METAROCK

Metarock Group Limited

ACN 142 490 579

Notice of General Meeting

TIME:	2:00pm (Queensland time)
DATE:	Thursday, 11 May 2023
PLACE:	Venue: The Pod Room at Capri by Fraser, 80 Albert Street, Brisbane QLD 4000 *and* Online: at https://meetings.linkgroup.com/MYEEGM23

This Notice, the accompanying Explanatory Statement, and the Independent Expert's Report should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Independent Expert's Report: You should carefully consider the Independent Expert's Report prepared by KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, Australian Financial Services Licence No. 246901, accompanying the Explanatory Statement at Annexure B for the purposes of the Shareholder approval required under item 7 of section 611 of the Corporations Act 2001 (Cth) (proposed by Resolution 1). The Independent Expert's Report concludes that the Conditional Placement the subject of this Notice of Meeting (Resolution 1), is not fair but reasonable to existing Shareholders, in the absence of a superior proposal.

Please call Andrew Ritter (Company Secretary), on 07 4963 0400 if you have any questions or queries.

Metarock Group Limited: Level 1 Riverside Plaza, 45 River Street, Mackay QLD 4740 // PO Box 1671, Mackay QLD 4740
Email: communication@metarock.com.au **Phone:** (07) 4963 0400 **www.metarock.com.au**
ABN: 96 142 490 579

METAROCK

11 April 2023

Metarock Group Limited (ASX Code: MYE) General Meeting

CHAIRMAN'S LETTER

Background

As announced to ASX on 17 March 2023, Metarock Group Limited (**Metarock** or **Company**) intends to undertake as part of its recapitalisation strategy an equity capital raising consisting of:

(a) subject to shareholder approval, a placement of:

  (i) 166,666,667 new fully-paid ordinary shares in the Company (**Placement Shares**);

  (ii) 51,282,051 options for the issue of ordinary shares in the Company (**Placement Options**),

  to M Mining Services Pty Ltd ACN 666 168 627 as trustee for M Mining Services Trust (**M Resources**) to raise approximately $25 million[1] (**Conditional Placement**); and

(b) a pro-rata non-renounceable entitlement offer of:

  (i) new fully-paid ordinary shares in the Company; and

  (ii) options for the issue of ordinary shares in the Company,

  to eligible shareholders of the Company to raise up to $3.9 million[1] (**Entitlement Offer**).

The above transactions (together, the **Capital Raising**) are subject to the satisfaction of a number of conditions, including the Company obtaining shareholder approval for the Conditional Placement at the general meeting.

The purpose of the Capital Raising, as part of the Company's recapitalisation strategy, is to improve cash flow, reduce net debt and leverage, and to support the Company's funding position.

M Resources is part of the M Resources Group, which is a privately owned group of companies with substantial investments in the Australian mining sector, in particular coal mining. A summary of M Resources and the effects of the Conditional Placement on the Company are set out in the Explanatory Statement accompanying this Notice of Meeting.

This Notice of Meeting seeks approval from Shareholders for the issue of the Placement Shares and the Placement Options under the Conditional Placement to M Resources.

I ask that you read the Notice of Meeting, the accompanying Explanatory Statement and the attached Independent Expert's Report carefully, and trust you will agree with the Board that this represents a prospective opportunity for the Company to improve its current position.

Attendance and voting at the Meeting

Metarock will hold a hybrid general meeting (**Meeting**) to give shareholders the ability to participate in the Meeting online.

The Notice of Meeting and Explanatory Statement are being made available to shareholders electronically. The Meeting Materials have been released through Australian Securities Exchange (**ASX**) and can be

[1] Excluding funds raised from any future exercise of Options.

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accessed online on the ASX market announcements page and on the Company's website: https://www.metarock.com.au/investor-centre/asx/.

The Meeting is to be held at 2:00pm (Queensland time) on Thursday, 11 May 2023 at The Pod Room at Capri by Fraser, 80 Albert Street, Brisbane QLD 4000 ***and online*** at https://meetings.linkgroup.com/MYEEGM23.

The online platform provided by the Company's share registry, Link Market Services, will allow shareholders to do all of the following online: view the Meeting, ask questions during the Meeting, and vote during the Meeting. Further details on how to participate online will be published on the Company's website.

Shareholders wishing to attend and vote online at the Meeting must ensure they have located their Shareholder number in advance of joining the Meeting. For security reasons, Shareholder numbers can only be sent by post to the Shareholder's registered address. They cannot be provided by email or phone. Shareholders can attend the Meeting without their Shareholder number but will not be able to vote or ask a question.

For those Shareholders who wish to ask a question or make a comment at the Meeting orally rather than via the online Meeting platform, a questions and comments phone line will be available during the Meeting. To utilise the questions and comments phone line, please call Link Market Services on 1800 990 363 (inside Australia) or +61 1800 990 363 (outside Australia) by 2:00pm (Queensland time) on Tuesday, 9 May 2023, to register your participation and obtain your phone PIN. For further guidance on how to join the Meeting online or access the phone question and comments facility, please refer to the Online Guide on the Company's website.

Even if you plan to attend the Meeting at the venue or online, we encourage you to submit either a direct vote or a proxy vote *ahead of the Meeting*, and as early as possible, so that your vote will still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Meeting that prevents you from attending online).

As a Shareholder you can either:

- lodge your direct vote or your proxy appointment *online* at https://investorcentre.linkgroup.com *or*
- complete and return to Link Market Services, in one of the ways listed in the Notice of Meeting, your hard-copy Shareholder Voting Form, in which you can choose to either vote direct or appoint a proxy.

In either case, your vote or your proxy appointment *must be received* by Link Market Services by 2:00pm (Queensland time) on Tuesday, 9 May 2023.

If you need assistance with lodgement of your voting instructions either online via https://investorcentre.linkgroup.com or through return of your Shareholder Voting Form, please contact Link Market Services as early as possible.

In the event that it is necessary for the Company to give further updates, information will be provided on the Company's website and lodged with the ASX.

Yours faithfully,

Colin Bloomfield
Chair

METAROCK GROUP LIMITED
ACN 142 490 579

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (**Meeting**) of shareholders of Metarock Group Limited (**Company** or **Metarock**) will be held as a hybrid meeting as follows:

Date:	Thursday, 11 May 2023
Time:	commencing at 2:00pm (Queensland time)
Venue:	The Pod Room at Capri by Fraser, 80 Albert Street, Brisbane QLD 4000
Online:	https://meetings.linkgroup.com/MYEEGM23

Notes relating to participation and voting, an Explanatory Statement containing information relating to the Resolution to be put to the Meeting, the Independent Expert's Report and a Shareholder Voting Form (which includes both a direct voting form and a proxy appointment form) accompany and form part of this Notice.

RESOLUTION

RESOLUTION 1 – Approval of Conditional Placement

To consider and, if considered appropriate, pass the following resolution as an ordinary resolution:

"That, for the purposes of Chapter 2E and item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders of the Company approve:

*(i) the issue of 166,666,667 fully-paid ordinary shares in the Company (**Placement Shares**) and 51,282,051 options for the issue of ordinary shares in the Company (**Placement Options**) to M Mining Services Pty Ltd ACN 666 168 627 as trustee for M Mining Services Trust (**M Resources**) on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting; and in doing so,*

(ii) the acquisition of a relevant interest in the voting shares of the Company up to a maximum of 62.5% by M Resources and its Associates,

as more particularly described in the Explanatory Statement."

Independent Expert's Report (IER): When considering this Resolution 1, it is recommended that Shareholders read the IER prepared by KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, Australian Financial Services Licence No. 246901 (**Independent Expert**) which is included in this Notice of Meeting at Annexure B. The Independent Expert has determined that the Conditional Placement is not fair but reasonable to existing Shareholders[2].

Resolution 1 is subject to the voting exclusions set out at the end of this Notice of Meeting.

By Order of the Board

Andrew Ritter
Company Secretary
11 April 2023

[2] In the absence of a superior proposal.

NOTES RELATING TO ATTENDANCE AND VOTING

Entitlement to Attend and Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), for the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7:00pm (Queensland time) on Tuesday, 9 May 2023. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If more than one joint holder of shares is present at the Meeting (whether personally, online, or by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

All decisions will be determined by poll

All items of business in the Notice of Meeting will be decided by way of a poll. On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

On a poll, if:

- *a shareholder has appointed a proxy (other than the Chair of the Meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and*
- *that shareholder's proxy is either not recorded as attending the Meeting or does not vote on the resolution,*

the Chair of the Meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.

All Shareholders will have the opportunity to ask questions at the meeting.

VOTING PROHIBITION STATEMENT

The Corporations Act 2001 (Cth) prescribes certain voting exclusions for the business of the meeting as described below.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 1.

If the Chair of the Meeting is a shareholder's proxy, either by appointment or by default, and the shareholder does not provide voting directions on Resolution 1, the Proxy Form expressly authorises the Chair of the Meeting to exercise the proxy in respect of Resolution 1.

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed.

Any undirected proxies that default to the Chair of the Meeting in such circumstances will be voted under the authority given in the Proxy Form.

Resolution 1 – Approval of Conditional Placement
Under Item 7 of section 611 of the Corporations Act, no votes may be cast in favour of Resolution 1 by the person proposing to make the acquisition and their associates.

In addition, under section 224(1) of the Corporations Act, no vote may be cast on Resolution 1 by a Related Party of the Company to whom Resolution 1 would permit a financial benefit to be given, or an associate of such a Related Party.

However, section 224(1) does not prevent the casting of a vote if:

(a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote; and

(b) it is not cast on behalf of a Related Party or associate of a kind referred to in section 224(1).

Accordingly, the Company will disregard any votes cast on Resolution 1 by M Resources and any of its Associates.

ATTENDING THE MEETING

To facilitate Shareholder participation in the Meeting, the Board has determined that Shareholders and Proxyholders can choose between attending at the Meeting venue or attending the Meeting electronically through the online platform at https://meetings.linkgroup.com/MYEEGM23 provided by the Company's share registry, Link Market Services.

Attending online

The Meeting will be viewable online from computers with access to the internet. Shareholders can register attendance and participate in the Meeting via computer by entering the URL for the online platform in their browser: https://meetings.linkgroup.com/MYEEGM23

A Shareholder or Proxyholder wishing to participate and vote online should log into the online platform at least 15 minutes prior to the scheduled start time for the Meeting using these instructions:

- Enter https://meetings.linkgroup.com/MYEEGM23 into a web browser on their computer or online device.
- Shareholders must enter the **Holder Identifier** (*Securityholder Reference Number* (SRN) or *Holder Identification Number* (HIN)) and postcode or country code registered for their shareholding as shown on their Shareholder Voting Form or Holding Statement.
- For those Shareholders who wish to ask a question or make a comment at the Meeting orally rather than via the online Meeting platform, a questions and comments phone line will be available during the Meeting. To utilise the questions and comments phone line, please call Link Market Services on 1800 990 363 (inside Australia) or +61 1800 990 363 (outside Australia) by 2:00pm (Queensland time) on Tuesday, 9 May 2023, to register your participation and obtain your phone PIN. Further guidance on how to join the Meeting online or access the phone question and comments facility, please refer to the Online Guide on the Company's website.
- Proxyholders must enter their Proxy Number which Link Market Services will provide via email no later than 24 hours prior to the Meeting.

Further information on how to participate virtually is set out in the Online Platform Guide at https://www.metarock.com.au/investor-centre/asx/.

Attending at the Meeting venue

Shareholders who attend at the Meeting venue should present their personalised Shareholder Voting Form on arrival to register their attendance at the Meeting. A Shareholder that does not present their Voting Form at registration prior to the Meeting will still be able to register and attend the Meeting if they verify their identity and eligibility in some other way acceptable to the Company.

Registration at the venue will commence from 1:30pm (Queensland time) on the day of the Meeting.

The Company may be required to restrict the number of persons, including Shareholders, that are permitted to enter the venue under health orders that may be in force at the time of the Meeting.

Technical difficulties when attending online

Technical difficulties may arise online during the course of the Meeting. The Chair of the Meeting has discretion as to whether and how the Meeting should proceed online in the event that a technical difficulty arises. In exercising such discretion, the Chair will have regard to the number of Shareholders impacted and the extent to which participation in the business of the Meeting is affected. Where the Chair considers it appropriate, the Company may continue to hold the Meeting and transact business online, including conducting a poll and voting in accordance with valid proxy instructions.

For this reason, even if they plan to attend the Meeting online, Shareholders are encouraged to submit either a direct vote or a proxy vote *ahead of the meeting*, as early as possible, and in any event before 2:00pm (Queensland time) Tuesday, 9 May 2023, so that their vote will still be counted if for any reason they cannot attend.

Proxies

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote on behalf of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy, that body corporate must ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- it provides satisfactory evidence to the Company's share registry of the appointment of its corporate representative.

If such evidence is not received at least 48 hours before the Meeting, ie by 2:00pm (Queensland time) Tuesday, 9 May 2023, then the body corporate (through its representative) will not be permitted to act as a proxy.

VOTING

Shareholders can vote in one of six ways:

1. by lodging a direct vote electronically online *before the Meeting*;
2. by lodging a direct vote *before the Meeting* using the Shareholder Voting Form that accompanies this Notice of Meeting;
3. by appointing a proxy *before the Meeting* to attend and vote on their behalf at the Meeting (with or without voting instructions) using the Shareholder Voting Form that accompanies this Notice of Meeting;
4. by appointing such a proxy electronically online (with or without voting instructions) *before the Meeting*; or
5. by attending and voting *at the Meeting*, online via the electronic meeting platform; or
6. by attending and voting *at the Meeting*, at the physical venue, either in person or by attorney or (if a corporate shareholder) corporate representative.

If using the Shareholder Voting Form:

A. A Shareholder using their Shareholder Voting Form for **direct voting** must mark the **Option A** box in Step 1 on the form, and is taken to agree to be bound by the direct voting rules adopted by the Board.

B. A Shareholder using their Shareholder Voting Form to **appoint a proxy** must mark the **Option B** box in Step 1 on the form, choose the person they appoint as proxy, and choose whether (or not) to give their proxy voting directions. Shareholders who appoint the Chair of the Meeting as their proxy are advised that the Chair intends to vote undirected proxies in favour of all resolutions in the Notice of Meeting.

Voting Options 1 & 2: Direct vote before the Meeting

Shareholders can vote directly on the resolution at the Meeting at any time from the date of this Notice of Meeting until 2:00pm (Queensland time) on Tuesday, 9 May 2023.

A Shareholder who lodges a direct vote is voting directly and not appointing a third party, such as a proxy, to attend and vote on their behalf.

*Shareholders can lodge a direct vote before the Meeting by voting online or by completing and lodging their Shareholder Voting Form (with **Option A** in Step 1 selected).*

1. Direct Vote Online

Shareholders can lodge direct votes online by visiting the Company's share registry website at https://investorcentre.linkgroup.com, going to the *Online Voting* page and following the prompts and instructions. To use the online direct voting facility, shareholders will need the **Holder Identifier** (*Security holder Reference Number* (SRN) or *Holder Identification Number* (HIN)) and postcode or country code registered for their shareholding as shown on their Shareholder Voting Form or Holding Statement.

Timing: For online direct votes to be effective, electronic lodgement must be complete by 2:00pm (Queensland time) on Tuesday, 9 May 2023, or if the Meeting is adjourned, at least 48 hours before its resumption in relation to the adjourned part of the Meeting.

2. Direct Vote by Shareholder Voting Form

Alternatively, shareholders can lodge direct votes by completing and lodging their Shareholder Voting Form (with **Option A** in Step 1 selected). They must follow the instructions and notes on the Form and should read the Metarock Group Limited Rules for Direct Voting at General Meetings which are available at https://www.metarock.com.au/company-profile/corporate-governance/.

The Shareholder Voting Form may be lodged with the Company by:

delivery to:	Link Market Services Limited Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150 (in business hours (Monday to Friday, 9:00am - 5:00pm)
or to:	the Company's registered office Level 1, 45 River Street, Mackay Qld 4740
mail to:	Metarock Group Limited c/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
fax to:	+61 2 9287 0309

Timing: For direct votes to be effective, the Shareholder Voting Form must be received by the Company's share registry by no later than 2:00pm (Queensland time) on Tuesday, 9 May 2023, or if the Meeting is adjourned, at least 48 hours before its resumption in relation to the adjourned part of the Meeting. A Shareholder Voting Form received after this time will be invalid.

Voting Options 3 & 4: Voting by Proxy before the Meeting

Shareholders can appoint (and direct) a proxy before the Meeting either online or by completing and lodging their Shareholder Voting Form (with **Option B** in Step 1 selected).

A shareholder who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for them. A proxy need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes, that shareholder may appoint up to two proxies to attend and vote on the shareholder's behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half. Fractions of votes will be disregarded. However, if both proxies are present at the Meeting, neither may vote on a show of hands.

