# METAROCK

## 1H FY2023 HALF YEAR RESULTS

Metarock Group Limited

ABN 96 142 490 579

- MARCH 2 0 2 3 -

# Overview

## 1H FY2023 Group overview

### OVERVIEW AND OPERATIONS

- **Period of consolidation:** 1H has focused on consolidation of the business following a period of rapid growth aimed at transforming the business into a diversified mining services contractor operating across a broad range of commodities specialising in underground services.
- **Core Mastermyne business:** continued to perform strongly, particularly with growth in the Wilson Mining business partially offset by slower ramp up of Cook production.
- **PYBAR business:** has underperformed since acquisition with fixed price contracts returning low or negative margins and underutilised equipment fleet. A number of these contracts have been terminated and new contracts being awarded on more favourable contract terms which will improve 2H results.
- **Crinum operations:** the contract continued to incur significant costs, resulting in termination of the contract effective 21 October 2022.
- **Management change:** implemented to focus on business consolidation and turnaround plan to deliver a return to profitability.

### FINANCIAL RESULTS

- Ongoing Crinum costs and non-recoveries, PYBAR contract underperformance and bad debt write-offs have placed considerable strain on the working capital position of the Group.
- Significant write-offs incurred in 1H FY2023 due to contract terminations and settlements, bad debts and impairment of PYBAR intangibles. This has resulted in a statutory loss for the 1H of $63.5 million and decreased net asset position by $63.7 million to $19.5 million at the end of the half-year.
- Working capital facilities have been extended to 30 September 2023 and expectation of longer term renewal with better 2H trading performance.

### RECAPITALISATION PLAN

- Equity injection – strategic investment by M Resources ($25 million), plus entitlement offer ($3.9 million).
- Asset sales to reduce debt – Coal Panel 1 divested, other asset sales ongoing.
- Review and management of Group overheads.

**1H FY2023 HAS SEEN A PERIOD OF CONSOLIDATION OF THE BUSINESS FOLLOWING A RAPID GROWTH STAGE**

- FOCUS GOING FORWARD ON PROFITABLE CONTRACTS AND RIGHT SIZING THE EQUIPMENT FLEET AND REDUCE GEARING
- RECAPITALISATION PLAN TO RESTORE WORKING CAPITAL POSITION TO PURSUE OPERATIONS GROWTH

# Safety focus

## Progressive improvement in safety outcomes

- Metarock is continuing to implement the recommendations from the organisational safety review which was commissioned by the Board. Current status is 65% complete.
- Greater focus on critical controls to prevent serious injury and fatality events.
- Critical risk control verification and procedural verification in the workplace has yielded strong examples that are improving safety outcomes for our people.
- Additional resources have been employed to conduct audits across the business and coach our people within the workplace.

# Statutory Versus Normalised Results

## 1H FY2023 result is significantly impacted by Crinum costs and write-offs, bad debts and PYBAR intangible impairments

$000

| Statutory to normalised results reconciliation 1H FY2023 | Statutory Results | Crinum Impact (Note 1) | PYBAR Impact (Note 2) | Other Costs (Note 3) | Normalised Results | Normalised Results 1H FY2022 (PCP) | Change |
|---|---|---|---|---|---|---|---|
| Revenue & other income (Note 4) | $261,672 | ($6,158) | - | - | $255,514 | $180,380 | $75,134 |
| EBITDA | ($50,034) | $19,194 | $37,796 | $1,819 | $8,775 | $16,613 | ($7,838) |
| EBITDA Margin | (19.1%) | - | - | - | 3.4% | 9.2% | |
| Depreciation | ($16,949) | - | - | - | ($16,949) | ($11,007) | ($5,942) |
| EBITA | ($66,983) | $19,194 | $37,796 | $1,819 | ($8,174) | $5,606 | ($13,780) |
| Amortisation | ($2,343) | - | - | - | ($2,343) | ($1,147) | ($1,196) |
| Net Finance Expenses | ($4,116) | - | - | - | ($4,116) | ($1,153) | ($2,963) |
| Profit Before Income Tax | ($73,442) | $19,194 | $37,796 | $1,819 | ($14,633) | $3,306 | ($17,939) |
| Income Tax | $9,980 | ($5,758) | ($5,006) | ($546) | ($1,330) | ($1,123) | ($207) |
| Net Profit After Tax | ($63,462) | $13,436 | $32,790 | $1,273 | ($15,963) | $2,183 | ($18,146) |

