



31 January 2024

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

Highlights

- Continued positive operational and financial results delivered through the Group's turnaround plan following successful resolution of legacy issues, reduced debt burden and refocus on core business activities.
- Strong financial performance in FY24 Q2 with EBITDA of \$13.5 million (FY24 Q1: \$12.9 million) before profit on asset sales.
- FY24 H1 EBITDA (before profit on asset sales) of \$26.4 million shows ongoing recovery when compared to prior periods (FY23 H2 normalised EBITDA: \$23.7 million (adjusted to exclude one-offs); FY23 H1 normalised EBITDA: \$8.8 million).
- FY24 Q2 Group revenue of \$116 million driven by the core underground contracting businesses, in line with the prior quarter revenue of \$119 million.
- Operating cashflows on an underlying basis (before non-standard outgoings which concluded in the December 2023 quarter) were \$4.9 million in FY24 Q2 and \$9.1 million for FY24 H1.
- PYBAR executed a contract with Grange Resources Limited (ASX: GRR) and commenced mobilisation for underground exploration development services valued over \$20 million at the Savage River mine, Tasmania.
- Mastermyne executed a contract for the operation of an additional development panel at the Narrabri mine in NSW for a 3 year term valued over \$60 million.
- Mastermyne scope of work at Tahmoor mine (NSW) concluded during the quarter, whilst services at Broadmeadow mine (QLD) will finish in January 2024. Revenue from these contracts represented approximately 3% of Group revenue. The impact is expected to be offset by new projects including Centurion mine (QLD) which commenced mobilisation in December.
- Westpac working capital facilities valid to 30 September 2024 with limits stepping down quarterly. Cash at bank of \$3.3 million at 31 December 2023, together with up to \$8.8 million of undrawn working capital facilities.



Metarock Group Limited (ASX Code: MYE) (“Metarock” or “the Company”), a diversified Mining Services business specialising in underground operations, is pleased to release its Quarterly Activities Report (including unaudited results) and Appendix 4C for FY24 Q2.

Operations

The financial results in FY24 Q2 reflected the Group’s ongoing improved performance following the successful resolution of legacy issues, reduced debt burden and a firm refocus on the core Mastermyne and PYBAR businesses.

Revenue of \$116 million for the quarter generated EBITDA of \$13.5 million (before profit on sale of assets which added a further \$0.1 million) compared to \$12.9 million in FY24 Q1 (before profit on sale of assets of \$3.8 million).

PYBAR commenced mobilising for the recently awarded Savage River North Pit Underground project (ASX announcement 12 December 2023). Under the contract, PYBAR will provide the services, labour and equipment required for the continued development of an underground exploration decline, and lateral development roadways, needed for ongoing exploration and studies to support the planned development of the underground project by Grange Resources (Tasmania). This phase of works is valued at approximately \$20 million over a term of 12 months.

PYBAR progressed its drift construction works for the Maxwell mine project in the Hunter Valley and its portfolio of operational mining services projects continued to perform, including Black Rock, Eloise, Dargues, Rosebery and Carrapateena.

During the quarter, Mastermyne completed its scope of work at Tahmoor Colliery, NSW after almost 5 years, achieving a notable safety record of 1,319 days continuously free of recordable injuries, with only one medical treatment injury occurring during the whole timeframe. Approximately 35% of Mastermyne’s Tahmoor team have relocated to other Mastermyne projects. Tahmoor revenue earned year to date represented ~1% of total Group revenue.

Mastermyne’s contract at Broadmeadow mine, QLD, where we have been installing conveyors, including substantial longwall driveheads and tripper drives, since 2013 concludes at the end of January 2024. The revenue derived from this scope of work represents ~2% of total Group revenue.

Offsetting the reduced revenue from the above ending contracts, Mastermyne has commenced manning up for the new Narrabri Mine services contract for longwall gateroad development activities (ASX announcement 26 October 2023), where a total of 60 personnel will be mobilised for this contractual commitment. The recruitment process is proceeding well.



In addition, Mastermyne has been engaged to provide conveyor works at Centurion (formerly North Goonyella) mine, QLD and continues to recruit for existing projects in NSW and Queensland.

Wilson Mining had another good quarter supporting clients' longwall operations with robust demand for its Fenoflex, Rocsil, PUR and Marisil products. Activities included longwall cavity filling, longwall consolidation (face and roof), borehole injections and gateroad pre-consolidation injection.

Mastermyne's technical services team continues to attract business across NSW & Qld specialising in production modelling and reporting functionality, development of seal & ventilation standards, and management of long term mine planning and scheduling.

Quarterly cashflows

At the FY24 Q2 quarter end, Metarock had \$3.3 million of cash and up to \$8.8 million of undrawn working capital facilities (comprising invoice finance, 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.

Overall net cashflow for Q2 was a \$0.6 million inflow, a significant improvement on Q1 of \$(10.2) million outflow. Net cashflow for Q2 comprised:

- Cash outflows from core operating activities of \$(1.1) million versus \$(12.0) million in Q1, including non-standard amounts in Q2 of:
 - \$(5.0) million repayments relating to the ATO Payment Plan, which has now been repaid in full and on schedule as of December 2023; and
 - \$(1.0) million adverse cash impact of final exit costs from the Cook project.
 - **On a proforma basis, underlying operating cashflow for Q2 was an inflow of \$4.9 million and \$9.1 million for FY24 H2.**
- Cash inflows from investing activities of \$1.5 million in Q2 versus \$25.2 million in Q1, including:
 - \$2.6 million received in asset sale proceeds (\$29.4 million in Q1); and
 - \$(1.0) million capital expenditure (\$(2.2) million in Q1).
- Cash inflows/(outflows) from financing activities of \$0.2 million in Q2 versus \$(23.4) million in Q1 relating to material asset sales and debt repayment in that quarter.