3. Proxy Vote Online

A shareholder can appoint a proxy online by visiting the Company's share registry website at https://investorcentre.linkgroup.com, going to the *Online Voting* page and following the prompts and instructions. To use the online appointment facility, shareholders will need the **Holder Identifier** (*Security holder Reference Number* (SRN) or *Holder Identification Number* (HIN)) and postcode or country code registered for their shareholding as shown on their Shareholder Voting Form or Holding Statement.

Timing: For online appointment of a proxy to be effective, the appointment must be complete by 2:00pm (Queensland time) on Tuesday, 9 May 2023, or if the Meeting is adjourned, at least 48 hours before its resumption in relation to the adjourned part of the Meeting.

4. Proxy Vote by Shareholder Voting Form

Alternatively, a shareholder can appoint (and direct) a proxy by completing and lodging their Shareholder Voting Form before the Meeting with **Option B** in Step 1 selected.

Any shareholder who needs help with, or cannot locate, their Shareholder Voting Form is urged to contact Link Market Services as early as possible.

Shareholder Voting Forms will be supplied by the Company's share registry (Link Market Services) on request.

The Shareholder Voting Form must be signed by the shareholder or their attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act 2001 (Cth) or other applicable corporate legislation. In the case of shares jointly held by two or more persons, all joint holders must sign the Shareholder Voting Form.

Timing: For appointment of a proxy by Shareholder Voting Form to be effective, the completed Form must be received by the Company's share registry by no later than 2:00pm (Queensland time) on Tuesday, 9 May 2023, or if the Meeting is adjourned, at least 48 hours before its resumption in relation to the adjourned part of the Meeting. Shareholder Voting Forms received after this time will be invalid.

The Shareholder Voting Form may be given to the Company in any of the ways noted above.

Using powers of attorney

If a Shareholder has appointed one or more attorneys to attend and vote at the Meeting, or if the Shareholder Voting Form is signed by one or more attorneys, the power of attorney (or a certified copy of the power of attorney) must be received by the Company's share registry or the Company's registered office as set out above by no later than 2:00pm (Queensland time) on Tuesday, 9 May 2023, or if the Meeting is adjourned, at least 48 hours before its resumption in relation to the adjourned part of the

Meeting, unless the power of attorney has been previously lodged for notation with the Company's share registry. The attorney(s) must declare that no notice of revocation of appointment has been received.

Revocation of proxies

A revocation of any proxy (including an online proxy) or power of attorney must be received by the Company's share registry or the Company's registered office as set out above before commencement of the Meeting, or at the registration desk at the physical venue for the Meeting from 1:30pm (Queensland time) on the day of the Meeting until commencement of the Meeting.

Voting Options 5 & 6: attending and voting *at the Meeting*

Shareholders and Proxyholders attending and participating in the Meeting through the online platform or at the Meeting venue will be able to view the Meeting live, lodge a direct vote in real time and ask questions in real time, including through the online platform.

5. Direct vote while attending the Meeting via the online meeting platform

Shareholders and Proxyholders attending the Meeting via Link Group's online platform at https://meetings.linkgroup.com/MYEEGM23 will be able to vote directly through the online platform at any time from commencement of the Meeting (2:00pm Queensland time on Thursday, 11 May 2023) until the close of voting as announced by the Chair during the Meeting.

To use the online platform, shareholders will need the **Holder Identifier** (*Security holder Reference Number* (SRN) or *Holder Identification Number* (HIN)) and postcode or country code registered for their shareholding as shown on their Shareholder Voting Form or Holding Statement.

Information about how to use the online platform (including how to vote and ask questions online during the Meeting) is set out in the Online Platform Guide, which has been lodged with ASX and is available at https://www.metarock.com.au/investor-centre/asx/.

Shareholders and Proxyholders intending to participate in the Meeting via the online platform should ensure before the Meeting that the online platform works on their computer or device. Further instructions are provided in the Online Platform Guide.

6. Voting while attending at the Meeting venue

Shareholders and Proxyholders attending the Meeting at the venue must register their attendance upon arrival and produce suitable identification.

Those who plan to attend the Meeting at the venue are asked to arrive there 15~30 minutes prior to the designated commencement time for the Meeting so that their shareholding or appointment can be checked against the share register, their identity verified and their attendance registered.

If Shares are held jointly, only one joint holder may vote. If more than one joint shareholder votes, only the vote of the first person named on the Company's shareholder register counts.

If a shareholder that is a body corporate wishes to attend and vote at the Meeting venue, it must appoint an individual to attend and vote as its representative. The representative must bring to the Meeting a letter or certificate evidencing their appointment unless it has previously been provided to the Company or its share registry. A form of certificate of appointment may be obtained from the Company's share registry at https://www.linkmarketservices.com.au/corporate/resources/forms.html or from the address set out above.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to assist shareholders of Metarock Group Limited (**Company** or **Metarock**) to better understand the resolution to be put before shareholders at the Company's general meeting (**Meeting**) to be held on Thursday, 11 May 2023.

SUMMARY OF RECAPITALISATION

1. Background

On 17 March 2023, Metarock announced the key components of its strategy to recapitalise the Company after a series of one-off events, together with the crystallisation of a number of risks that were greater than anticipated, placed significant strain on the business' cashflow and balance sheet.

A fundamental element of the recapitalisation strategy is an equity capital raising to raise approximately $25.0-28.9 million[3] (**Capital Raising**), comprising:

(a) $25 million[4] strategic placement to M Mining Services Pty Ltd ACN 666 168 627 as trustee for M Mining Services Trust (**M Resources**), subject to shareholder approval (**Conditional Placement**); and

(b) a 1-for-5.2 pro rata non-renounceable entitlement offer to eligible Shareholders to raise up to $3.9 million (**Entitlement Offer**).

The Capital Raising forms part of Metarock's wider recapitalisation strategy, which includes the extension of its existing working capital facilities as announced to the ASX on 3 March 2023 and an asset sales program.

As set out in the Company's announcement dated 17 March 2023, specific details about the Entitlement Offer will be contained in the prospectus to be issued by the Company in relation to the Entitlement Offer.

This Explanatory Statement contains detailed information relating to the Capital Raising and the impact of the Conditional Placement. In addition, the Company has engaged the Independent Expert to consider the Conditional Placement (which forms part of the Capital Raising) from the point of view of the existing Shareholders. The Independent Expert has determined that **the Conditional Placement is "not fair but reasonable" to existing Shareholders**[5]. The Independent Expert has reached this decision after determining that, on balance, the likely advantages of the Conditional Placement outweigh the likely disadvantages. The Independent Expert's Report is attached to this Explanatory Statement as Annexure B.

A transaction such as that contemplated by Resolution 1 requires your approval at a general meeting before it can be implemented, and Shareholders are encouraged to read this Explanatory Statement and the accompanying Independent Expert's Report in their entirety before voting on the resolution set out in this Notice of Meeting.

2. Turnaround plan and recapitalisation

Background

A series of one-off events, together with the crystallisation of a number of risks that were greater than anticipated have necessitated a turnaround plan, including recapitalisation.

[3] Excluding funds raised from any future exercise of Options.
[4] Excluding funds raised from any future exercise of Options.
[5] In the absence of a superior proposal.

These one off-events included:

- *Crinum roof-fall:* In September 2021, a roof fall incident at the Crinum mine tragically resulted in one fatality on the site. The Company was subsequently engaged in protracted recovery work relating to the roof-fall incident and contractual disputes with the owner of Crinum. A full and final settlement announced was in February 2023. The total financial impact to Metarock, across FY22 and 1HFY23, was ~$37.8 million.
- *Loss making contracts acquired through the acquisition of PYBAR:* The acquisition of PYBAR in 2021 included two contracts that were loss-making. At the time of the acquisition, the nature of these contracts was known and it was viewed that these contracts could be turned around to return to a position of profitability. However, the assumptions made on the timing and effort to turn them into profitable contracts were not realised, resulting in losses over a longer period of time than anticipated. Metarock has exited both of these contracts with: (i) Cromarty Resources, the owner of the Thalanga mine, entering into administration in October 2022; and (ii) the Peak contract terminated by mutual agreement with the client, effective from 31 March 2023. The total financial impact to Metarock of these two contracts in 1HFY23 was ~$9.5 million, with these contracts also contributing to a general PYBAR inventory impairment in 1H FY23 of $3.4 million.
- *Underutilisation of PYBAR and Crinum fleet:* Since the acquisition of PYBAR in 2021, there has been a significant reduction in workscope at the Peak and Thalanga mine sites. Together with the Crinum roof-fall event, this has resulted in an underutilisation of the PYBAR and Crinum fleet, with the associated debt servicing costs further impacting the Metarock cashflows. Metarock has commenced a sales process for idle equipment.

The financial impact of these one-off events has necessitated a number of measures to improve cash flow and created the requirement for a substantial equity injection.

<u>Turnaround Plan – Stage One</u>

In response to these challenges, a turnaround plan has been initiated which has delivered a pathway to return the business to previous levels of stability and profitability and set the business up for future growth.

The key elements of the turnaround plan include:

- appointment of a new management team who commenced in late 2022 (new management team outlined below);
- termination and settlement of the Crinum contract (impact of which is outlined above);
- in the PYBAR business, exiting the Thalanga contract and terminating the Peak contract by mutual agreement (impact of which is outlined above);
- sale of idle plant, including the Crinum coal equipment and idle hardrock equipment. The sale of coal equipment is underway, with the first panel of major equipment divested to a third party in February 2023. In addition, Metarock has commenced a sales process for idle equipment in the hard rock business to further reduce debt and consequently the debt servicing burden; and
- a recapitalisation of the business to improve liquidity and net debt positions (outlined below).

Recapitalisation

Recapitalisation is a fundamental element of the turnaround plan to improve cash flow, reduce net debt and secure the Company's funding position. This is being achieved through:

- the equity Capital Raising of $25.0-28.9 million[6] and interim debt financing of up to ~$10.4 million (as outlined in the Company's announcement dated 17 March 2023);
- an extension of existing working capital facilities (announced on 3 March 2023); and
- an asset sales programme which is ongoing (including the first major asset sale announced on 22 February 2023).

Turnaround Plan – Stage Two

Post the recapitalisation of the business, there are additional number of initiatives which are expected to be undertaken to consolidate the business and position it for future growth. These include:

- Significantly improved working capital position with ongoing program to reduce net debt and gearing: The equity Capital Raising of $25.0-28.9 million will provide additional working capital for MYE, with a portion of the proceeds applied to the reduction of net debt. M Resources has also agreed to provide interim debt financing of up to ~$10.4 million to provide additional short term working capital for the period to completion of the transactions contemplated in the Subscription Agreement (subject to typical conditions precedent). Metarock has also received a credit-approved extension of existing working capital banking facilities to 30 September 2023, subject to typical conditions precedent, together with active discussions in relation to the optimal structure of ongoing facilities beyond that date.
- Contract risk vs reward balance: A renewed focus on avoiding contracts where the reward (profitability) is not commensurate with the risk (safety, commercial, financial) that is being taken, improved assessment of risk, margins, profitability and ROIC for all new project tenders, and a focus on maintaining a balanced contract portfolio approach, having regard to capital and operational resources.
- Measured cost-out programme: Metarock intends to implement a measured cost-out program to drive efficiencies, enhance profitability and reduce cash outflow to deliver synergies across the group.

Commencement of implementation of these initiatives is currently underway, with the benefits expected to be realised across 2H FY23 and FY24.

New Management Team

In response to the challenges outlined above, a new management team was appointed in late 2022. The new management team includes:

- Paul Green, Managing Director (Commenced October 2022): Paul joined Mastermyne in March 2020, and was appointed CEO of Coal Contracting in November 2021. He has over 25 years' experience in operational management, strategic and organisational change roles in the Australian coal mining industry. He previously held General Manager and Site Senior Executive roles in QLD underground (longwall and bord and pillar) and open cut mines and in NSW underground (longwall) coal mines.
- Jeff Whiteman, Chief Financial Officer (Commenced November 2022): Jeff joined Metarock Group in November 2022 as CFO. He is a senior finance professional with extensive experience in civil contracting and contract mining, strategic planning, mergers and acquisitions and capital structuring. Jeff was previously the CFO of a large

[6] Excluding funds raised from any future exercise of Options.

Queensland based civil and mining contractor and Executive General Manager of the largest drill and blast contractor in Australia. He also has prior ASX200 CFO experience with a leading agribusiness.

- James Glover, Chief Executive Officer PYBAR (Commenced as CEO in June 2022): James joined PYBAR in November 2021 as COO. He has 25 years' operational and project management experience across underground mining and civil tunnelling in Australia and internationally, working with Tier 1 and 2 mining organisations in Project Director and Project Manager roles. Has been involved in a number of mergers and acquisitions, and turnaround plans.

Continuing core operations are performing well

Notwithstanding the impact of the one-off events, the continuing core operations of the business are performing well:

- Mastermyne (Coal Contracting): The founding coal contracting business, which has continued to perform well, has won a number of contract extensions/wins in FY23 to date;
- Mastermyne (Whole of Mine): The ramp-up of Cook Operations is ongoing, albeit challenged by availability of labour. The contract is on a 'cost plus' basis and remains profitable;
- PYBAR: Following the termination of adverse contracts, the remaining portfolio is profitable and performing in line with expectations, with new contracts including Rosebery services contract and Maxwell mine drift construction expected to contribute to operational improvement in 2H FY23.

The Board and senior management of Metarock believe that the actions outlined above will put the business in an improved position upon which to rebuild its profitability and position Metarock for future growth.

3. Debt repayment obligations

As set out in the Company's Interim Financial Report as at 31 December 2022 (released on 17 March 2023) and the Quarterly Activity Report – December 2022 (released on 31 January 2023), the Company:

- had $30.9 million in asset financing facilities due to be refinanced or repaid (through assets sales) over the period to 31 December 2023;
- had $24.7 million outstanding under its invoice finance facilities which expire on 30 September 2023;
- entered into a repayment plan with the Australian Tax Office on 19 January 2023 to repay $20.5 million of BAS and PAYG obligations (accrued between September and November 2022) on a monthly basis over the period February to December 2023; and
- is due to pay approximately $8.9 million in deferred consideration for the PYBAR acquisition to the vendors of the PYBAR business on 1 September 2023.

In light of those requirements, the Company is seeking to raise additional equity funding under the Capital Raising.

4. Sources and uses of funds raised under the Capital Raising

The Capital Raising, if completed, is expected to raise gross proceeds of $25.0 - 28.9 million. The sources and uses of funds raised under the Capital Raising are as follows:

Sources of funds (A$m)	Fully subscribed Entitlement Offer	50% subscribed Entitlement Offer	0% subscribed Entitlement Offer
Conditional Placement proceeds	25.0	25.0	25.0
Entitlement Offer proceeds	3.9	2.0	0.0
Total	**28.9**	**27.0**	**25.0**

Uses of funds (A$m)	Fully subscribed Entitlement Offer	50% subscribed Entitlement Offer	0% subscribed Entitlement Offer
Repayment of asset finance facility	4.8	4.8	4.8
Working capital and net debt reduction	21.8	20.0	18.1
Transaction costs	2.3	2.2	2.1
Total	**28.9**	**27.0**	**25.0**

Note: Conditional Placement and Entitlement Offer proceeds exclude funds raised from any future exercise of Options issued under the Conditional Placement and Entitlement Offer.

5. Impact of the Capital Raising on the financial position of Metarock

On completion of the Capital Raising, Metarock is expected to receive net proceeds of approximately $22.7-26.6 million (being the total amount raised of $25.0 - 28.9 million[7] less transaction costs of $2.2-2.3 million).

The Capital Raising will provide additional capital to the Company, increase liquidity and reduce the Company's net debt position, and provide the Company with a strong financial base which underpins the future stability and growth of the business.

Set out below is the audited Consolidated Balance Sheet of the Company as at 31 December 2022 and a Pro Forma Consolidated Balance Sheet assuming completion of the Capital Raising.

[7] Excluding funds raised from any future exercise of Options.

