20th January 2011

Mastermyne
Underground • Services • Engineering

ASX announcement

Mastermyne on Track at the Half Year Mark

Key points:

- Mastermyne's Half Year results on track to deliver on prospectus forecast
- Mastermyne operations effected minimally by Queensland floods

Mastermyne Group Limited (ASX Code: MYE) today issued a market update to confirm that it is on track to meet the FY 2011 prospectus forecast.

Mastermyne Group Limited today announced that it has had a strong first half and was on track to deliver on the 2011 prospectus forecast. EBITA margin is expected to be behind budget at the half year point due to a bad debt write off at Pike River Mine where the Company had a continuous miner on hire at the time of the mine disaster.

The Company also made a conscious decision to take up long term contract opportunities in excess of those originally forecast; this necessitated significant increased use of subcontract resources at the expense of some short term reduction in margin. However, actions taken to recruit additional personnel will reduce this impact in the second half of the year.

Mastermyne operating staff numbers have already increased by over 50% in this financial year reflecting the success of recruitment activities such as targeting experienced miners in other domains and the new training centre. The Company is continuing to see an excellent response to its initiatives to grow its operating employee numbers through these strategies and has been pleased to see the high quality of people applying for employment.

The Company expects to meet EBITA and NPAT earnings for the full year with the planned introduction of additional mining equipment and the contribution from the directional drilling division. The Company also cited the continued strong performance of the major projects combined with the actions above to replace sub contract labour as playing a significant role in the full year results.

Managing Director Tony Caruso said that he was very pleased with the result given the business had this year taken on additional costs to expand the range of services offered by the group and to start the underground training centre and also invest in overseas recruitment. "These costs and investments in additional people are necessary for us to continue to grow the business in the short and longer term".

The Company has also been advised that resulting from the decision to form a tax consolidated group there is a potential material one off benefit flowing to the Company. The full extent of this is still to be determined.

Mr Caruso also said that the Company was not materially affected by the recent wet weather in the Bowen Basin however one site had experienced some geological impact as a result of the prolonged wet season. Mr Caruso said the Company worked very closely with all its customers and workforce to minimise the impact of the flooding to the MYE business and to ensure that all projects resumed operations safely and expeditiously.

Following the peak of the flood in Queensland, Mastermyne staff have been actively assisting in the recovery efforts of many businesses and individuals who have been impacted by the severe flooding.

Mastermyne continues to experience strong demand for its services and has maintained a strong pipeline of opportunities to win work at existing mines already in production.

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.

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