METAROCK

2022 FULL YEAR RESULTS

Metarock Group Limited

ABN 96 142 490 579

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Overview

FY2022 group highlights

FY2022 HIGHLIGHT

- Repositioned the Company as a diversified mining services contractor operating across a broad range of commodities specialising in underground services
- Significant increase in scale by near doubling of FY2022 revenue compared to FY2021
- Mine Operations strategy has materially shifted the Company's value proposition headlined by the Crinum and Cook projects
- Hard Rock acquisition completes a strategic and material entry into the metalliferous sector

FINANCIAL

- Invested significant capital in Mine Operations and acquisition costs to realise our transformational strategy
- Normalised Revenue and EBITDA in line with guidance in what has been a difficult year
- Maintaining sufficient headroom in banking facilities with working capital and equipment finance available to support the execution of the strategy

OPERATIONS

- Tragic year with the loss of two colleagues in work related accidents
- Crinum project has a clear pathway to first coal following the delay and costs from the roof fall
- Coal Contracting division has delivered exceptional results throughout the year, reinforcing the market leading position of this business
- Restructuring and integration of Mastermyne and PYBAR complete with savings in overheads ramping up from FY2023

INVESTED SIGNIFICANTLY IN **MINE OPERATIONS AND PYBAR ACQUISITION**

TO REALISE OUR TRANSFORMATIONAL STRATEGY

Safety

The two tragic events have had a deep and irreversible impact on the Company

- Metarock is continuing to support the families and work colleagues impacted by the tragedies
- Company led investigations into the two fatal accidents are complete with a number of actions implemented across the Group. Our involvement with the external investigations is largely complete with these findings not released to date. The Company has worked closely with all stakeholders through this period
- Board commissioned an organisational safety review, focusing on the Company's approach to Health and Safety Management with special emphasis on major risk management, which has now been completed
- The review validated the good intent, commitment and energy for Health and Safety throughout the organisation with no major flaws identified
- The review went on to call out a number of organisational strengths
- Recommendations from the organisational safety review have been endorsed by the Board and will be unconditionally adopted
- Our clients on both operations have been tremendously supportive and continue to work closely with the Company as we deal with these events

FY22 Group Financial Highlights

METAROCK

$452.7m

Revenue

Up 94% on PCP and within guidance

8.5%

Normalised* EBITDA Margin

Lower than guidance due to delayed Crinum production margin and lower PYBAR margin

$38.6m

Normalised* EBITDA

Up 88% on PCP and within guidance

$10.1m

Normalised* EBITA

Inline with PCP

$6.9m

Normalised* NPATA

Up 11% on PCP

8%

Overheads (as a % of Revenue)

Forecast to decrease in FY23 due to head office synergies and higher revenue

$13.6m

Acquisition Payments

Investment in diversification

$41.6m

Total Capex

Investment in mining fleet for operations contracts

1.9x

Net Gearing

Net Debt/Normalised* EBITDA (LTM) peak in FY2022, target reduction to ~1.0x

* Excludes Crinum recovery costs and one-off costs for PYBAR acquisition and legal costs for safety incidents

Statutory Versus Normalised Results

FY2022 result is impacted by Crinum recovery costs and other one-off costs

Normalisations:

- Direct recovery costs related to the Crinum accident
  - Increased 2H drift recovery costs at Crinum brings full year normalisation to $18.6m from $6.8m at 1H (delayed Crinum production margin has not been 'normalised')
  - The Company has received advice that it has a contractual position to recover these costs
- One-off costs relating to PYBAR acquisition costs and legal costs associated with safety incidents

