

Mastermyne Group Limited

2012 Annual General Meeting

Managing Director's Report



■ FY2012 Recap

Financial Highlights

- Group Revenue for the full year \$271.9 million, up 65% (FY2011; \$164.8 million)
- Statutory Net Profit After Tax \$14.7 million¹ up 24.9% (FY2011 \$11.7 million²).
- Adjusted Net Profit After Tax (NPAT) \$15.8 million up 61.2% (FY2011: \$9.794 million)
- Final Dividend of 4.8 cps, taking total dividends for FY2012 to 7.8cps an increase of 27.9%
- \$251.5 million of revenue is deliverable in FY2013 from current Contracted Order Book (excludes recurring revenue)
- Tendering pipeline was \$728 million at the end of FY2012



¹ Includes a negative tax adjustment of \$1.124 million due to recent changes in tax legislation enacted at the end of FY12. This adjustment is reversing benefits recognised in prior periods.

² Includes positive tax adjustments of \$ 2.362 million due to entering into a tax consolidation for the group and rights to future income as a result of the IPO and changes in tax legislation.

■ FY2012 Recap

Operational Highlights

- Safety performance (TRIFR) for FY2012 improved 20% and again outperformed industry benchmarks
- New management personnel in key operational roles have heightened the capability of management team
- Workforce numbers 1088 at June 2012 (32% increase from June 2011)
- All three divisions exceeded operational expectations
- Underground Fleet has seen the highest utilisation in the history of the business
- Contracts renewed during FY2012:
 - Illawarra Outbye Services (further 2+1+1 years);
 - Illawarra Roadway Development option triggered (further 12 months)
 - Moranbah Umbrella (further 2 + 2 years)
- 2nd Myne Start facility in Brisbane was opened in June 2012



■ FY2013 Update

- We are continuing to see customers focus on reducing the production costs of their mines but not production levels
- This link to production is a key business driver for all MYE divisions
- All major underground contracts are continuing to operate unchanged (refer to appendix). One significant NSW contract is still under review by the owner .
- Workforce numbers in November were 1002 compared to 1088 at the start of FY2013
- Some workforce reductions on purchase order works and smaller projects
- Reductions also included head and regional office overheads and reductions at the engineering division workshops to match the reduced fabrication demand.
- Equipment utilisation rates across the sector have reduced with hire rates also reducing
- The MYE fleet has seen some impact from displaced equipment which in turn is having an impact on group margins
- The Moranbah North Drivage contract has been extended for a further 12 months from November
- The underground division is in discussions on several new underground projects. In the current climate, where clients are taking a more measured approach to new work, we do not expect to have confirmation of the outcome on these projects until Q1 calendar 2013”.
- The pipeline of predominantly brownfield projects remains solid supported by the strong tendering activity and the increased business development discussions
- Current tender pipeline stands at > \$1B versus \$728m at the end of FY2012

■ Outlook

- Although the operating environment has deteriorated in the short term for contractors, MYE's underground link to coal production is a key differentiator of its business
- The company's mine site diversity, strong balance sheet and high variable cost structure will be valuable towards mitigating the increasing competitive cost pressures (eg. lower equipment pricing)
- MYE has no exposure to new mine construction projects in its current order book
- The MYE Group business model will prove to be resilient in the current phase. At this stage, we are forecasting growth for FY2013.
- We are undertaking a wider review of opportunities "complementary to our current core business" as well as continuing to assess opportunities (both organic and acquisition) to expand the capability and range of services offered by MYE

