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ASX Announcement

Metarock Group Limited Half Year FY2022 Results

Metarock Group Limited (ASX Code: MYE) ("Metarock" or "Company") is pleased to announce its Half Year FY2022 Results which is headlined by the transformational acquisition of hard rock mining specialist, PYBAR Mining Services. Through this acquisition and the progress made on the mine operations projects at Crinum Mine and Cook Colliery the Company is establishing itself as a diversified, specialised underground mining services group which is delivering a significant step up in earnings and margins.

Sadly, during the half there was a serious underground accident at the Crinum Mine project which resulted in the death of a work mate and colleague, Graham Dawson. This accident has had a profound impact on the business and its people and the Company has worked closely with all those impacted by the incident as it deals with this tragedy. In parallel the Company is progressing with a staged restart of the mine focusing on ensuring they are assessing the risks so that the project is recommencing safely and efficiently. Progress is now well advanced with production mining scheduled to commence in the fourth quarter of FY2022.

Key highlights of the FY2022 Half Year result are:

- Group revenue is on track to triple over an 18-month period from work already contracted
- Strong HY financial performance from the coal contracting business
- Metarock's forward order book has grown from \$1.1 billion to \$1.9 billion
- Delivered revenue of \$180 million (up 62% vs PCP)
- Normalised EBITDA* of \$16.6 million before one-off impacts representing a normalised EBITDA margin of 9.2%
- Cook Colliery Mining Services Agreement executed for 4 + 2 years at \$70 million per annum average revenue
- Subsidiary, PYBAR secured Maxwell Drifts Project commencing in FY2023 delivering approximately \$55 to \$65 million revenue over 12 months
- FY2022 revenue guidance \$450-480 million, normalised EBITDA guidance \$37-43 million*. (Previously \$475-510 million and \$48-54 million respectively)
- FY2023 revenue \$700-750 million and EBITDA \$80-95 million

During the six-month period the Company completed the acquisition of PYBAR Holdings Pty Limited (PYBAR) and renamed the Group to Metarock Group Limited, a name that reflected a new diversified mining services company specialising in underground services across a broad range of commodities.

*Normalised EBITDA – adjusted for Crinum delay and recovery costs and PYBAR transaction costs



The PYBAR business is highly complementary with MYE's core business of underground mining and expedites the Company's diversification strategy giving Metarock exposure to a broad suite of commodities with immediate scale and a national footprint. The acquisition comes with a workforce of 1,100+ highly skilled hard-rock employees and an order book of high-quality projects giving the Company a strong east coast presence and long-term relationships with Tier 1 clients such as Glencore (Mt Isa) and Newcrest (Cadia).

As part of the Metarock Group, accessing the resources of a public company PYBAR is now positioned to fully exploit its growth potential. Clients are overcoming hesitation in dealing with a private company and this is enabling access to larger, longer term contracts with Tier 1 clients as recently evidenced in the Malabar contract win, a major vote of confidence in the new larger business.

On completion of the acquisition the Company assumed \$50 million of equipment finance for a fleet of specialised late model hard-rock equipment. This fleet of equipment includes raise bore equipment and gives the Company a material point of differentiation when tendering on new work. The equipment finance is backed by the Original Equipment Manufacturer (OEM) and the fleet is hired directly to clients through the projects. Post the acquisition the Company undertook an independent equipment valuation which has resulted in an increase in fleet value from \$56 million to \$69 million.

Through this acquisition the Group has a significantly larger addressable underground market with a strong pipeline underpinned by unprecedented strength in the underlying global fundamentals of hard rock minerals.

In addition to the PYBAR acquisition, the Company has materially progressed its Mine Operations strategy. Operating mines in its own right opens up a significant new market which is continuing to grow as coal assets change hands from tier1 owners to junior miners and investment groups that don't have the capability to operate the assets. The Mine Operations division delivers long term, repeatable revenue and importantly will underpin an overall margin uplift across the business.

Whilst capital intensity is increased at start up stage, this initial capital commitment sustains long term increased returns, is equipment backed and underwritten through the contracts. FY2022 will see the peak of the capital investment for the Crinum and Cook mine operations with capex falling away sharply in FY2023 replaced by strong operating cash flow from these operations. The operating cash flow supports the focused repayment of debt with the Company forecasting gearing ratios to return below 1X EBITDA by the end of FY2023.