**1H FY2023 Normalisations**

| Note 1: Crinum normalisations (due to settlement agreement) | 000s |
|---|---|
| Write-off of pre-production costs and accrued revenue | $8,021 |
| Write-off of bad debts, P&E, inventory | $3,109 |
| Recovery costs expensed in 1H (not recovered) | $8,064 |
| **Total** | **$19,194** |

| Note 2: PYBAR normalisations | 000s |
|---|---|
| Write-off of obsolete inventory and surplus P&E | $6,059 |
| Thalanga bad debts write-off and intangible impairment | $7,093 |
| Impairment of goodwill and brand | $24,644 |
| **Total** | **$37,796** |

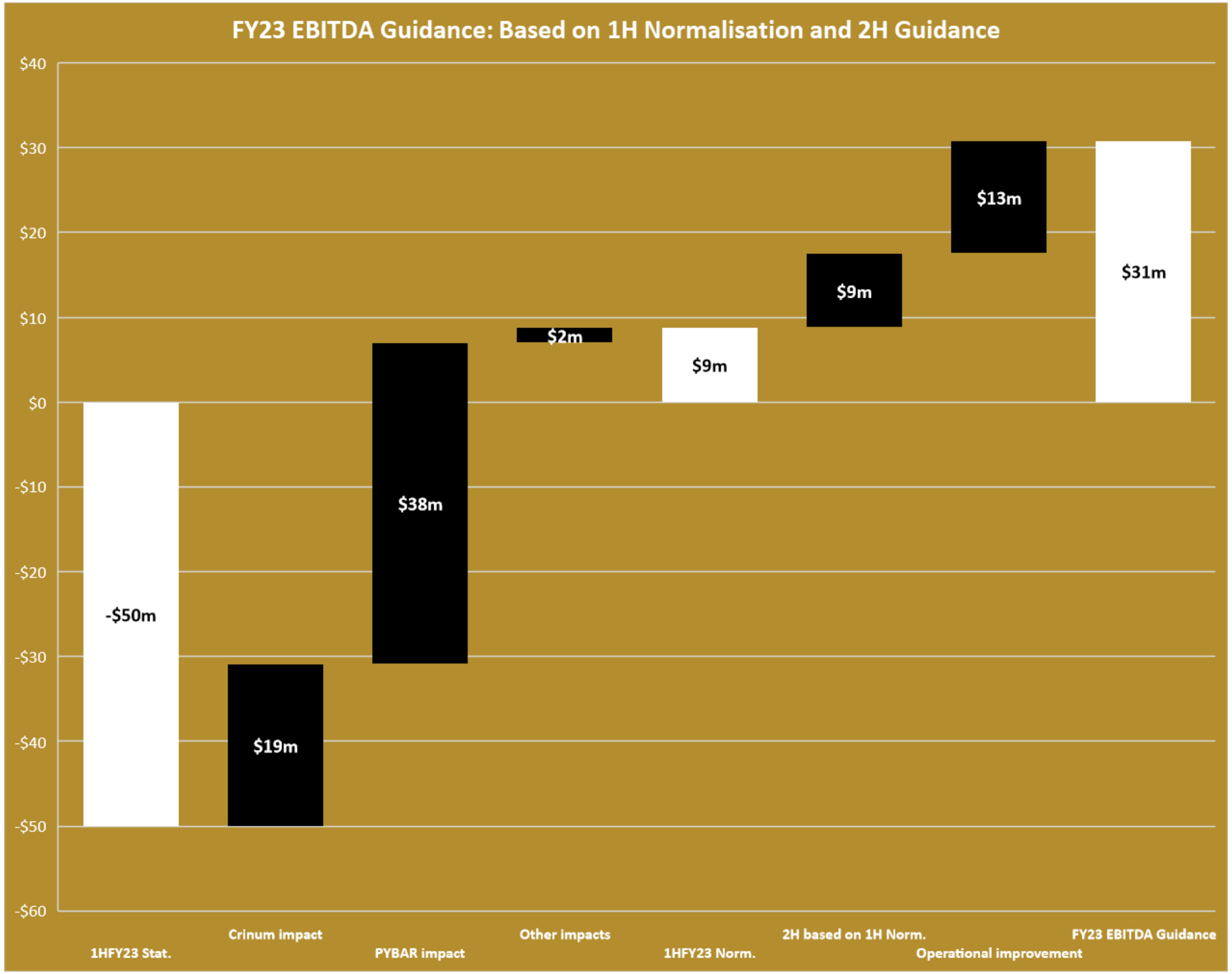
| Note 3: Other normalisations | 000s |
|---|---|
| Consulting & legal fees due to safety incidents | $319 |
| Other bad debt write-offs/provisions | $1,500 |
| **Total** | **$1,819** |

