



31 January 2023

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

Key items during the quarter

- Key organisational changes implemented with the appointments of Paul Green as Managing Director and Jeff Whiteman as CFO.
- Anglo American underground contract was renewed for a further two year period through to October 2024.
- The Crinum Mine Operations contract was terminated on 21 October 2022 and is currently progressing through dispute resolution negotiations.
- PYBAR's Thalanga mining services contract was terminated following the mine owner, Cromarty Resources Pty Ltd being placed into Administration, followed by Liquidation. Metarock will incur a write-down of approximately \$9.0 million in the FY23 first half results as a result of this contract termination.
- PYBAR executed a new contract with Malabar Resources to construct access drifts at the Maxwell Underground Mine, delivering revenue of \$50 to \$55 million over a 12 month period.
- PYBAR executed a new three-year mining services contract (along with 2 x one-year extension options) with Hong Kong listed MMG Limited at the Rosebery Mine, delivering revenue of \$18 million per annum.
- \$3.6 million of cash and up to \$37.0 million of available working capital facilities (including invoice finance facility limits dependent upon the value of qualifying invoices) at the end of December 2022. In addition to reducing costs and decreasing gearing through asset sales, the Group is seeking to undertake a broader recapitalisation to further strengthen its financial position.

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 December 2022 quarter.



1. Material Business Activities

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

Anglo American – contract extension

Metarock announced on 19 October 2022 the renewal of the Moranbah Regional Underground Mining Support and Development Services contract (“Contract”) with Anglo American’s steelmaking coal business for a further two year period. The extension applies to the existing contract at Anglo American’s Moranbah North and Grosvenor mines through to 5 October 2024. Work under the contract extension is forecast to contribute revenues of approximately \$190 million over the two-year term.

Crinum Mine Operations – contract termination

Metarock announced on 19 October 2022 that it had terminated the Gregory Crinum 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.

Subsequent to the contract termination, the Company announced on 2 December 2022 that it had lodged a Notice of Dispute with the Principal, a subsidiary of Sojitz Corporation, as provided for under the terms of the contract between Metarock and the Principal. The issuing of the Notice of Dispute followed correspondence received from the Principal rejecting the validity of Metarock’s termination and associated claims. The Principal has also foreshadowed a claim against the Company for loss and damage. Dispute resolution discussions between the parties are progressing with the goal of a negotiated settlement of these matters.

Metarock also advises the sale process for the plant and equipment previously intended for the Gregory Crinum project has progressed through the initial stage and preliminary offers have been received. Negotiations are ongoing with shortlisted parties.

Thalanga Mine – contract termination

Metarock announced on 31 October that the owner of the Thalanga Mine, Cromarty Resources Pty Ltd (Administrators Appointed) (Cromarty) was placed into Administration and the mining services contract between Cromarty and PYBAR was terminated. The second creditors meeting of Cromarty was held on 2 December 2022 with creditors voting in favour of placing Cromarty into liquidation following a creditors report which noted a likely nil distribution to non-priority creditors. The impact on Metarock’s EBITDA for the FY23 half year results will be in the order of \$9.0 million, which includes debtors writedown, latent condition costs incurred prior to Administration and other costs incurred post Administration including equipment demobilisation and staff termination payments.



Maxwell Underground Mine – new contract award

The Company announced on 7 November 2022 that PYBAR had entered into a new contract with Malabar Resources Limited's Maxwell Underground Mine. PYBAR has been contracted under an alliance style agreement to provide labour, equipment and materials for the development of the surface to seam access drifts (of approximately 2,600 metres) from an existing portal entry.

Services under this contract commenced in the third quarter of FY23 and will provide \$50 to \$55 million revenue over the 11.5 month term of the contract.

Rosebery Mine – new contract award

The Company announced on 8 November 2022 that PYBAR had entered into a new mining services contract with Hong Kong listed, MMG Limited at the Rosebery Mine. PYBAR has been contracted to provide supply, delivery and application of fibrecrete and cement fill at the mine under a new three-year fixed term (along with 2 x one-year extension options). It is expected the contract will commence in April 2023 with estimated contract revenues of \$18 million per annum.

2. Corporate and Financial Summary

Quarterly Cashflows

At the end of the December 2022 quarter, Metarock had \$3.6 million of cash and up to \$37.0 million of available working capital facilities (comprising invoice finance, overdraft, credit card and bank guarantee facilities). Given the inherent nature of invoice finance facilities, the amount available to draw on a given day varies with the value of qualifying invoices held and may be materially below the total facility limit. The net cashflows for the quarter were \$2.7 million, comprising:

- Cashflows from operating activities of \$8.3 million.
- Cashflows from investing activities of \$(5.7) million.
- Cashflows from financing activities of \$0.1 million.

Cashflows from operating activities for the quarter included a \$12.5 million tax refund partially offset by unrecovered Crinum project costs totalling approximately \$7.8 million. Crinum operational costs will not be incurred in the March 2023 quarter. To assist with cashflow management, the Company has entered into a repayment plan with the ATO to repay \$20.5 million of BAS and PAYG obligations (accrued between September and November 2022) on a monthly basis over the remainder of the 2023 calendar year.