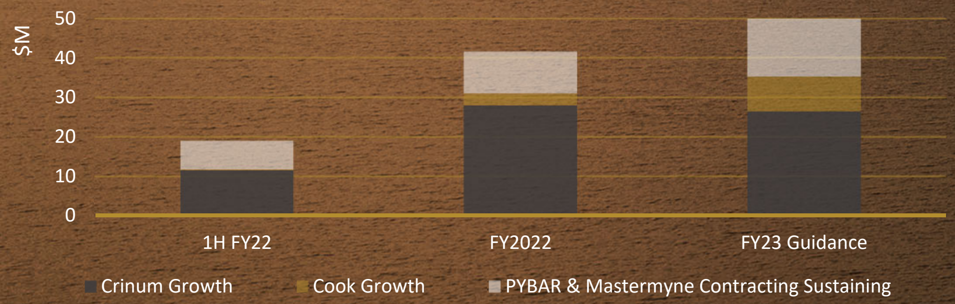
Statutory to normalised results reconciliation FY2022	$000					
	Statutory Results	**Crinum Impact**	**One-off Costs**	**Normalised Results**	**FY2021 (PCP)**	**Change**
Revenue (& other income)	$452,698			$452,698	$233,067	94%
EBITDA	$17,499	$18,554	$2,538	$38,591	$22,277	73%
EBITDA Margin	3.9%			8.5%	9.6%	(1.1%)
Depreciation	($28,536)			($32,834)	($12,547)	(134%)
EBITA	($11,037)	$18,554	$2,538	$10,055	$10,105	(1%)
Amortisation	($4,298)			($4,298)	($375)	(1,046%)
Net Finance Expenses	($4,022)			($4,022)	($1,051)	(283%)
Profit Before Income Tax	($19,357)	$18,554	$2,538	$1,735	$8,679	(80%)
Income Tax	$6,801	($5,566)	($354)	$881	($2,804)	131%
Net Profit After Tax	($12,556)	$12,988	$2,184	$2,616	$5,875	(56%)
NPATA*	($8,258)	$12,988	$2,184	$6,914	$6,250	11%

* Net Profit After Tax and before Amortisation

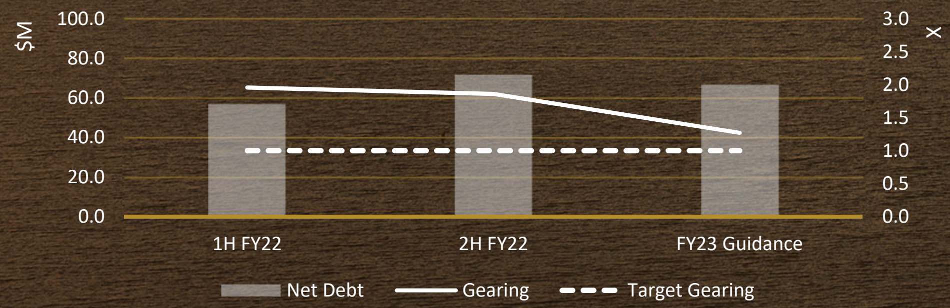
Focus on Capital Management and Gearing Reduction

Bringing forward ~$30m of capital recovery of major mining equipment in 1H FY23, deleveraging the balance sheet and reducing gearing ratio towards target levels

GROSS CAPEX



NET DEBT*/NORMALISED EBITDA (GEARING)



* Net debt excludes Invoice Finance Facility balances and lease liabilities

ACQUISITION PAYMENTS	1H FY22	FY23 GUIDANCE
WILSON MINING EARN OUT	$2.0	$3.8m
PYBAR CASH CONSIDERATION*	$11.6	$0.0m
TOTAL ACQUISITION PAYMENTS	$13.6	$3.8m

* PYBAR deferred consideration of $8.9m deferred to 1H FY24 (previously 1H FY23)

Divisional Overview - Coal

The Coal Contracting division has delivered excellent performance throughout the year

- Entire Company was deeply impacted and saddened by the tragic accidents that occurred in the coal division at the Crinum Mine and Moranbah North Mine
- The Company continues to support everyone impacted by these accidents and continues to work closely with our clients who have been very supportive throughout
- The Coal Contracting division has continued to see strong demand for its services underpinned by strong coal prices and Mastermyne's leading market position
- Coal Contracting revenue was up on PCP supported by a strong full year performance from the Wilson Mining business
- Earn out period for Wilson Mining ends at June 2022 with final payment due in September 2022
- Resourcing of projects has become increasingly difficult as the year progressed however turnover rates remain stable
- Multiple contracts nearing finalisation of current term are in the late stages of negotiations for multi year extensions

