



30 October 2023

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

Highlights

- Strong Q1 FY24 financial performance with EBITDA (before profit on asset sales) of \$12.9 million.
- Group revenue of \$119 million underpinned by continuing strong demand for the core underground contracting businesses, offset by the cessation of services at Cook Colliery through mutual agreement with the principal. Prior quarter revenue (excluding Cook) was \$114 million.
- PYBAR awarded contract extensions at Black Rock and Dargues projects.
- Tender activity has resulted in the following awards post quarter-end:
 - PYBAR has received a letter of intent for underground exploration development services at Savage River mine in Tasmania valued over \$20 million.
 - Mastermyne has 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.
- Board renewal completed including appointment of Mr Jon Romcke as Executive Chairman and Mr Peter Barker as Non-Executive Director and Chair of the Audit & Risk Committee.
- Non-renounceable entitlement offer closed raising \$0.8 million.
- Asset sales of surplus plant completed with total proceeds of \$29.4 million, enabling a reduction in net debt as at 30 September 2023, down to \$61.7 million from \$75.0 million at the prior quarter end.
- Westpac working capital facilities extended to 30 September 2024. PYBAR deferred consideration partially repaid with balance extended to 2024, funded via a new shareholder loan from M Resources group.



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 and Appendix 4C for the September 2023 quarter.

Operations

The financial results in Q1 FY24 reflected the Group’s improved performance following the resolution of legacy issues and a firm refocus on the core Mastermyne and PYBAR businesses, which both showed growth over the prior quarter.

Revenue of \$119 million for the quarter generated EBITDA of \$12.9 million (before profit on sale of assets which added a further \$3.8 million) and resulted in Net Profit Before Tax of \$7.4 million.

Mastermyne ceased the provision of services at Cook Colliery in the quarter (as announced 21 August 2023) under a mutual agreement with the principal. As a consequence, operating cashflow in the quarter (item 1.9 in the Appendix 4C cash flow report) was adversely impacted by approximately \$10 million of unrecoverable costs. There was not a corresponding material impact on the profit & loss for the quarter as the expected losses were accounted for in provisions at 30 June 2023.

PYBAR commenced its Maxwell mine project involving the construction of a cross-measure drift for this new underground mine in the Hunter Valley. PYBAR’s portfolio of operational mining services projects continued to perform, including Black Rock, Eloise, Dargues, Rosebery and Carrapateena (raise bore shaft construction), albeit Cadia manning levels were reduced during the quarter at the principal’s direction.

Wilson Mining had another strong quarter driven by its core capability of providing clients with critical ground consolidation services to assist their longwall operations.

Mynesight was awarded work by Ok Tedi to act as their RTO service provider. Mynesight also executed a partnering agreement with CQ University to deliver vocational education and training (VET) qualifications and courses and, separately, has gained status from SIMTARS as an approved provider of their “Learning from Disasters” training program.

Order book

During the quarter, PYBAR was awarded contract extensions in relation to its Blackrock and Dargues projects through to July 2024 and late 2024 respectively.

Tender activity during the quarter has resulted in the following awards post quarter-end:

- PYBAR has received a letter of intent from Grange Resources’ (ASX: GRR) in respect of the provision of underground exploration development services at the Savage River iron ore mine in Tasmania valued over \$20 million; and



- Mastermyne executed a new 3 year contract valued over \$60 million for additional mining works at Whitehaven Coal Limited's (ASX: WHC) Narrabri mine relating to the operation of an additional development panel. Mastermyne is currently undertaking outbye support works and operating a place changing production panel at the mine. The award of this new contract is testament to the quality of work delivered to date.

Board renewal

The search for experienced director candidates subsequent to the M Resources group's equity investment in May 2023 was successfully concluded with the following changes in the composition of the Board of Directors:

- Mr Jon Romcke was appointed as Executive Chair. Mr Romcke is a highly experienced mining executive with a track record including roles with Glencore, BHP, AngloAmerican and Stanmore Resources;
- Mr Peter Barker, formerly an adviser to the Board, was appointed as a Non-Executive Director (as nominee of the M Resources group) and Chair of the Audit and Risk Committee. Mr Barker has previously been CFO of Computershare and Cardno and is currently a Non-Executive Director of Workpac; and
- Murray Smith stepped down as Interim Chair and remains a Non-Executive Director (as nominee of the M Resources group).

In addition, Mr Paul Rouse retired from the Board. Mr Andrew Watts, a co-founder of Mastermyne, remains a Non-Executive Director.

Completion of non-renounceable entitlement offer

The pro rata non-renounceable entitlement offer to eligible shareholders closed raising \$0.8 million. In addition to the 5.1 million new shares, approximately 1.6 million new options were issued to eligible shareholders under the offer. Whilst the offer closed on 25 September, the funds were received and the shares and options were issued post quarter end.

Completion of asset sales

Asset sale agreements announced on 30 June 2023 relating predominantly to major equipment acquired and refurbished for the Crinum and Cook projects completed in the September quarter. Combined with subsequent additional transactions, total assets sale proceeds of \$29.4 million were received in the quarter, of which \$27.1 million was applied to debt reduction with the balance to working capital.