**Note 4: Increase in Revenue for 1H FY2023 v pcp due to**

- Full six month contribution from PYBAR (only 2 months in pcp)
- Ramp up of Cook coal mining operations (versus only early works in pcp)

# EBITDA BRIDGE

## FY2023 EBITDA Guidance revised to $31 million (prior guidance range of $34m to $40m)




**Comments:**

- 1H normalisations of $58.8 million, comprise:
  - Crinum write-offs and drift recovery costs of $19.2 million
  - PYBAR write-offs and intangible asset impairment of $37.8 million
  - Other costs and write-offs of $1.8 million
- Operational improvement in 2H expected from:
  - Mastermyne: Wilson Mining Services growth, Narrabri cut & flit and longwall services, and ongoing Cook contract ramp up
  - PYBAR: removal of unprofitable contracts and 2H contribution of new contracts including Rosebery services contract and Maxwell Mine drift construction
  - Overheads – measured cost-out savings

# Divisional Overview – Mastermyne

## Divisional performance impacted by Crinum, but core Coal Contracting business performed strongly

- Significant costs continued in 1H on Crinum drift recovery until termination of the contract in October 2022
- Deed of Settlement executed in February 2023 requiring significant write-offs in 1H, with no further financial impacts expected in future periods
- The Coal Contracting division has continued to see strong demand for its services underpinned by strong coal prices and Mastermyne's leading market position
- Contract portfolio remains underpinned by key contracts including Anglo, with new additions including Narrabri Cut & Flit and Longwall contracts with Narrabri
- Continued growth from Wilson Mining  business and final earn out payment completed in 1H
- Key challenge to growth continues to be attraction and retention of workforce given the highly competitive employment market
- Cook ramp up impacted by labour availability, with robust growth plan supported by the Client

**$151.8m**

**1H Normalised Revenue**

Up 10.9% on PCP

**($13.2m)**

**Statutory EBITDA**

Impacted by significant write-downs and impairments during the half-year

**$7.9m**

**Normalised* EBITDA**

Normalised for Crinum write-offs, other bad debts and legal costs

* After adding back normalisation adjustments noted on slide 4

# Divisional Overview – PYBAR

## 1H challenges from Peak and Thalanga contracts with much improved 2H outlook from new contract wins

- PYBAR 1H result was impacted materially by Thalanga insolvency event and onerous Peak contract
- PYBAR and Aurelia have reached a mutual agreement to terminate the Peak contract effective from 31 March 2023
- Rosebery Mine contract mobilising in March 2023, re-establishing an operating base for PYBAR in Tasmania
- Maxwell Coal mine contract due to commence in Q4 FY23
- Opportunity to optimise plant fleet composition through sale of idle assets (reducing debt service burden) combined with selective capital investment into new projects
- Whilst the PYBAR acquisition has not met initial expectations to date (resulting in significant impairment write-offs in 1H), the underlying strategy of diversification remains sound with the business now positioned for earnings growth