$287.0m

Revenue

Up 23% on PCP

$25.3m

Normalised* EBITDA

Up 14% on PCP

8.8%

Normalised* EBITDA Margin

1.2% below PCP due to delayed Crinum production margin

$13.8m

Normalised* EBITA

Up 37% on PCP

* Excludes Crinum recovery costs and one-off costs for PYBAR acquisition and legal costs for safety incidents

Divisional Overview - Coal

Mine Operations – Taking steps on the Crinum project to deleverage and improve cash flow

CRINUM

- Crinum Mine drift recovery and early works is now nearing completion however schedule has been slowed to minimise costs and allow additional time to set up the operation and major fixed infrastructure
- The Company will redeploy some labour and equipment to other projects as a result of the slowing of the schedule
- First coal date will be deferred to Q1 FY2024 with full ramp up commencing from July 2023
- Currently in discussions with various parties to bring forward ~$30m of capital recovery for major mining equipment, deleveraging the balance sheet and bringing gearing ratio back to target levels
- The Company is working through its contractual position for recovery of the drift remedial costs
- Deferral of production will reduce revenue and margins in FY2023 with guidance adjusted accordingly
- Contract term (6 years) remains unchanged as does future revenue and margins commencing from start of FY2024

COOK

- Mobilisation and set up of the mine has progressed to plan and schedule
- Production equipment progressively arriving on site with additional labour building in line with the production ramp up schedule
- Project scheduled to be at full run rate (3 production units) by January 2023

Divisional Overview – Metalliferous

Has been a difficult start but now delivering month on month improvement

- PYBAR full year result was impacted by a number of production interruption events throughout the year and the unexpected demobilisation of a material contract shortly following the acquisition (this project historically generated ~$7m EBITDA annually)
- Margins were down due to:
  - Increases in costs, particularly labour and fuel
  - Skills shortages resulting in reduced efficiency and higher turnover
  - Impact of a problematic contract (resolved in March 2022)
- Increased scope through a number of existing contracts and successfully negotiated the extension of a major contract for a further 4 years at Eloise Copper Mine
- Progressed early works and equipment preparation for the new contract at Malabar Coal's Maxwell Mine where the Company will carry out the development of two declines to access the coal seam commencing in Q2 FY2023
- Progressed significant integration synergies which will deliver material overhead reductions in FY2023 (~$3 - $4 m pa)
- Renegotiated several contracts on improved terms and installed stronger governance in the area of tendering and commercial
- Refocused business development activities to target projects and tendering effort that aligns with the Group strategy
- Reinforcing the acquisition provides a material and transformational entry into the metalliferous sector. Metarock has a strong track record of integrating and growing family operated businesses as demonstrated again recently with the Wilson Mining acquisition

$166m

Revenue

Since acquisition date 1 Nov 2021

$13.3m

EBITDA

Impacted by labour rises and reduced efficiency from skills shortage

8.0%

EBITDA Margin

Expected to improve in FY2023 with cost synergies and contract renegotiations

($3.7)m

EBITA

Lower EBITDA margin and higher depreciation on equipment valuation uplift on acquisition

Financial Discipline

Our diversified business model and financial management approach will be core to ensuring we restore our balance sheet strength

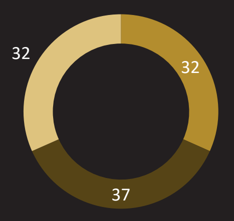
Efficiency		Value Creation			Capital Management		
Cost Control	**Working Capital Focus**	**Contract Flexibility**	**Capital Investment**	**M&A**	**Low Debt Tolerance**	**Dividends**	**Excess Capital**
Each contract delivering its target margin or better Overheads between 6% and 7% of revenue	Work in progress (WIP) minimisation Favourable payment terms and debtors focus	Agnostic to contract structure Design contracts around client needs and appropriate risk sharing Risk balanced order book	Buy equipment that provides competitive advantage to secure contracts Purchase and maintain counter-cyclically	Target complementary services Build geographic footprint in existing services	Clear pathway to achieve target debt ceiling of 1.0x EBITDA Return to a Net Cash position	Payout ratio of 40 – 60% of NPAT (after achieving gearing ratio) Dividends weighted towards the second half	Maximum net cash position of $20m Share buybacks or special dividends to return excess cash