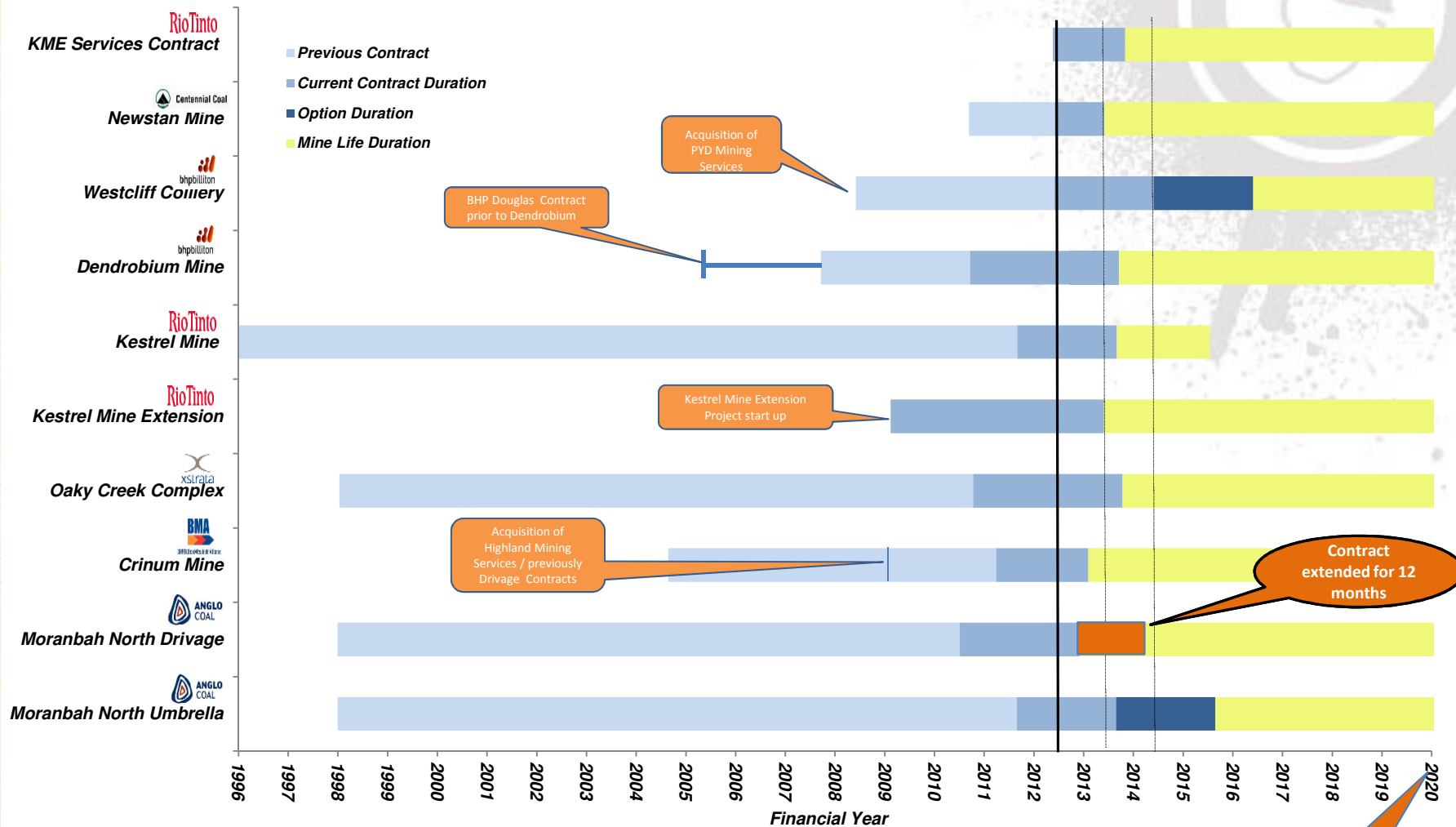


■ Summary

- FY2012 was another excellent year of strong growth for Mastermyne with all divisions performing well
- We anticipate coal production levels to remain resilient. The group's contracts are predominantly with Tier 1 customers, which typically operate low cost underground mines; it is unlikely these operations will be materially affected
- MYE's order book remains intact. Encouragingly, MYE managed to grow its earnings during FY2009 amid the GFC
- Importantly, tendering opportunities across brownfield operations remain healthy. Given our strong reputation, long standing relationships and solid balance sheet, we believe MYE will be successful in winning new contractors to support FY2014 and beyond



Appendix – Contracted Order Book



➤ MYE has a demonstrated track record in triggering options and securing repeat contracts

All Operations extend beyond 2020

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