

07th September 2021

ASX Announcement

Mastermyne acquires leading hard rock mining services company, PYBAR Mining Services

Mastermyne Group Limited (ASX Code: MYE) (“**Mastermyne**” or “**Company**”) is pleased to announce that it has entered into an agreement to acquire 100% of the shares on issue in PYBAR Holdings Pty Ltd which in turn owns all the issued share capital in PYBAR Mining Services Pty Ltd (“**PYBAR**”) for cash and scrip consideration (the “**PYBAR Acquisition**”).

The PYBAR Acquisition implies an enterprise value of approximately \$99.0 million for PYBAR, and an expected equity purchase price of approximately \$47.0 million once debt items are considered¹. The acquisition implies an enterprise value / FY21 EBITDA multiple of approximately 3.5x pre-synergies and an enterprise value / FY22F EBITDA multiple of approximately 3.0x pre-synergies.

The acquisition consideration payable by Mastermyne for 100% of PYBAR’s shares consist of cash consideration of \$23.5 million, with \$11.75 million (50%) payable on completion of the transaction and the remaining \$11.75 million (50%) due on the 1st anniversary of the transaction completion (**Aggregate Cash Consideration**), and scrip consideration of approximately 23.2 million Mastermyne shares at an implied value of \$23.5 million² (**Aggregate Scrip Consideration**) issued at completion and subject to escrow for 12 months (together, the **Acquisition Consideration**).

Appendix A sets out material terms and conditions of the PYBAR Acquisition.

Compelling Strategic Rationale

The PYBAR Acquisition accelerates Mastermyne’s growth strategy of expanding into the adjacent hard rock segment and the Mastermyne Board and Management believe this is a compelling opportunity:

- **Leading Australian diversified mining services business with material scale** – PYBAR Acquisition materially increases the operating scale of the combined group
- **Accelerating hard rock strategy with acquisition of PYBAR Mining Services** – PYBAR is a highly complementary mining services business with specialised hard rock mining services capabilities, with the acquisition to immediately bring hard rock mining skill sets in-house
- **Diversification into base metals, commodities outside of metallurgical coal** – Incorporating PYBAR’s revenues, which are predominantly exposed to gold, copper, zinc and lead, this acquisition increases the combined group’s earnings resilience across commodity cycles
- **Complimentary blue-chip underlying customer bases** – Combined group offers a broader suite of services able to be provided to the combined broader client base
- **Financially compelling and accretive acquisition for shareholders** – PYBAR Acquisition is expected to be 21% EPS accretive on a FY22F basis, prior to any synergies³

1. This is an estimate only, with the final value subject to various adjustments post completion.

2. Mastermyne Shares will be issued at valuation of \$1.0115, which is the 5 day VWAP between 30th August 2021 and 03rd September 2021 (inclusive); with the Mastermyne Shares to be issued not to exceed 19.9% of the Company’s issued capital. The issue of such quantum of shares will be subject to shareholder approval.

3. Based on midpoint of Mastermyne FY22 guidance and midpoint of Mastermyne’s assessment of PYBAR’s pro forma normalized full year FY22 contribution

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Mastermyne Managing Director and CEO, Tony Caruso said:

“In line with our stated hard rock growth strategy, the PYBAR Mining Services Acquisition is an exciting opportunity for Mastermyne to accelerate growth and become a leading national mining services organisation with material scale.

The PYBAR Acquisition is highly complementary to Mastermyne’s existing underground business and expands the combined group’s addressable markets to support ongoing growth, in addition to increasing the earnings resilience of the group by diversifying our commodity exposure. With this acquisition we are building a diversified underground mining services business providing specialised underground services directly linked to production.”

On successful completion of the transaction the PYBAR vendors will become shareholders in Mastermyne owning approximately 23.2 million shares accounting for 17.7% of the register post completion (Paul Rouse 10.7%, Brendan Rouse 5.3% Andrew Rouse 1.7%).⁴ Paul Rouse will join the Mastermyne board as a Non-Executive Director and brings with him over 30 years of mining services experience. Paul is the founder of PYBAR and a mining engineer with extensive hard rock experience across all aspects of mine design, mine planning, mine management, production and development. Mastermyne look forward to working with Paul to continue to grow the PYBAR business.

Paul Rouse, current Executive Chairman of PYBAR said:

“We are very excited to be joining the Mastermyne group and working with the Mastermyne team to continue to grow the PYBAR business. We view this as a unique opportunity to bring two quality businesses together, that are highly complementary to one another, and to accelerate the opportunities that lay ahead of us. This acquisition will be value adding for our management, our workforce and our clients and I look forward to joining the board”.