Group Outlook

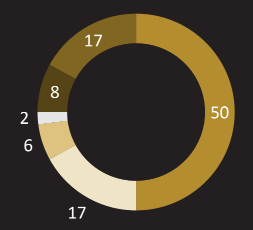
Combined group's addressable market has significantly expanded

- Total order book currently stands at $1.9 billion
- 79% of forecast revenue in FY2023 is supported through the contracted order book
- A further ~3% of annual revenue is generated from recurring purchase order work
- $1.4 billion of order book revenue remains post FY2023
- Current tendering pipeline currently stands at $1.67 billion:
  - $500 million in Mine Operations
  - $770 million in Coal Contracting
  - $400 million in Hard Rock Contracting
- FY2023 focused on executing

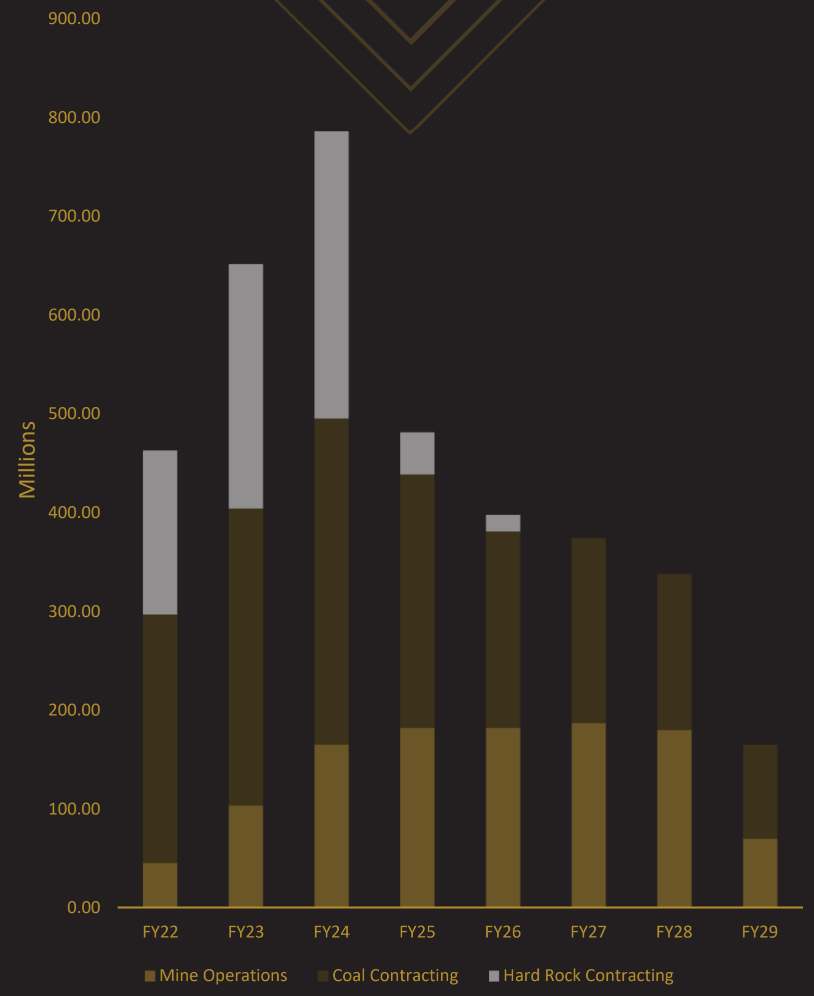
METAROCK TENDER PIPELINE



METAROCK COMMODITY SPLIT



ORDER BOOK



Divisional Outlook

Our FY2023 focus is on executing the strong position we have already secured

MASTERMYNE MINE OPERATIONS

- Crinum slowed to reduce working capital until we are better positioned to ramp up fully in FY2024
- Crinum revenue and margins remain unchanged in the long term but will push out to FY2024
- Overall contract term remains unchanged (6 years)
- Cook Colliery will benefit from people and equipment redeployed from Crinum project
- Gearing position will benefit significantly from repositioning of Crinum capital and corresponding repayment of equipment finance
- FY2023 will return to largely sustaining capex and stronger operating cash flows