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31 December 2022 ($A '000s)	Statutory (audited)	Debt and Payables adjustments[1]	Proforma (unaudited) before Equity	Conditional Placement[2]	Proforma (unaudited) after Conditional Placement	Entitlement Offer[3]	Proforma (unaudited) after Capital Raising
Assets							
Cash and Cash Equivalents	3,616	-4,065	-449	22,526	22,077	0 - 3,705	22,077 - 25,782
Trade and Other Receivables	75,577		75,577		75,577		75,577
Inventories and Other Assets	19,773		19,773		19,773		19,773
Assets classified as held for resale	28,572	-11,393	17,179		17,179		17,179
Total Current Assets	**127,538**	**-15,458**	**112,080**	**22,526**	**134,606**	**0 - 3,705**	**134,606 - 138,311**
Deferred Tax Asset	4,256		4,256		4,256		4,256
Property, Plant and Equipment	75,897	1,723	77,620		77,620		77,620
Right-Of-Use Assets	19,606		19,606		19,606		19,606
Intangible Assets	16,111		16,111		16,111		16,111
Total Non-Current Assets	**115,870**	**1,723**	**117,593**		**117,593**		**117,593**
Total Assets	**243,408**	**-13,735**	**229,673**	**22,526**	**252,199**	**0 - 3,705**	**252,199 - 255,904**
Liabilities							
Trade and Other Payables	75,264	-5,943	69,321		69,321		69,321
Borrowings	55,792	295	56,087		56,087		56,087
Lease Liabilities	5,994		5,994		5,994		5,994
Employee Benefits	20,816		20,816		20,816		20,816
Other Liabilities	10,933		10,933		10,933		10,933
Liabilities directly associated with assets classified as held for sale	22,672	-10,143	12,529		12,529		12,529
Total Current Liabilities	**191,471**	**-15,791**	**175,680**		**175,680**		**175,680**
Borrowings	20,572	1,178	21,750		21,750		21,750
Lease Liabilities	11,177		11,177		11,177		11,177
Employee Benefits	697		697		697		697
Total Non-Current Liabilities	**32,446**	**1,178**	**33,624**		**33,624**		**33,624**
Total Liabilities	**223,917**	**-14,612**	**209,305**		**209,305**		**209,305**
Net Assets	**19,491**	**878**	**20,369**	**22,526**	**42,895**	**0 - 3,705**	**42,895 - 46,600**
Equity							
Share capital	87,904		87,904	22,526	110,430	0 - 3,705	114,135
Other reserves	-23,942		-23,942		-23,942		-23,942
Retained earnings/(accumulated losses)	-44,471	878	-43,593		-43,593		-43,593
Total Equity	**19,491**	**878**	**20,369**	**22,526**	**42,895**	**0 - 3,705**	**42,895 - 46,600**

1. Includes debt and payables adjustments post 31 December 2022 to account for sale of Crinum panel 1, ATO debt repayments to date and Rosebery capex and asset finance to date.

2. Net of transaction costs.

3. Range shown depicts net proceeds expected to be received by Metarock from the Entitlement Offer, based on a range of outcomes between fully unsubscribed to fully subscribed, i.e. $0.0-3.9m in gross proceeds less $0.0-0.2m in incremental transaction costs.

4. Assumes that the interim debt facility made available by M Resources remains undrawn. If drawn, the proceeds of the Conditional Placement will be applied to repay the interim debt facility at completion of the Conditional Placement.

METAROCK

6. Equity capital structure of Metarock following completion of the Capital Raising

The effect on the capital structure of Metarock if Resolution 1 is passed and each of the Conditional Placement and the Entitlement Offer are successfully completed is summarised below.

Current capital structure (as at date of this Notice)	Number of securities	% of securities
Ordinary Shares on issue	130,992,547	97.5%
Performance Rights on issue [1]	3,332,007	2.5%
Options on issue	Nil	0.0%
Total Ordinary Shares (on a fully diluted basis)	**134,324,554**	**100.0%**

Post Conditional Placement (excluding impact of Performance Rights[1])	Excluding the impact of Options		On a diluted basis after Options	
	Number of securities	% of securities	Number of securities	% of securities
Total Ordinary Shares on issue	130,992,547	44.0%	130,992,547	37.5%
Ordinary Shares issued to M Resources under Conditional Placement	166,666,667	56.0%	166,666,667	62.5%
Options issued to M Resources under Conditional Placement	-		51,282,051	
Total Ordinary Shares post Conditional Placement	**297,659,214**	**100.0%**	**348,941,265**	**100.0%**

Post Conditional Placement [2]	Excluding the impact of Options		On a diluted basis after Options	
	Number of securities	% of securities	Number of securities	% of securities
Total Ordinary Shares (on a diluted basis after Performance Rights[1 2])	134,324,554	44.6%	134,324,554	38.1%
Ordinary Shares issued to M Resources under Conditional Placement	166,666,667	55.4%	166,666,667	61.9%
Options issued to M Resources under Conditional Placement	-		51,282,051	
Total Ordinary Shares post Conditional Placement	**300,991,221**	**100.0%**	**352,273,272**	**100.0%**

Post Capital Raising, assuming fully subscribed Entitlement Offer [2]	Excluding the impact of Options		On a diluted basis after Options	
	Number of securities	% of securities	Number of securities	% of securities
Total Ordinary Shares (on a diluted basis after Performance Rights[1 2])	134,324,554	41.1%	134,324,554	34.8%
Ordinary Shares issued to M Resources under Conditional Placement	166,666,667	51.0%	166,666,667	56.4%
Options issued to M Resources under Conditional Placement	-		51,282,051	
Ordinary Shares issued under Entitlement Offer (assuming fully subscribed)	26,000,000	8.0%	26,000,000	6.7%
Options issued under Entitlement Offer (assuming fully subscribed)	-	-	8,000,000	2.1%
Total Ordinary Shares post fully subscribed Entitlement Offer	**326,991,221**	**100.0%**	**386,273,272**	**100.0%**

Post Capital Raising, assuming 50% subscribed Entitlement Offer [2]	Excluding the impact of Options		On a diluted basis after Options	

	Number of securities	% of securities	Number of securities	% of securities
Total Ordinary Shares (on a diluted basis after Performance Rights[1,2])	134,324,554	42.8%	134,324,554	36.4%
Ordinary Shares issued to M Resources under Conditional Placement	166,666,667	53.1%	166,666,667	59.0%
Options issued to M Resources under Conditional Placement	-		51,282,051	
Ordinary Shares issued under Entitlement Offer (assuming 50% subscribed)	13,000,000	4.1%	13,000,000	3.5%
Options issued under Entitlement Offer (assuming 50% subscribed)	-	-	4,000,000	1.1%
Total Ordinary Shares post 50% subscribed Entitlement Offer	**313,991,221**	**100.0%**	**369,273,272**	**100.0%**
Post Capital Raising, assuming 0% subscribed Entitlement Offer [2]	**Excluding the impact of Options**		**On a diluted basis after Options**	
	Number of securities	**% of securities**	**Number of securities**	**% of securities**
Total Ordinary Shares on issue (on a diluted basis after Performance Rights[1,2])	134,324,554	44.6%	134,324,554	38.1%
Ordinary Shares issued to M Resources under Conditional Placement	166,666,667	55.4%	166,666,667	61.9%
Options issued to M Resources under Conditional Placement	-		51,282,051	
Ordinary Shares issued under Entitlement Offer (assuming 0% subscribed)	-	-	-	-
Options issued under Entitlement Offer (assuming 0% subscribed)	-	-	-	-
Total Ordinary Shares post 0% subscribed Entitlement Offer	**300,991,221**	**100.0%**	**352,273,272**	**100.0%**

1. *See section 13.3 of this Explanatory Statement regarding the vesting of Performance Rights.*
2. *On a diluted basis after Performance Rights, assuming full vesting and exercise of all existing Performance Rights.*

7. Rationale for the Capital Raising

The Board believes that the Capital Raising is in the best interests of Shareholders as it:

- forms an integral part of the Company's turnaround and recapitalisation strategy;
- will have the effect of significantly reducing the Company's net debt position and improving liquidity;
- introduces an aligned cornerstone investor, with deep coal sector insights throughout the value chain and potential to leverage this relationship for new contract opportunities;
- allows Metarock to continue to operate as an independent entity on an arm's length basis;
- allows the appointment of three persons nominated by M Resources to the board of the Company (including an independent chair), which the Board anticipates will bring considerable financial and corporate experience to the table and add significant value to Metarock going forward.

8. Impact if Resolution 1 is not approved

The Board believes that the Conditional Placement is in the best interest of Shareholders for the reasons outlined in detail in sections 7 and 10 and the advantages set out in section 15.10 of this Explanatory Statement. Principally, the Conditional Placement demonstrates support and validation of Metarock's business, management and assets from a seasoned investor in the mining industry that will complement the existing business and provide future opportunities. If Resolution 1 is not approved, then there would be significant adverse consequences.

(a) Capital Raising does not proceed

If Resolution 1 is not passed by Shareholders:

(i) the Conditional Placement will not proceed;

(ii) the Entitlement Offer will be withdrawn;

(iii) no new Directors will be appointed to the Board;

(iv) Shareholders will retain their current equity interest in Metarock and no new Shares or Options will be issued to M Resources or to any existing Shareholders.

Metarock will therefore not receive net cash proceeds of approximately $22.7-26.6 million (net of costs of the Capital Raising).

(b) Significant risk of default on repayment obligations

If Resolution 1 is not passed by Shareholders, the Company will still be obligated to refinance or repay various amounts, including those summarised in sections 3 and 10(b).

If the Capital Raising is not successful, in order to meet its repayment obligations outlined above, the Company would need to raise additional equity capital via alternative funding sources. Metarock has been working on its capital management strategy for over 12 months and there have been a number of incomplete and preliminary attempts to secure alternative funding sources during this period that have been unsuccessful.

Over the last 3 months, Metarock, with assistance from its advisers, has coordinated a competitive process to seek proposals from potential cornerstone investors to underpin a capital raising. This process culminated in Metarock accepting M Resources' commitment to subscribe for Shares and Options which, together with the Entitlement Offer, presents the most timely offer, and at a valuation equal to or higher than other proposals received, to recapitalise the Company. As at the date the Notice of Meeting was printed, Metarock had not been presented with any alternative binding proposals for its recapitalisation.

If Resolution 1 is not passed by Shareholders, Metarock would need to raise additional equity capital via alternative funding sources within a relatively short timeframe, or else it would likely not be in a position where it is able to meet its debt repayment obligations or provide working capital to fund its ongoing operations.

(c) Board of Directors

As announced to the market on 17 March 2023, Metarock and M Resources have entered into a Subscription Agreement which sets out the terms and conditions of the Conditional Placement. Pursuant to the Subscription Agreement, M Resources has the right to nominate 3 persons to the Metarock Board (including an independent chair) at any time following completion of the Conditional Placement. If Resolution 1 is not passed, these persons would not join the Board.

RESOLUTION 1 - APPROVAL OF CONDITIONAL PLACEMENT

9. Conditional Placement to M Resources

As announced to the market on 17 March 2023, Metarock and M Resources have entered into a Subscription Agreement which sets out the terms and conditions of the Conditional

Placement. Pursuant to the Conditional Placement, the Company has agreed to allot and issue to M Resources:

(a) 166,666,667 Shares at an issue price of $0.15 per Share; and

(b) 51,282,051 Options at an exercise price of $0.23 per Option.

A summary of the material terms of the Subscription Agreement is set out in Annexure C to this Explanatory Statement.

Completion of the Conditional Placement is subject to Metarock obtaining Shareholder approval for the Conditional Placement, as proposed in this Notice of Meeting.

Pursuant to the terms of the Subscription Agreement, Metarock has also agreed that three persons nominated by M Resources will be appointed to the Board of Metarock as Directors (including an independent chair). It is currently intended that these appointments will be made following the completion of the Conditional Placement and will be ratified at the Company's next general meeting, along with the retirement of Colin Bloomfield, Gabriel Meena and Julie Whitcombe.

M Resources does not presently have a relevant interest in any of the Company's Shares, and has given a warranty to this effect in the Subscription Agreement. However, if Shareholders approve the Conditional Placement and completion of the Subscription Agreement occurs, M Resources will have a relevant interest in 166,666,667 Shares representing a voting power in the Company of at least 51% upon completion of the entire Capital Raising. M Resources will also have a relevant interest in 51,282,051 Options. Shareholders are referred to sections 6 and 13.1 of this Explanatory Statement for further details of the voting power of M Resources as a result of approval and completion of the Conditional Placement.

10. Rationale for the Conditional Placement

The Conditional Placement forms part of the overall Capital Raising and therefore the rationale for the Capital Raising in section 7 above applies to the Conditional Placement.

In addition to the rationale for the Capital Raising as a whole, the Board believes that the Conditional Placement is in the best interests of Shareholders as it:

(a) provides a material equity capital investment of $25 million to the Company at a time when there is extremely limited availability of alternate sources of equity capital to Metarock. Metarock has been working on its capital management strategy for over 12 months and there have been a number of incomplete and preliminary attempts to secure alternative funding sources during this period that have been unsuccessful. The use of funds will be primarily for working capital and debt reduction purposes. Without such a capital injection, Metarock would likely be in a position where it is not able to meet its debt repayment obligations or provide working capital to fund its ongoing operations;

(b) if the interim debt facility (provided by M Resources at the Company’s request and secured against certain plant items) is drawn, and if Shareholder approval for the Conditional Placement is not received, then Metarock would be required to repay that facility by 7 July 2023. At present there are limited alternatives to refinance this amount and there exists material risk that this could not be refinanced. A summary of the material terms of this interim debt facility is attached as Annexure D to this Explanatory Statement;

(c) demonstrates support and validation for Metarock's business, management and assets from a seasoned investor in the mining industry that will complement the existing business and provide future opportunities;

(d) will provide the benefit of having a supportive cornerstone investor with significant financial capacity, which should improve Metarock's ability to raise capital in the future in respect of its existing or new projects; and

(e) allow the appointment of three persons nominated by M Resources to the Board of the Company (including an independent chair), which the Company anticipates will bring considerable financial and corporate experience to the table and add significant value to Metarock going forward.

In addition, the Independent Expert has determined that the Conditional Placement **is not fair but reasonable to existing Shareholders**[8]. The Independent Expert has reached this decision after determining that on balance the likely advantages of the Conditional Placement outweigh the likely disadvantages. The Independent Expert's Report is attached to this Explanatory Statement as Annexure B. Shareholders are urged to read the Independent Expert's Report in full.

11. Risks of the Conditional Placement

If Shareholders approve the Conditional Placement and completion of the Conditional Placement occurs, Metarock will be subject to the following key risk factors:

(a) Change of control

Metarock will issue 166,666,667 Shares and 51,282,051 Options to M Resources. As a result of the successful completion of the Conditional Placement, M Resources will have a relevant interest in at least 51% of the issued Share capital of the Company (post completion of the Capital Raising). This will give M Resources voting power in the Company of at least 51% (at least 56.4% inclusive of exercise of Options) upon completion of the entire Capital Raising - see sections 6 and 13.1 for full details) and the resulting ability to block an ordinary resolution of Shareholders of the Company. This may discourage a potential bidder from proposing a merger by scheme of arrangement or making a takeover bid for the Company subsequent to the Conditional Placement.

There is a risk that M Resources could use its voting power to pursue interests which may differ from other Shareholders. However, the Board has no reason to believe that M Resources' interests differ from other Shareholders.

(b) Material contracts

Certain material contracts of the Company may contain provisions which prohibit or otherwise give counterparties termination or other rights in the event of a change of control of the Company. There is a risk that the change of control that will occur as a result of the successful completion of the Conditional Placement will give rise to termination or other rights for the counterparties under such provisions.

(c) Board composition

Following the completion of the Conditional Placement it is intended that three nominees of M Resources will be appointed to the Board (including an independent chair) and the three current independent Directors of the Company (Colin Bloomfield, Gabriel Meena and Julie Whitcombe) will retire.

Recommendation 2.4 of the Corporate Governance Principles states that the majority of the board of a listed entity should be independent directors. As a result of the proposed changes to the Board, the Company will only have one independent Director following completion of the Conditional Placement, and therefore will not be in strict compliance with the Corporate Governance Principles.

[8] In the absence of a superior proposal.

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(d) Distribution of dividends

Following the completion of the Conditional Placement, as a majority Shareholder of the Company, M Resources would have the ability through its Shareholding to determine the dividend policy of the Company.

(e) Related Party transactions

Upon completion of the Conditional Placement, M Resources will be considered a Related Party of the Company, which may give rise to a perception of conflict should the parties enter into transactions in the future. The Corporations Act and the Listing Rules contain provisions regulating the terms upon which a company is able to do business with Related Parties. In certain circumstances, Shareholder approval would be required for potential transactions between Metarock and M Resources that are not on arm's length terms.

12. Information relating to M Resources

12.1. Business of M Resources

M Resources Group is a privately owned group of companies with substantial investments in the Australian mining sector, in particular coal mining.

Established in 2011, M Resources Group specialises in trading and marketing coking coal, including hard coking coal, semi hard coking coal, semi soft coking coal and PCI for steel manufacturing. The M Resources Group also offers consulting services to steel manufacturers, banks, investors and other industry players in every aspect of the metallurgical coal business and facility operations.

The M Resources Group has substantial investments in Stanmore Resources Limited and Bowen Coking Coal Limited, as well as a 50% joint venture interest in Millennium Mining Complex. The M Resources Group also has a 50% joint venture interest in One Rail Australia Holdings, a large heavy coal haulage provider in New South Wales and Queensland.

12.2. Leadership team

Key members of M Resources Group's leadership team are:

- President and Founder: Matthew Latimore;
- Chief Investment Officer: Aidan Meka;
- Chief Operating Officer: Murray Smith;
- Chief Commercial Officer: Tim Peirce.

12.3. Ownership of M Resources

M Resources is wholly owned by Matthew Latimore.