Overview of PYBAR Mining Services

PYBAR Mining Services is a nationwide provider of mining services with its core competency in metalliferous underground hard rock mining. Established in 1993, PYBAR has grown into one of Australia’s larger underground mining contractors undertaking contracts across Australia. The business has a skilled workforce of over 1,100 people, led by an experienced long-term management team.

PYBAR offers a complete underground contract mining service backed by a large fleet of equipment. Services include mine development, raiseboring, mine production, shotcreting, and cable bolting & production drilling. The business holds a strong diverse portfolio of client contracts with well-respected mining companies throughout Australia. The order book is made up with multiple longstanding contracts built from relationships developed over many years.

PYBAR will continue to operate as an independent business unit within the Mastermyne Group with the existing management team, who have successfully developed the business to this point, continuing to lead the day to day operations.

Financial overview

- Combined group FY22F pro forma revenue of ~\$590 million, EBITDA of ~\$62.5 million, and profits before tax of ~\$20 million⁵

4. Mastermyne Shares will be issued at valuation of \$1.0115, which is the 5 day VWAP between 30th August 2021 and 03rd September 2021 (inclusive); with the Mastermyne Shares to be issued not to exceed 19.9% of the Company’s issued capital. The issue of such quantum of shares will be subject to shareholder approval.

5. Combined group pro forma revenue and EBITDA based on midpoint of Mastermyne FY22 revenue guidance of \$300 – \$320m and EBITDA guidance of \$28 – \$32m, and midpoint of Mastermyne’s assessment of PYBAR’s pro forma normalized full year contribution.

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- PYBAR Acquisition expected to be EPS accretive for existing Mastermyne shareholders, with 21% EPS accretion on a pro forma FY22F basis, prior to any synergies⁶
- The combined group will have a \$1.7+ billion order book and an active tender pipeline of \$2.7+ billion post completion
- Measured net leverage profile, with net debt / FY21 EBITDA of approximately 0.9x⁷ at completion
- Material increase in equipment available for combined group's mining services operations post transaction, with total combined assets of \$124 million post transaction on a 30 June 2021 pro forma basis

MYE Name Change

As part of this transformational transaction the Company proposes a name change for the holding Group from Mastermyne Group Limited to Metarock Group Limited. Metarock Group Limited will be established as the brand for the combined Group with the new name becoming recognised as a leading Australian diversified underground mining services group with Mastermyne and PYBAR Mining Services to become operating subsidiaries. Mastermyne and PYBAR Mining Services brands have a rich history and a respected presence in the mining services community and under this proposed naming convention these brands will remain inextricably tied to their respective sectors. Rebranding is subject to completion of the transaction and shareholder approval for the required resolutions.

FY22 Earnings Guidance Update

Mastermyne management confirms the FY22 guidance previously provided for Mastermyne (ex. PYBAR) remains unchanged. The company issues revised guidance as shown below for the combined group, based on realising 8 months contribution from PYBAR.

For representative purposes only the Company provides FY22 guidance numbers based on a pro forma full year contribution from PYBAR.

	Mastermyne guidance (unchanged)	Mastermyne guidance incl. PYBAR ⁸	Illustrative Mastermyne guidance incl. PYBAR full year pro forma ⁹
A\$m	FY22F	FY22F	FY22F
Revenue	300.0 - 320.0	475.0 - 510.0	570.0 - 610.0
EBITDA	28.0 - 32.0	48.0 - 54.0	59.0 - 66.0
Capex	30.0 - 40.0	46.0 - 56.0	55.0 - 65.0

Key terms of PYBAR Acquisition

See Annexure A below.

6. Based on midpoint of Mastermyne FY22 guidance and midpoint of Mastermyne's assessment of PYBAR's pro forma normalized full year FY22 contribution

7. Net debt calculation excludes deferred acquisition cash consideration, due on the 1st anniversary of the transaction completion date.

8. Assumes transaction completed 01st November 2021 providing 8 months of economic benefit from PYBAR in FY22.

9. Combined group pro forma revenue and EBITDA based on midpoint of Mastermyne FY22 revenue guidance of \$300 - \$320m and EBITDA guidance of \$28 - \$32m, and midpoint of Mastermyne's assessment of PYBAR's pro forma normalized full year contribution.

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Timetable and other information

Subject to Mastermyne shareholder approval being obtained at the extraordinary general meeting and the satisfaction or waiver of other conditions associated with the PYBAR Acquisition, Mastermyne expects to complete the PYBAR Acquisition during Q4 in calendar year 2021.

Further information about the date of the extraordinary general meeting to consider the necessary resolutions required to proceed with the PYBAR Acquisition will be provided in due course. An investor presentation, which further explains the PYBAR Acquisition, has also been lodged with the ASX.