MASTERMYNE CONTRACTING

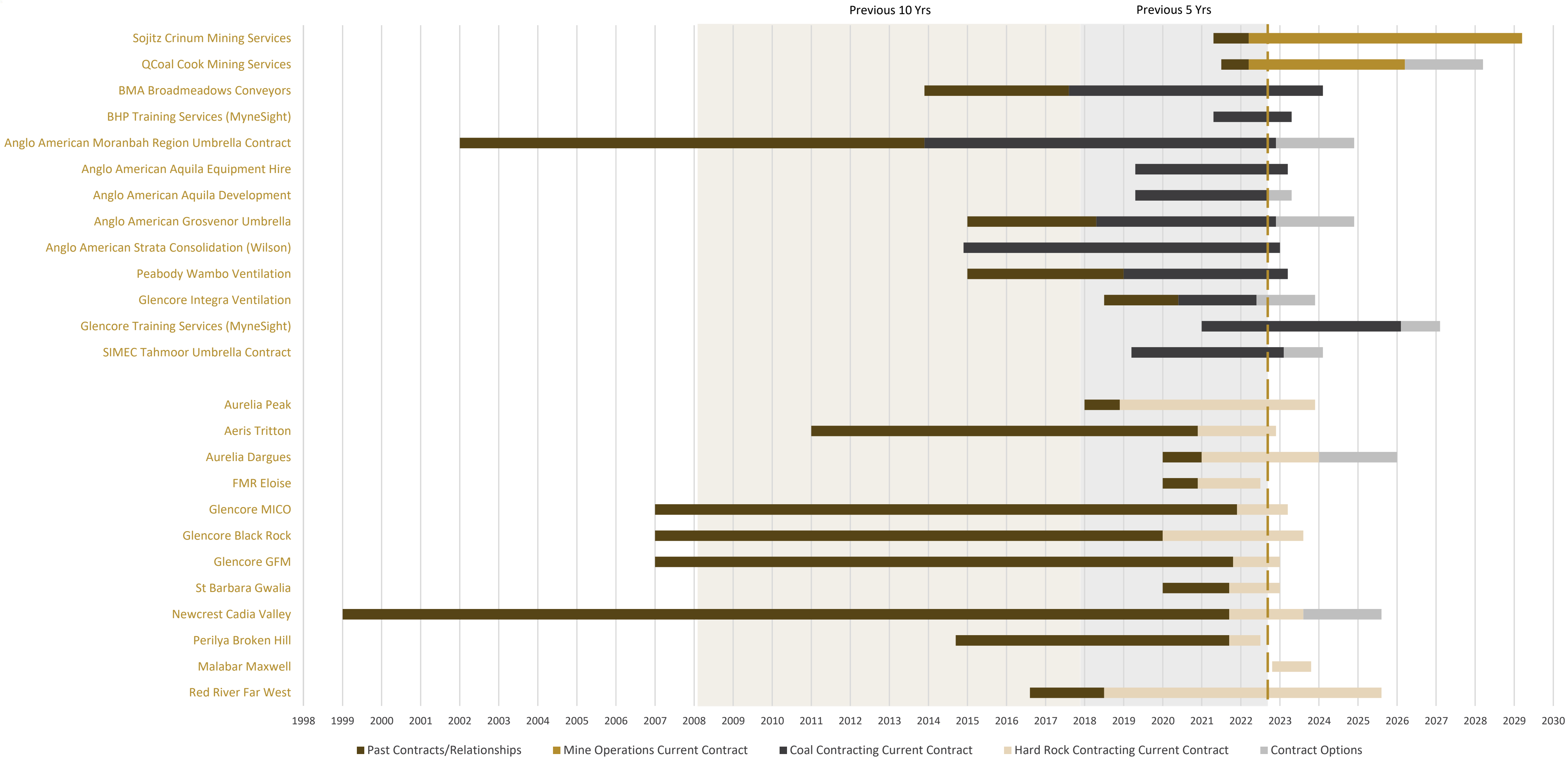
- Coal Contracting division remains well positioned to deliver strong operating cash flow consistent with previous years
- FY2023 revenue is underpinned by long term contracts already secured or well progressed on multi year extensions
- Strong demand is bringing on new opportunities of which several are expected to commence in early FY2024
- Wilson Mining will continue to increase market share, supported by diversification into hard rock, and continue delivering strong margins
- Coal Contracting division expected to maintain its dominant market share with no material changes in the contractor landscape