Quarterly cashflows

At the end of the September 2023 quarter, Metarock had \$2.7 million of cash and up to \$20.1 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 the quarter was a \$(10.2) million outflow, comprising:

- Cash outflows from core operating activities of \$(12.0) million, which included non-standard amounts of:
 - \$(6.2) million ATO Payment Plan repayments (leaving an outstanding balance of \$5.1 million which is scheduled to be completely repaid in December 2023); and
 - \$(10.0) million adverse cash impact of exit costs from the Cook project (non-recurring adverse impact on cashflow arising on the cessation of this onerous contract).
- Cash inflows from investing activities of \$25.2 million, including:
 - \$29.4 million received in asset sale proceeds;
 - \$(2.2) million capital expenditure; and
 - \$(2.0) million repayment of deferred consideration relating to the PYBAR acquisition (funded via a new \$2.0 million shareholder loan from M Resources group).
- Cash outflows from financing activities of \$(23.4) million, including:
 - \$(27.1) million repayment of asset finance, funded by the asset sale proceeds.

It is worth highlighting that the underlying net cashflows from operating activities, excluding the items noted above, was a \$4.2 million inflow. In addition, timing differences in working capital investment, which adversely impacted the September quarter, are forecast to unwind to an extent in the December quarter.



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

The Company's accompanying Appendix 4C cashflow report for the September quarter includes an amount of \$0.7 million at item 6.1 relating to payments for Directors fees (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 September 2023 quarter.

Debt facilities and position

The Group has access to several borrowing facilities with a total limit of \$121.8 million, including invoice finance facilities, equipment finance facilities and credit card/bank guarantee facilities. During the quarter, the Westpac invoice finance facilities were extended to 30 September 2024.

Net debt as at 30 September 2023 was \$61.7 million, down from \$75.0 million at 30 June 2023.

The amount of undrawn facilities at 30 September 2023 was up to \$57.4 million, of which up to \$20.1 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.

Issued Capital

At 2 October 2023 (reflecting the issue of shares and options under the conditional placement to M Resource group and non-renounceable entitlement offer), the Company had:

- 306,066,686 ordinary shares on issue;
- 52,843,795 options on issue (unquoted with exercise price of 23 cents); and
- Nil performance rights on issue.



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

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")

30 September 2023

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	128,003	128,003
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(47,383)	(47,383)
(c) advertising and marketing	(24)	(24)
(d) leased assets	(2,005)	(2,005)
(e) staff costs	(83,590)	(83,590)
(f) administration and corporate costs	(4,957)	(4,957)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	46	46
1.5 Interest and other costs of finance paid	(2,277)	(2,277)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	135	135
1.8 Insurance proceeds	93	93
1.9 Net cash used in operating activities	(11,959)	(11,959)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(2,000)	(2,000)
(b) businesses	-	-
(c) property, plant and equipment	(2,227)	(2,227)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	29,433	29,433
	(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	25,206	25,206

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	3,704	3,704
3.6	Repayment of borrowings	(27,146)	(27,146)
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	(23,442)	(23,442)

4.	Net increase in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,901	12,901
4.2	Net cash used in operating activities (item 1.9 above)	(11,959)	(11,959)
4.3	Net cash used investing activities (item 2.6 above)	25,206	25,206
4.4	Net cash from financing activities (item 3.10 above)	(23,442)	(23,442)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,706	2,706

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	2,706	12,901
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)	2,706	12,901

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	679
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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	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)	79,092	41,797
7.2 Credit standby arrangements	-	-
7.3 Other (See Note 2 below)	42,750	22,611
7.4 Total financing facilities	121,842	64,408
7.5 Unused financing facilities available at quarter end (see Note 3)		57,434
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)	(11,959)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,706
8.3 Unused finance facilities available at quarter end (item 7.3)	20,139
8.4 Total available funding (item 8.2 + item 8.3)	22,845
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.9
<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?
	<p>Answer: No, net operating cashflows should be materially improved going forward. The September quarter was adversely impacted by \$10.0 million cash outflows in relation to the cessation of services at Cook Colliery. This is a non-recurring event. In addition, the September quarter was impacted by \$6.2 million in ATO Payment Plan repayments. The equivalent figure in the December quarter is expected to be \$5.1 million and then nil in subsequent quarters. The underlying net operating cashflow for the September quarter excluding these two items was \$4.2 million positive inflow.</p>

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: Not expected to be required at this time.

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: Yes, on the basis that the operating cashflow will not be impacted by such non-recurring items going forward, positive operating cashflows are expected and the Company expects to be able to operate within the agreed terms of its various financing arrangements.

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: 30 October 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 September 2023:

30 September 2023

	Facility Limit	Undrawn Amount
	\$'000	\$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	69,315	37,295
Equipment finance facility – interim facility (i)	6,085	-
	75,400	37,295
Loans - Unsecured		
Other finance facilities	1,661	-
Shareholder loan (iii)	2,031	-
Total Loans (7.1)	79,092	37,295
Other facilities - Secured		
Corporate credit card facility	970	958
Bank guarantee facility	1,780	557
Invoice finance facility (ii)	40,000	18,624
Total Other facilities – Secured (7.3)	42,750	20,139
Total facilities (7.4, 7.5)	121,842	57,434

(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 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) Invoice finance facility

There are two invoice finance facilities held with Westpac with a combined limit of \$40.0 million. The facilities have a draw down allowance of 80% of approved debtors and are due to mature 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 is subject to a variable rate of interest and matures on 1 October 2024. Repayment is required upon maturity and interest may, at Metarock's election, be capitalised monthly.