

18th February 2020

ASX Announcement

Mastermyne Group Limited Half Year 2020 Results

Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) is pleased to announce a very strong performance reflected in its half year results. Highlights include the extension of key contracts with Tier 1 clients, projects mobilised during the first half and running at full run rate for the remainder of FY2020, and a record order book. As a result, the Company has resumed its interim dividend payments to shareholders. The result clearly demonstrates the Company’s market position as it continues to capitalise on the sustained strength of the coal market.

Key highlights of the HY2020 result are:

- Revenue increased by 17% to \$136.4 million with EBITDA increasing 23% to \$11.4 million and Net Profit up 37% to \$4.3 million
- Resumption of interim dividend – 2.0 cents per share (fully franked)
- Key contracts extended with Tier 1 clients
- Wilson Mining acquisition and integration completed
- Net cash position after dividends, acquisition and major project related capital investment during the first half
- Record order book of \$700m
- Market guidance reconfirmed for FY2020 Revenue and EBITDA of \$295-315 million and \$27-31 million respectively



Mastermyne Managing Director and CEO, Tony Caruso said “the half year result represents an exceptional period for the group, with key contracts extended with our major clients, on-going return to shareholders through dividends, the acquisition and integration of Wilson Mining Services and major project related capital investment to further support margin improvement. In addition, we were awarded the Aquila Underground development contract which is now fully resourced, equipment commissioned and running at full rate into the second half. Our order book is at a record level of \$700m, which position’s Mastermyne to deliver the strongest ever result for the Mastermyne business”.

The Company maintains a strong balance sheet with a Net Cash position of \$4.9 million (excluding lease liabilities). The period saw some reduction in Net Cash primarily due to returns to shareholders through dividends, acquisition of Wilson Mining services and major project related capital investment to further bolster future margins.

During the period Mastermyne delivered record roadway development metres across the most number of development units operated by the Company since its inception. The Company was successful in

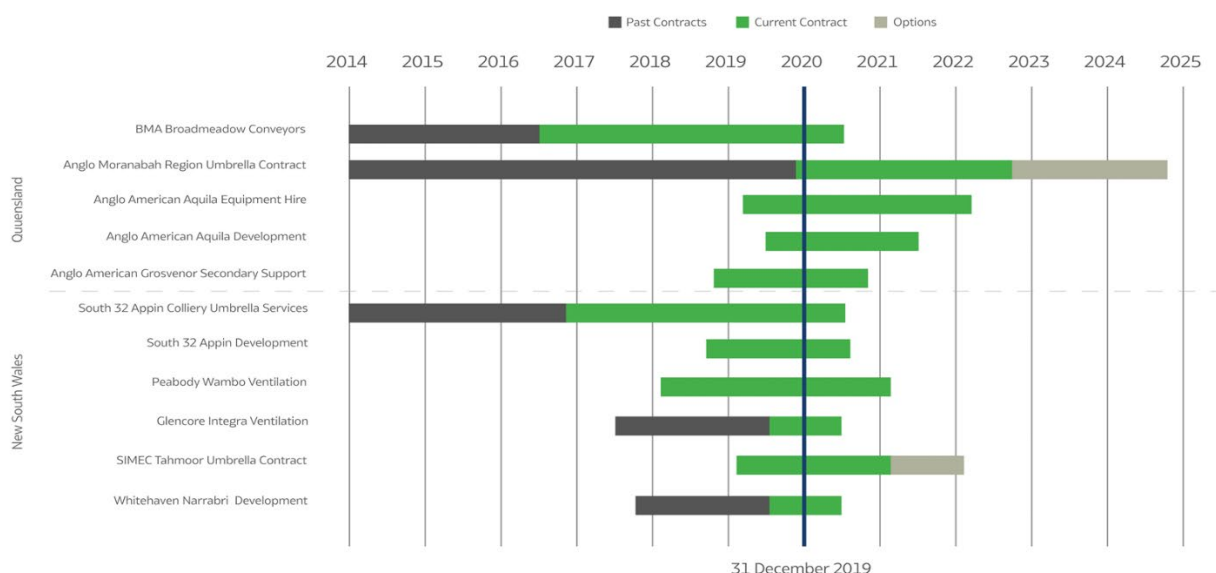
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securing contract extensions with South 32 Appin Colliery and Anglo American Moranbah North Mine. It also secured a major new contract for the Aquila Underground Development project (Anglo American), which flowed into revenue growth and contributes to a record order book of \$700m. Wilson Mining Services was acquired and integrated during the period creating an important product offering with application across the underground coal industry. The business is now fully integrated into Mastermyne with associated re-structuring and integration costs fully expensed during the period.

