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30 April 2024

METAROCK GROUP LIMITED (ASX CODE: MYE)
QUARTERLY ACTIVITY REPORT – MARCH 2024

Highlights

- Continued positive operational and financial results achieved through the Group's well progressed turnaround plan.
- Strong operating cashflow performance for FY24 Q3 of $19.3 million versus a $(1.1) million net outflow in the prior quarter as a result of the good performance, combined with the unwinding of timing differences in working capital investment and nil ATO plan repayments (having concluded the latter in December 2023).
- Binding agreement (subject to conditions precedent) executed for the sale of PYBAR to Thiess at an enterprise value of $65 million with estimated net proceeds of $36.3 million available to Metarock on completion. The transaction completes the re-capitalisation of Metarock's balance sheet, expected to result in a net cash position at completion, establishing a robust growth platform to capitalise on the significant growth pipeline across its remaining business units.
- Revenue of $119 million in line with prior two quarters, generating EBITDA of $12.1 million (FY24 Q2: $13.5 million before profit on asset sales). FY24 YTD EBITDA (before profit on asset sales) of $37.5 million.
- Net debt at 31 March 2024 of $43.4 million, a decrease of $17.6 million from 31 December 2023 achieved through strong operating cashflow. Post completion of the PYBAR transaction, PYBAR's invoice finance and equipment finance facilities, with drawn balances collectively in the order of $26 million, will no longer reside in the Group.
- Westpac working capital facilities remain valid to 30 September 2024 with limits stepping down quarterly prior to facility maturity. Discussions well progressed with potential new financiers to replace the existing facilities.
- Cash at bank of $7.4 million at 31 March 2024 (an increase of $4.1 million over the prior quarter), together with up to $13.3 million of undrawn working capital facilities.

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Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company"), a Mining Services business specialising in underground operations, is pleased to release its Quarterly Activities Report (including unaudited results) and Appendix 4C for FY24 Q3.

Sale of PYBAR

On 18 March 2024, Metarock announced that it had entered into a binding Share Sale and Purchase Agreement ("SPA") to sell 100% of its interest in the PYBAR business ("PYBAR") to Thiess Pty Ltd, a wholly owned subsidiary of Thiess Group Holdings Pty Ltd ("Thiess") (the "Transaction").

Total headline consideration for the Transaction is $65 million on an enterprise value basis. Metarock estimates net cash proceeds from the Transaction will be approximately $36.3 million, after deducting PYBAR's outstanding debt and estimated transaction costs.

The Transaction is expected to deliver the following key benefits:

- The agreed purchase consideration represents compelling value for Metarock's shareholders;
- The Transaction completes the re-capitalisation of Metarock's balance sheet, expected to result in a net cash position at completion; and
- The Transaction establishes a robust growth platform which will enable Metarock to capitalise on the significant growth pipeline across its remaining business units. The Transaction accelerates the Company's growth plans and delivers tangible value to shareholders.

As announced on 24 April 2024, completion of the Transaction is now expected to occur on 31 May 2024, subject to the receipt of third party consents in respect of certain key customer contracts.

Upon completion of the sale of PYBAR, Metarock will comprise the Mastermyne business segment, which is a diversified mining services business trading through the following brands:

- Mastermyne, which provides a range of specialist mining services to the underground coal mining sector;
- Wilson Mining, which provides polymeric ground consolidation products and services to the hard rock and coal mining sectors; and
- MyneSight, which provides accredited training, mine induction services and compliance management solutions to mine operators.

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Operations

The financial results in FY24 Q3 reflected the Group's ongoing improved performance following the successful resolution of legacy issues, reduced debt burden and a firm refocus on core underground services operations.

Revenue of $119 million for the quarter was in line with the previous two quarters and generated EBITDA of $12.1 million (FY24 Q2: $13.5 million).

Mastermyne's operations at its existing projects in NSW and QLD including Narrabri, Moranbah North, Grosvenor and Aquila mines all performed well, whilst Wilson Mining had another good quarter supporting its clients' longwall operations.

Subsequent to the quarter-end, PYBAR was advised of its preferred tenderer status (subject to final contract negotiations) in relation to a tender process by AIC Mines Limited (ASX: A1M) for an extended term at its Eloise copper mine, combined with a planned new expansion into the nearby Jericho reserve.

The pipeline of opportunities for each of the Group's businesses remains strong.

Quarterly cashflows

At the end of FY24 Q3, Metarock had $7.4 million of cash and up to $13.3 million of undrawn working capital facilities[1].

Overall net cashflow for Q3 of $4.1 million represents a significant improvement on Q2 of $0.6 million inflow. Net cashflow for Q3 comprised:

- Cash inflows from operating activities of $19.3 million versus net outflow of $(1.1) million in Q2, due to:
    - Unwinding of working capital investment in Q2, which resulted in $11.9 million of additional customer receipts in Q3 versus the prior quarter;
    - Lower staff costs due to nil ATO payment plan repayments, which were concluded in December 2023 (Q2 payments totalled $5.0 million); and
    - Administrative and corporate costs decreased by $1.0 million in Q3 versus the prior quarter.
- Cash outflows from investing activities of $(1.5) million in Q3 versus inflows of $1.5 million in Q2, due to $3.0 million in repayments of the PYBAR deferred consideration, leaving a balance owing as at 31 March 2024 of $3.9 million. $2.1 million was received in relation to the part sale of Mastermyne's consumable products business.

[1] Invoice financing facility availability of funds for drawdown varies with the value of qualifying invoices.

