



31 October 2022

METAROCK GROUP LIMITED (ASX CODE: MYE)
QUARTERLY ACTIVITY REPORT – SEPTEMBER 2022

Key items during the quarter

- PYBAR extended its contract with AIC Copper Pty Ltd to provide mining services for the Eloise Copper Mine contract for a further four-year term.
- Mastermyne executed a new contract with Narrabri Coal Operations Pty Ltd to produce coal via cut & flit mining method at the Narrabri underground mine for a two-year term (with an option for a further two years).
- The Crinum Mine Operations contract was slowed during the September 2022 quarter and terminated post the end of the quarter.
- Completion of Organisation Safety Review.
- \$39.0 million of cash and available working capital facilities at the end of September 2022.

Metarock Group Limited (ASX Code: MYE) (“Metarock” or “the Company”), a diversified Mining Services business specialising in underground operations, provides its quarterly activities report and Appendix 4C for the September 2022 quarter.

1. Material Business Activities

The material business activities for Metarock during the September 2022 quarter are set out below.

Eloise Copper Mine - contract extension

PYBAR Mining Services Pty Ltd (PYBAR), reached agreement with AIC Copper Pty Ltd to provide mining services for the Eloise Copper Mine for a further four-year term. The scope includes the development of declines, level accesses, ore drives, stockpiles and infrastructure development. As part of the Mining Services agreement, PYBAR will provide all facilities, services, labour, supervision, administration, mining equipment, constructional plant and materials.



Narrabri Coal – new contract awarded

Mastermyne executed a new contract with Narrabri Coal Operations Pty Ltd to produce coal via cut & flit mining method at the Narrabri underground mine. The scope includes the installation and retraction of the panel conveyor belts, associated ventilation and mining services on a two-year term, with an option for a further two years.

Crinum Mine Operations – contract update

Since the roof collapse at Gregory Crinum underground mine on 14 September 2021, services under the Contract with Sojitz Gregory Mining Pty Limited (“the Principal”) dated 28th May 2021 have been significantly delayed. In addition, Metarock has incurred considerable non-recovered costs associated with the mine drift recovery. Metarock announced on 30 August 2022, as part of its FY2022 financial results, that it was in discussions with the Principal of Crinum mine to slow the mine commencement schedule to minimise costs under an interim arrangement for the remainder of FY23.

These discussions have not led to a satisfactory resolution to reduce the costs being incurred on the project. Metarock has terminated the Contract, with effect from 5.00pm on 21 October 2022 due to extended Force Majeure, resulting from the Company’s inability to access the mine to perform the contracted services for a continuous period exceeding 180 days.

Metarock has also submitted a claim with the Principal for drift recovery costs incurred which have been fully expensed by the Company.

2. Corporate and Financial Summary

Quarterly Cashflows

At the end of the September 2022 quarter, Metarock has \$39.0 million of cash and available working capital facilities (comprising invoice finance, overdraft, credit card and bank guarantee facilities). The net cashflows for the quarter were \$(4.4) million, comprising:

- Cashflows from operating activities of \$(9.0) million.
- Cashflows from investing activities of \$(9.7) million.
- Cashflows from financing activities of \$14.3 million.

Included in cashflows from operating activities for the quarter were non-recovered Crinum project costs (including drift recovery and pre-production costs) totalling approximately \$10.0 million. These costs will not be incurred to the same extent in the December 2022 quarter due to the termination of the contract effective 21 October 2022.

In addition, cashflows from investing activities included a non-recurring item of \$3.3m relating to the Wilsons Mining acquisition earn out payment.



Item 6.1 of the cashflow report

The Company's accompanying Appendix 4C cashflow report for the quarter includes an amount of \$610,000 at item 6.1 relating to payments for Directors fees (including superannuation payments), the Managing Director's salary (including superannuation payments), and rent, maintenance costs, software services and licencing payments paid to entities controlled by various Directors of the Company on an arm's length basis.

Please refer to the attached Appendix 4C for further details of the cashflows for the September 2022 quarter.

Debt facilities and position

The Group has access to numerous borrowing facilities with a total limit of \$185.7 million, including invoice finance facilities, bank overdraft, credit card/bank guarantee facilities and equipment finance facilities. The amount of undrawn facilities at 30 September 2022 was \$85.9 million.

Refer to the Section 7 (and Appendix 1) of the attached Appendix 4C for further details of the Group's borrowing facilities.

The Company will pursue opportunities to reduce costs and balance sheet leverage. Future capital outflows will reduce significantly in line with historical sustaining capital expenditure levels. The Company will prioritise the sale of surplus mining equipment while coal market conditions are strong, resulting in a significant reduction in gearing levels.

Corporate

The Company's Appendix 4E and Annual Financial Report was announced to the ASX on 30 August 2022.

Post the end of the quarter, the following material announcements were made:

- On 18 October 2022, Metarock announced:
 - Renewal of the Moranbah Regional Underground Mining Support and Development Services contact, valued at \$190 million, through to 5 October 2024.
 - Revised FY2023 earnings guidance due to termination of the Crinum contract, impact of fixed price contracts in the PYBAR business and continued tightness in the labour markets across the mining industry affecting the ramp up of new projects.
 - The new projects discussed in Section 1 of this Activities Report and the Anglo American contact noted above are included in the revised guidance.
- On 28 October 2022, Metarock lodged its 2022 Notice of Annual General Meeting and Annual Report.



Issued Capital

At 30 September 2022, the Company had 130,992,547 ordinary shares on issue and 3,520,696 performance rights on issue. There were no movements during the September 2022 quarter.

