

18th August 2021

ASX Announcement

Mastermyne Group Limited Full Year 2021 Results

Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) is pleased to announce its results for Full Year 2021 which has seen the Company position itself with a very strong outlook while delivering on a number of fronts.

Highlights of the FY2021 result are:

- Excellent Safety Performance with lowest TRIFR result (4.96) since the company formed
- Strong investment in developing the capability of people which sets the Company up for the growth ahead
- Revenue of \$233m in line with guidance
- EBITDA Margin of 9.6% in line with the prior corresponding period (pcp) and EBITDA of \$22.3m (Guidance \$22 to \$23 million)
- Strong Profit Result of \$5.9 million during a low point in the metallurgical coal price cycle
- Declared a 2.25 cent dividend bringing the full year dividend to 3.0 cents representing 56% of Net Profit
- Maintained a strong Balance Sheet with a year-end Net Cash position of \$19.3 million
- Executed the Company’s first Mine Operations Contract with Sojitz Blue at the Crinum Mine totalling \$600-\$660 million of Revenue over a 6.5 year term
- Announced (post year-end) the second Mine Operations Contract with QCoal Group at the Cook Colliery Mine in Central Queensland
- An Order Book that lifts to \$1.1 billion (from \$600m at half year)
- Providing FY2022 guidance - Revenue \$300-\$320 million, EBITDA \$28-\$32 million, EBIT \$14-\$16 million

In a year that faced significant headwinds from low metallurgical coal prices and the temporary suspension of two major underground mines in Queensland, the Company was very pleased to deliver results in line with guidance and, more notably, to have positioned the business for significant growth in FY2022 and beyond. The addition of two Mine Operations contracts means the Company has a material new revenue stream that provides long term visibility and scale in earnings, gives the Company greater control of its order book and shifts the profile of the Company through its appointment as the coal mine operator. The order book now has a strong weighting of Mine Operations revenue alongside the traditional contracting revenue which combined provides a very strong long-term outlook for the business.

Having achieved a solid financial result and maintaining a strong balance sheet with a net cash position supported by a record future order book, the Group has continued its commitment to shareholder returns declaring a final ordinary dividend of 2.25 cents per share (fully franked). This takes the full year dividend to 3.0 cents per share representing 56% of the net profit.

Mastermyne Managing Director and CEO, Tony Caruso said “we are very pleased with what we have delivered this year. The Company’s commitment to safety has delivered an exceptional result for the

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safety and wellbeing of our people and we are extremely excited and proud of what we have achieved this year. We also executed our first Mine Operations contract at Crinum Mine which is a significant milestone for the business and sets us up to be a very different business moving forward.

We have since built on this great platform with the announcement of a second Mine Operations contract at Cook Colliery which creates an excellent outlook over a long period of time. We have continued to invest in our diversification strategy through the appointment of key hard rock executives and we have now submitted in excess of \$100 million in tenders directly in the underground hard rock sector.

Our results have met guidance in the face of extremely low metallurgical coal prices for much of the year. Pleasingly we have seen a strong rebound in coal prices late in the second half and with that a commensurate increase in activity across the coal business. We have delivered a strong financial result amidst the low point in the cycle, with significant investment in diversification, counter cyclical acquisitions of strategic equipment and continuing investment in the development of our people. This demonstrates the resilience of the Mastermyne business model.

We now have a record order book of \$1.1 billion, an increasing pipeline of tenders in the metallurgical coal and underground hard rock sectors and several more Mine Operations contract opportunities in the near to mid-term. We have the funds to support our growth and the resources to execute our projects. We are in great shape.”

Operations Update

The Company has delivered an outstanding safety performance over the last year with a TRIFR of 4.96, the lowest that the Company has achieved since its inception. This result is the outcome of a very targeted safety approach centred largely around psychological safety supported by strong compliance and behaviour. Mastermyne adopts an equally relentless focus on high potential hazards and learning from zero energy and near miss events. Adopting the principals of a High Reliability Organisation is central to our long-term approach to safety excellence. As the Company shifts to become a Mine Operator, performance like this demonstrates the maturity required across the organisation (people and systems) to safely manage its own operations.

Alongside the relentless investment in the health and safety of its people, there has been the significant investment in developing the Company’s workforce. The internal learning management systems have positioned it with skilled people grown from within the Mastermyne business who are now ready to step up into roles to support the growth ahead. This investment in people de risks the business from the resourcing pressures being experienced across the resources sector and additionally, by growing its own talent, strengthens and protects its culture.

The internal employee development systems have delivered some very impressive results with 14 coordinators completing Mastermyne Diploma of Project Management, 223 employees completing the MasterMe program, 12 employees (NSW & QLD) completing the Mastermyne Deputy Program, 9 employees completing the Frontline Leadership Course and 29 employees undertaking Cert II Underground Coal Operations with many other employees undergoing professional development and upskilling in addition to these highlights. Having this focus and these results around internal development has created a tangible point of difference for its workforce.

