



28 April 2023

METAROCK GROUP LIMITED (ASX CODE: MYE)
QUARTERLY ACTIVITY REPORT – MARCH 2023

Key items during the quarter

- Agreement with M Resources entered into for a strategic investment of \$25.0 million, subject to shareholder approval, together with a proposal for a non-renounceable entitlement offer to raise up to an additional \$3.9 million as part of a turnaround and recapitalisation plan for the Company.
- Working capital banking facilities extended to 30 September 2023.
- Full and final settlement reached with Sojitz Corporation in relation to termination of the Gregory Crinum contract.
- First panel of major equipment originally intended for the Gregory Crinum contract was sold to a third party as part of a surplus asset divestment strategy to reduce debt and provide incremental working capital.
- PYBAR's contract at Peak Mine was terminated by mutual agreement with the client.
- \$1.2 million of cash and up to \$23.3 million of working capital facilities at the end of March 2023.

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 March 2023 quarter.

1. Turnaround Plan, Recapitalisation and Strategic Investment

In response to numerous business challenges over the past 18 months or so, Metarock has initiated a turnaround plan to return the business to previous levels of stability and profitability. The key elements of the turnaround plan include:

- Appointment of a new senior management team which commenced in late 2022;
- Termination of the Crinum and Peak contracts by mutual agreement and exiting the Thalanga contract;



- Sale of idle plant, including the Crinum coal equipment and various hard rock equipment; and
- A recapitalisation of the business to improve liquidity and net debt.

The recapitalisation is a fundamental element of the turnaround plan to improve cash flow, reduce net debt and secure the Company's funding position. This is being achieved through:

- An equity injection and a proposed non-renounceable entitlement offer (discussed in further detail below);
- An extension of existing working capital facilities (announced on 3 March 2023); and
- An asset divestment program which is ongoing (including the first major asset sale announced on 22 February 2023).

M Resources has agreed to invest \$25.0 million to acquire at least a 51% interest in the Company via a placement, which will be subject to shareholder approval ("Conditional Placement"). M Resources Group is a privately owned group of companies with substantial investments in the Australian mining sector, in particular coal mining. This strategic investment brings material advantages for Metarock, including: M Resources' deep sector insights across the value chain; potential to leverage the relationship for new contract opportunities; and combined capabilities of the two groups to deliver a full service offering in the coal mining sector. M Resources and Metarock will operate on an arm's length basis.

The Company also intends to undertake a pro rata non-renounceable entitlement offer to existing shareholders to raise up to \$3.9 million. Combined, these raisings will see an injection of up to \$28.9 million of new equity capital (before costs) into Metarock. The funds raised from the Transaction will be used to improve cash flow, reduce net debt and secure the Company's funding position.

Full details of the Conditional Placement are contained in the Company's Notice of General Meeting which was released to the ASX on 11 April 2023.

2. Material Business Activities

The material business activities for Metarock during the March 2023 quarter are set out below.

Gregory Crinum Mine contract – full and final settlement

Metarock announced on 20 February 2023 that it had reached a full and final settlement with the Principal, a subsidiary of Sojitz Corporation, in relation to the Gregory Crinum contract. This concludes the dispute previously announced by Metarock on 2 December 2022, including all claims and potential claims from either party relating to the Gregory Crinum project.



Sale of First Panel of Major Equipment

Metarock announced on 22 February 2023 the sale of the first panel of major equipment originally intended for the Gregory Crinum project to a third party. The sale proceeds will be applied to a combination of debt reduction and working capital. The Company plans to divest additional surplus assets of the Group as part of its recapitalisation plan noted above.

Peak Mine – contract termination

Metarock announced on 16 March 2023 that it had reached a mutual agreement with its client to terminate the Peak Mines contract with PYBAR, with effect from 31 March 2023.

Rosebery Mine project launch

As announced on 8 November 2022, PYBAR was awarded a new mining services contract with Hong Kong listed MMG Limited at the Rosebery Mine. During the quarter, PYBAR has been undertaking preparations and mobilisation work for the commencement of operations on 1 April 2023.

3. Corporate and Financial Summary

Quarterly Cashflows

At the end of the March 2023 quarter, Metarock had \$1.2 million of cash and up to \$23.3 million of 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 available facility limit. The net cashflows for the quarter were \$(2.4) million, comprising:

- Cashflows from operating activities of \$(5.7) million.
- Cashflows from investing activities of \$7.7 million.
- Cashflows from financing activities of \$(4.4) million.

