Mastermyne Group Limited

FY2011 Full Year Results Presentation

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Mastermyne
Underground • Services • Engineering

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Results Overview

FY2011 Snapshot

- Combined Group Revenue was $164.83 million up 68% from FY2010 and 26% above the FY2011 forecast released in the IPO prospectus.
- Statutory Net Profit After Tax (NPAT) was $11.74 million, Underlying $9.79 million up 10% on IPO forecast
- Final dividend of 3.7 cents per share fully franked bringing full year dividend to 6.1 cents.
- Workforce numbers at 823 for the full year up 46%, with the Myne Start centre contributing significantly to this increase.
- Operations continued to deliver strong performance which underpins long term relationships with major coal producers.
- Contracted Order book of $178 million for FY2012 will underpin growth over the FY2011 results.

Results Overview

Safety

- Continuing to focus on leading safety initiatives and measures.
- Lagging safety statistics have increased but still well ahead of industry benchmarks.
- Safety resources significantly increased in the year to match growing needs of the business.

Financial Performance

- Combined Group Revenue was up 26% on prospectus forecast to $164.83 million.
- Adjusted Net Profit was up 10% on prospectus forecast to $9.79 million.
- EBITA Margin for the full year at 9.8%.
- Full year dividend of 6.1 cents per share fully franked.

Balance Sheet and Cash Flow

- Net Assets up $9.7 million to $42.8 million.
- Operating cash flows improved in H2 from outflows of $0.5 million at Dec 2010 to inflows of $9.4 million at 30 June 2011
- Invested $19.18 million in new assets, majority of which was debt funded mobile equipment
- Net Debt of $17 million up $11.7 million from FY2010 due to debt funding the increased capital expenditure.

Results Overview

Operational

- 3 new underground contracts mobilised and operating in the FY.
- Workforce numbers up 46% to 823 for the full year.
- Myne Start training centre has trained over 100 people who are now working in the business.
- Equipment utilisation at record levels due to high demand.
- Project at Newstan first major Hunter Valley contract for underground division.
- Workforce surpassed 100 employees in Hunter Valley this FY.
- Directional Drilling and Ventilation Services now an embedded part of the Mastermyne service offering.
- Engineering business has continued to diversify its product offering and is gaining market share in NSW.
- Services division has been awarded a major contract starting in October.

Order Book and Pipeline

- Underground contract services remain in very high demand.
- Contracted Order Book of $178 million for 2012 will underpin growth over the 2011 results.
- The company will use this strong position to consolidate and focus on organic growth over 2012.
- Sales pipeline beyond 2012 building with tier 1 and 2 coal companies well advanced on several large scale underground projects and further projects in the approval stage.

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FY11 Financial Review

FY2011 Financial Overview

($'000)	FY2010 Pro forma Actual	FY2011 Pro forma Forecast	FY2011 Pro forma Actual	FY2010 Pro forma Actual	FY2011 Pro forma Forecast
	Proforma Actual vs Proforma Forecast			2011 Proforma Actual vs	
Total Revenue	98,163	133,403	164,830	67.9%	23.6%
Statutory EBITDA	12,808	19,628	20,358	58.9%	3.7%
Adjustments	3,896	-	593		
EBITDA	**16,703**	**19,628**	**20,951**	25.4%	6.7%
EBITA	12,580	14,676	16,163	28.5%	10.1%
Profit before tax	**11,004**	**12,855**	**13,987**	27.1%	8.8%
Tax Adjustments			(2,540)		
Tax expenses	(3,173)	(3,960)	(1,653)	-47.9%	-58.3%
Profit after tax	7,831	8,895	9,794	25.1%	10.1%
EBITA Margins	12.82%	11.00%	9.81%		
EPS	10.7	12.1	13.3		
DPS	1.2	6.1	6.1		

- Revenue is up 68% as a result of winning three major contracts in the underground division including Moranbah North Development, Oaky Creek Conveyors and Newstan Conveyors / Drivage.
- EBITA margins were down due to mine access interruption in January, the losses in the services division and increased use of subcontractors to ramp up new projects.