PYBAR CONTRACTING

- Majority of FY2023 revenue is underpinned by contracts already secured
- New Cobar contract with Aurelia deferred and factored into guidance
- Malabar contract supports revenue growth in FY2023. Mobilisation to occur late H1 FY2023
- Redeployment of demobilised equipment and personnel will improve utilisation, revenue and margins
- Improving tendering and commercial focus to secure contracts in the current higher margin environment
- Continue the integration to improve governance and alignment of strategy

Order Book and Pipeline

Booked Revenue Tenure



Metarock Macro Outlook

High quality underlying customer base located across Australia

- NATIONAL FOOTPRINT ACROSS A BROAD BASE OF COMMODITIES

- INCREASED EXPOSURE TO FORWARD FACING COMODDITIES

- ASSETS TRENDING TO UNDERGROUND MINING METHODS AS DEPOSITS GET DEEPER AND COSTS INCREASE ACCORDINGLY

- EXPOSED TO EMERGING MARKETS THROUGH “NEW ENERGY” MATERIALS

- AUSTRALIA REMAINS A LONG-TERM, LOW RISK PRODUCER AS GLOBAL DEMAND FOR RESOURCES IS PROJECTED TO GROW AT A STEADY RATE OVER COMING DECADES

- EXPLORATION EXPENDITURE AND METRES DRILLED HAVE RECENTLY CLIMBED TO DECADE HIGHS, POSITIVELY IMPACTING FUTURE PRODUCTION

