



31 July 2023

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

Key items during the quarter

- \$25 million strategic equity investment by M Resources completed on 22 May 2023 representing a key element of the Company’s recapitalisation plan to reduce gearing and improve working capital.
- Board and executive changes implemented following the M Resources investment.
- Asset sale agreements executed with proceeds to reduce debt and strengthen the Company’s working capital position.
- A non-renounceable entitlement offer to raise up to \$3.9 million was announced on 12 May 2023 and remains open post the end of the June quarter.
- \$12.9 million of cash and up to \$30.4 million of undrawn working capital facilities at the end of June 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 June 2023 quarter.

1. Material Business Activities

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

Completion of M Resources Strategic Investment

The Company completed a \$25 million placement to M Mining Services Pty Ltd as trustee for M Mining Services Trust (M Resources) following shareholder approval on 11 May 2023 (Conditional Placement). M Resources 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
- Opportunity to combine the capabilities of the two groups to deliver a full service offering in the coal mining sector.



Following settlement of the \$25 million investment, M Resources was issued 166,666,667 shares in Metarock at an issue price of \$0.15 per share. M Resources has a 55.99% interest in Metarock following the issue of 166,666,667 shares under the Conditional Placement. M Resources also has the right to apply for 51,282,051 options (for nil consideration) with an exercise price of \$0.23 per option.

The \$25 million funds raised from the Conditional Placement materially improve the Company's gearing and working capital position, providing a firm foundation for Metarock's continued recovery.

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, its ASX Announcement released on 22 May 2023 and substantial shareholder notice released on 24 May 2023.

The Company has also launched a pro rata non-renounceable entitlement offer to eligible shareholders to raise up to a further \$3.9 million. The entitlement offer closing date has been extended on a number of occasions and a Supplementary Prospectus was lodged on 28 July 2023, extending the closing date of the offer to 28 August 2023.

Board and executive changes

Following completion of the Conditional Placement, the following board changes were implemented:

- Murray Smith (nominated by M Resources) joined the Board as a non-executive director and is currently Acting Chairman of the Board; and
- Colin Bloomfield, Gabriel Meena and Julie Whitcombe retired from the Board.

M Resources is expecting to nominate its remaining director nominee and independent Chair after the Entitlement Offer has completed.

Metarock also announced on 20 June 2023 the following additional board and management changes:

- Mr Jeff Whiteman, previously CFO, was appointed as Interim CEO;
- Mr Wayne Price, was appointed as Executive General Manager Mastermyne Pty Ltd with accountability for all coal contracting services in New South Wales and Queensland;
- Mr Peter Barker was appointed as an advisor to the Company, bringing significant governance, finance and management skills to Metarock; and
- Mr Paul Green, previously CEO and Managing Director, departed the business.



Asset Sales

During the June 2023 quarter, Metarock negotiated with several parties in relation to the sale of surplus assets to further reduce debt as part of the Company's recapitalisation plan.

Metarock announced the following transactions on 30 June 2023 for total sale proceeds of \$28.5 million to be paid after 30 June 2023 and applied to debt reduction of \$20.8 million with the balance to working capital:

- Agreement for sale of the second panel of major equipment intended for the Gregory Crinum project (concluding the negotiations previously announced on 20 June 2023);
- Agreement for sale of three continuous miners to be operated by the Company at the Cook Colliery project to the mine owner, QCoal Group; and
- Agreement for sale of two currently idle shuttle cars to a third party.

In addition to the above transactions, Metarock intends to dispose of a multi-bolter to an associate of M Resources (a related party), conditional upon obtaining shareholder approval. Further details will be released to the ASX when Metarock issues a notice of meeting to obtain shareholder approval for this transaction.

2. Corporate and Financial Summary

Quarterly Cashflows

At the end of the June 2023 quarter, Metarock had \$12.9 million of cash and up to \$30.4 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 \$11.7 million, comprising:

- Cashflows from operating activities of \$(1.6) million;
- Cashflows from investing activities of \$(1.8) million; and
- Cashflows from financing activities of \$15.1 million.

Net cashflows from operating activities in the quarter, which included \$6.2 million of payments in connection with the ATO payment plan, showed an improvement of \$4.1 million compared to the prior quarter. Investing activities included \$5.5 million of capex (mainly to complete overhauls of continuous miners subsequently sold in July 2023), partially offset by \$3.7 million of proceeds from asset sales. Financing cashflows included the \$25.0 million proceeds received for the issue of placement shares to M Resources, less transaction costs of \$1.6 million and debt repayments of \$8.3 million.