12.4. Intentions of M Resources

M Resources' intentions regarding the future of the Company if Shareholders approve the Conditional Placement and if the Capital Raising is successfully completed are to hold a strategic investment in the Company consistent with M Resources' business of investing in the Australian mining industry. M Resources intends to support the Company in operating the Company's business consistent with the Company's existing strategies and initiatives, including the turnaround plan described in section 2 of this Explanatory Statement.

M Resources has no current intention to seek to do any of the following:

(a) change the incumbent senior management, with the exception of the appointment of three nominees of M Resources as Directors of the Company (including an independent chair). Shareholders should also note that the three current non-executive Directors of the Company (Colin Bloomfield, Julie Whitcombe and Gabriel Meena, each of whom is an independent Director) intend to retire from the Board upon completion of the Conditional Placement;

(b) change the nature of the Company's business;

(c) inject further capital into the Company;

(d) make any changes to the future employment of the Company's present employees;

(e) transfer any of the property of the Company or its Related Bodies Corporate to M Resources or M Resources' Related Bodies Corporate;

(f) redeploy any of the fixed assets of the Company or its Related Bodies Corporate; or

(g) change significantly the financial policies of the Company.

In respect of changes to the dividend distribution policy of the Company, as outlined in section 11(d) of this Explanatory Statement, through its Shareholding post completion of the Conditional Placement M Resources will have the ability to determine the dividend policy of the Company. The Company's dividend distribution policy will be reassessed by the Board after completion of the Capital Raising, however due to the current financial position it is not expected that a dividend will be paid to Shareholders in the short term.

12.5. Additional information

Additional information with respect to the business, history and activities of the M Resources Group can be located online at www.mresources.com.au.

13. Other impacts of Resolution 1 on Metarock

The Conditional Placement forms part of the Capital Raising and the Company's broader turnaround plan.

In addition to those matters identified elsewhere in this Explanatory Statement (in particular, the impacts if the Capital Raising does not proceed as outlined in section 8 of this Explanatory Statement), the following matters should also be considered by Shareholders.

13.1. Voting power of M Resources

As at the date of this Notice of Meeting, neither M Resources nor any of its associates has:

(a) a relevant interest in the Company; or

(b) any voting power in the Company,

and M Resources has given a warranty to this effect in the Subscription Agreement.

Upon completion of the allotment and issue of the Placement Shares and the Placement Options under the Conditional Placement, M Resources will have a relevant interest in a total of 166,666,667 Shares and 51,282,051 Options. Accordingly, the voting power of M Resources (and each of its Associates) in the Company will increase to a maximum of 55.4% (i.e. upon completion of the Conditional Placement, and prior to exercise of its Options - inclusive of Options, this would represent 61.9% voting power in the Company). Following the successful completion and issue of additional Shares and Options under the Entitlement Offer, M Resources and its Associates will hold a minimum voting power in the Company of 51.0% (minimum 56.4% inclusive of exercise of Options).

13.2. Impact on control and governance

On successful completion of the entire Capital Raising, M Resources will have a voting power of at least 51% in the Company (or at least 56.4% inclusive of exercise of Options). In addition, pursuant to the Subscription Agreement (summarised in Annexure C of this Explanatory

Statement), M Resources will be entitled to nominate three individuals for appointment to the Board, including an independent chair. It is currently intended that these appointments will be made following the completion of the Conditional Placement (along with the retirement of Colin Bloomfield, Gabriel Meena and Julie Whitcombe) and will be ratified at the Company's next general meeting.

With respect to future deliberations of the Board, under the Company's corporate governance policies, each Director is obliged to disclose if circumstances arise where they may have a conflict of interest in a matter that relates to the affairs of the Company. In addition, the Board has adopted procedures to exclude Directors from the decision-making process or from receiving relevant Board papers on those matters.

The Directors note that, under the Corporations Act and the Listing Rules, Metarock and its Directors will be required to:

(a) seek Shareholder approval for any transaction between the Company and M Resources, where required by the Corporations Act or the Listing Rules;

(b) comply with laws relating to conflicts of interest by Directors and exclusion from voting in relation to matters in which a Director has a material personal interest when considered by the Board; and

(c) comply with the legal requirement to act in good faith in the best interests of Metarock and its Shareholders.

13.3. Vesting of Performance Rights

Pursuant to the Performance Rights Plan, there are currently 3,332,007 Performance Rights on issue.

The issue of the Placement Shares upon completion of the Conditional Placement will constitute a change of control for the purposes of the Performance Rights Plan. The existing Performance Rights currently on issue may vest fully or on a proportionate basis upon the occurrence of a change of control pursuant to the terms of the Performance Rights Plan and the exercise of the Board's discretion. The Board has determined that all 3,332,007 of those Performance Rights will vest and accordingly result in the issue of that number of additional ordinary Shares in the Company following completion of the Conditional Placement.

14. Chapter 2E of the Corporations Act

14.1. Related Party transaction

Under Chapter 2E of the Corporations Act, a public company must not 'give a financial benefit' to a Related Party, unless it has obtained shareholder approval for the giving of that benefit or one of the exceptions set out in sections 210 to 216 of the Corporations Act applies.

Under section 228 of the Corporations Act, a person or other entity will be a Related Party of a company in the following relevant situations (amongst others):

- 228(1) - the person or entity controls the company;
- 228(6) - the person or entity believes or has reasonable grounds to believe that it is likely to become a Related Party of the company of a kind referred to in sections 228(1) to (4) at any time in the future.

Section 229 of the Corporations Act defines 'giving a financial benefit' broadly and includes issuing securities to a Related Party.

As at the date of this Notice of Meeting, M Resources and its Associates do not have any existing shareholding in the Company or other commercial relationship with the Company.

Notwithstanding this, the Board is of the view that M Resources is a Related Party of the Company for the following reasons:

(a) If the completion of the Conditional Placement occurs, M Resources will hold a majority of the Shares on issue (irrespective of the outcome of the Entitlement Offer) and will have certain Director appointment rights as outlined in this Explanatory Statement. As a result, the Board considers that M Resources is likely to be in a position to exercise control of the Company following completion of the Conditional Placement and the Entitlement Offer.

(b) Although M Resources would not obtain control until completion of the Conditional Placement, such that it would only be a Related Party of the Company under section 228(1) of the Corporations Act at that time, the Board considers that M Resources would currently have reasonable grounds to believe that it will become a Related Party of the Company in the future under section 228(1). Accordingly, M Resources would be a Related Party of the Company at present under section 228(6).

Shareholder approval is therefore sought for the purposes of Chapter 2E of the Corporations Act for the issue of the Placement Shares and the Placement Options to M Resources (which amounts to the giving of a financial benefit to M Resources).

14.2. Listing Rule 10.11

The Board notes that shareholder approval is ordinarily required under Listing Rule 10.11 for the issue of equity securities to a Related Party.

However, Exception 12 in Listing Rule 10.12 provides that approval is not required for the issue of equity securities under Listing Rule 10.11 if the issue is to a person who would not otherwise be a Related Party but for the fact that they believe, or have reasonable grounds to believe, that they are likely to become a Related Party in the future because of the agreement or transaction for that issue of equity securities.

Exception 6 in Listing Rule 10.2 also provides an exception to Listing Rule 10.11 for issues approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

Accordingly, Shareholder approval is not required for the Conditional Placement under Listing Rule 10.11.

15. Item 7 of section 611 of the Corporations Act

15.1. Background

Section 606 of the Corporations Act prohibits a person from acquiring a "relevant interest" (as defined in sections 608 and 609 of the Corporations Act) in issued voting shares in a listed company if, because of the transaction, that person's or someone else's "voting power" (as defined in section 610 of the Corporations Act) in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) where a person acquires a relevant interest in a company's voting shares with the approval of the company's shareholders obtained in accordance with the requirements of item 7.

Under section 608 of the Corporations Act, a person will have a relevant interest in securities if:

(a) the person is the registered holder of the securities;

(b) the person has the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) the person has power to dispose of or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Resolution 1 seeks Shareholder approval under item 7 of section 611 of the Corporations Act for the Conditional Placement. Listing Rule 7.1 prevents a company from issuing shares representing more than 15% of a company's equity securities, unless approved by the company's shareholders. However, Listing Rule 7.2 (Exception 6) provides an exception to Listing Rule 7.1 for issues approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, the Company is not required to seek Shareholder approval for the Conditional Placement under Listing Rule 7.1.

For the exception in item 7 of section 611 of the Corporations Act to apply, shareholders of the company must be given all information known to the person proposing to make the acquisition or that person's Associates, or known to the company, that is material to the decision on how to vote on the resolution. In addition, in *ASIC Regulatory Guide 74: Acquisitions approved by members*, ASIC has indicated additional information to be provided to shareholders in these circumstances.

The information set out below is required to be provided to Shareholders pursuant to item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for the issues of the Placement Shares and the Placement Options to M Resources. Shareholders are also referred to the Independent Expert's Report prepared by the Independent Expert annexed to this Explanatory Statement as Annexure B.

15.2. Details of M Resources and its Associates

Information regarding M Resources and its Associates is set out in section 12 of this Explanatory Statement.

15.3. Timing for completion of Conditional Placement

It is expected that, if Shareholder approval is given for the Conditional Placement, the Placement Shares will be issued on or about Monday, 22 May 2023.

The Placement Options will be issued to M Resources at the same time as Entitlement Options are issued under the Entitlement Offer, which is currently expected to be on or about Thursday, 15 June 2023.

15.4. Allottee and current voting power

The allottee of the Placement Shares and the Placement Options will be M Resources. Details of the maximum extent of the increase in voting power in the Company of M Resources and its Associates, and their actual voting power following completion of the Conditional Placement, are set out in sections 6 and 13.1 of this Explanatory Statement.

15.5. Identity of persons who will have a relevant interest in the Placement Shares and the Placement Options

On completion of the Conditional Placement, M Resources, as the registered holder of the Placement Shares, will have a relevant interest in the Placement Shares. It is intended that the Placement Options will be issued to M Resources at the same time as Entitlement Options are issued under the Entitlement Offer, at which point M Resources will have a relevant interest in the Placement Options.

Details of the relevant interest of M Resources as at the date of this Explanatory Statement and upon the allotment and issue of the Placement Shares and the Placement Options (and completion of the Capital Raising) are set out in section 13.1 of this Explanatory Statement.

15.6. Board of Directors

Pursuant to the Subscription Agreement, upon completion of the Conditional Placement M Resources will have the right to nominate three persons to be appointed to the Board as Directors, including an independent chair. It is currently intended that these appointments will be made following the completion of the Conditional Placement (along with the resignation of Colin Bloomfield, Gabriel Meena and Julie Whitcombe) and will be ratified at the Company's next annual general meeting.

M Resources has nominated Murray Smith to be appointed to the Board as a Director. As required by ASIC Regulatory Guide 74, details of Murray Smith are set out in the table below. M Resources is currently considering who else it intends to nominate to be appointed as Directors, including an independent chair, and has not yet made any such decision or nomination. Once M Resources has decided on the two individuals it intends to nominate to be appointed as Directors, including an independent chair, the Company will make an announcement to the ASX setting out the relevant details of these individuals.

Name	Murray Smith
Qualifications and relevant professional or commercial experience	Murray holds a Bachelor's degree in Agricultural Economics, a Graduate Diploma in Applied Finance and Investment, and a RG146 Qualification in Superannuation. Murray is also a Graduate of the Australian Institute of Company Directors. Murray Smith is a highly experienced business executive with over 30 years of experience in senior executive and board roles across the resources, financial services, government administration and childcare services industries. Murray brings a wealth of expertise in board strategy and risk and financial governance, enabling companies to define and execute value. He has served as a Director of multiple Australian Prudential and Regulatory Authority (APRA) governed personal insurance companies (RAAI, RACTI, RACWA), the New Zealand based AA Insurance, large community sporting bodies (Rugby League Brisbane) and community-based not-for-profit organisations (Jabiru Child Care and Community Services). He currently serves as a Chief Operating Officer of M Resources Group with responsibility for co-ordinating and leading the M Resources Group's corporate functions including strategy and finance. Prior to his current roles, Murray served as a Statutory Officer of the Queensland Government where he was responsible for the Financial Provisioning Scheme in respect of the State's $13 billion rehabilitation exposure across the resources sector. Murray also brings significant senior executive experience across the resources and financial sector having worked for large ASX listed companies (including BHP, Aurizon,

	Leighton Holdings subsidiary Thiess and Suncorp), with a focus on group strategy, M&A and P&L accountabilities.
Any associations that the proposed director has with M Resources or any of its Associates	Murray Smith is the Chief Operating Officer of the M Resources Group.
Any interest that the proposed director has in the proposed Conditional Placement or any other relevant agreement that is conditional on (or directly or indirectly depends on) Shareholders' approval of the Conditional Placement	None

Pursuant to the Subscription Agreement, upon completion of the Conditional Placement M Resources will also have the right to nominate up to two individuals as observers of the Board.

The initial Board observers nominated by M Resources will be Matthew Latimore and Aidan Meka.

15.7. Allottee's intentions regarding the future of the Company

The current intentions of M Resources in relation to the future of the Company if Shareholders approve Resolution 1 are set out in section 12.4 of this Explanatory Statement.

15.8. Terms of the Conditional Placement

The Placement Shares will, once issued, rank pari passu with all other Shares.

Shares issued upon exercise of the Placement Options will rank pari passu with all other Shares.

A summary of the key terms of the Subscription Agreement is set out in Annexure C to this Explanatory Statement.

The proposed terms of issue of the Options (including the Placement Options) are set out in Annexure E to this Explanatory Statement.

15.9. Directors' recommendation

The Independent Expert has concluded that the Conditional Placement **is not fair but reasonable to existing Shareholders**[9]. The Independent Expert reached this decision after determining that on balance the likely advantages of the Conditional Placement outweigh the likely disadvantages. The Independent Expert's Report is attached to this Explanatory Statement as Annexure B.

The Directors have considered the Independent Expert's Report, in particular the opinion that the Conditional Placement is **not fair but reasonable to the existing Shareholders**[10], together with the advantages and disadvantages of the Conditional Placement included in this Explanatory Statement and the attached Independent Expert's Report. In the Directors' opinion based on the Company's present circumstances, the advantages of the Conditional Placement considerably outweigh the disadvantages.

[9] In the absence of a superior proposal.
[10] In the absence of a superior proposal.

Accordingly, the Directors believe that the approval of Resolution 1 by the Shareholders is in the best interests of the Company as a whole and unanimously recommend that Shareholders vote in favour of Resolution 1 to approve the Conditional Placement. In recommending the Conditional Placement to Shareholders, the Directors wish to point out the advantages of the proposal which can be achieved, as detailed throughout the Explanatory Statement.

In particular, Shareholders are referred to section 3 ("Summary of Opinion") of the Independent Expert's Report.

As well as recommending the Conditional Placement to Shareholders, those Directors who currently hold shares, being Colin Bloomfield, Paul Rouse, Andrew Watts, Julie Whitcombe and Gabriel Meena, intend to vote their respective Shares in favour of Resolution 1, to approve the Conditional Placement. This represents approximately 22% of the ordinary Shares of Metarock as at the date of this Notice.

In addition, the non-retiring Directors of Metarock intend to participate in the Entitlement Offer.

15.10. Advantages of the Conditional Placement

Completion of the Conditional Placement, as part of the Capital Raising, is expected to provide the following advantages for the Company:

(a) ***Provide greater working capital flexibility and capacity, and enable Metarock to meet its short term and medium term liquidity requirements, including trading payments and debt repayment obligations***

As a consequence of several one-off events, the Company currently has limited headroom with respect to its liquidity position. The majority of the $25.0 million of capital coming into the Company through the Conditional Placement is to be used to improve the liquidity position, providing increased headroom to satisfy ongoing trade payments and debt repayment obligations.

(b) ***Significantly reduce the Company's net debt position***

The Company currently has net debt and gearing levels higher than the Company's targeted levels of net debt and gearing. A portion of the $25.0 million of capital coming into the Company through the Conditional Placement is intended to be used to reduce net debt and gearing. Post the Capital Raising, whilst the net debt and gearing remain above target levels, the Company has commenced a sales process for idle equipment which, combined with the operating cashflow generated from returning the business to a profitable trading position, will further reduce debt and consequently the debt servicing burden. The Capital Raising should also enable improved outcomes from the asset sale process by relieving time pressures.

(c) ***Reduce refinancing risk***

Should the Conditional Placement and the Capital Raising proceed, the funds raised will strengthen the balance sheet of the Company and the Company believes that this will reduce the risk with respect to extending and/or refinancing existing and new facilities.

(d) ***Introduce a key cornerstone investor onto the Company's register***

Completion of the Conditional Placement as part of the Capital Raising will introduce M Resources as the Company's largest single shareholder and will result in M Resources having the right to appoint three nominees to the Board of the Company, including an independent chair. This will provide several benefits to the Company:

(i) M Resources Group is a privately owned group of companies with substantial investments in the Australian mining sector, in particular coal mining. This strategic investment brings material advantages for Metarock, including M Resources' deep sector insights across the value chain, potential to leverage the relationship for new contract opportunities, and combined capabilities of the two groups to deliver a full service offering in the coal mining sector.