In addition, cashflows from investing activities included a non-recurring item of \$0.5 million relating to the final component of 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 \$1.0 million 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 December 2022 quarter.

Debt facilities and position

The Group has access to numerous borrowing facilities with a total limit of \$184 million, including invoice finance facilities, bank overdraft, credit card/bank guarantee facilities and equipment finance facilities. The Westpac invoice finance and overdraft facilities expire on 31 March 2023. The Company is advanced in discussions with Westpac in relation to an extension of these working capital facilities.

The amount of undrawn facilities at 31 December 2022 was up to \$83.9 million, of which up to \$37.0 million relates to working capital facilities. As previously noted in this report, the amount available to draw under the invoice finance facilities on a given day varies with the value of qualifying invoices held and may be materially below the available facility limit.

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

The Company is pursuing opportunities to reduce costs and balance sheet leverage. The Company will prioritise the sale of surplus mining equipment while coal market conditions are strong, resulting in a significant reduction in gearing levels. In addition, the Company is progressing various options to undertake a broader recapitalisation to further strengthen its financial position.

Corporate

The Company's Annual Report and Corporate Governance Statement were announced to the ASX on 28 October 2022. The Company's Annual General Meeting (AGM) was held as a hybrid meeting on 29 November 2022 with all resolutions carried. An Amended Constitution was announced to the ASX on 1 December which reflects the updates passed by special resolution at the AGM.

There have been no material announcements subsequent to the quarter end.

Issued Capital

At 31 December 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 December 2022 quarter.



Organisational Changes

On 18 October 2022, the Company announced a strategy update requiring a period of consolidation, resulting in Paul Green being appointed the new Managing Director. Paul has been with the group for nearly three years, most recently in the role of CEO Mastermyne.

The Company announced on 7 October 2022, the appointments of Jeff Whiteman as Chief Financial Officer and Andrew Ritter as Company Secretary. Jeff commenced in his role on 28 November 2022.

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

Further information:

Paul Green, Managing Director - 07 4963 0400

Jeff Whiteman, CFO - 07 4963 0400

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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	143,880	286,102
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(57,226)	(109,314)
(c) advertising and marketing	(63)	(150)
(d) leased assets	(1,789)	(3,587)
(e) staff costs	(74,441)	(165,284)
(f) administration and corporate costs	(13,888)	(19,490)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	33	51
1.5 Interest and other costs of finance paid	(2,009)	(3,391)
1.6 Income taxes (paid)/received	12,537	12,537
1.7 Government grants and tax incentives	979	1,530
1.8 Other (provide details if material)	301	301
1.9 Net cash from / (used in) operating activities	8,314	(695)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	(484)	(3,832)
(c) property, plant and equipment	(6,367)	(13,584)
(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 (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	1,182	2,054
	(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	(5,669)	(15,362)

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	12,399	36,395
3.6	Repayment of borrowings	(12,302)	(21,951)
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	98	14,444

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	873	5,229
4.2	Net cash from / (used in) operating activities (item 1.9 above)	8,314	(695)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,669)	(15,362)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	98	14,444
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	3,616	3,616

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	3,616	873
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)	3,616	873

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	1,005
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)	121,071	74,238
7.2	Credit standby arrangements	0	0
7.3	Other (See Note 2 below)	63,000	25,955
7.4	Total financing facilities	184,071	100,193
7.5	Unused financing facilities available at quarter end (see Note 3)		83,878
7.6	<p>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> <p><i>Note 1:</i> Loan facilities comprise Equipment Finance term facilities and interim facilities. <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. See Appendix 1 for a description of Loan and Other facilities. <i>Note 3:</i> Available funding has been determined as the difference between the facility limit and the drawn balance. Given the inherent nature of invoice finance facilities, the amount available to draw on a given day varies with the value of qualifying invoiced.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	8,314
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,616
8.3	Unused finance facilities available at quarter end (item 7.3)	37,045
8.4	Total available funding (item 8.2 + item 8.3)	40,661
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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>	
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

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.

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 January 2023.....

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 31 December 2022:

31 December 2022

	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	75,974	35,496
Equipment finance facility – interim facility (i)	45,000	11,337
	120,974	46,833
Loans - Unsecured		
Other finance facilities	97	-
Total Loans (7.1)	121,071	46,833
Other facilities - Secured		
Corporate credit card facility	1,500	1,479
Bank guarantee facility	1,500	308
Overdraft finance facility (ii)	10,000	9,999
Invoice finance facility (iii)	50,000	25,259
Total Other facilities – Secured (7.3)	63,000	37,045
Total facilities (7.4, 7.5)	184,071	83,878

(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.

Available funding has been determined as the difference between the facility limit and the drawn balance. Given the inherent nature of invoice finance facilities, the amount available to draw on a given day varies with the value of qualifying invoiced.