As noted above, the underlying net cashflow from operating activities in FY24 Q2, excluding the non-standard ATO Payment Plan and Cook exit costs, was a \$4.9 million inflow. In addition, timing differences in working capital investment in the December quarter, are forecast to unwind to an extent in the following quarter having a positive impact on operating cashflows.

Item 6.1 of the Appendix 4C cashflow report – payments to related parties

The Company's accompanying Appendix 4C cashflow report for the December quarter includes an amount of \$51,000 at item 6.1 relating to payments for Directors fees (including superannuation payments), rent and maintenance costs, offset by receipts from equipment hire. Amounts paid and received are on an arm's length basis.

Please refer to the attached Appendix 4C for further details of the cashflows for FY24 Q2.

Debt facilities and position

The Group has access to several borrowing facilities with a total limit of \$113.7 million, including invoice finance facilities, equipment finance facilities and credit card/bank guarantee facilities.

Net debt as at 31 December 2023 was \$61.0 million, a decrease of \$0.7 million from 30 September 2023 due to asset sale proceeds which were partially offset by timing of drawdown of working capital facilities.

The amount of undrawn borrowing facilities at the quarter end was up to \$49.4 million, of which up to \$8.8 million relates to working capital facilities. Two invoice finance facilities are held with Westpac which have a combined limit of \$37.5 million and a draw down allowance of 75% of approved debtors as at the quarter end. The facility limits and draw down allowance rate both step down further at the March and June quarter ends ahead of the facilities maturing on 30 September 2024. 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.



Issued Capital

At the date of this report, the Company had:

- 306,525,971 ordinary shares on issue following the issue announced to ASX on 17 January 2024 of 459,285 ordinary shares to three non-executive directors under the NED Plan approved at the 2023 AGM;
- 52,843,795 options on issue (unquoted with exercise price of 23 cents); and
- 4,514,868 performance rights on issue following the issue announced to ASX on 11 January 2024 of 4,514,868 performance rights to Jon Romcke (Executive Chairman) which were approved at the 2023 AGM.

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

Andrew Ritter, Company Secretary

Further information:

Jon Romcke, Executive Chair – 07 4963 0400

Jeff Whiteman, Interim Chief Executive Officer – 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 2023

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	122,510	250,513
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(36,259)	(83,642)
(c) advertising and marketing	(29)	(53)
(d) leased assets	(1,809)	(3,814)
(e) staff costs	(79,462)	(163,052)
(f) administration and corporate costs	(4,635)	(9,592)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	27	73
1.5 Interest and other costs of finance paid	(1,581)	(3,858)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	134	269
1.8 Insurance proceeds	-	93
1.9 Net cash used in operating activities	(1,104)	(13,063)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(50)	(2,050)
(b) businesses	-	-
(c) property, plant and equipment	(1,021)	(3,248)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2,586	32,019
	(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	1,515	26,721

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	762	762
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	-	-
3.5	Proceeds from borrowings	9,421	13,125
3.6	Repayment of borrowings	(9,992)	(37,138)
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	191	(23,251)

4.	Net increase in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,706	12,901
4.2	Net cash used in operating activities (item 1.9 above)	(1,104)	(13,063)
4.3	Net cash used investing activities (item 2.6 above)	1,515	26,721
4.4	Net cash from financing activities (item 3.10 above)	191	(23,251)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,308	3,308

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	3,308	2,706
5.2	Call deposits	-	-
5.3	Bank overdrafts (included in Section 7.3)	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,308	2,706

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 (see Note 1 below)	(51)
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.

Note 1: Comprises:

- \$73k payments of rent for business premises to Watty Pty Ltd, a company owned by Mr A. Watts
- \$165k payments to Directors
- \$289k receipts from M Mining Pty Ltd for equipment hire.

Amounts paid and received are at arms length and are subject to normal payment terms.

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)	73,432	32,815
7.2 Credit standby arrangements	-	-
7.3 Other (See Note 2 below)	40,250	31,468
7.4 Total financing facilities	113,682	64,283
7.5 Unused financing facilities available at quarter end (see Note 3)		49,399
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 and shareholder loans.</p> <p><i>Note 2:</i> Other comprises Invoice 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 invoices.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (item 1.9)	(1,104)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,308
8.3 Unused finance facilities available at quarter end (item 7.3)	8,782
8.4 Total available funding (item 8.2 + item 8.3)	12,090
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	11.0
<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 2024.....

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 the December 2023 quarter end:

	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	68,645	40,617
Equipment finance facility – interim facility (i)	2,080	-
	70,725	40,617
Loans - Unsecured		
Other finance facilities	400	-
Shareholder loan (iii)	2,307	-
Total Loans (7.1)	73,432	40,617
Other facilities - Secured		
Corporate credit card facility	970	953
Bank guarantee facility	1,780	347
Invoice finance facility (ii)	37,500	7,482
Total Other facilities – Secured (7.3)	40,250	8,782
Total facilities (7.4, 7.5)	113,682	49,399

(i) Equipment finance facility

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

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 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) Invoice finance facility

Two invoice finance facilities are held with Westpac which have a combined limit of \$37.5 million and a draw down allowance of 75% of approved debtors as at the quarter end. The facility limits and draw down allowance rate step down further at the March and June quarter ends ahead of the facilities maturing on 30 September 2024. Interest is charged at a variable rate.

(iii) Shareholder loan

Shareholder loan represents funds provided to Metarock Group Limited by M Mining Services Pty Ltd. The facility, which matures on 1 October 2024, is subject to a variable rate of interest and minimum earn amount. Repayment is required upon maturity whilst fees and interest may, at Metarock's election, be capitalised monthly.