remains very strong.
- Directional drill rig has had consistent work and we have bid several long term drilling projects.
- Last of capex ordered in FY2011 being brought on line and commissioned on Mastermyne projects in Qld and NSW. The 2 continuous miners come on line in March and April respectively.
- Capex requirements for 2013 are being addressed and commitments made accordingly.
- Introduced Technical Services role to add additional strength across the operations.

# Operational Review

## Operational Units - Engineering

- Revenue tracking ahead of budget for FY2012.
- Margins are in line with budget.
- Relocation into new workshops has provided extra capacity which is now being utilised in both Qld and NSW.
- Additional resources added to NSW workshop to manage continued growth.
- Engineering business is well placed to tap into pipeline of new Greenfield projects.

## Operational Units - Services

- Division is tracking below budget for the half year.
- General Manager with experience in contract maintenance / services has been appointed.
- Major Kestrel Mine Extension (KME) contract commenced mobilisation in October but access to work areas has been limited.
- Loss in this division is attributed wholly to the up front mobilisation costs on this project.
- Majority of KME contract revenue will now be delivered in FY2013.
- Services division will benefit from the increase in construction activity in the Bowen Basin.

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# Strategy & Outlook

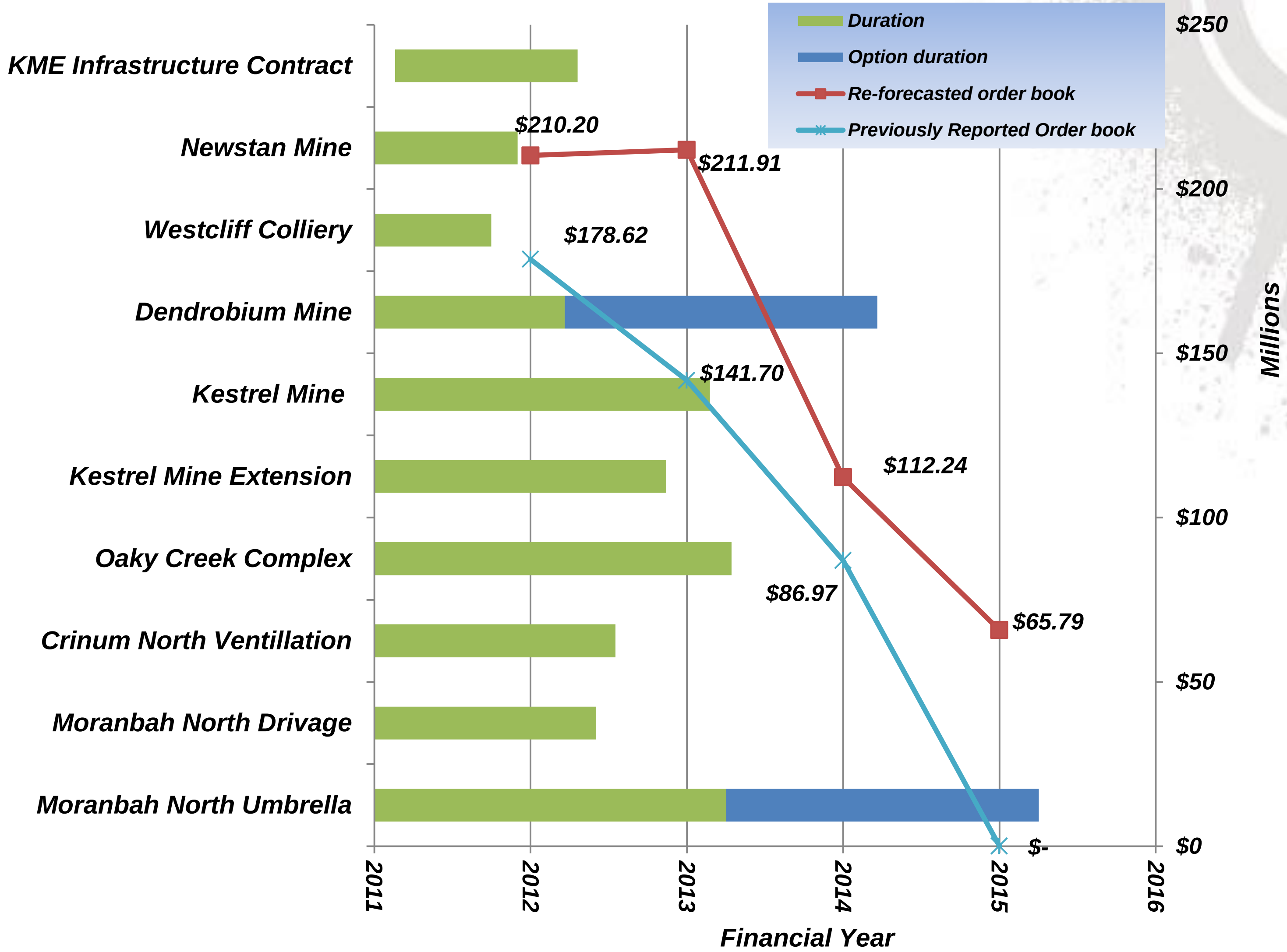
### Strategy 2nd Half FY2012

- Continue our safety transformation to achieve targeted reduction in lagging safety statistics.
- Look for new initiatives to recruit and retain our workforce.
- Focus on managing further growth from existing projects in the 2nd half of the financial year.
- Actively pursue tenders in the 2nd half of the year for projects commencing during FY2013.
- Review our capital requirements with a view to placing the orders to coincide with further growth.
- Target brownfield projects to compliment new greenfield project work to ensure we maintain a strong foothold in existing operating underground mines that are low on the cost curve.

### Outlook

- Large pipeline of Greenfield projects commencing from 1st half FY2013.
- Significant expansion planned in the Qld coal fields where Mastermyne has its strongest footprint.
- Ongoing tendering opportunities on Brownfield operations.
- Mastermyne is well positioned to tender on all opportunities due to our range of underground capabilities.
- Contracted Order Book for 2013 has increased to $212 million from $141 million and contract visibility extends beyond FY2014.
- Outlook for domestic coal production remains positive.
- Mastermyne is well positioned and ready for new projects in FY2013 underpinned by a solid order book.

# Strategy & Outlook – Contracted Order Book



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# Summary

## Summary

- 1st half of FY2012 has delivered a stronger than expected performance in all areas.
- We are seeing a transformation in our safety performance and we expect lagging statistics will reflect this over the remainder of the year.
- We have proven again that our recruitment and retention strategy is working with 23% growth in workforce numbers for the half year.
- We have invested significantly in people and systems which sets us up for new projects in FY2013.
- We are identifying and ordering capex for future growth in the organisation.
- The business is on track for a strong second half to the year and to deliver a full year performance substantially up on the previous financial year.
- Our order book is building for FY2013 and beyond giving good visibility to future earnings.
- We have positioned the business to be ready for the growth opportunities that will present from FY2013.

# Corporate Overview

### Capital Structure

- Shares on issue 75,367,514

### Market Capitalisation $143 million (based on $1.90 share price)

### Substantial Shareholders

| | |
|---|---|
| Andrew Watts | 20.04% |
| Cogent Nominees | 13.68% |
| Darren Hamblin | 13.47% |
| National Nominees | 12.96% |
| HSBC Custody Nominees (Australia) Limited | 2.41% |

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