Item 6.1 of the cashflow report

The Company's accompanying Appendix 4C cashflow report for the June quarter includes an amount of \$0.8 million at item 6.1 relating to payments for Directors fees (including superannuation payments), the former Managing Director's salary (including superannuation payments), rent and maintenance costs, and 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 June 2023 quarter.

Debt facilities and position

The Group has access to numerous borrowing facilities with a total limit of \$159.4 million, including invoice finance facilities, bank overdraft, credit card/bank guarantee facilities and equipment finance facilities. The invoice finance and overdraft facilities expire on 30 September 2023 and negotiations are ongoing for an extension of these facilities.

The amount of undrawn facilities at 30 June 2023 was up to \$75.0 million, of which up to \$30.4 million relates to working capital facilities. Working capital facility limits were reduced by \$5.7 million subsequent to the end of the June quarter. 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 Section 7 (and Appendix 1) of the attached Appendix 4C for further details of the Group's borrowing facilities.

The Company continues to prioritise debt reduction as the asset sales previously mentioned in this report are cash settled.

Issued Capital

At 30 June 2023, the Company had 300,991,221 ordinary shares on issue, nil options on issue and nil performance rights on issue. The following movements of issued capital occurred during the June quarter:

- The issue and quotation on ASX of 3,332,007 shares following the vesting of the same number of performance rights; and
- The issue and quotation on ASX of 166,666,667 to M Resources under the Conditional Placement.

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

Further information:

Jeff Whiteman, Interim CEO - 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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year ended 30 June 2023 \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	117,180	535,805
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(37,511)	(185,492)
(c) advertising and marketing	(33)	(227)
(d) leased assets	(1,637)	(6,763)
(e) staff costs	(70,532)	(333,956)
(f) administration and corporate costs	(6,846)	(25,547)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	45	124
1.5 Interest and other costs of finance paid	(2,988)	(8,906)
1.6 Income taxes paid	-	12,537
1.7 Government grants and tax incentives	528	2,928
1.8 Insurance proceeds	162	1,471
1.9 Net cash used in operating activities	(1,632)	(8,026)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(3,832)
(c) property, plant and equipment	(5,469)	(29,745)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year ended 30 June 2023 \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	3,651	24,060
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(1,818)	(9,517)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	25,000	25,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,567)	(1,567)
3.5	Proceeds from borrowings	-	51,260
3.6	Repayment of borrowings	(8,278)	(49,478)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	15,155	25,215

4.	Net increase in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,196	5,229
4.2	Net cash used in operating activities (item 1.9 above)	(1,632)	(8,026)
4.3	Net cash used investing activities (item 2.6 above)	(1,818)	(9,517)
4.4	Net cash from financing activities (item 3.10 above)	15,155	25,215

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

Consolidated statement of cash flows		Current quarter \$A'000	Year ended 30 June 2023 \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,901	12,901

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	12,901	2,200
5.2	Call deposits	-	-
5.3	Bank overdrafts (included in Section 7.3)	-	(1,004)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,901	1,196

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	828
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities (see Note 1 below)	108,121	63,581
7.2 Credit standby arrangements	-	-
7.3 Other (See Note 2 below)	51,250	20,803
7.4 Total financing facilities	159,371	84,384
7.5 Unused financing facilities available at quarter end (see Note 3)		74,987
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)	(1,632)
8.2 Cash and cash equivalents at quarter end (item 4.6)	12,901
8.3 Unused finance facilities available at quarter end (item 7.3)	30,447
8.4 Total available funding (item 8.2 + item 8.3)	43,348
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	26
<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 July 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 30 June 2023:

30 June 2023		
	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	70,890	32,826
Equipment finance facility – interim facility (i)	37,200	11,714
	108,090	44,540
Loans - Unsecured		
Other finance facilities	31	-
Total Loans (7.1)	108,121	44,540
Other facilities - Secured		
Corporate credit card facility	970	963
Bank guarantee facility	1,780	557
Overdraft finance facility (ii)	6,000	6,000
Invoice finance facility (iii)	42,500	22,927
Total Other facilities – Secured (7.3)	51,250	30,447
Total facilities (7.4, 7.5)	159,371	74,987

(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. The facility limit was reduced to \$2.8 million effective 7 July 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.

With effect from 5 July 2023, the facility limit was reduced to \$40 million with a draw down allowance of 80% of approved debtors.