25th February 2014

ASX announcement

Mastermyne Group Limited – FY14 Half Year Results Announcement

Leading underground coal contractor Mastermyne Group Limited (ASX Code: MYE) ("Mastermyne" or "the Company") today released an NPAT result of $0.7 million for the first half up from the guidance provided to the market in December 2013. Revenue was also up on guidance to $77.2 million, the result of increased works in the Engineering Division during the period.

Key points:

- Revenue of $77.2 million which is above guidance range of $72-$76 million
- NPAT of $0.77 million which is above guidance range of $0.4-$0.6 million
- Net Debt down $6.2 million to $1.7 million
- Interim Dividend of 1.0 cps equating to 100% dividend payout ratio
- Continuing strong trend of improvement in safety performance evidenced by a further decrease in trailing safety statistics (TRIFR 2.25)
- Order Book of $208 million at 31 December 2013. $73 million to be delivered in the second half of FY2014
- Workforce numbers 735 at 31 December. Increasing by 150 in Feb / March
- Tendering Pipeline currently at $880 million with $447 million in active tenders
- Approx. $100million in roadway development tenders submitted
- No loss of contracts and extensions on key contracts due to run off

Mastermyne's Managing Director, Tony Caruso said, "the first half has seen the return to more stable conditions following a period where the sector has acted aggressively to reduce costs across their operations. We are confident going into the second half that we will continue to see our business improve its financial performance before moving back into growth in FY2015"

Operations Overview

Our half year results have concluded above guidance and more notably with improving performance building into the end of the half year period. We have continued to maintain an overall steady state operation across the period by maintaining existing contracts, renewing contracts and securing new frame work agreements. We are confident that we have moved past the bottom of the downward cycle for MYE.

Our link to producing underground coking coal mines (that are now focused on increasing production to reduce unit costs) has underpinned the first half result and will continue to support steadily improving results in the second half. During the period we have mobilised equipment and labour to existing projects and to new projects secured in the second half FY2013. Two projects which were scheduled to commence late in first half have been deferred into the early part of the second half and will require manning increases during February and March.

During the first half we seen very stable operating conditions across our contracts and our efforts have been focused on improving productivity and reducing costs across our projects. This has seen MYE maintain historical margins on the contracting stream albeit on decreased revenue. At the end of the half year period workforce numbers were at 735 which is below what was forecast but due to the deferral of mobilisation of 2 new projects. These projects are now in mobilising and will require manning to increase to 880 personnel by the middle of March.

Our Engineering Division has also maintained similar performance to the previous period and margins again have remained at normal levels. The Services Division contribution has been minimal in the first half but has commenced projects early in this current period. Mynesight, the training Division, of which MYE has 66% shareholding, has continued to generate revenues in line with expectations.

Fleet utilisation continues to slowly improve and two miners remain on hire with the third unit now undergoing an overhaul. Mobile fleet utilisation has improved noticeably however prices remain below what was being achieved previously and this is not expected to change in the near term. Development mining equipment, whilst experiencing increased enquiry's, has not recovered in the half and continues to dilute MYE's overall margin performance.

At the commencement of FY2014 the total order book was $236.4 million with the FY2014 contribution made up from $112.8 million of underground contracted projects and $30 million of recurring revenue from the other Divisions and non-contracted work. FY2014 also included a further $20 million from expected contracted renewals. We are pleased to report that the total order book remains steady at $208. The tendering pipeline is above $800 million with $447 million in active tenders. We have submitted roadway development tenders of approx. $100 million (which is included in the active tender number).

The HY2014 safety performance has continued the trend of strong performance with lagging statistics continuing to reduce. Total Recordable Injury Frequency Rate (TRIFR) for the Group is 2.25, down from 3.28 at the close of FY2013. This continuing downward trend demonstrates the maturity of the Groups Safety Management Systems which are held in high regard by our clients. Our focus remains on the two critical components of safety management being behaviour and compliance.

During the period we have reported margins slightly above guidance. We reinforce the link in margin recovery with fleet utilisation which will be driven by a return of roadway development projects. As noted above we are actively tendering these projects but do not expect any to commence in the current financial year. The company continues to generate strong cash flow and is well positioned for upcoming projects.

Outlook

With the first half demonstrating that the sector has stabilised for MYE and the secure order book underpinning the second half revenue we are confident in delivering a full year Revenue of between $155 and 165 million with NPAT of between $2.0 and $3.0 million. We have seen an increase in equipment utilisation on the mobile fleet during the first half and we expect to see this continue into the second half. We will also see the full effects of overhead reductions made during the first half and this in combination with equipment utilisation will see the profitability increase in the second half. We are working on a number of tenders and variations to our current projects that have the potential to substantially increase the order book for 2015 and we expect to have visibility on these projects later in this financial year.

Our current tender pipeline has $447 million of active tenders and of note $100 million of this is development tenders with further roadway development tenders due in the second half. These development tenders will support the utilisation of our development fleet which would have a positive impact on our margins. Current timing would not see any revenue generated from these contracts in FY2014 but if successful we could see revenue generated from early FY2015.

In addition to these current tenders we have identified other opportunities which are in various stages of discussions. Our customers are actively considering all opportunities to engage contractors to produce coal at a lower cost and we expect to see these opportunities come to tender during FY2015. We are well positioned to submit competitive bids for these contracts. These current tenders and future opportunities will also support increased utilisation of our fleet and deliver operating leverage on overhead costs, both of which are core to margins returning to normal levels. In summary we anticipate a continuing steady build up in the second half of FY2014 with FY2015 shaping as a year of positive growth for MYE.

Further information:

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Or visit www.mastermyne.com.au

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 (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.