FY11 Financial Review

FY2011 Divisional Performance

Business Unit Performance			
($'000)	Underground	Services	Engineering
Revenue	150,088	1,272	13,469
Inter Segment Revenue	396	4,312	1,975
Total Divisional Revenues	**150,484**	**5,584**	**15,444**
Underlying EBITA	15,996	(790)	957
EBITA %	10.6%	-14.1%	6.2%

- Revenue across all divisions is above FY2011 prospectus forecasts.
- Intersegment revenues are arms length transactions between the divisions for goods and services provided including capital equipment
- Losses in the Services division reduced group EBITA by 0.8% compared to prospectus forecast. The new contract awarded is expected to deliver improved performance for FY12.

FY11 Financial Review

FY2011 Working Capital & Cash Flow

$AUD (000's)	2011	2010
EBITDA (Statutory)	20,358	15,330
Movements in Working Capital	(10,433)	1,813
Non cash items	3,165	860
Net Interest Costs	(1,725)	(1,304)
Income tax payments	(1,972)	(1,600)
Net Operating Cash Flow	9,393	15,099
Proceeds from exercise of share options	-	291
Proceeds from IPO and Group restructure	-	121
Net Capex	(2,788)	(2,725)
Net borrowings/(repayments)	(6,730)	(9,464)
Interest Received	63	155
Free Cash Flow	(62)	3,477
Dividends	(2,636)	(359)
Net increase/(decrease) in cash and cash equivalents	**(2,698)**	**3,118**
Cash and cash equivalents at beginning of period	8,718	5,600
Cash and cash equivalents at end of period	6,020	8,718

- Increase in working capital requirements during FY2011 resulting from $20 million increase in trade and other receivables.
- Net capex remained steady at $2.8 million with the majority of the $19 million capex financed under fixed equipment loans.

FY11 Financial Review

FY2011 Balance Sheet

$AUD (000's)	2011	2010
Assets		
Cash and cash equivalents	6,020	8,718
Trade and other receivables	31,929	11,928
Inventories	1,654	1,357
Total current assets	39,603	22,003
Deferred tax assets	-	652
Property, plant and equipment	30,680	19,670
Intangible assets	20,253	20,584
Total non-current assets	50,933	40,906
Total assets	90,536	62,909
Liabilities		
Trade and other payables	18,808	10,419
Loans and borrowings	5,955	6,184
Employee benefits	3,846	2,503
Current tax payable	1,195	2,026
Total current liabilities	29,804	21,132
Loans and borrowings	17,135	7,847
Employee benefits	87	28
Deferred tax liabilities	684	823
Total non-current liabilities	17,906	8,698
Total liabilities	47,710	29,830
Net assets	42,826	33,079

- Trade and other receivables increased as a result of the following:
  - Growth in revenues contributed $9 million
  - Increase in debtor days resulted in a $7.4 million increase
  - Insurance receivable of $3.6 million
- Trade Payables increased as a result of increased operating activities and includes amounts owing on capital expenditure from June.
- Property Plant and Equipment is up $11 million as a result of the $19.18 million in capital expenditure during the year.
- Net Debt totalling $17 million up $11.7 million from FY2010 due to debt funding the increased capital expenditure.
- Interest cover reduced to 9.3 times as a result of increased interest on debt and returns not fully recognised until equipment goes into service in FY2012.

FY11 Financial Review

FY2011 Capital Expenditure on Major Items

Description	Qty	Total Value ($000's)	Delivered	Revenue From
Man Transporters / Drift Runner	3	$1,200	Sep-10	Sep-10
Loaders – Sandvik	2	$2,000	Jan-11	Jan-11 and April 11
Loader - Coal Tram	2	$2,000	Nov-10	Jan-11
Warracar	1	$1,200	Dec-10	Feb-11
Continuous Miner - ABM20	1	$3,950	May-11	Jun-11
Continuous Miner - Jeffery 1038 cut / flit machine	1	$1,050		Jul-11
Joy Continuous Miners - 12CM12	2	$6,600	Nov-11	Nov-11
Fletcher Bolter	1	$1,000	Aug-11	Oct-11

- Significant investment in capex during FY11 to take advantage of lead times, which have now increased as a result of the high demand.
- Two second hand joy continuous miners were acquired in the last quarter, overhauls have begun and total capex to 30 June 2011 was $3.3 million including the purchase of the machines. A further $3.3 million remains to be spent during FY12 with the machines to be put into service starting November 2011.
- Capex in FY12 is expected to reduce from FY11 with the only commitments at 30 June 2011 the remaining $3.3 million on the joy continuous miners.
- The demand for underground equipment is high at present and return on funds remains strong.

