

16th February 2021

ASX Announcement

Mastermyne Group Limited Half Year 2021 Results

Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) is pleased to announce its Half Year 2021 Results which has seen the business deliver a solid result during a low point in the coal price cycle. Whilst revenue of \$111 million was down (vs \$136 million in HY20), EBITDA margins were up to 9% as a result of investment in new operating equipment and a focus on cost management.

The net cash position at the end of the period was \$11.6 million after the payment of dividends and capital expenditure through the period. The Company’s focus on safe operations hasn’t relented, and based on the first half trends, our people are on track to achieve an improved performance versus last year.

Key highlights of the HY2021 result are:

- Revenue of \$111m which was down as the sector responded to softer pricing
- EBITDA margins were stronger (9%) benefiting from countercyclical investment in equipment, strong operational performance and management of costs
- Net Profit of \$2.0m achieved in spite of the tighter industry conditions
- Maintained shareholder returns through an Interim ordinary dividend of 0.75cps (fully franked)
- Maintained strong net cash position (\$11.6m) after dividends and capital investment
- Whole of Mine (WoM) projects have substantially progressed through the period with the first to potentially commence in 2H FY2021
- Order book and tender pipeline are robust and improving
- Continuing investment in the “Diversify and Grow” Strategy in spite of price weakness

Mastermyne Managing Director and CEO, Tony Caruso said “there is no doubt that the coal price has had an impact on our first half results as our clients and customers responded to the price weakness. But what is very pleasing for us is how again our operating model has us set up to respond quickly and appropriately in these cycles and despite lower revenue our margins were able to be maintained and improved.

The Company has continued its focus on keeping people safe. Our plan prioritises critical risk exposures and the strength of our controls and management plans. With recent significant events at Grosvenor Mine and North Goonyella Mine there has been a focus on embedding learnings from not only these incidents but all previous serious incidents. The Company is also focusing heavily on the use of technology to reduce risk. The focus on human behaviour in conjunction with risk management and emerging technology is underpinning our safety efforts.

Our ability to invest in equipment counter cyclically, deliver strong production performance and be disciplined around our cost management has resulted in a financial outcome that sees us maintain a strong cash position and a healthy balance sheet, and this is important for what comes next. Through the period we have continued to invest in our “Diversify and Grow” Strategy and progress several whole

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Mastermyne Group Limited: Level 1 Riverside Plaza, 45 River Street, Mackay QLD 4740 // PO Box 1671, Mackay QLD 4740
Email: master@mastermyne.com.au Phone: (07) 4963 0400 Fax: (07) 4944 0822 www.mastermyne.com.au

ABN: 96 142 490 579

of mine opportunities which, with the strong recovery in coal prices, are now more likely to commence in the calendar year.

The Crinum underground project is now well progressed and the Company has been appointed as the Coal Mine Operator. During the first half the Company successfully re-entered the underground mine workings in conjunction with Queensland Mines Rescue to re-establish ventilation and verify the underground conditions. The mine is now in a period of care and maintenance awaiting the final investment decision to commence underground production with the decision expected during the second half of FY2021. This project will be a significant milestone for the business and will be the realisation of a long-term strategy to move into contract mining operations and we look forward to a successful outcome.

We have continued to expand the business into adjacent sectors and the recent appointment of a Hard Rock General Manager has ensured the focus on diversifying the business has not been lost. Through the period we have seen a number of hard rock tender opportunities flow through the business and our confidence is growing that we will be successful in winning work in this area. Alongside our organic growth strategy is growth by acquisition and we continue to explore opportunities in this regard.

All in all, whilst it has been a tougher half due to coal price weakness we are confident with what we are seeing in terms of a recovery in the coal sector and we are confident with our approach to diversifying and growing our business. We have a strong order book, an improving pipeline of tenders and several WOM opportunities which can potentially land in the near term so we are looking forward to the second half”.

Outlook

Despite the impacts of global COVID restrictions the outlook for metallurgical coal continues to be supported by strong long-term fundamentals. Metallurgical coal prices have recently recovered substantially from ~\$US100/t (Dec 20) to ~\$US150-160/t. Australia remains one of the lowest cost coal producers in the world, providing high quality metallurgical coal into Asian steel production markets. The demand for Australian seaborne metallurgical coal is expected to remain robust in the medium to long term.

The operational focus for the Mastermyne in the second half will be on executing the current order book safely and efficiently, and capturing project opportunities as they arise with the recovery of coal price. Clients have historically relied on contractors as they catch up or ramp up operations following a low point in the cycle. The Anglo American Aquila project has ramped up to full run rate expected under the original contract. The work scope and contract has subsequently been expanded and the Company expects to see additional revenue generated from this project as the mine moves towards longwall operations in 2022. The investment in the equipment fleet for the project has delivered improved margins and is providing a competitive advantage on the project. The Company was also successful during the period in securing contract extensions at Glencore’s Integra Mine, BMA’s Broadmeadow Mine and SIMEC’s Tahmoor Mine. The recent scope increases and contract extensions are signalling that our clients are gaining confidence in the price outlook and will rely on contractors through this period of recovery.

The Group’s order book, which is heavily weighted to Metallurgical coal projects (~95%+), currently stands at \$595 million with \$117 million to be delivered 2HFY21, \$201 million in FY2022, and \$278 million in FY2023 and beyond. In addition to the contracted works, the Company forecasts a further \$30-40 million per annum in recurring and purchase order work.

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The strong balance sheet and capital management strategy continues to serve the Company well as we manoeuvre out of low coal price periods. The Company continued to invest in equipment counter cyclically during the period. The acquisition of the final four (of eight) new Sandvik Loaders was completed and the machines have been fully deployed in existing contracts. Four late model second hand continuous miners were also purchased for use on current and near-term projects. Investment in this type of equipment gives the Company a competitive advantage when tendering for new contracts. The ability to invest counter cyclically has delivered improved margin performance and will provide further competitive advantage as the recovery continues.

The Company has continued to progress its “Diversify and Grow” Strategy with a focus on whole of mine opportunities and the adjacent underground metalliferous sector. The Crinum underground project is well progressed with the Company appointed as the Coal Mine Operator. The mine is now in a period of care and maintenance awaiting the final investment decision which is expected in coming months. The Company has also entered into a binding term sheet for the Dysart East whole of mine project and the parties are now working towards a binding mining services contract. This will progress over the second half with work expected to commence late in this calendar year. To facilitate our entry into the underground metalliferous sector the Company recently appointed a Hard Rock General Manager. A number of hard rock tender opportunities are now beginning to flow through the business. As our organic growth strategy progresses, we will continue to explore growth by acquisition opportunities.

The Company will continue with its disciplined capital management strategy maintaining a positive net cash position up to \$20m allowing it to retain its financial strength through the market cycles and continue to provide reliable returns to shareholders through dividend payments.

Further information:

Tony Caruso – Chief Executive Officer: (07) 4963 0400

Brett Maff – Chief Financial Officer/Company Secretary: (07) 4963 0400

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