(ii) M Resources' support of the Capital Raising demonstrates support and validation for Metarock's business and assets from a significant independent mining sector investor.

(e) ***Improved capital position, with increased liquidity and reduced net debt levels, will place Metarock on an improved financial footing, and in a stronger position to engage with clients on new and existing contracts***

Metarock's reduced liquidity and net debt position has been impacting on existing contracts, and Metarock's ability to tender for, and win, contracts. The recapitalisation of the business is expected to increase Metarock's ability to retain existing contracts and win new tenders going forward. To date, the proposed recapitalisation has been well received by Metarock's larger clients as it is viewed as an effective measure to mitigate the risk to the Metarock business and, in turn, for the clients' businesses.

(f) ***The Capital Raising represents the best alternative for the Company and its Shareholders***

Metarock has been working on its capital management strategy for over 12 months and there have been a number of incomplete and preliminary attempts to secure alternative funding sources during this period that have been unsuccessful.

Over the last 3 months, Metarock, with assistance from its advisers, has coordinated a competitive process to seek proposals from potential cornerstone investors to underpin a capital raising. This process culminated in Metarock accepting M Resources' commitment to subscribe for Shares and Options which, together with the Entitlement Offer, presents the most timely offer, and at a valuation equal to or higher than other proposals received, to recapitalise the Company. As at the date the Notice of Meeting was printed, Metarock had not been presented with any alternative binding proposals for its recapitalisation.

In the view of the Directors, the Conditional Placement as part of the Capital Raising provides the Company with the most appropriate recapitalisation outcome for the Company and its Shareholders.

15.11. Disadvantages of the Conditional Placement

As well as offering advantages to Shareholders, completion of the Conditional Placement, as part of the Capital Raising, is expected to result in the following disadvantages, which should be considered along with the disadvantages identified in the Independent Expert's Report:

(a) ***Dilution to existing Shareholders***

Shareholders' interests in Metarock will be diluted as a result of the Capital Raising. However, the Capital Raising includes a pro rata non-renounceable entitlement offer of 1 new Share for every 5.2 Shares on issue as at the record date (and 1 free attaching new Option for each new Share taken up) to ensure that eligible Shareholders can participate in the Capital Raising at the same offer price per Share and the same exercise price per Option as M Resources. Assuming existing Shareholders take up their full entitlement, the existing Shareholders' collective ownership of Metarock post Capital Raising will be reduced to 49.0% as outlined in section 6. To the extent that some existing Shareholders do not take up their entitlement, it is the intention to allow eligible Shareholders to apply for additional Shares over and above their entitlement.

(b) ***Change of Control***

If the Conditional Placement is approved and the Capital Raising is completed, Metarock will issue 166,666,667 Placement Shares and 51,282,051 Placement Options to M Resources. As a result, M Resources will have a voting power in the Company of at least 51% (at least 56.4% inclusive of exercise of Options) upon completion of the entire Capital Raising) and will have the ability to block an ordinary resolution of the Company. This may discourage a potential bidder from proposing a merger by scheme of arrangement or making a takeover bid for the Company.

(c) ***Costs of transaction***

If the Capital Raising is completed, transaction costs are estimated by the Company to be approximately $2.2-2.3 million.

Under the terms of the Subscription Agreement, if the Subscription Agreement is terminated under certain circumstances relating to the receipt of a superior proposal, then the Company must reimburse M Resources up to the amount of $300,000 of M Resources' costs and expenses incurred in connection with the transactions contemplated by the Subscription Agreement.

(d) ***Board composition***

Recommendation 2.4 of the Corporate Governance Principles states that the majority of the board of a listed entity should be independent directors. As a result of the proposed changes to the Board as outlined in section 15.6 of this Explanatory Statement, the Company will only have one independent Director following completion of the Conditional Placement, and therefore will not be in strict compliance with the Corporate Governance Principles.

15.12. Any other relevant information

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution 1.

Explanatory Statement - Annexure A - Glossary

Defined Term	Meaning
$	Australian dollars, being the lawful currency of Australia.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning given to that term in section 12 of the Corporations Act.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it, as the context requires.
Board	The board of directors of the Company.
Capital Raising	The Conditional Placement and the Entitlement Offer.
Chair	The person appointed to chair the Meeting.
Company or **Metarock**	Metarock Group Limited ACN 142 490 579 (ASX: MYE).
Conditional Placement	The conditional private placement of the Placement Shares and the Placement Options to M Resources to raise $25 million.
Corporate Governance Principles	The *Corporate Governance Principles and Recommendations (4th edition)* dated February 2019 published by the ASX Corporate Governance Council.
Corporations Act	The *Corporations Act 2001* (Cth).
Directors	The directors of the Company from time to time (each a **Director**).
Entitlement Offer	A non-renounceable pro-rata entitlement offer by the Company to eligible Shareholders of 1 new Share for every 5.2 Shares on issue as at the record date and 1 free attaching new Option for each new Share taken up under the entitlement offer, to raise up to $3.9 million.
Entitlement Options	Options proposed to be issued to eligible Shareholders as part of the Entitlement Offer.
Entitlement Shares	Shares proposed to be issued to eligible Shareholders as part of the Entitlement Offer.
Explanatory Statement	The explanatory statement accompanying the Notice of Meeting.
General Meeting or **Meeting**	The general meeting of Shareholders convened by the Notice of Meeting and to which this Notice of Meeting relates.

Independent Expert	The independent expert appointed to prepare the Independent Expert's Report, being KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, Australian Financial Services Licence No. 246901.
Independent Expert's Report	The independent expert's report prepared by the Independent Expert attached to this Notice at Annexure B.
Listing Rules	The listing rules of ASX.
M Resources	M Mining Services Pty Ltd ACN 666 168 627 as trustee for M Mining Services Trust.
M Resources Group	M Resources and certain other affiliated entities controlled (as that term is defined in section 50AA of the Corporations Act) by Matthew Latimore.
Notice of Meeting or **Notice**	This notice of general meeting including the Explanatory Statement.
Option	An option to acquire a Share, the proposed terms of which are attached to this Notice at Annexure E.
Performance Right	A performance right granted under the Performance Rights Plan.
Performance Rights Plan	The Metarock Group Limited 2015 Employee Performance Rights Plan.
Placement Options	51,282,051 Options proposed to be issued to M Resources as part of the Conditional Placement and pursuant to the terms of the Subscription Agreement.
Placement Shares	166,666,667 Shares proposed to be issued to M Resources as part of the Conditional Placement and pursuant to the terms of the Subscription Agreement.
Proxy Form	The proxy form accompanying this Notice.
Related Body Corporate	Has the meaning given to that term in section 50 of the Corporations Act.
Related Party	Has the meaning given to that term in section 228 of the Corporations Act.
Share	A fully paid ordinary share in the capital of the Company.
Shareholders	A holder of a Share.
Subscription Agreement	The agreement between the Company and M Resources dated 16 March 2023 for the subscription of the Placement Shares and the Placement Options the subject of the Conditional Placement.

METAROCK GROUP LIMITED
ACN 142 490 579

GENERAL MEETING TO BE HELD ON THURSDAY, 11 MAY 2023

Explanatory Statement - Annexure B - Independent Expert's Report

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5 April 2023

Dear Directors,

Independent Expert Report and Financial Services Guide

Part One – Independent Expert Report

1 Introduction

On 17 March 2023 (**Announcement Date**), Metarock Group Limited (**Metarock or the Company**) announced it had entered into an agreement with M Mining Services Pty Ltd, as trustee for M Mining Services Trust (**M Mining**) through which M Mining will, subject to shareholder approval, be issued with:

- 166,666,667 fully paid ordinary Metarock shares (**Shares**) at an issue price of $0.15 per Share to raise approximately $25.0 million (**Placement Shares**)
- 51,282,051 options for the issue of Shares which have a strike price of $0.23 and a term of approximately 5 years which are proposed to be listed on the Australian Securities Exchange (**ASX**) (**Placement Options**).

  The issue of the Placement Shares and the Placement Options, together with the potential exercise of the Placement Options is collectively referred to as the **Conditional Placement**.

Metarock also intends to offer a pro-rata non-renounceable rights issue of Shares to shareholders[1] of Metarock (**Shareholders**) on a 1 for 5.2 basis to raise up to $3.9 million. Participating shareholders will also receive options[2], which will have a strike price of $0.23 and a term of approximately 5 years and are proposed to be listed on the ASX (**Entitlement Offer**), provided that:

- the number of Shares issued under the Entitlement Offer does not exceed 26,000,000 Shares (**Entitlement Shares**)
- the number of options issued under the Entitlement Offer does not exceed 8,000,000 options (**Entitlement Options**)

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[1] As the Entitlement Offer will have a record date before the Conditional Placement completes and shares are issued, M Mining will not be eligible to participate in the Entitlement Offer.
[2] Options will be issued on a 1 for 3.25 basis to existing Shareholders (excluding M Mining). Options will not carry voting or participation rights and if exercised will carry the same dividend and participation rights as other ordinary Shares on issue.

- The Entitlement Shares and Entitlement Options to be issued under the Entitlement Offer are issued within 2 months after the launch date[3].

Overall, the Conditional Placement and Entitlement Offer (**Proposed Transaction**) will result in the issue of up to an additional 192,666,667[4] ordinary Shares in Metarock under a series of transactions described above and potentially a further 59,282,051[5] ordinary Shares in Metarock should the Placement Options and Entitlement Options be fully exercised. Following the Proposed Transaction, M Mining is expected to hold between 51.0% and 61.9% of Metarock Shares on issue, as set out in Section 3.2.2.

The Proposed Transaction involves a series of steps, which were agreed by Metarock and M Mining in the Subscription Agreement dated 16 March 2023.

The completion of the Conditional Placement requires the approval of Shareholders under Section 611, Item 7 of the Corporations Act 2001 (Cth) (the **Act**), Chapter 2E of the Act and any other shareholder approvals prudently sought by Metarock or which are required by law or under the ASX Listing Rules in respect of the Conditional Placement.

As an interim funding arrangement, on 16 March 2023 Metarock (and certain of its subsidiaries) also entered into a facility agreement (the **Facility Agreement**) with M Mining under which M Mining has agreed to provide short term refinancing and working capital facilities to certain subsidiaries of Metarock up to a total aggregate amount of $10.4 million. Utilisation of the facilities is subject to satisfaction of customary conditions precedent. Interest will accrue daily on any drawn amounts and will capitalise monthly in arrears. Amounts owing under the Facility Agreement are secured with first-ranking security interests in certain plant and equipment assets owned by certain subsidiaries of Metarock. If the Conditional Placement is completed, amounts owing under the Facility Agreement and Subscription Agreement will be set-off against each other.

To assist Shareholders in assessing the Conditional Placement, the directors of Metarock (**Directors**) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) to prepare an Independent Expert Report (**IER**) indicating whether, in our opinion, the Conditional Placement is fair and reasonable to Shareholders.

Metarock is an Australian diversified mining services business which provides mine operations, contracting, training, and related services to the mining sector in Australia. As at 27 March 2023, Metarock had a market capitalisation of approximately $21.0 million[6].

M Mining is an entity associated with the M Resources Group (**M Resources**), which is a privately owned group of companies with substantial investments in the Australian mining sector. M Resources is primarily engaged in coal marketing and trading. M Resources also provides consulting services to the coal industry, with a focus on metallurgical coal businesses and facility operations.

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[3] Clause 2.8 of Subscription Agreement and ASX announcement dated 17 March 2023.

[4] 166,666,667 Placement Shares and 26,000,000 Entitlement Shares.

[5] 51,282,051 Placement Options and 8,000,000 Entitlement Options.

[6] Based the closing share price of $0.16 per Share on 27 March 2023 and 130.99 million ordinary Shares on issue.

M Resources has shipped over 400 cargoes of metallurgical coal as principal to global steel mills and has the exclusive marketing rights for Stanmore Resources Limited (**Stanmore Resources**) and Bowen Coking Coal Limited (**Bowen Coking Coal**) in Australia and Allegiance Coal Limited's New Elk mine in the United States.

M Resources (via MetRes, a 50/50 joint venture (**JV**) between M Resources and Stanmore Resources) has an interest in the Millennium and Mavis Downs coal mines which were acquired from Peabody in 2021. In 2022, it entered a JV to restart Australian Pacific Coal Limited's Dartbrook mine in the Hunter Valley, New South Wales and also has a 50% JV interest in One Rail Australia Holdings, a heavy coal haulage provider operating in New South Wales and Queensland.

M Resources' founder, Mr Matt Latimore, is a non-executive director on the board of Stanmore Resources and Bowen Coking Coal.

This report will be included in the explanatory statement (**Explanatory Statement**) which will accompany the Notice of Meeting (**Notice of Meeting**) to be sent to Shareholders prior to the Extraordinary General Meeting (**EGM**). This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Statement.

2 Requirements of our Report

2.1 Section 611 exemption

Section 606 of the Act effectively prohibits a person from acquiring a relevant interest in a public company in excess of 20%, unless a full takeover offer is made. Item 7 of Section 611 allows shareholders to waive the Section 606 prohibition by passing a resolution at a general meeting of the company which allows the target company shareholders the opportunity to vote to forgo their right to a full takeover. Under the Conditional Placement, M Mining is expected to hold a 51.0% to 61.9% interest in Metarock. Therefore, Metarock is seeking Shareholder approval pursuant to Item 7 of Section 611. In the case of a resolution pursuant to Section 611 of the Act, the Australian Securities and Investments Commission (**ASIC**) requires that shareholders be supplied with sufficient information to enable them to assess the merits of the proposal. The Directors have requested KPMG Corporate Finance to prepare this IER to satisfy the requirements of Section 611 and the guidance provided by ASIC, setting out our opinion as to whether the Conditional Placement is considered fair and reasonable to Shareholders, and to state the reasons for that opinion.

2.2 Related Party Transaction

Section 228(6) of the Act provides that an entity is deemed to be a related party of a public company if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company at any time in the future.

Should the Conditional Placement be approved and completed, M Mining will become a majority shareholder of Metarock, and accordingly under section 228(6), M Mining meets the definition of a related party on the basis of that future event.

The treatment of M Mining as a related party is based upon the future potential to become a majority Shareholder if Shareholder approval is given and completion of the Conditional Placement occurs. We understand that M Mining does not have any existing shareholding in Metarock or other commercial relationship with Metarock that would otherwise deem M Mining to be a related party of Metarock.

Accordingly, Metarock is also seeking Shareholder approval for the granting of a related party benefit to M Mining, through completing the Conditional Placement. As a result, the Directors have asked that we also consider whether the Conditional Placement is fair and reasonable in the context of a related party transaction.

2.3 Basis of our assessment

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 ‘Content of expert reports’ (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider, Regulatory Guide 76 ‘Related Party Transactions’ (**RG 76**) and Regulatory Guide 112 ‘Independence of experts' (**RG 112**).

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 4.1 of this report.

KPMG Corporate Finance’s Financial Services Guide is contained in Part Two of this report.

3 Summary of Opinion

In our opinion the Conditional Placement is not fair but is reasonable to Metarock’s Shareholders, in the absence of a superior proposal.

The regulatory framework requires the fairness of the Conditional Placement to be assessed as if Metarock was the subject of a takeover offer. Therefore, we have assessed whether the Conditional Placement is fair by comparing our assessed value of a Share on a controlling interest basis, prior to the Conditional Placement with our assessed value of a Share post the completion of the Conditional Placement on a minority interest basis.

We have assessed the value of a Share pre the Conditional Placement, inclusive of a premium for control, to lie in the range of $0.31 to $0.58 per Share, which compares, to our assessed post Conditional Placement value of a Share, on a minority interest basis, of between $0.15 and $0.25 per Share. As our range of post Conditional Placement Share values falls below our range of assessed values for a Share prior to the Conditional Placement, inclusive of a premium for control, we consider the Conditional Placement is not fair to Shareholders.

We have estimated the value of Metarock prior to the Conditional Placement and post the Conditional Placement on a going concern basis. Metarock’s auditor has noted the ability of Metarock to continue as a going concern is dependent upon management of inherent uncertainties, the successful raising of additional equity and negotiating an extension of the working capital facilities. In the event that Metarock was unable to continue as a going concern, the realisable value of a Share would lie significantly below that assessed by us above.

In assessing the reasonableness of the Conditional Placement, we have considered the benefits and disadvantages that will accrue to Shareholders in the context of Metarock’s current operating position.