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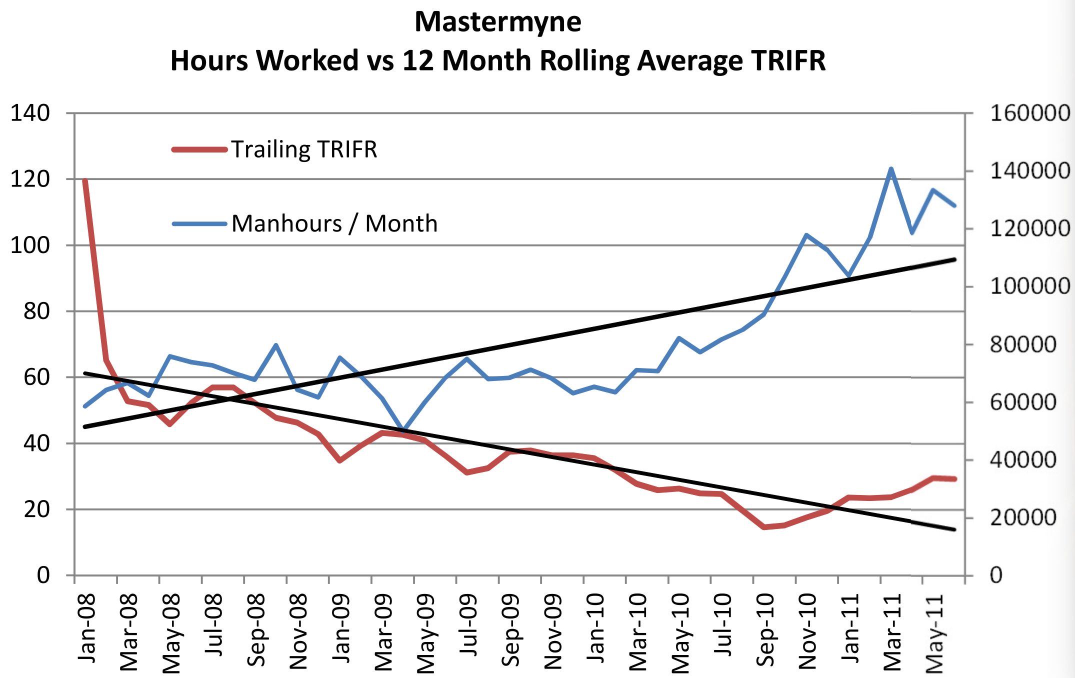
Operational Review

Safety

- Focus has been on leading safety initiatives and measures.
- Lagging statistics have increased by 4.3 from previous year.
- Significant restructuring of the safety department.
- Right people in the right job.
- Focus on incident investigation and implementing hard controls.
- Moved to more stringent OSHA reporting standard for FY2012.