- PRODUCTION EXPOSED BUSINESSES LIKE THE METAROCK GROUP WILL BENEFIT FROM SIGNIFICANT UPCOMING DEVELOPMENT ACTIVITY

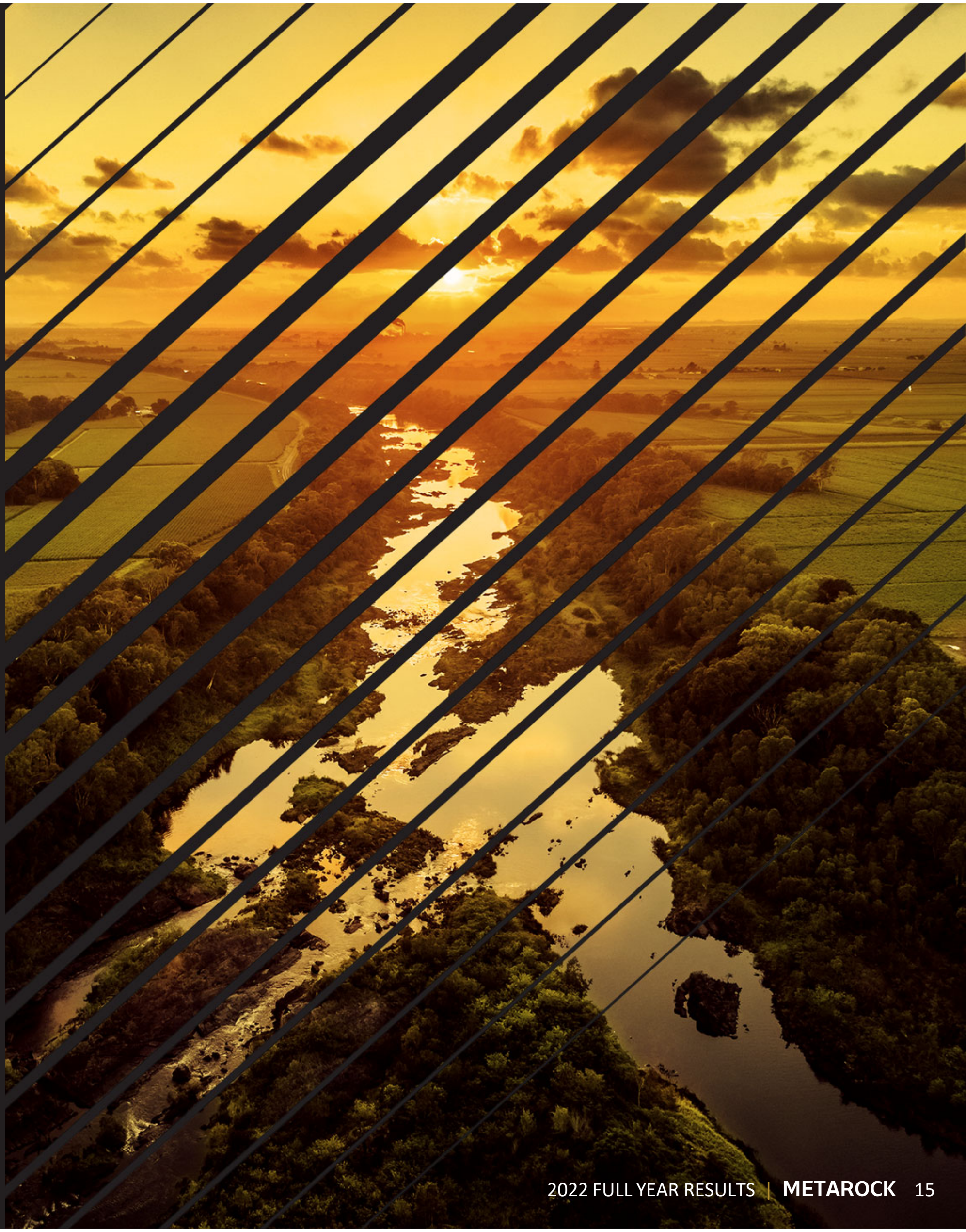
Summary

FY2023 will return to largely sustaining capex and stronger operating cash flows

- Repositioned the Company as a diversified mining services contractor operating across a broad range of commodities specialising in underground services
- Mine Operations strategy has materially shifted the Company's value proposition headlined by the Crinum and Cook projects
- Cash conversion will increase in FY2023 by deferring the Crinum project ramp up until July 23
- Gearing will improve significantly from repositioning of Crinum capital
- Secured order book underpins the runaway to near tripling of revenue in a three year period
- FY2023 Guidance adjusted due to delays in commencement of two major contracts (one being a high-margin contract) with deferred revenue and EBITDA pushing into FY2024

HARD ROCK ACQUISITION COMPLETES A STRATEGIC AND MATERIAL ENTRY INTO THE **METALLIFEROUS SECTOR**

FY2023 GUIDANCE; REVENUE **$600 - $650 MILLION** AND NORMALISED EBITDA **$50 – $55 MILLION**



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APPENDIX

FY2022 Full Year Divisional Financial Performance

- FY2022 revenue at $452.7m (up 94% on PCP)
  - Mastermyne Revenue at $287m, up 23% from PCP ($233m)
  - $165m PYBAR revenue contribution since economic control taken in November 2021
- Normalised EBITDA at $38.6m up 73% on PCP ($22.3m)
  - Normalised for Crinum drift recovery impacts and one-off acquisition and legal costs
  - Mastermyne normalised EBITDA of $25.3m up 13% on PCP (22.3m)
  - PYBAR EBITDA contribution from November 2021 of $13.3m
- Normalised EBITDA margin decrease to 8.5% from PCP of 9.6% due to delay in production at Crinum and lower PYBAR margin
- Additional PYBAR depreciation (including equipment valuation uplift on acquisition) and amortisation of identified intangibles for FY2022

FULL YEAR DIVISIONAL FINANCIAL PERFORMANCE

	$000				
FY2022 Full Year	**Normalised Results FY2022**			**FY2021 (PCP)**	**Change**
	Mastermyne	**PYBAR**	**Total**		
Revenue (& other income)	$287,010	$165,688	**$452,698**	$233,067	94%
EBITDA	$25,290	$13,301	**$38,591**	$22,277	73%
EBITDA Margin	8.8%	8.0%	**8.5%**	9.6%	(1.1%)
Depreciation	($11,492)	($17,044)	**($28,536)**	($12,172)	(134%)
EBITA	$13,798	($3,743)	**$10,055**	$10,105	0%
Amortisation	($397)	($3,901)	**($4,298)**	($375)	(1,046%)
Net Finance Expenses	($1,988)	($2,034)	**($4,022)**	($1,051)	(283%)
Net Profit/(Loss) Before Income Tax	$11,413	($9,678)	**$1,735**	$8,679	(80%)