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- Cash outflows from financing activities of $(13.7) million in Q3 versus inflow of $0.2 million in Q2 due to repayments of borrowings with no corresponding drawdown of borrowings which is consistent with the Company's turnaround plan of targeting lower gearing.

Please refer to the attached Appendix 4C for further details of the cashflows for FY24 Q3.

Debt facilities and position

The Group has access to several borrowing facilities with a total limit of $109.8 million, including invoice finance facilities, equipment finance facilities, shareholder loan and credit card/bank guarantee facilities.

Net debt as at 31 March 2024 was $43.4 million, a decrease of $17.6 million from 31 December 2023 achieved through the strong positive cash generation.

The amount of undrawn borrowing facilities at the end of FY24 Q3 was up to $59.0 million, of which up to $13.3 million relates to working capital facilities. Two invoice finance facilities are held with Westpac which have a combined limit of $34.6 million and a draw down allowance of 70% of approved debtors as at the quarter end. The facility limits and draw down allowance rate both step down further at the June quarter end ahead of the facilities maturing on 30 September 2024.

Metarock is well progressed in discussions with potential financiers in relation to the provision of new working capital facilities to replace the existing Westpac facilities.

Upon completion of the PYBAR divestment, the PYBAR invoice finance facility ($8.3 million at 31 December 2023) and approximately $18 million of equipment finance relating to PYBAR will no longer reside in the Group.

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 the following securities on issue:

- 306,525,971 ordinary shares following the issue announced to ASX on 16 January 2024 of 459,285 shares to Non-Executive Directors under the NED plan approved by shareholders at the 2023 AGM).
- 52,843,795 unquoted options with an exercise price of 23 cents (no change during the quarter).
- 14,818,241 performance rights following the below new issues approved at the 2023 AGM:

- 10,303,373 performance rights issued to senior staff, including Jeff Whiteman (CEO and Managing Director), on 8 February 2024; and
- 4,514,868 performance rights issued to Mr Jon Romcke (Executive Chairman) on 11 January 2024.

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

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Appendix 4C

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

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Name of entity	
Metarock Group Limited	
ABN	**Quarter ended ("current quarter")**
96 142 490 579	31 March 2024

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	134,363	384,876
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(35,191)	(118,833)
	(c) advertising and marketing	(53)	(106)
	(d) leased assets	(1,848)	(5,662)
	(e) staff costs	(73,091)	(236,143)
	(f) administration and corporate costs	(3,588)	(13,180)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	70	143
1.5	Interest and other costs of finance paid	(1,417)	(5,275)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	63	332
1.8	Insurance proceeds	-	93
1.9	**Net cash used in operating activities**	**19,308**	**6,245**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	(2,950)	(5,000)
	(b) businesses	-	-
	(c) property, plant and equipment	(660)	(3,908)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	2,119	2,119
	(c) property, plant and equipment	25	32,044
	(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**	**(1,466)**	**25,255**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	13,125
3.6	Repayment of borrowings	(13,735)	(50,873)
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**	**(13,735)**	**(36,986)**

4.	**Net increase in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,308	12,901
4.2	Net cash used in operating activities (item 1.9 above)	19,308	6,245
4.3	Net cash used investing activities (item 2.6 above)	(1,466)	25,255
4.4	Net cash from financing activities (item 3.10 above)	(13,735)	(36,986)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**7,415**	**7,415**

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	7,415	3,308
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)**	**7,415**	**3,308**

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)	80
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:

- $71k payments of rent for business premises to Watty Pty Ltd, a company owned by Mr A. Watts
- $284k payments to Directors in relation to remuneration including fees and salaries
- $50k payment of rent for business premises to M Resources
- $325k receipts from M Mining Pty Ltd for equipment hire.

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

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities (see Note 1 below)	73,366	27,720
7.2	Credit standby arrangements	-	-
7.3	Other (See Note 2 below)	36,450	23,105
7.4	**Total financing facilities**	109,816	50,825

7.5	**Unused financing facilities available at quarter end (see Note 3)**	58,991

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.

Note 1: Loan facilities comprise Equipment Finance term facilities and interim facilities and shareholder loans.

Note 2: 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.

See Appendix 1 for a description of Loan and Other facilities.

Note 3: 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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash used in operating activities (item 1.9)	19,308
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,415
8.3	Unused finance facilities available at quarter end (item 7.3)	13,345
8.4	Total available funding (item 8.2 + item 8.3)	20,760
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	*N/A*

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.

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*

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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: 30 April 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.

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Appendix 1

Metarock Group Limited had access to the following undrawn borrowing facilities at the March 2024 quarter end:

	Facility Limit	Undrawn Amount
	$'000	$'000
Loans - Secured		
Equipment finance facility – term facilities (i)	68,723	45,646
Equipment finance facility – interim facility (i)	2,105	-
	70,828	45,646
Loans - Unsecured		
Shareholder loan (iii)	2,538	-
Total Loans (7.1)	**73,366**	**45,646**
Other facilities - Secured		
Corporate credit card facility	200	178
Bank guarantee facility	1,650	217
Invoice finance facility (ii)	34,600	12,950
Total Other facilities – Secured (7.3)	**36,450**	**13,345**
Total facilities (7.4, 7.5)	**109,816**	**58,991**

(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 $34.6 million and a draw down allowance of 70% of approved debtors as at the quarter end. The facility limits and draw down allowance rate step down further at the June quarter end 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.