Metarock has a pressing need for additional funding to reduce debt and provide working capital. The Conditional Placement will provide the funds needed for the working capital investment required for the commencement of the new Rosebery and Maxwell contracts (as discussed in Section 6.4) and to significantly reduce the risk of Metarock breaching certain loan covenants in relation to its facilities with Westpac Banking Corporation (**Westpac**). In addition to providing working capital, the funds from the Conditional Placement will also be available to reduce Metarock's external debts, including the Pybar deferred consideration and the Australian Taxation Office (**ATO**) debt.

Further, the Conditional Placement should result in Metarock benefiting from bringing onboard a strategic investor with significant experience and expertise in the coal mining industry.

The Conditional Placement is not without its disadvantages for Shareholders. The Conditional Placement will result in M Mining emerging with a significant equity interest in Metarock (up to 61.9%). Accordingly, the Conditional Placement will result in a significant dilution to the current interests of Shareholders and will allow M Mining to effectively gain control of Metarock, without a control premium being paid.

Under the Conditional Placement, the Shareholders continue as shareholders and as a result have the ability to participate in the potential benefits of retaining an ownership interest in Metarock. Further, Shareholders will have the opportunity to participate in the Entitlement Offer (subject to Metarock proceeding with the Entitlement Offer, consistent with its stated intention), which allows Shareholders to increase their interest in Metarock, at the same offer price per Share and the same exercise price per option as M Mining.

In the event that Shareholders do not approve the Conditional Placement, it is likely that Metarock will need to seek an alternative equity injection urgently. Given the process Metarock has undertaken in seeking additional capital in the past 18 months, we believe it likely that any alternative equity raising would be on less favourable terms and there is a significant risk it may not be able to be completed in the required timeframe.

Several adverse events over the past 18 months have raised concerns over Metarock's ability to continue in its current form and operate as a going concern in the absence of the Conditional Placement or an alternative capital raising event. In any form of forced sale situation there would be significant risk over the Company's ability to realise market values for its core assets/businesses.

Conclusion – Section 611

Based on our analysis, we have assessed the Conditional Placement to be not fair to Shareholders. However, we have assessed that the advantages associated with the Conditional Placement outweigh the disadvantages and that as a result Shareholders will be better off if the Conditional Placement is approved. Therefore, in our view, the Conditional Placement is reasonable and consequently, in our opinion, the Conditional Placement is not fair but reasonable to Shareholders, in the absence of a superior proposal.

Conclusion – Related Party Transaction

As the post Conditional Placement value per Share falls below our range of assessed values for a Share prior to the Conditional Placement, inclusive of a premium for control, we consider the Conditional Placement is not fair to Shareholders. Accordingly, for the purposes of RG 76, there is a financial benefit conferred to M Mining, being deemed a related party under section 228(6) of the Act (as discussed in Section 2.2). However, as we have assessed that the advantages associated with the Conditional

Placement outweigh the disadvantages, and as a result that Shareholders will be better off if the Conditional Placement is approved, in our view, the Conditional Placement is reasonable. Consequently, in our opinion, the Conditional Placement is not fair but reasonable to Shareholders, in the absence of a superior proposal.

3.1 Fairness

We have assessed the fairness of the Conditional Placement by comparing our assessed value of a Share on a controlling basis, prior to the Conditional Placement with our assessed value of a Share post the completion of the Conditional Placement on a minority interest basis.

KPMG Corporate Finance has valued Metarock on a controlling basis, prior to the Conditional Placement in the range of $41.2 million to $78.6 million, representing a value of $0.31 to $0.58 per Share.

Our valuation of Metarock is set out in the following table.

Table 1: Underlying value of Metarock on a controlling basis

$ million unless otherwise stated	Section Reference	Low	High
Mastermyne		95.6	119.5
Pybar		42.0	50.4
Enterprise value		**137.6**	**169.9**
Add: Sold surplus assets	*Section 7.3.6*	17.5	17.5
Add: Unsold surplus assets	*Section 7.3.6*	37.6	41.6
Less: Net debt	*Section 7.3.5*	(112.6)	(112.6)
Less: ATO debt	*Section 7.3.8*	(22.5)	(22.5)
Less: Pybar deferred consideration	*Section 7.3.9*	(8.9)	(8.9)
Less: Working capital requirements for new projects	*Section 7.3.4*	(5.0)	(4.0)
Less: Contract liability (refund to customer)	*Section 7.3.10*	(1.6)	(1.6)
Less: Conditional Placement transaction fees	*Section 7.3.11*	(0.9)	(0.9)
Value of equity (100%, controlling, marketable basis)		**41.2**	**78.6**
Number of performance rights (million)	*Section 7.3.12*	3.3	3.3
Number of Shares on issue (million)		131.0	131.0
Diluted number of Shares on issue (million)		**134.3**	**134.3**
Value per Share ($) before Conditional Placement		**0.31**	**0.58**

Source: KPMG Corporate Finance analysis

Note 1: Amounts may not calculate exactly due to rounding.

We have valued Metarock using a sum-of-the-parts approach. A capitalised earnings approach has been adopted to value both the Mastermyne and Pybar businesses, with reference to Metarock's forecast normalised earnings before interest, tax, depreciation and amortisation (**EBITDA**) for each of the Mastermyne and Pybar businesses for FY23 and earnings multiples implied by the comparable traded companies and completed transactions. We have also taken account of Metarock's surplus assets, surplus liabilities and net debt position, as set out in Section 7 of this report.

Further details in relation to the basis of our valuation of Metarock are set out in Section 7 of this report.

Our range of assessed values for Metarock incorporates a control premium reflecting synergies that would generally be available to a pool of purchasers. It does not include potential strategic or operational benefits unique to M Mining, if any.

The regulatory framework requires the fairness of the Conditional Placement to be assessed as if Metarock was the subject of a takeover offer. This is due to the possibility that by approving the Conditional Placement, Shareholders will give up the opportunity to realise a control premium. In this case, the 'consideration' being assessed is deemed to be the Shares in Metarock the Shareholders will hold post completion of the Conditional Placement.

We have assessed the value of a Share, on a minority basis, post completion of the Conditional Placement of between $0.15 to $0.25 per Share, as set out in the table below.

Table 2: Estimated trading range of a Share post the Conditional Placement

$ million unless otherwise stated	Low	High
Value of equity (100% basis)	**41.2**	**78.6**
Add: Cash raised from Placement Shares	25.0	25.0
Add: Cash raised from Placement Options conversion[3]	-	11.8
Less: Incremental transaction costs	(1.4)	(1.4)
Equity value post Conditional Placement (controlling, marketable basis)	**64.8**	**113.9**
Less: minority interest discount[1]	(14.9)	(26.3)
Equity value post Conditional Placement (minority, marketable basis)	**49.8**	**87.7**
Less: Value of Placement Options[2]	(3.2)	-
Ordinary share value post Conditional Placement (minority, marketable basis)	**46.6**	**87.7**
Number of diluted ordinary shares pre-Conditional Placement (m)	134.3	134.3
Number of ordinary shares issued from Placement Shares (m)	166.7	166.7
Number of ordinary shares issued following Placement Options conversion (m)[3]	-	51.3
Number of Shares post Conditional Placement (m)	**301.0**	**352.3**
Value per Share post Conditional Placement (marketable, minority interest basis)	**0.15**	**0.25**

Source: KPMG Corporate Finance Analysis

Notes:

1. *A minority discount of 23.1% has been deducted at the low and high end of the range, calculated based off a control premium of 30%.*
2. *As the Placement Options are 'out of the money' at the low end of the range (based on a value per Share excluding the impact of converting the Placement Options), it has been assumed the Placement Options are not exercised and their value has been calculated using a Black Scholes Model adopting an exercise price of $0.23 per share, a term of 5 years, a risk free rate commensurate with the term (of 3.12%), an expected dividend yield of nil and a volatility of 50% based on the historical volatility of comparable companies.*
3. *As the Placement Options are 'in the money' at the high end of the range (based on a value per Share excluding the impact of converting the Placement Options), it has been assumed the Placement Options are immediately exercised.*
4. *Amounts may not calculate exactly due to rounding.*

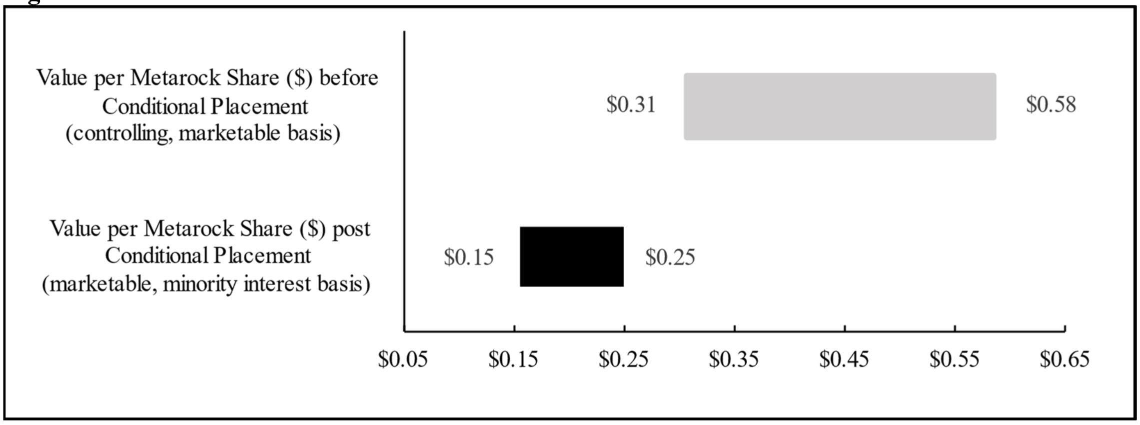
The table above reflects the impact of the approval of the Conditional Placement with the issue of the Placement Shares and the impact of the Placement Options, along with the associated increase of cash (net of incremental transaction costs), and removal of the control premium.

The values in Table 1 and Table 2 above represent the full underlying value of Metarock on a going concern basis. Metarock's auditor has noted the ability of Metarock to continue as a going concern is dependent upon management of inherent uncertainties, the successful raising of additional equity and negotiating an extension of the working capital facilities. In the event that Metarock was unable to continue as a going concern, the realisable value of a Share would lie significantly below that assessed by us above. Refer to Section 3.2.3 for further details.

The Conditional Placement is not fair

The chart below provides a comparison of our assessed valuation ranges for a Share which we have used in assessing the fairness of the Conditional Placement.

Figure 1: Fairness assessment of the Conditional Placement



Source: KPMG Corporate Finance Analysis

As the post Conditional Placement values fall below our range of assessed values for a Share prior to the Conditional Placement, inclusive of a premium for control, we consider the Conditional Placement is not fair to Shareholders.

Shareholders should be aware that this outcome is not unexpected as the equity issued due to the Conditional Placement would need to be issued at a significant premium to the underlying minority interest value of a share in order for the regulatory framework to yield a 'fair' outcome. For illustrative purposes, we note that our assessed value of a Share post the Conditional Placement, on a marketable minority interest basis implies a controlling interest basis of $0.20 to $0.32 per Share.

3.2 Reasonableness

In accordance with RG111, a transaction is considered to be reasonable if it is fair. However, a transaction can also be reasonable if, despite not being fair, there are sufficient reasons for Shareholders to approve the transaction, in the absence of a superior offer.

Having regard to the advantages and disadvantages discussed below in Section 3.2.1 and Section 3.2.2, we consider that the advantages outweigh the disadvantages. Hence we consider that the Conditional Placement is reasonable. In determining the Conditional Placement to be reasonable, we had regard to the following matters.

3.2.1 Advantages

The Conditional Placement provides Metarock with funds needed to recapitalise

As a result of a number of events over the past 12 to 18 months, Metarock's financial position has rapidly deteriorated to a point where the Company needs to recapitalise the business.

The Company has become overleveraged with net debt (inclusive of the ATO debt and Pybar deferred consideration) increasing significantly, to $144.0 million as at 31 December 2022. Financial performance has deteriorated, with FY23 normalised EBITDA guidance of approximately $31.2 million having been recently released by the Company. This implies a net debt to FY23 Normalised EBITDA ratio prior to the Conditional Placement of 4.6 times, which is well above the industry average of 1.0 times to 1.3 times (excluding outliers).

As at 31 December 2022, the Company had minimal net tangible asset backing of only $3.4 million, and short-term liquidity concerns with net current liabilities (excluding borrowings) exceeding net current assets by $8.1 million. As discussed in Section 6.5.2, Metarock management (**Management**) has identified Metarock is at significant risk of falling below Westpac's minimum liquidity requirement in the absence of the Conditional Placement, largely as a result of upfront funding required for the establishment and commencement of its Rosebery and Maxwell contracts.

For these reasons the Company has embarked on a turnaround and recapitalisation plan consisting of:

- surplus asset sales
- operational improvements
- measured cost-out program including overhead cost reductions
- raising equity through the Conditional Placement and potentially the Entitlement Offer.

In isolation, the sale of surplus assets, the operational improvements and the overhead cost reductions will likely not be sufficient to return Metarock to a sustainable financial position, and thus the Company is seeking to raise equity as a fundamental part of the recapitalisation plan.

The Conditional Placement delivers a cash injection of up to $25.0 million of new equity capital which will enable Metarock to reduce its gearing, invest in working capital and improve liquidity.

Reduced gearing and improved liquidity will assist Metarock in:

- delivering its existing book of contracts

- meeting its current lending facility covenants, in terms of the minimum liquidity requirement
- reducing the risks associated with refinancing the Company's lending facilities when they become due in September 2023
- meeting its obligations regarding the payment of suppliers
- enabling the Company to pursue/tender for new contacting

and generally to provide a cash buffer in the event unforeseen operating risks emerge in the future.

The structure of the Conditional Placement allows the Shareholders to participate in the potential benefits from retaining an ownership interest in Metarock

Following the Conditional Placement, Shareholders will continue to participate in potential benefits of retaining an ownership interest in Metarock, which will, in large part, be dependent on:

- Management's ability to successfully execute the turnaround and recapitalisation plan, including the identified operational improvements and the cost-out program
- the expected improved operational performance from the Cook whole of mine contract
- the expected improvements in the Pybar business including the commencement of the new Rosebery and Maxwell contracts
- the benefits associated with bringing M Resources on board, as a strategic/cornerstone investor.

While the Conditional Placement does not offer Shareholders an immediate control premium, Shareholders may benefit from a control premium in the future if there is a subsequent change of control transaction (subject to the future transaction being supported by M Mining).

Additionally, Shareholders will have the ability to participate in the Entitlement Offer (subject to Metarock deciding to proceed with the Entitlement Offer), which allows Shareholders the opportunity to purchase additional Entitlement Shares (with attached Entitlement Options) at the same pricing as M Mining. Assuming the Entitlement Offer proceeds, it will allow Shareholders to partially reduce the impact of the dilution of their current Shares and participate in the benefits of owning Entitlement Options (either through sale, as the Entitlement Options are proposed to be listed on the ASX, or potential conversion in the future).

The Conditional Placement provides Metarock with the benefits of bringing onboard a strategic investor with significant experience and expertise in the coal mining industry

M Resources is a strategic partner that has significant experience and expertise in the coal mining industry.

M Resources operates across the coal mining value chain, including coal trading, marketing, consulting, and mine investment, ownership, operations and rehabilitation with significant interests in One Rail Australia Holdings, Stanmore Resources, Bowen Coking Coal, Australian Pacific Coal Limited's Dartbrook mine, Allegiance Coal Limited's new Elk mine and the Millennium and Mavis Downs coal mines. M Mining will have the right to appoint a new chair and two new directors to Metarock's board.

Management and the Directors believe having M Resources as a strategic investor will bring significant benefits to Metarock. Benefits are expected to be derived from M Resources' knowledge and sector insights across the coal mining value chain, from being able to potentially leverage M Resources' relationships for new contract opportunities and from potentially working together to deliver a full service offering in the coal mining sector. Given M Resources will hold a controlling interest in Metarock, it will be in M Resources' best interest to ensure that Metarock recovers from its current period of financial underperformance, and as a result we believe it is reasonable to assume that M Resources will work with Metarock to realise potential synergies.

As an established investor and operator in the coal mining industry, M Resources is expected to be well received as a new Shareholder by clients, suppliers and financiers alike. M Resources is also expected to continue to have an appetite for investing in the coal mining industry (whereas market evidence suggests certain banks and investors are shying away from investing in the coal sector under Environmental, Social and Governance (**ESG**) restrictions) and as a result may potentially be able to provide further funding support to the Company if the future need arises.

As mentioned previously, Management have identified Metarock is at risk of falling below Westpac's minimum liquidity requirement prior to the expected completion date of the Conditional Placement and Entitlement Offer. Accordingly, the fact that M Mining has extended interim lending facilities of up to $10.4 million, to provide Metarock with sufficient liquidity to continue to meet the requirements under Westpac's lending facilities, is a significant advantage of the Proposed Transaction and of M Resources as a strategic investor. Funds raised from the Conditional Placement will be used to repay the interim funding, effectively swapping this debt for equity and improving the asset position of the Company. As discussed in further detail below in section 3.2.3, in the event the Conditional Placement is not approved, this interim funding is required to be repaid at the earliest of 7 July 2023 unless agreed otherwise by Metarock and M Mining, 30 days after the announcement of an equity transaction, or the date Metarock receives proceeds from an equity transaction. Having regard to the current financial position and need for working capital, there is some uncertainty as to the Company's ability to repay this facility, in the absence of the Conditional Placement.