Cash Flow

Cash conversion was inhibited by mobilisation and holding costs on the Mine Operations projects

- Cash decreased by $19.1m in FY2022 compared to PCP
- The decrease in cash was due to the Company's investment in its diversification strategy, including:
  - Mobilising growth capital for the Mining Operations' Cook and Crinum projects utilising cash and equipment facilities; and
  - Payment of the cash component of the PYBAR acquisition.
- Cash conversion was also negatively impacted by unrecouped Crinum recovery costs, resulting in drawdown of working capital facilities during FY2022

CASH FLOW

$AUD millions	FY2022	FY2021
EBITDA (Statutory)	**17.5**	**22.3**
Movements in Working Capital	7.7	(0.4)
Non Cash Items	1.4	0.5
Interest Costs	(3.9)	(1.1)
Income Tax Receipts / (Payments)	(2.3)	(3.0)
Net Operating Cash Flow	**20.4**	**18.3**
Net Capex (Includes Intangibles)	(40.6)	(7.9)
Net Borrowings / (Repayments)	16.9	(6.3)
Payments for Acquisitions	(13.6)	(0.4)
Free Cash Flow	**(16.9)**	**3.7**
Distribution to Minority Ownership	-	(0.2)
Dividends to Owners	(2.3)	(4.5)
Net Increase / (Decrease) in Cash and Cash Equivalents	**(19.2)**	**(1.0)**
Cash and Cash Equivalents at Beginning of Period	24.4	25.4
Cash and Cash Equivalents at End of Period	**5.2**	**24.4**

30 June 2022 Balance Sheet

Significant investment in growth has been funded from cash reserves and debt

- Trade receivables and inventory increase due to PYBAR acquisition
- Property, plant & equipment increase due to PYBAR acquisition and Mine Operations growth capex
- Average age of fleet 3-4 years
- Current tax receivable of $12.5m expected to be received in 1H FY23
- Intangibles asset increase due to PYBAR acquisition $31m, less amortisation charge

- Trade payables and employee benefits increase due to PYBAR acquisition
- Other liabilities include the PYBAR acquisition deferred consideration and Wilsons Mining contingent consideration
- Net debt of $94.4m at 30 June 2022 including invoice finance of $18.8m, equipment finance of $42.1m and lease liabilities of $17.3m

- Equipment finance is 100% backed by equipment hired into long-term projects
- Gearing ratio of 2.0x at June 2022 (normalised EBITDA), targeting reduction to ~1.0x by end of FY23
- Undrawn facilities of $102m comprising $43m working capital facilities and $59m equipment leasing
- Net assets have increased by $5.8m

BALANCE SHEET

$AUD (000's)	FY22	FY21
Assets		
Cash and Cash Equivalents	5,229	24,389
Trade and Other Receivables	82,376	40,399
Inventories and Other Assets	46,266	7,657
Current Tax Receivables	12,545	-
Total Current Assets	123,283	72,445
Deferred Tax Asset	-	7,526
Property, Plant and Equipment	110,666	22,949
Right-Of-Use Assets	19,648	14,043
Intangible Assets	39,436	12,267
Total Non-Current Assets	169,750	56,785
Total Assets	**293,033**	**129,230**
Liabilities		
Trade and Other Payables	69,245	24,405
Loans and Borrowings	61,315	-
Lease Liabilities	6,127	4,681
Employee Benefits	23,822	11,882
Current Tax Liability	-	1,039
Other Liabilities	15,197	2,156
Total Current Liabilities	175,706	44,163
Borrowings	21,027	-
Lease Liabilities	11,201	7,876
Deferred Tax Liabilities	3,433	-
Employee Benefits & Other Liabilities	630	2,009
Total Non-Current Liabilities	**36,291**	**9,885**
Total Liabilities	**211,997**	**54,048**
Net Assets	**81,036**	**75,182**

METAROCK

FY2022

RESULTS