**$103.7m**

**1H Revenue**

Up 139% on PCP (only 2 months in prior period)

**($36.9m)**

**Statutory EBITDA**

Impacted by intangible impairments, write-offs and underperforming contracts

**$0.9m**

**Normalised* EBITDA**

Normalised for intangible asset impairment, Thalanga and other write-offs

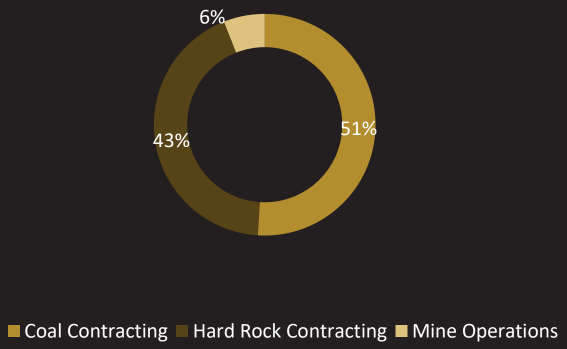
* After adding back normalisation adjustments noted on slide 4

# Group Outlook

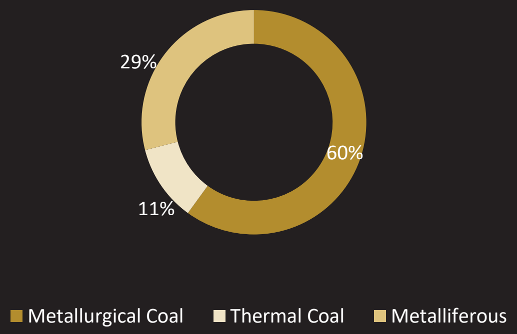
## Order book and pipeline has been refocused during the half year, prioritising profitable operations and contract terms

- Total order book currently stands at $1.1 billion (reduction from terminated contracts)
- 83% of forecast revenue in FY2023 is supported through the contracted order book
- A further ~3% of annual revenue is generated from recurring purchase order work
- $867 million of order book revenue remains post FY2023
- Tendering pipeline has been high-graded and currently stands at $888 million:
  - $456 million in Coal Contracting
  - $377 million in Hard Rock Contracting
  - $55 million in Mine Operations