3.2.2 Disadvantages

Completion of the Conditional Placement would see M Mining emerge with control and the interest of current Metarock Shareholders will be significantly reduced

Metarock's largest Shareholder currently holds approximately 11.1% of Metarock Shares. The following table shows M Mining's interest in Metarock shares under various scenarios following the completion of the Conditional Placement and Entitlement Offer.

Table 3: M Mining interest in Metarock post Conditional Placement

	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Current shares outstanding	130,992,547	130,992,547	130,992,547	130,992,547	130,992,547
Performance rights	3,332,007	3,332,007	3,332,007	3,332,007	3,332,007
Placement Shares	166,666,667	166,666,667	166,666,667	166,666,667	166,666,667
Placement Options	-	-	-	51,282,051	51,282,051
Entitlement Shares	26,000,000	26,000,000	-	26,000,000	-
Entitlement Options	8,000,000	-	-	8,000,000	-
Total Shares Outstanding post Conditional Placement	**334,991,221**	**326,991,221**	**300,991,221**	**386,273,272**	**352,273,272**
M Mining Shares Outstanding	166,666,667	166,666,667	166,666,667	217,948,718	217,948,718
M Mining Interest	*49.8%*	*51.0%*	*55.4%*	*56.4%*	*61.9%*

Source: KPMG Corporate Finance Analysis

- *Scenario A*: 49.8% of Metarock shares, assuming the Placement Shares are issued, all of the Placement Options are not exercised, the Entitlement Offer proceeds to its full extent and all of the Entitlement Options are exercised. The Company considers this to be an unlikely scenario.
- *Scenario B*: 51.0% of Metarock shares, assuming the Placement Shares are issued, all of the Placement Options are not exercised, the Entitlement Offer proceeds to its full extent and all of the Entitlement Options are not exercised
- *Scenario C*: 55.4% of Metarock shares, assuming the Placement Shares are issued, none of the Placement Options are exercised and the Entitlement Offer does not proceed (noting the Company has stated it intends to proceed with the Entitlement Offer)
- *Scenario D*: 56.4% of Metarock shares, assuming the Placement Shares are issued, all the Placement Options are exercised, the Entitlement Offer proceeds to its full extent and all of the Entitlement Options are exercised
- *Scenario E*: 61.9% of Metarock shares, assuming the Placement Shares are issued, all the Placement Options are exercised and the Entitlement Offer either does not proceed (noting the Company has stated it intends to proceed with the Entitlement Offer) or it does proceed but nil Entitlement Shares and nil Entitlement Options are taken up.

Based on the above analysis M Mining is expected to control between 51.0% and 61.9% of Metarock shares. This shareholding (which also allows M Mining to appoint two representatives to the Metarock board plus the chairman) will enable M Mining to effectively control the operations of Metarock.

As a consequence, in the event that the Conditional Placement is implemented, the Shareholders are expected, in aggregate, to hold between 38.1% and 49.0% (depending in part on whether the Entitlement Offer proceeds) of the Shares in Metarock. As such, the interest of Shareholders will be significantly reduced.

The Conditional Placement is not fair

As set out above in Section 3.1, given our opinion that the value of a Share following the Conditional Placement (on a minority basis) will be less than the value of a Share prior to the Conditional Placement (on a controlling basis), M Mining are effectively receiving a controlling interest of Metarock without paying a control premium, and as result the Conditional Placement is not fair.

However, we have assessed that the advantages associated with the Conditional Placement outweigh the disadvantages and that as a result Shareholders will be better off if the Conditional Placement is approved. Therefore, in our view, the Conditional Placement is reasonable and consequently, in our opinion, the Conditional Placement is not fair but reasonable to Shareholders, in the absence of a superior proposal.

3.2.3 Consequences if the Conditional Placement does not proceed

The statutory auditor of Metarock noted in respect of Metarock's consolidated interim financial report for the six months to 31 December 2022 that, based on the factors outlined by the directors, the ability of Metarock to continue as a going concern was dependent upon management of inherent uncertainties, the successful raising of additional equity and negotiating an extension of the working capital facilities beyond 30 September 2023. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding Metarock's ability to continue as a going concern. Consequently, if the Conditional Placement does not proceed, there is a heightened risk Metarock may be unable to realise its assets and discharge its liabilities at the values ascribed by us.

In addition, in the absence of the Conditional Placement, there is a risk that Metarock will breach Westpac's minimum liquidity requirement, which may trigger a review event. In any event, Metarock is required to refinance its existing Westpac facilities by the end of September 2023. In the absence of the Conditional Placement or an alternative equity investment, this refinancing will be challenging.

Management has indicated that it may be able to manage Metarock's short term liquidity requirements through assets sales, operational improvements, cost-out programs and the commencement of new profitable contracts, if the Conditional Placement does not proceed. However, we see this as a high risk strategy as Metarock may be unable to source sufficient funding in the short term to fund its working capital requirements whilst also being able to meet its debt obligations in the absence of an alternative equity raising. In addition Metarock will have little to no headroom in the event of any underperformance.

Whilst Metarock could seek to undertake an alternative capital raising to the Conditional Placement, there is no guarantee any alternative capital raising would be on equivalent or better terms than the Conditional Placement, and in fact may be significantly worse, or that additional equity could be sourced within the required timeframe. Metarock has undertaken a competitive process to seek equity capital for the Company, and the Conditional Placement is the only binding offer the Company has received to date.

Metarock has incurred transaction costs associated with the Conditional Placement and a component of these costs will continue to be required to be paid if the Conditional Placement does not proceed. In addition, the Interim Facilities of $10.4 million provided by M Mining will also be required to be repaid as they fall due (being the earliest of 7 July 2023 unless agreed otherwise by Metarock and M Mining, 30 days after the announcement of an equity transaction, or the date Metarock receives proceeds from an equity transaction). It is not clear, at this stage how Metarock would fund the repayment of the Interim Facilities in the absence of the Conditional Placement other than through the sale of surplus assets, the timing of which is inherently uncertain.

3.3 Other Considerations

Directors' recommendation and intentions

The Metarock directors have recommended that the Shareholders vote in favour of the Conditional Placement, in the absence of a superior proposal and have stated that they each intend, in the absence of a superior proposal, to vote to approve the Conditional Placement in respect of any Metarock Shares they control.

Change of control provisions

Management have advised that certain material contracts of the Company may contain provisions which prohibit or otherwise give counterparties termination or other rights in the event of a change of control of the Company. There is a risk that the change of control that will occur as a result of the successful completion of the Conditional Placement will give rise to termination or other rights for the counterparties under such provisions.

3.4 Other Matters

In forming our opinion, we have considered the interests of the Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical or possible to assess the implications of the Conditional Placement on individual Shareholders as their financial circumstances are not known. The decision of the Shareholders, as to whether or not to approve the Conditional Placement is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. The sole purpose of this report is to provide KPMG Corporate Finance's opinion on whether the Conditional Placement is fair and reasonable to Shareholders. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be interpreted as representing a recommendation to Shareholders to either vote for or against the Conditional Placement, which remains a matter solely for individual Shareholders to determine.

KPMG Corporate Finance has made reasonable enquiries of Metarock as to whether the Proposed Transaction is captured by Design and Distribution Obligations (**DDO**) regulations. Where a Target Market Determination (**TMD**) is required, KPMG Corporate Finance has reviewed the TMD to ensure the content of this report is consistent with the TMD.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in, or attached to, any document, other than the Explanatory Statement to be sent to the Shareholders in relation to the Conditional Placement, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Statement.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 4.2 of this report.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June XX) have been abbreviated to FYXX, references to the first half (i.e. the 6 months to 31 December XX) have been abbreviated to 1HXX and references to the second half year (i.e. the 6 months to 30 June XX) have been abbreviated to 2HXX.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Bill Allen	Jason Hughes
Authorised Representative	Authorised Representative

Contents

4 Scope of the Report

4.1 Basis of Assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the valuation of the consideration being provided to the entity
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- in valuing the financial benefit given to a related party and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions
- an offer or proposed related party transaction is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Fairness

The assessment of "fair" involves a comparison of the offer price with the value of the securities subject to the offer. For this assessment, the value of the securities is determined with reference to the underlying value of the business on a control basis. In an Item 7, Section 611 transaction, the offer price is taken to be the securities the shareholder will hold in the company post the completion of the transaction. This assessment is made with reference to the assessed value of the securities held on a minority basis, and therefore is not on a control basis.

Accordingly, our assessment would indicate the Conditional Placement is fair if the assessed value of a Metarock share following the completion of the Conditional Placement on a minority basis, is equal to or greater than the assessed underlying value of Metarock on a controlling basis, prior to the Conditional Placement.

Reasonableness

An offer is reasonable if it is fair. An offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote for the proposal, in the absence of any higher bid before the close of the offer. Similarly, a proposed related party transaction might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote to approve the related party transaction.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as but not limited to:

- recent trading prices and the liquidity of the market in the target's Shares
- the risk profile of continuing to hold Shares in the target
- the financial situation of the entity
- the alternative options available to the entity and the likelihood of those options occurring
- whether there is selective treatment of any security holder, particularly the related party
- any conditions associated with the offer
- the likelihood of an alternative offer being made
- the consequences of not approving the Conditional Placement.

4.2 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Metarock for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of Management. In addition, we have also had discussions with Management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Metarock has been responsible for ensuring that information provided by its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (**forward-looking financial information**) prepared by Management. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Metarock remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors are responsible for conducting due diligence in relation to the Conditional Placement. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

Our opinion is based on prevailing market, economic and other conditions as at the date of this report which corresponds with a period of increased macro-economic uncertainty. To the extent possible, we have reflected these conditions in our opinion. However, any subsequent changes in these conditions on the global economy and financial markets generally, and Metarock specifically, could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

4.3 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Metarock has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Metarock and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Metarock.

5 Industry overview

Metarock operates in the underground mining segment of the Mining Services industry in Australia. The Mining Services industry consists of surface mining, underground mining, surface and underground drilling services, and oil and extraction segments, which involves a full range of services from equipment and labour resources to the outsourcing of core operations for mining firms.

Accordingly, in order to provide a context for assessing the prospects of Metarock, we have set out at Appendix 3 an overview of recent trends and outlook in the Australian Mining Services market.

6 Profile of Metarock

6.1 Company overview

Metarock is an Australian diversified mining services business which provides mine operations, contracting, training, ground consolidation services, related products and consumables to the mining sector in Australia. Metarock was formerly known as Mastermyne Group Limited and changed its name to Metarock in October 2021 after the acquisition of Pybar Mining Services (**Pybar**).

Metarock is separated into two operating segments for financial reporting purposes, being **Mastermyne** and Pybar, which Metarock acquired in October 2021. We have provided an overview of the operating segments below.

Mastermyne

Mastermyne mine contracting

Mine contracting is the core of the Mastermyne business and includes roadway development, conveyor installations/removals, ventilation device installation, longwall relocations, equipment hire and mine support services. Mastermyne has expanded its contracting capabilities in recent years through its Wilson Mining, consumables and training businesses:

- *Wilson Mining:* Wilson Mining was acquired by Mastermyne in August 2019 and is a specialist contractor in the mining services sector, focusing on cavity fill, strata consolidation and ventilation control devices for underground coal and hard rock mining clients
- *Consumables:* Provides a national consumables supply service with over 250 standard items to the mining industry in both coal and hard rock, with a focus on development and ventilation
- *MyneSight:* MyneSight provides accredited training and consulting services to mine operators and acts as a complimentary service offering to Mastermyne's mine contracting operations. MyneSight's services are designed to upskill workforces and offer training compliance solutions.

*Mastermyne mine operations (**Mine Operations**)*

Mastermyne has broadened its capability to provide Mine Operations (also referred to as '**Whole of Mine**') services to customers. This involves the full leadership, control and management of the mine site with a typical handover of the coal to the client at the run-of-mine stockpile.

Mastermyne had entered into two long-term mining services agreements for Mine Operations projects at Gregory Crinum (**Crinum**) and Cook Colliery (**Cook**) mines. These agreements had significant upfront capital spend requirements to prepare equipment for full operational capacity, with the capital investment being recovered over the life of the agreements as part of the contracting income. A summary of the status of the Crinum and Cook Mine Operation projects are discussed below:

- *Crinum:* After executing a mining services agreement with Sojitz Blue Pty Ltd to operate the Crinum mine on 31 May 2021, the contract at Crinum was terminated on 21 October 2022 due to extended force majeure, resulting from Metarock's inability to access the Crinum mine to perform the contracted services for a continuous period exceeding 180 days following a fall in a conveyor drift and fatality at the mine

- *Cook:* On 22 February 2022, Metarock announced that it had executed a mining services agreement to become the contract operator at Cook for Constellation Mining Pty Ltd, a subsidiary of QCoal Group (**QCoal**). The contract term is for four years with a further 2-year option. Mastermyne is the coal mine operator at Cook and is currently ramping up to two mining units in operation.

Pybar

Metarock views the underground hard rock sector as a market with strong growth opportunities due to its exposure to forward facing commodities such as copper, nickel and zinc. Pybar was acquired for an enterprise value of $99 million in October 2021 as part of Metarock's strategy to diversify the business into the hard rock sector.

Pybar provides underground hard rock mining services in Australia. Pybar services are provided to a range of underground mining projects, including greenfield exploration and whole-of-mine projects. Pybar's services encompass mine development, mine production, cable bolting & production drilling, raise boring, shotcreting and fleet hire. An overview of each key service offering is summarised below.

- *Mine development:* boxcut and portal establishment, decline/incline/level development and mine infrastructure
- *Mine production:* boxhole boring machines, longhole production, slot raise drilling, emulsion explosives and mining electrical services
- *Cable bolting & production drilling:* top hole hammer with tubes and speed rods, horseshoe and boom mounted drill configurations, purpose built cable bolters, drill and install
- *Raise boring:* standard box hole drills through to raise bore rigs which are utilised across a broad range of applications in mining and civil projects
- *Shotcreting:* batching plants, purpose built underground agitators, in-cycle shotcreting, rehabilitation, highwall and portal stabilisation
- *Fleet hire:* includes a fleet of more than 300 trucks, loaders, production drill rigs, jumbos and ancillary equipment.

6.2 Historical Financial Performance

6.2.1 Going concern

Metarock's consolidated interim financial report for the six months to 31 December 2022 (**Interim Report**) was prepared on a going concern basis. This assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

In the Independent Auditor's Review Report included in the Interim Report and the Independent Auditor's Report included in the financial report for the year ended 30 June 2022 (**Full-Year Report**), the auditor noted a material uncertainty related to going concern and drew attention to the events and/or conditions discussed in Note 1, to each of the Full-Year Report and the Interim Report, that cast significant doubt on Metarock's ability to continue as a going concern, and therefore, that Metarock may be unable to realise its assets and discharge its liabilities in the normal course of business. The auditor further noted that its conclusions in relation to its review of each of Metarock's Interim Report and Full-Year Report had not been modified in respect of this matter.

6.2.2 Statement of Financial Performance

The consolidated statement of financial performance of Metarock for FY21, FY22 and 1H23 is presented in the following table.

Table 4: Statement of Financial Performance

Period $ million unless otherwise stated	FY21 Audited[1]	FY22 Audited[1,2]	1H23 Reviewed[3]
Revenue from contracts with customers	233.1	452.7	259.3
Other income	0.8	3.2	2.4
Total revenue	**233.9**	**455.9**	**261.7**
Personnel expenses	(172.2)	(297.4)	(175.3)
Contract disbursements	(30.4)	(122.5)	(74.8)
Impairment loss	-	-	(50.4)
Other expenses	(1.8)	(5.3)	(2.9)
Office expenses	(7.1)	(13.3)	(8.3)
Total expenses	**(211.6)**	**(438.4)**	**(311.7)**
EBITDA	**22.3**	**17.5**	**(50.0)**
Depreciation and amortisation expense	(12.5)	(32.8)	(19.3)
EBIT	**9.7**	**(15.3)**	**(69.3)**
Finance income	0.0	0.0	0.1
Finance expenses	(1.1)	(4.0)	(4.2)
Net profit before tax	**8.7**	**(19.4)**	**(73.4)**
Income tax (expense)/benefit	(2.8)	6.8	10.0
Net profit after tax	**5.9**	**(12.6)**	**(63.5)**
Statistics:			
EBITDA margin[4]	*9.6%*	*3.9%*	*(19.3%)*
Net profit margin[5]	*2.5%*	*(2.8%)*	*(24.5%)*

Notes:
1. *For the year ended*
2. *Pybar was acquired in October 2021*
3. *For the half-year ended*
4. *EBITDA margin is calculated as EBITDA as a % of revenue from contracts with customers*
5. *Net profit margin is calculated as net profit after tax as a % of revenue from contracts with customers*
6. *Amounts may not calculate exactly due to rounding*

Source: Metarock Full-Year Report and Interim Report, KPMG Corporate Finance Analysis

With regard to the statement of financial performance summarised above, we note the following:

Year ended 30 June 2022 vs 30 June 2021

- Revenue from contracts with customers, personnel expenses (including wages and salaries), contract disbursements and depreciation & amortisation increased from the year-ended 30 June 2021 to the year-ended 30 June 2022 largely due to the acquisition of Pybar in October 2021 alongside commencement of two Whole of Mine contracts (Crinum in 2H21 and Cook in 1H22).