Investor Call

Mastermyne will host an investor conference call including Q&A, commencing at 12.00pm AEST on Tuesday 07th of September 2021.

A live link to the conference call and acquisition presentation will be made available via the webcast at:

<https://s1.c-conf.com/diamondpass/10016420-2hsn6h.html>

Wilsons Corporate Finance Limited is acting as financial adviser in relation to the PYBAR Acquisition.

Clayton Utz is acting as legal adviser in relation to the PYBAR Acquisition.

Maddocks is acting as legal adviser and ICA Partners is acting as Financial Advisor to PYBAR in relation to the PYBAR Acquisition.

Further information:

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

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

Schedule 1 - Key Transaction Terms

1. Parties	<p>Nucanopi Pty Ltd as trustee of The Rouse Family Trust and Brencon Pty Ltd as trustee of The Brendan Rouse Family Trust (together the Sellers)</p> <p>Mastermyne Group Limited (Mastermyne)</p> <p>ALAR Investments (NSW) Pty Ltd as trustee of the ALAR Family Trust (ALAR)</p>
2. Transaction	<p>Mastermyne will acquire from the Sellers 100% of the issued capital in Pybar Holdings Pty Ltd (Target Company). The Target Company owns all the issued share capital Pybar Mining Services Pty Ltd (Pybar Mining Services). (together the Pybar Group)</p> <p>The Purchase Price will be approximately \$47 million as follows:</p> <ul style="list-style-type: none"> • cash consideration of \$23.5 million, 50% payable on completion of the transaction and the remaining 50% payable 12 months after the completion date; • scrip consideration of 23,209,325 Mastermyne shares with an implied value of \$23.5 million based on the 5 day VWAP of Mastermyne shares between 30 August 2021 and 3 September 2021 to be held in voluntary escrow for 12 months. <p>The consideration shares equate to approximately 17.7% of the post-completion ordinary share capital of Mastermyne.</p> <p>At the request of the Sellers, a portion of the scrip consideration (comprising 2,204,886 ordinary shares in Mastermyne) will be issued to ALAR, to be held in voluntary escrow for 12 months. ALAR will provide a guarantee the Sellers' obligations under the SPA.</p> <p>Mastermyne will not unreasonably withhold consent if the Sellers wish to transfer up to 1,160,466 shares of the scrip consideration to key employees of Pybar Mining Services, provided the transferred shares are to be held in voluntary escrow for the balance of the 12 month escrow period.</p> <p>The deferred consideration will be subject to agreed adjustments for working capital and specified debt.</p>
3. Conditions	<p>Completion of the acquisition is conditional upon:</p> <ul style="list-style-type: none"> • obtaining shareholder approval and any other approvals under the ASX Listing Rules, including any shareholder resolutions required for the allotment and issue of the Mastermyne shares to the Sellers and ALAR; • obtaining counterparty consents under certain material client and financing contracts of the Pybar Group (where relevant); • restructure of the Pybar Group, pursuant to agreed restructure steps, to remove non-core subsidiaries from the Pybar Group prior to the acquisition; • there being no material adverse change likely to diminish EBITDA of the Pybar Group by \$2m or more in any 12 month period other than from external factors;

	<ul style="list-style-type: none"> Mastermyne granting second-ranking security to the Sellers in respect of the deferred cash consideration; completion of the Pybar Group's FY21 statutory audit and confirmation that the adjusted FY21 EBITDA of the Pybar Group remains at least \$26.6m.
4. Timing for Completion	Completion is scheduled for November 2021, or if later, following the satisfaction or waiver of the conditions precedent. Assuming satisfaction of the conditions precedent, completion is expected to occur during Q4 2021.
5. Director appointment	<p>While the Sellers hold an aggregate of 10% or more of Mastermyne shares, the Sellers may nominate an appropriately qualified director to the Board of Mastermyne.</p> <p>Paul Rouse will be the Sellers' initial appointee to the Mastermyne Board and will join the Board from Completion.</p>
6. Conduct prior to Completion	The Sellers must procure that the Pybar business is conducted in the ordinary and usual course and obtain Mastermyne's consent (not unreasonably withheld) for certain activities prior to completion. Mastermyne similarly undertakes to conduct its business in the ordinary course and obtain the Sellers' consent (not unreasonably withheld) regarding certain pre-completion matters.
7. Warranties and Indemnities	<p>The Sellers give certain representations, warranties, undertakings and indemnities in relation to the Pybar Group, its business, assets and the shares in the Target Company, as is customary for a transaction of this nature.</p> <p>Mastermyne's rights to be paid for claims under the SPA may, subject to certain conditions being met, be set-off against the deferred cash consideration payable to the Sellers.</p>