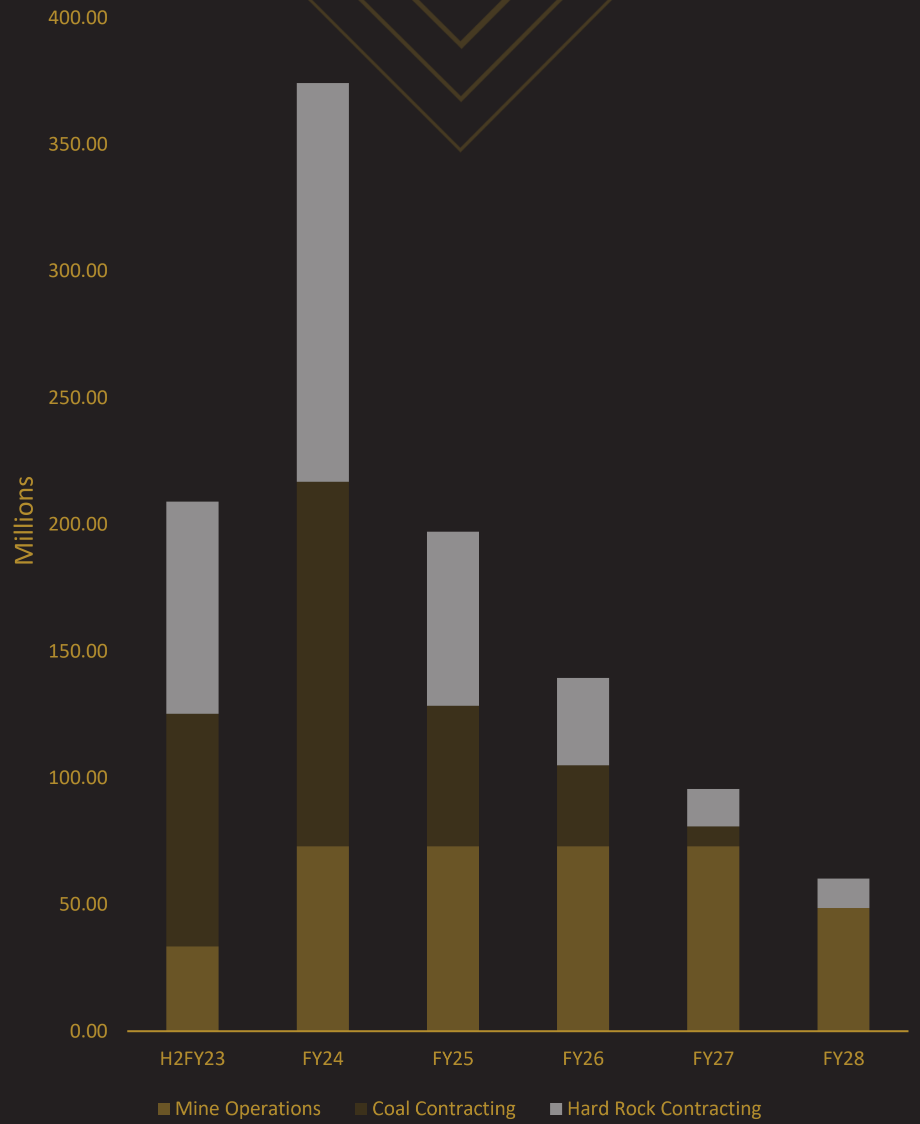
METAROCK TENDER PIPELINE




METAROCK COMMODITY SPLIT




ORDER BOOK



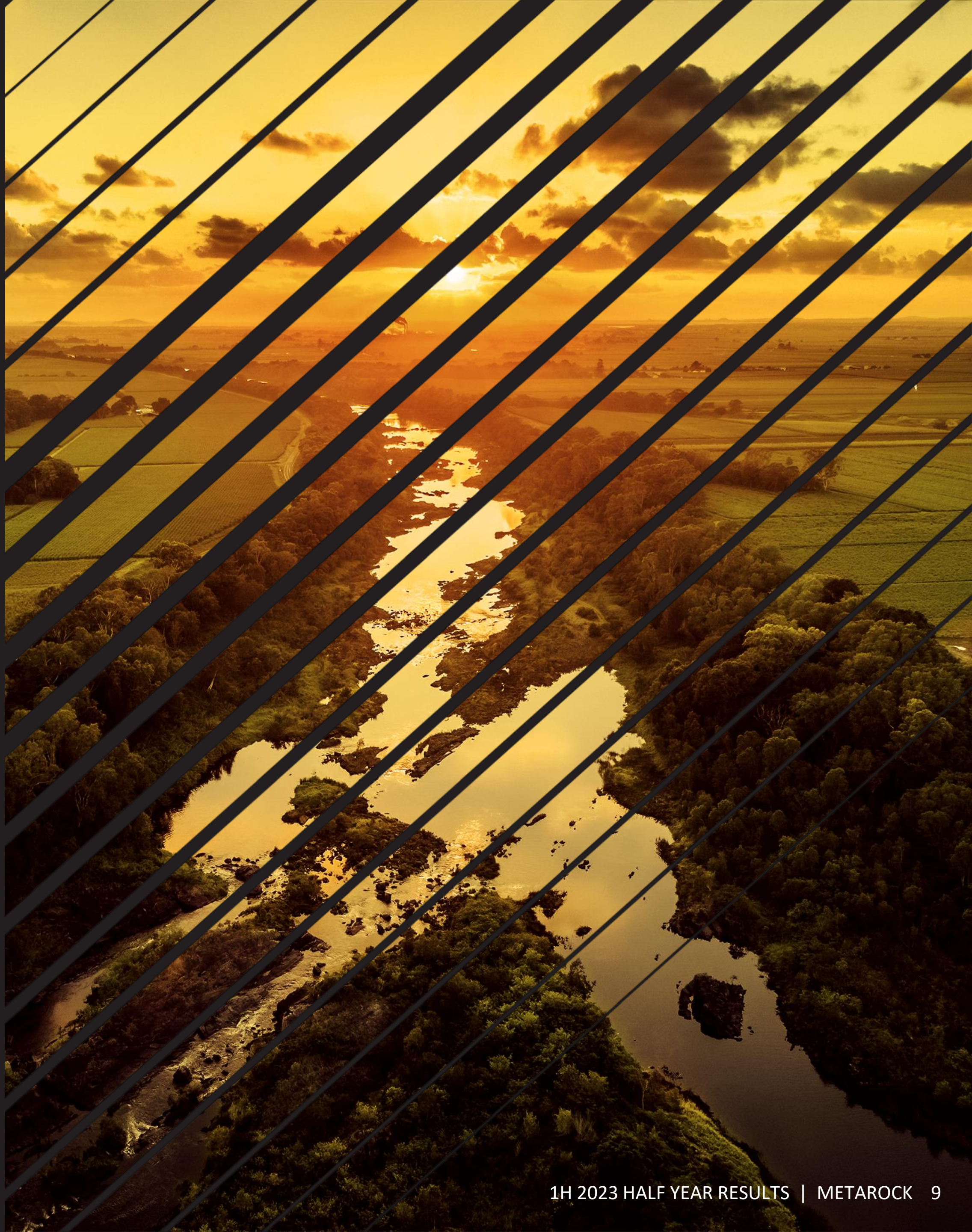
# Summary

## 2H FY2023 focus on pathway to return to profitability and balance sheet repair via recapitalisation plan

- 1H has focused on consolidation of the business following a period of rapid growth aimed at transforming the business into a diversified mining services contractor operating across a broad range of commodities specialising in underground services.
- Management change implemented to focus on business consolidation and turnaround plan to deliver a return to profitability.
- Working capital position to strengthen in 2H from improved operating performance (particularly PYBAR), ATO payment plan and reduced financing costs.
- Gearing will improve significantly from sale of Crinum capital and other Group surplus assets and equity injection.
- FY2023 EBITDA guidance adjusted to ~$31 million and Revenue guidance tightened to $490 million - $520 million to reflect contracts terminated during the 1H.

1H FOCUS ON CONSOLIDATION OF BUSINESS WITH 2H FOCUS ON TURNAROUND PLAN (REDUCE GEARING, IMPROVE CONTRACT PERFORMANCE AND REPAIR WORKING CAPITAL)

FY2023 GUIDANCE;
REVENUE TIGHTENED TO
$490 - $520 MILLION
AND NORMALISED EBITDA OF
~$31 MILLION



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APPENDIX

# 1H FY2023 Cash Flow

- Cash decreased by $1.6m in 1H FY2023
- Net operating cash flow was impacted by lower margins earned during the half year (particularly at PYBAR), ongoing recovery costs incurred at Crinum ($8.1 million), Crinum contracts assets and accrued revenue not recovered ($8.0 million) and Thalanga bad debts ($7.5 million) that were not converted to cash.
- These items were partially offset by a $12.5 million tax refund received during the half year. In addition, the Company entered into a payment plan with the ATO to address the working capital deficiency associated with the items above.
- Net capex of $11.5 million was incurred mainly to refurbish mining equipment originally intended for the Crinum contract which are now being prioritised for sale during 2H FY2023 to reduce gearing and improve working capital.