The Crinum incident impacted the Group results by ~\$7m for the six-month period which was a direct result of the 20-week delay and associated costs for recovery. The schedule now has first coal being delivered in the 4th quarter of FY2022 and progressively ramping up to full operations (three panels) by the 1st quarter of FY2023. Work completed over the half has been done with the full approval of the industry regulator giving the Company confidence that there will be no further delays in reaching the first production coal milestone.

The fall of ground event occurred close to the surface, impacting a small localised area in the access tunnels to the underground mining areas. The stability of the underground mining area is not subjected to the same geological conditions that caused the fall in the access tunnels and with this the Company has full confidence in achieving the mining productivities in the underground mining areas. The Company is making decisions that will accelerate the ramp up to full production by accelerating investment in mining equipment to recover the schedule. The current workforce stands



at 71, and will progressively ramp up over the next 6 months to a total of 180 people. The procurement and overhaul of key mining equipment remains on time to meet the schedule.

Cook has also progressed substantially, with the mining services agreement for 4 + 2-year term under a direct cost contract model executed early in second half. All infrastructure has been recommissioned and underground mining has commenced. The project currently has a workforce of 60 and will progressively ramp up over the next 6 months to 198 people. Production machines are purpose built bord and pillar miners specifically suited to the Cook coal seam and mining methodology.

The execution of this second Mine Operations contract underpins a significant step up in earnings and profit which will start to flow through in H2 FY2022 culminating in FY2023.

Outlook

The Company believes commodity prices will remain at attractive levels which will see mining services contractors continue to benefit from strong resource sector tailwinds. Pre-production exposed mining services (Drilling, Engineering, Construction) are currently experiencing strong results and production exposed businesses like the Metarock Group will continue to benefit from this current development activity. The Company believes it is early in the commodity cycle, particularly regarding “New Energy” materials. The total number of committed projects has grown sharply in recent years and many of them are related to gold, base, and other commodities. This is further supported by exploration activity, a strong leading indicator of project development, and exploration expenditure and metres drilled have recently climbed to decade highs.

This supports the PYBAR acquisition which has a strong growth outlook as the Australian underground hard rock sector invests heavily in forward facing commodities such as copper, nickel and zinc. The sector is underpinned by unprecedented strength in the long-term global fundamentals of hard rock minerals.

Alongside the strong outlook for commodities is the continuation of changing ownership of coal assets with many new owners opting to outsource underground operating capability. This creates a niche for contract miners who bring specialised services to unlock the value of these investments. The Company believes the outlook for its mine operations in coal is further supported by the difficulty with greenfield project approvals, meaning more reliance on brownfield development to meet market demand and with this, smaller remanent underground opportunities lend themselves to Contract miners with expertise and equipment to extract product utilising bord and pillar mining methods. Mastermyne is one of a very small number of contract operators who can supply this service and this has seen the Company successfully execute two contracts in this area with further projects in varying stages of development.

The Group's order book currently stands at \$1.9 billion with \$245 million to be delivered 2H FY2022. 83% of the FY2023 revenue is under contract with \$1.1 billion of order book revenue remaining post FY2023. The tendering pipeline currently stands at over \$2.0 billion with Coal Contracting contributing \$0.6 billion, Mine Operations \$1.0 billion and Hard Rock Contracting \$0.4 billion.

FY2022 guidance has been revised down due to the impact of the Crinum Mine accident and the early softer transitional performance from the PYBAR business. Revised FY2022 revenue guidance has been set at \$450-480 million with normalised EBITDA guidance of \$37-43 million. Previous guidance was \$475-510 million and \$48-54 million respectively.



The Company has issued FY2023 guidance with the revenue range of \$700-750 million and EBITDA \$80-95 million and this uplift reflects full year contribution from existing mine operations contracts and PYBAR.

In summing up the Company said

- We are in the early stages of a broad mining cycle
- The Growth in Operating Mines and Hard Rock Mining has transformed the business
- FY2022 is a year of investment that underpins a significant long term step up in revenue and margins
- The Crinum and Cook projects coming on line in H2 will see a material step up in operating cash flows
- The Company is well capitalised with undrawn facilities of \$117 million across equipment leasing and working capital facilities
- We have a clear capital management plan that underpins our targeted gearing ratio of 1x EBITDA by FY2023
- Guidance for FY2023 is revenue of \$700-750 million and EBITDA of \$80-95 million

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