3. Organisational Updates

Organisation Safety Review

The Metarock Board commissioned an organisational safety review of the current state of the Company's approach to Health and Safety Management with special emphasis on major risk management. It was noted that the sites which incurred the fatal incidents were excluded from this review as they were the subject of ongoing investigations.

The review team was led by former BHP Vice President of Safety, Barry Formosa of Formosa Safety Consulting. Supporting Barry was former CEO of Downer Mining, Paul Cassano. Both Barry and Paul have deep Health, Safety and Risk management experience gained over extensive careers in the resources sector respectively. The review team also included senior Metarock Health and Safety management staff.

Following a detailed review across both coal and hard rock operations and across a variety of service delivery models, the review provided some key findings and recommendations (detailed in the Company's ASX announcement dated 29 July 2022), were identified and adopted in full by Metarock across its operations.

Organisational Changes

Post the end of the quarter, the Company announced on 7 October 2022, the appointments of Jeff Whiteman as Chief Financial Officer and Andrew Ritter as Company Secretary, together with the resignation of current CFO and Company Secretary, Brett Maff.

On 18 October 2022, the Company announced a strategy update requiring a period of consolidation, resulting in Managing Director Tony Caruso leaving the Company. At the same time, the Company announced Paul Green was appointed the new Managing Director. Paul has been with the group for 2.5 years, most recently in the role of CEO Mastermyne. Tony Caruso will assist Paul during the handover period to ensure a smooth transition to his new responsibilities.

Approved for distribution by the Board of Directors of Metarock Group Limited.

Further information:

Paul Green, Managing Director - 07 4963 0400

Alasdair Jeffrey, Rowland - 0404 926 768

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Metarock Group Limited

ABN

96 142 490 579

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	142,222	142,222
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(52,088)	(52,088)
(c) advertising and marketing	(87)	(87)
(d) leased assets	(1,798)	(1,798)
(e) staff costs	(90,843)	(90,843)
(f) administration and corporate costs	(5,602)	(5,602)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	18	18
1.5 Interest and other costs of finance paid	(1,382)	(1,382)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	551	551
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(9,009)	(9,009)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	(3,348)	(3,348)
(c) property, plant and equipment	(7,217)	(7,217)
(d) investments	0	0
(e) intellectual property	0	0
(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	872	872
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(9,693)	(9,693)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	23,996	23,996
3.6	Repayment of borrowings	(9,650)	(9,650)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	14,346	14,346

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,229	5,229
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,009)	(9,009)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,693)	(9,693)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,346	14,346
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	873	873

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	873	5,229
5.2	Call deposits	0	0
5.3	Bank overdrafts (included in Section 7.3)	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	873	5,229

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	610
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities (see Note 1 below)	122,726	74,948
7.2 Credit standby arrangements	0	0
7.3 Other (See Note 2 below)	63,000	24,866
7.4 Total financing facilities	185,726	99,814
7.5 Unused financing facilities available at quarter end		85,912
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p><i>Note 1:</i> Loan facilities comprise Equipment Finance term facilities and interim facilities.</p> <p><i>Note 2:</i> Other comprises Invoice Finance Facility, Overdraft Finance facility, Corporate Credit Card facility and Bank Guarantee facility. Only these unused facilities have been included in Item 8.3 below.</p> <p>See Appendix 1 for a description of Loan and Other facilities.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(9,009)
8.2 Cash and cash equivalents at quarter end (item 4.6)	873
8.3 Unused finance facilities available at quarter end (item 7.3)	38,134
8.4 Total available funding (item 8.2 + item 8.3)	39,007
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.3
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Appendix 1

Metarock Group Limited had access to the following undrawn borrowing facilities at 30 September 2022:

30 September 2022

	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	76,605	30,824
Equipment finance facility – interim facility (i)	45,000	16,954
	121,605	47,778
Loans - Unsecured		
Other finance facilities	1,121	-
Total Loans (7.1)	122,726	47,778
Other facilities - Secured		
Corporate credit card facility	1,500	1,459
Bank guarantee facility	1,500	308
Overdraft finance facility (ii)	10,000	5,787
Invoice finance facility (iii)	50,000	30,580
Total Other facilities – Secured (7.3)	63,000	38,134
Total facilities (7.4, 7.5)	185,726	85,912

(i) Equipment finance facility

Term facilities comprise multiple agreements with various financiers including Atlas, Caterpillar, Commonwealth Bank of Australia, National Australia Bank, Sandvik, Toyota and Westpac.

The facilities are fixed rate, Australian dollar denominated loans which are carried at amortised cost and repayable monthly in arrears over a term of up to five years. The specific term and interest rate varies by agreement and is set at the outset of each advance.

The interim facilities relate to Australian dollar denominated equipment finance facilities held with Westpac and De Lage Landen which are carried at amortised cost. The equipment finance facilities are subject to progressive payment arrangements under which the financiers will pay for the purchase and construction/refurbishment of mining equipment on the condition the financing is rolled into an amortising term finance arrangement upon completion of the construction/refurbishment of each asset.

The progressive payment arrangement is subject to a variable rate of interest which is accrued and/or paid monthly in arrears. This facility is repayable on demand until it is rolled into an amortising term facility. The interest rate is fixed upon rolling into an amortising term facility. The term and interest rate are determined at the commencement of each term finance arrangement.

(ii) Overdraft facility

The overdraft is held with Westpac and is subject to a variable rate of interest. The facility is scheduled to mature 31 March 2023.

(iii) Invoice finance facility

There are two invoice finance facilities held with Westpac, each with a limit of \$25m. The facilities have a draw down allowance of 85% of approved debtors and are due to mature 31 March 2023. Interest is charged at a variable rate.