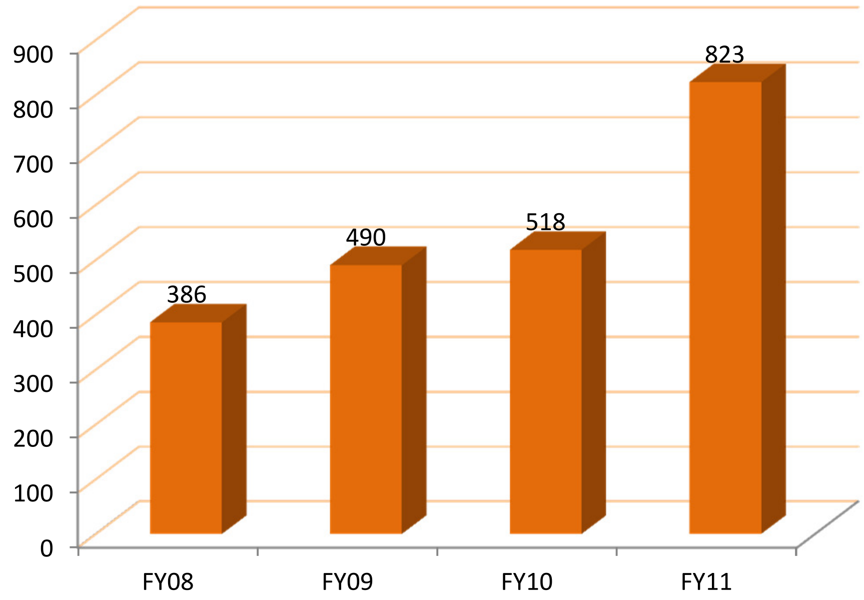


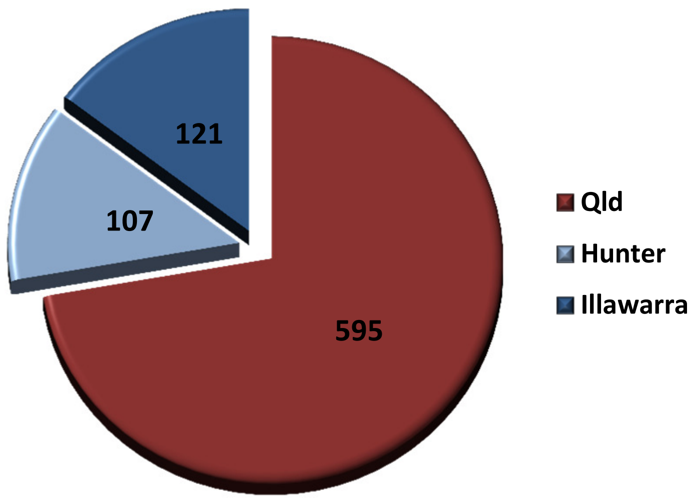
Operational Review

People

- Workforce for the full year has increased 46% to 823.
- The training centre has successfully delivered over 100 people into the Mastermyne workforce.
- Recruitment teams have visited Poland, South Africa, New Zealand and UK and have interviewed over 114 experienced underground miners.
- Ranstad contract continues to deliver good numbers of experienced candidates.
- Numbers plateaued in the last 2 months of the FY due to Kestrel Mine Extension project (KME) pushing back to an August ramp up for Mastermyne portion of the project.
- Continuing investment in workforce training and development.
- Labour market is tight but we continue to meet demands of our projects.

Workforce Numbers





Underground Labour Allocation

Operational Review

Operations

- Qld coal sector has seen significant operational disruptions this FY but these events have been of less significance in the underground coal operations.
- Three new underground contracts won, mobilised and operating in the FY.
- New capex brought on line, commissioned and operating in Mastermyne projects.
- Both Engineering (Qld & NSW) workshops successfully relocated into larger premises.
- Significant increase in market share in NSW consumables and fabrication market.
- Services has secured a major contract that will set up the FY2012 year for the division.
- Mastermyne takes up the controlling role in the KME Joint Venture Project.

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Operational Review

Contract Order Book

- Contract order book excludes recurring and purchase order work
- Workforce will increase by between 50 to 60 people to meet the contract order book FY2012. (Kestrel Mine Extension workforce transfers over from Joint Venture partner)

Operational Review

Sales Pipeline

- Business Development Manager recruited in the year
- Sales pipeline focus is on longer term projects.
- Sales pipeline beyond 2012 building with tier 1 and 2 coal companies well advanced on several large scale underground projects:
  - Anglo – Grosvenor and Moranbah South
  - Vale – Eagle Downs and Ellensfield
  - BMA – Broadmeadows expansion and Saraji Underground
- Further projects in the various stages of approval:
  - Galilee Basin
  - Surat Basin
- Tendering opportunities on brownfield sites is increasing.

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Summary

Summary

- Safety remains a core value but performance has been impacted by growth.
- Strong revenue and profit performance in FY2011 despite the sector interruptions experienced during the FY.
- Similar to the GFC Mastermyne has shown resilience to the impacts of extreme external factors.
- Dividend will be paid in line with prospectus forecast.
- Our success in recruiting and retaining our workforce has facilitated growth of the business.
- Geographical expansion and expanded services strategy has been delivered in FY2011
- Operational performance in FY2011 has enhanced the reputation of the business.

Outlook

- Focus on our safety performance through risk management and proactive safety initiatives and measures.
- Strengthening of our management team by training or recruiting to deliver further growth.
- Bringing additional underground equipment online in FY2012.
- No foreseeable material impact from MRRT and Carbon Tax on Mastermyne operations.
- Focus on growth from existing projects.
- Opportunities to increase scope on existing contracts.
- Supported by a positive outlook for domestic coal production.
- Mastermyne outlook remains positive supported by a strong order book.