During the year the Company continued its commitment in developing its Hard Rock business with the appointment of key management roles solely focused on the underground hard rock sector. The appointments were experienced and well-respected hard rock executives who brought with them

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significant technical expertise and a strong network of contacts in the hard rock sector. Through the second half of the year the Company saw the hard rock tender pipeline grow significantly and more than \$100 million in hard rock tenders have been submitted. In addition to this organic approach the company continues to explore acquisition opportunities to accelerate entry into the sector.

The Company's second half results were stronger driven mainly by the strong recovery in coal prices over the latter half of the year and also assisted by the restart of two suspended mines in Central Queensland. The Anglo American Aquila project ramped up to full run rate during the period and the work scope and contract have subsequently been expanded. The earlier investment in the equipment fleet for this 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, Anglo American's Moranbah North Mine (Chemical installations) and SIMEC's Tahmoor Mine.

Wilson Mining Services (acquired in 2019) delivered very strong results during the year. This business continues to gain market share and has expanded its product offering through new and improved ground stabilisation products. The Wilson Mining business was a strategic acquisition which broadened the range of services Mastermyne offers to its existing clients with the two businesses having strong synergies sharing similar customers, sites, equipment, workforce and general management. The business provides a nice counter play to the core Mastermyne business and throughout the year has demonstrated this when mines were experiencing major geotechnical issues that had an impact to the Mastermyne operations. The value created through this acquisition has been highly accretive for the overall business and the successful integration of the business into the Mastermyne Group is a strong endorsement of a structured and well run integration plan by the Company.

More recently the Company acquired the remaining 33% shareholding in the Registered Training Organisation (RTO) MyneSight, gaining full control and operation of this business. The Mynesight business provides an in-house training capability to support the resourcing of growth projects including our entry into the underground hard rock sector. The Company has maintained a majority shareholding in this business for several years and saw this opportunity as a low cost mitigation strategy for any future potential resourcing challenges.

The Company has not experienced any significant labour constraints at this point in the cycle but continues to closely monitor developments in the labour market. Strong interest has been received in roles for our Mine Operations contracts with most roles having excess applicants.

Similarly, the Company has not experienced any significant equipment shortages or extended lead times for equipment to resource the upcoming projects. This is largely due to the Company's counter cyclic acquisition of equipment through the low point in the coal price cycle. Equipment that was acquired and stored in readiness for Mine Operations contracts is now undergoing overhaul in preparation for deployment at the Crinum and Cook projects.

With the commencement of the first Mine Operations project now underway the Company has invested in expanding the capability of the fleet management team. This has predominately been through the resourcing of additional Asset Management roles that will be responsible for lifecycle asset management through an integrated asset management system aligned to ISO 55000.

The Group's record order book, which is heavily weighted to Metallurgical coal projects (95%+), currently stands at \$1.1 billion (excluding Cook which is being finalised) with \$246 million to be delivered FY2022, \$196 million in FY2023, and \$640 million in FY2024 and beyond. In addition to the contracted works, the Company forecasts a further \$30-40 million per annum in recurring and purchase order work. The

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tendering pipeline now stands at \$2.3 billion with \$0.6 billion in the contracting business, \$1.5 billion in the Mine Operations area and \$0.2 billion in underground hard rock projects. In addition to the pipeline, the Company also finalised a Mining Services Agreement with Bengal Coal for the Dysart East Project and is currently moving through conditions precedent with work scheduled to start in FY2023 subject to the successful financing of the project. The size and tenure of this project is very similar to the Crinum project.

Outlook

With the execution of the Crinum Mine Operations contract and the announcement of the Cook Colliery Mine Operations contract the outlook for the Company looks exceptionally strong. In the coming year both the Crinum and Cook projects will be in the ramp up phase delivering revenue of about 50% of the expected long term annual average. These projects are underpinned by the very stable contracting order book and growth pipeline in the coal and hard rock sectors. As a result, the Company is well positioned to deliver strong earnings growth in FY2022 which will most likely be surpassed in FY2023.

Metallurgical coal prices have recovered substantially from ~\$US100/t (Dec 20) to ~\$US220/t currently. 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. Already the Company is seeing scope increases on its existing projects along with an increase in tendering activity which is expected to remain supported through the cycle. Stronger pricing is also evident in key metals with Copper, Nickel and Zinc being particularly robust. Exposure to these and other metals will drive growth and provide stability in cashflows in future periods.

FY2022 will see the Company deliver substantial packages of work to restart the Crinum and Cook mines and the operational focus will be on executing these works on time and on budget. Crinum works are progressing well against schedule and budget and these same project disciplines will be applied to the Cook Colliery re-start. Labour and equipment resourcing strategies are well developed and to date the Company is not experiencing any delays or concerns. The Company has well developed strategies for large scale recruiting and on boarding and is confident it can mitigate any execution risk in the Mine Operations projects.

Capital expenditure in the range of \$30 to \$40 million is expected to span FY2022 and FY2023. With a strong balance sheet supported by the current undrawn funding facilities, the Company is adequately funded to manage the capital requirements in bringing both the Crinum and Cook projects on line.

FY2022 Revenue is forecast at \$300-\$320 million (due to ramp up year for Crinum and Cook Operations), FY2022 EBITDA at \$28-\$32 million and FY2022 EBIT at \$14-\$16 million.

Further information:

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