| $AUD (000's) | 1H FY2023 | 1H FY2022 |
|---|---|---|
| EBITDA (Statutory) | (50,034) | 8,684 |
| Movements in Working Capital | (7,097) | 15,068 |
| Non Cash Items | 50,796 | (654) |
| Net Interest Costs | (3,358) | (1,095) |
| Income Tax Receipts / (Payments) | 12,537 | (2,471) |
| Net Operating Cash Flow | 2,844 | 19,532 |
| Net Capex (Includes Intangibles) | (11,531) | (19,089) |
| Net Borrowings / (Repayments) | 10,906 | 4,329 |
| Payments for Acquisitions | (3,832) | (13,761) |
| Dividends Paid | - | (2,246) |
| Net Increase / (Decrease) in Cash and Cash Equivalents | (1,613) | (11,235) |
| Cash and Cash Equivalents at Beginning of Period | 5,229 | 24,389 |
| Cash and Cash Equivalents at End of Period | 3,616 | 13,154 |

# 31 December 2022 Balance Sheet

**Movements in assets:**

- Receivables decreased due to cessation of Crinum and Thalanga contracts (lower revenue)
- Tax refund (receivable at 30 June 2022) was collected in 1H FY23
- Property, plant and equipment decreased due to Crinum coal units being reclassified as held for sale
- Intangible assets decreased due to write-off of PYBAR goodwill and brand value

**Movements in liabilities:**

- Trade payables increased mainly due to ATO payment plan liability
- Borrowings increased mainly due to additional equipment finance facilities to refurbish Crinum mining units, refinance of PYBAR raisebore assets and shortfall in working capital from non-collection of bad debts
- Other liabilities decreased due to repayment of the final deferred consideration of Wilson Mining acquisition (deferred consideration for PYBAR acquisition is due in September 2023)

| $AUD (000's) | 1H FY23 (DEC) | FY22 (JUNE) |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | 3,616 | 5,229 |
| Trade and Other Receivables | 75,577 | 84,042 |
| Inventories and Contract Assets | 19,773 | 23,133 |
| Current Tax Receivables | - | 12,299 |
| Assets classified as held for sale | 28,572 | - |
| Total Current Assets | 127,538 | 124,703 |
| Deferred Tax Asset | 4,256 | - |
| Property, Plant and Equipment | 75,897 | 110,666 |
| Right-Of-Use Assets | 19,606 | 19,648 |
| Intangible Assets | 16,111 | 44,136 |
| Total Non-Current Assets | 115,870 | 174,450 |
| **Total Assets** | **243,408** | **299,153** |
| **Liabilities** | | |
| Trade and Other Payables | 75,264 | 69,246 |
| Borrowings | 55,792 | 62,981 |
| Lease Liabilities | 5,994 | 6,127 |
| Employee Benefits | 20,816 | 23,822 |
| Other Liabilities | 10,933 | 15,197 |
| Liabilities directly associated with assets classified as held for sale | 22,672 | - |
| Total Current Liabilities | 191,471 | 177,373 |
| Borrowings | 20,572 | 21,027 |
| Lease Liabilities | 11,177 | 11,201 |
| Deferred Tax Liabilities | - | 5,735 |
| Employee Benefits & Other Liabilities | 697 | 630 |
| Total Non-Current Liabilities | 32,446 | 38,593 |
| **Total Liabilities** | **223,917** | **215,966** |
| **Net Assets** | **19,491** | **83,187** |

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1H FY2023

RESULTS