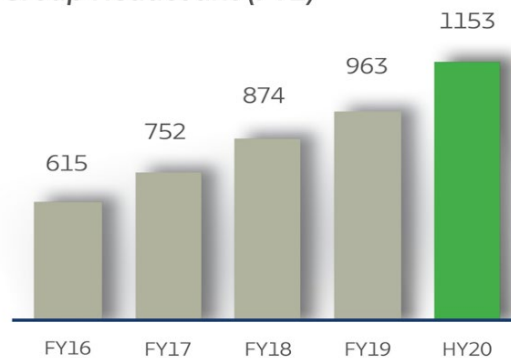


As revenue continues to grow, the Company is maintaining its disciplined approach to overheads with only minimal escalation to support the increased activities, and subsequently overheads have materially decreased as a percentage of revenue. Despite costs from the inclusion of Wilson Mining, the Company was still very pleased with an EBITDA margin of 8.4%. Stronger margins are expected for the second half with all projects now fully mobilised and operating at full run rate, a strong start to the second half from Wilson Mining, and anticipated scope increases on current projects.

During the period, \$7.3 million (net of funding) in capital was invested to overhaul mining equipment for hire into new contracts, and this has been a strong contributor to the strength in the EBITDA margin.

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at 1153 representing a 20% increase from end of FY2019 (963). Whilst resources have become constrained as demand for mining services has remained strong, the Company was able to successfully resource the Aquila and Tahmoor projects with highly skilled and capable personnel. The Company is forecasting workforce numbers to remain at the current level in the second half of the year as all projects are fully resourced and operating at full run rate.

Group Headcount (FTE)



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The Company has commissioned a second Mynesight training facility in Wollongong NSW. The facility includes a simulated underground coal mining operation, which provides valuable training to new entrants to the underground coal environment. The facility also allows access to the Wollongong coal operations in the region to provide induction and refresher training to these workforces.

The Company continues its focus on improving safety outcomes with good results achieved across all the projects. Seven of the projects have now completed extended periods free of recordable injuries. The relentless focus on building a self-supporting safety culture underpins the strong result.

2H2020 order book
\$139 million*
FY2021 order book
\$175 million
Post FY2021 order book
\$386 million
Tendering pipeline
\$1.9 billion

* Order book excludes recurring work of ~\$15-20m pa

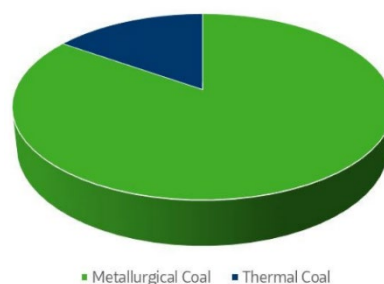
The Group's Order Book, which is heavily weighted to Metallurgical coal projects (~85%), currently stands at a record \$700 million with \$139 million of this to be delivered in the remaining FY2020, and \$561 million in FY2021 and beyond. In addition to the contracted works, the Company forecasts a further \$15-20 million per annum in recurring and purchase order work over the FY2020 year.

Outlook

The continued strong industry fundamentals are representative in record order book as mines look to maintain production output and take advantage of the current coal prices. The demand for Australian seaborne metallurgical coal is expected to remain robust, as China's demand remains steady and India's continuing to increase.

The competitor landscape remains unchanged and the Company has not observed any change in the approach by existing competitors. The Company is also progressing a pipeline of Whole of Mine opportunities with proponents who are looking to restart operations utilizing a contract miner supporting the Company's whole of mine growth strategy.

Mastermyne Order Book Revenue Exposure



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The Company will focus on delivering its current record order book safely and profitably and will continue to generate strong cash flow. EBITDA margins will also be a focus through FY2020 as they continue to edge towards the long-term goal of double-digit margins. The Company will continue with its disciplined capital management strategy and will maintain a healthy net cash position to ensure the Company maintains its financial strength through the market cycles, whilst continuing dividend returns to shareholders. Investment in existing and new fleet will continue to be assessed with EBITDA margin improvement expected from any investment.

The group continues to guide full year Revenue and EBITDA of \$295-315 million and \$27-31 million respectively.

Further information:

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