Operating activities in the quarter included \$6.0 million of payments in connection with the ATO payment plan, in addition to timing impacts on working capital investment including factors such as increased Wilson Mining Services activity. Investing activities included capital expenditure for new plant and equipment required for the Rosebery project as well as the proceeds from the sale of Crinum Panel 1. Financing activities included the drawdown of finance facilities to fund Rosebery capital expenditure and repayment of borrowings from proceeds of asset sales.

Item 6.1 of the cashflow report

The Company's accompanying Appendix 4C cashflow report for the quarter includes an amount of \$0.8 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 March 2023 quarter.

Debt facilities and position

The Group has access to numerous borrowing facilities with a total limit of \$164 million, including invoice finance facilities, bank overdraft, credit card/bank guarantee facilities and equipment finance facilities. During the quarter, the invoice finance and overdraft facilities were extended to 30 September 2023.

The amount of undrawn facilities at 31 March 2023 was up to \$67.3 million, of which up to \$23.3 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 unused 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 continues to prioritise the sale of surplus mining equipment, targeting further reductions in gearing levels.

Corporate

The Company's Appendix 4D and 31 December 2022 half year report were announced to the ASX on 17 March 2023. These reports highlighted significant write-offs totalling \$58.8 million in the half year period, primarily due to the termination of the Crinum, Peak and Thalanga contracts. As a consequence of the losses incurred on these contracts and the resulting strain on working capital, the Group initiated a recapitalisation of the business as noted earlier in this report.

Other than the Notice of General Meeting to approve the Conditional Placement, there have been no other material announcements subsequent to the quarter end.

Issued Capital

At 31 March 2023, the Company had 130,992,547 ordinary shares on issue and 3,332,007 performance rights on issue. The following movements of Performance Rights occurred during the March quarter:

- The lapse of 2,918,424 performance rights on 6 February 2023; and
- The issue of 2,729,735 performance rights on 6 February 2023, including 1,631,139 issued to key management personnel.



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 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	138,204	418,625
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(37,881)	(147,980)
(c) advertising and marketing	(44)	(194)
(d) leased assets	(1,588)	(5,126)
(e) staff costs	(98,966)	(263,424)
(f) administration and corporate costs	(4,822)	(18,701)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	28	79
1.5 Interest and other costs of finance paid	(2,509)	(5,918)
1.6 Income taxes paid	0	12,537
1.7 Government grants and tax incentives	870	2,400
1.8 Insurance proceeds	1,008	1,309
1.9 Net cash used in operating activities	(5,700)	(6,393)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	(3,832)
(c) property, plant and equipment	(10,691)	(24,276)
(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 (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	18,355	20,409
(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	7,664	(7,699)

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	14,865	51,260
3.6 Repayment of borrowings	(19,249)	(41,200)
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 (used in)/from financing activities	(4,384)	10,060

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,616	5,229
4.2 Net cash used in operating activities (item 1.9 above)	(5,700)	(6,393)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	7,664	(7,699)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,384)	10,060
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	1,196	1,196

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	2,200	3,616
5.2	Call deposits	0	0
5.3	Bank overdrafts (included in Section 7.3)	(1,004)	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,196	3,616

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	771
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)	108,830	64,820
7.2 Credit standby arrangements	0	0
7.3 Other (See Note 2 below)	55,250	31,975
7.4 Total financing facilities	164,080	96,795
7.5 Unused financing facilities available at quarter end (see Note 3)		67,285
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> <p><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 used in operating activities (item 1.9)	(5,700)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,196
8.3 Unused finance facilities available at quarter end (item 7.3)	23,275
8.4 Total available funding (item 8.2 + item 8.3)	24,471
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<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: 28 April 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 March 2023:

31 March 2023		
	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	67,438	31,628
Equipment finance facility – interim facility (i)	41,312	12,383
	108,750	44,010
Loans - Unsecured		
Other finance facilities	80	-
Total Loans (7.1)	108,830	44,010
Other facilities - Secured		
Corporate credit card facility	970	937
Bank guarantee facility	1,780	557
Overdraft finance facility (ii)	10,000	8,996
Invoice finance facility (iii)	42,500	12,785
Total Other facilities – Secured (7.3)	55,250	23,275
Total facilities (7.4, 7.5)	164,080	67,285

(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 30 September 2023.

(iii) Invoice finance facility

There are two invoice finance facilities held with Westpac with a combined limit of \$42.5 million. The facilities have a draw down allowance of 85% of approved debtors and are due to mature 30 September 2023. Interest is charged at a variable rate.