Whole of Mine revenue contributions increased from $3.9 million in FY21 to $42.6 million in FY22

- Metarock's net profit after tax declined from $5.9 million for the year-ended 30 June 2021 to a loss of $12.6 million for the year-ended 30 June 2022 as a result of drift recovery costs at Crinum, one-off costs from the Pybar acquisition, mine incident legal, consulting and related costs in relation to fatalities at Crinum and Moranbah

Half-year ended 31 December 2022

- Metarock's financial performance deteriorated in the half-year to 31 December 2022 as a result of the following:
    - *Crinum:* Following a fatality at Crinum, Metarock was unable to access the site to perform its contracted services for a continuous period exceeding 180 days. The contract at Crinum was subsequently terminated and an ongoing dispute was settled. Assets related to Crinum have been impaired to the extent they exceeded their recoverable values (as per the deed of settlement)
    - *Pybar:* After a period of underperformance, Metarock revised its value in use assumptions for the Pybar cash generating unit for impairment testing purposes. This resulted in a write-off of capitalised goodwill and brand related costs ($24.6 million), in addition to inventory ($4.3 million) and property, plant and equipment ($1.8 million) also being impaired
    - *Thalanga:* The Thalanga mine operator, Cromarty Resources, entered into administration. The Thalanga contract was subsequently terminated, with bad debts ($5.7 million) and customer relationship intangibles ($1.4 million) being recognised as part of the impairment charge
    - *Peak mining services contract:* Metarock has realised operational losses through its mining services contract with Aurelia Metals for the Peak mine. As announced to the market on the 16 March 2023, the contract has been terminated by mutual agreement effective from 31 March 2023
    - *One-off costs:* Costs related to the Crinum and Moranbah mine incidents and a bad debt write off at Metarock's subsidiary, Falcon Mining Pty Ltd (**Falcon Mining**), in relation to an event that occurred at a customer site in May 2020.

6.3 Normalised EBITDA

Outlined below are the normalisation adjustments Management has identified as being abnormal or non-recurring to arrive at a normalised EBITDA for FY22 and 1H23. No normalisation adjustments have been made by Management for FY21.

Table 5: Normalised EBITDA

Period $ million unless otherwise stated	FY21	FY22	1H23
EBITDA	22.3	17.5	(50.0)
Adjustments			
Add: Crinum impact	n/a	18.6	19.2
Add: Pybar impact	n/a	-	37.8
Add: Other impacts	n/a	2.5	1.8
Total adjustments	**-**	**21.1**	**58.8**
Normalised EBITDA	**22.3**	**38.6**	**8.8**

Notes:

1 Amounts may not calculate exactly due to rounding

Source: Metarock Full-Year Report and Interim Report, KPMG Corporate Finance Analysis

Year-ended 30 June 2022

- *Crinum impact:* relates to drift recovery costs at the Crinum mine of $18.6 million following the fall in a conveyor drift incident
- *Other impacts:* relates to Pybar acquisition costs and mine incident legal, consulting and related costs of $2.5 million.

Half-year ended 31 December 2022

- *Crinum impact:* relates to write-offs associated with the termination of the contract including $11.1 million of write-offs relating to pre-production costs and accrued revenue, debtors, plant and equipment and inventory and $8.1 million of ongoing expenses related to the Crinum incident
- *Pybar impact:* relates to $24.6 million of Pybar cash generating unit write-offs, $6.1 million of surplus plant and inventory write-offs, due in part, to the termination of the Peak and Thalanga contracts as well as the completion of the Gwalia contract and $7.1 million of bad debt and intangible asset write-offs for the Thalanga contract
- *Other impacts:* relates to legal, consulting and related costs associated with the Moranbah and Crinum mine incidents and non-recoverable debt write-offs at the Metarock subsidiary, Falcon Mining, operations.

6.4 Outlook

Contract wins

During the half-year ended 31 December 2022, Metarock successfully secured the following material contracts:

- Mastermyne
  - New contract with Narrabri Coal for two-years (with a two-year option) that commenced in September 2022, with an expected revenue contribution of $18 million per year using Cut and Flit mining techniques

- New Narrabri longwall services contract for two-years (with a two-year option) that commenced in October 2022 with an expected revenue contribution of $14 million per year
- Regional Umbrella contract extension with Anglo American for two-years with an expected revenue contribution of $82 million per year.

- Pybar
  - Contract extension at Eloise Copper Mine for four-years
  - New contract with Malabar Resources Limited at the Maxwell Underground Mine (**Maxwell**), commencing May 2023 with an expected revenue contribution totalling $50 to $55 million over 11.5 months
  - New contract with MMG Limited at Rosebery mine for three-years (with two one-year extension options), commencing April/May 2023 with an expected revenue contribution of $15 million per year.

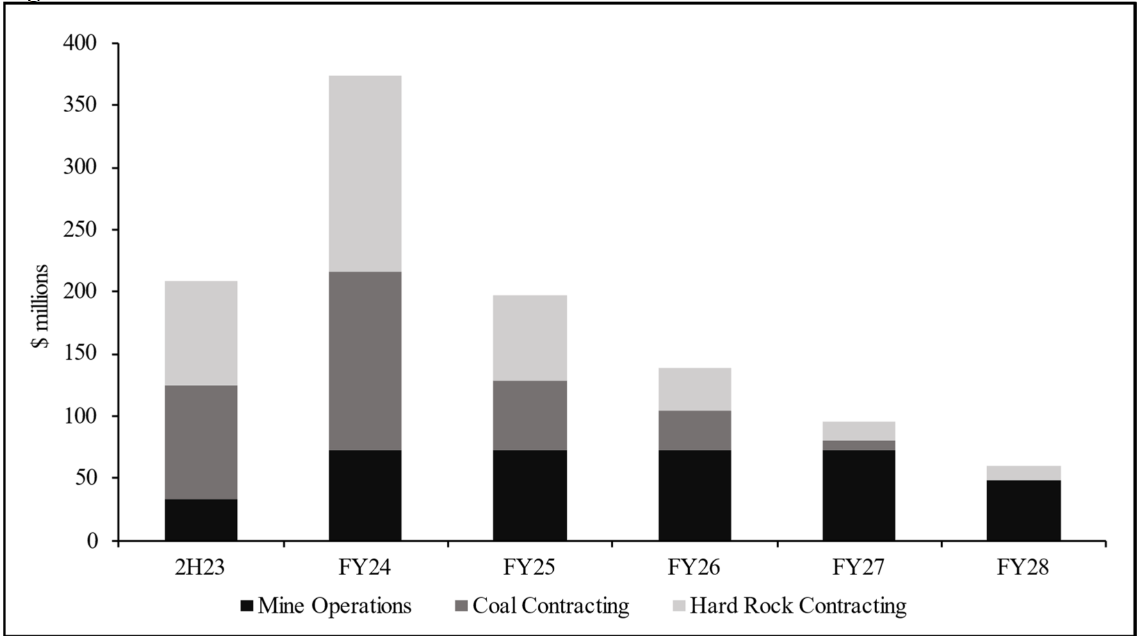
Order book

Management has advised that the order book as at 31 December 2022 was estimated to be at $1.1 billion, with:

- 83% of FY23 forecast revenue supported by the contracted order book with a further 3% generated by recurring purchase order work
- $867 million or 79% of the order book revenue expected to be delivered post FY23, with the current order book peaking in FY24 before steadily reducing over FY25 to FY28.

The contracted order book as at 31 December 2022 is set out in the figure below.

Figure 2: Contracted order book as at 31 December 2022



Source: Management

Tendering pipeline

Management have advised that the tendering pipeline was $888 million as at February 2023, comprising $456 million in Mastermyne coal contracting, $55 million in Whole of Mine operations and $377 million in Pybar. The majority of which related to metallurgical coal (60%) and metalliferous (29%), with only a minority being related to thermal coal (11%).

Operational improvements

Management expects to realise operational improvements in Metarock in the 6 months to 30 June 2023 by:

- Repairing working capital levels through an improved operating performance and reduced financing costs
- Reducing gearing through surplus asset sales and the equity injection from M Mining
- Measured overhead cost-out savings.

Specific improvements in the Mastermyne and Pybar business units are expected to be driven by the following:

- *Mastermyne:* Wilson Mining's high margin growth, Narrabri cut & flit and longwall services contracts and ongoing Cook contract ramp
- *Pybar:* Termination of unprofitable contracts and new more favourable contracts being awarded (mentioned above).

Guidance

Management has provided year end 30 June 2023 revenue guidance of $490 million to $520 million and normalised EBITDA guidance of approximately $31.2 million, $23.9 million of which is attributed to Mastermyne and $7.3 million to Pybar.

6.5 Statement of Financial Position

The consolidated historical financial position of Metarock as at 30 June 2021, 30 June 2022 and 31 December 2022 is presented in the following table.

As mentioned previously, the Interim Report for the six months to 31 December 2022 was prepared on a going concern basis.

Table 6: Statement of Financial Position

As at $ million unless otherwise stated	30-Jun-21 Audited	30-Jun-22 Audited	31-Dec-22 Reviewed
Current assets			
Cash and cash equivalents	24.4	5.2	3.6
Trade and other receivables	40.4	84.0	75.6
Contract assets	1.2	2.0	-
Inventories	6.4	21.1	19.8
Current tax receivables	-	12.3	-
Assets classified as held for sale	-	-	28.6
Current assets	**72.4**	**124.7**	**127.5**
Non-current assets			
Property, plant and equipment	22.9	110.7	75.9
Right-of-use (RoU) assets	14.0	19.6	19.6
Intangible assets	12.3	44.1	16.1
Net deferred tax assets (liabilities)	7.5	(5.7)	4.3
Non-current assets	**56.8**	**168.7**	**115.9**
Total assets	**129.2**	**293.4**	**243.4**
Current liabilities			
Trade and other payables	24.4	69.2	75.3
Borrowings	-	63.0	55.8
Contract liabilities	0.2	2.1	1.9
Employee benefits	11.9	23.8	20.8
Lease liability	4.7	6.1	6.0
Liabilities directly associated with assets classified as held for sale	-	-	22.7
Other liabilities	3.0	13.1	9.1
Current liabilities	**44.2**	**177.4**	**191.5**
Non-current liabilities			
Borrowings	-	21.0	20.6
Employee benefits	0.1	0.6	0.7
Lease liability	7.9	11.2	11.2
Non-current other liabilities	1.9	-	-
Non-current liabilities	**9.9**	**32.9**	**32.4**
Total liabilities	**54.0**	**210.2**	**223.9**
Net assets	**75.2**	**83.2**	**19.5**
Total equity	**75.2**	**83.2**	**19.5**
Statistics:			
Net current assets (liabilities)	*28.3*	*(52.7)*	*(63.9)*
Net tangible assets (NTA)	*62.9*	*39.1*	*3.4*
NTA per share ($)	*0.59*	*0.30*	*0.03*

Notes:

1 Amounts may not calculate exactly due to rounding

Source: Metarock Full-Year Report and Interim Report, KPMG Corporate Finance Analysis

With regard to the historical financial position summarised above, we note the following:

- Cash and cash equivalents decreased from $24.4 million as at 30 June 2021 to $3.6 million as at 31 December 2022

- Trade and other receivables, inventory, property, plant and equipment, intangible assets, trade and other payables, borrowings, employee benefits and lease liabilities increased from 30 June 2021 to 30 June 2022 following the acquisition of Pybar
- Metarock's property plant and equipment includes plant and equipment, motor vehicles, leasehold improvements and computer equipment. This decreased significantly from 30 June 2022 due to a group of excess equipment being recognised as assets reclassified as held for sale
- Assets classified as held for sale are discussed in Section 6.5.1. There is a liability directly related to the assets classified as held for sale, being the asset finance obtained in relation to these specific assets
- Metarock's intangible assets were acquired through previous business combinations. At as 31 December 2022, intangibles of $16.1 million comprised goodwill ($10.3 million), software ($0.8 million), intellectual property ($0.3 million), exclusive distribution rights ($0.8 million) and customer relationships ($3.9 million). The decrease in intangible assets from 30 June 2022 to 31 December 2022 is due to an impairment charge against goodwill, brand and customer relationships on Pybar of $24.6 million
- The balance sheet includes a gross Deferred Tax Asset (**DTA**) of $13.6 million as at 31 December 2022 which relates to carry forward tax losses of $45.5 million. The Company also has $19.4 million of carry forward tax losses which arose from various previous acquisitions, which are subject to available fraction tax rules and as a result, have not been recognised as a DTA as at 31 December 2022
- Contract liabilities includes expected refunds to customers of $1.6 million and income received in advance of $0.3 million.

Overall, total assets decreased from $293.5 million as at 30 June 2022 to $243.4 million as at 31 December 2022, which is primarily attributed to the impairment charge against Pybar intangible assets as well as write-offs and impairments as a consequence of the termination of the Thalanga and Crinum contracts. Total liabilities increased from $210.2 million as at 30 June 2022 to $223.9 million as at 31 December 2022 as Metarock increased its debt balances.

Net current assets were $28.3 million as at 30 June 2021, before decreasing to a net current liability of $52.7 million as at 30 June 2022 and further decreasing to a net current liability of $63.9 million as at 31 December 2022. Net tangible assets decreased from $39.1 million as at 30 June 2022 to $3.4 million as at 31 December 2022. The decline in net current assets and net tangible assets highlights Metarock's deteriorating financial position.

6.5.1 Assets classified as held for sale

As at 31 December 2022, Metarock's balance sheet includes assets classified as held for sale, which are items of plant and equipment that are surplus to current requirements, some of which were intended for the Crinum contract. Some of these assets have been sold subsequent to year end and Metarock is in the process of selling the remainder of these assets. The assets are shown on the 31 December 2022 balance sheet at $28.6 million. They are measured as the lower of carrying amount and fair value less cost to sell, with the fair value being measured based off current prices of similar assets in the market with adjustments made for any unique features.

The assets classified as held for sale as at 31 December 2022 consisted of three panels, intended for use at Crinum, which are currently not in use. The three panels are discussed in further detail below:

- ***Panel One***: On 23 February 2023, Metarock announced that the sale of Panel One to a third party had been completed for an undisclosed amount. Panel One included a second-hand continuous miner which had been fully refurbished, had zero hours of use since the refurbishment and was compliant with regulations in both Queensland and New South Wales, a multi bolter with zero hours of use since refurbishment and was compliant with regulations in Queensland, two shuttle cars, each with a maximum load capacity of 20 tonnes, both compliant in both Queensland and New South Wales, a breaker feeder and distribution control boxes
- ***Panel Two***: Panel Two contains the same components as Panel One. Panel Two's components are either recently refurbished or brand new and are currently located at original equipment manufacturer workshops or third party storage
- ***Panel Three****:* Panel Three has part of the components of Panel One and consists of a continuous miner which has been fully refurbished, has had zero hours of use since the refurbishment and is compliant with regulations in both Queensland and New South Wales, a multi bolter which has been in use for six months since its last refurbishment and is compliant with regulations in Queensland and two shuttle cars, each with a maximum load capacity of 20 tonnes, both of which are compliant in both Queensland and New South Wales. Panel Three's components are partially rebuilt, or brand new and are either mothballed or on hire to a customer.

Metarock is currently in discussions with several parties to sell Panels Two and Three, with the expectation that the sale of both panels will be completed prior to the end of December 2023.

6.5.2 Borrowings

As at 31 December 2022, Metarock had $100.2 million drawn from various debt facilities, with the largest being with Westpac. A breakdown of the debt facilities is summarised in the table below.

Table 7: Borrowings

As at $ million unless otherwise stated	Facility limit 31-Dec-22	Amount drawn[1] 31-Dec-22	Undrawn facility[2] 31-Dec-22	Facility limit[3] 17-Mar-23
Westpac				
Overdraft facility	10.0	0.0	10.0	6.0
Invoice finance facility	50.0	24.7	25.3	42.5
Multi option facility	3.0	1.2	1.8	2.8
Westpac debt (excluding equipment finance)	**63.0**	**26.0**	**37.0**	**51.3**
Other Facilities				
Equipment finance facilities	121.0	74.2	46.8	121.0
Other finance facilities	0.1	0.1	-	0.1
Total debt	**184.1**	**100.2**	**83.9**	**172.4**

Source: Metarock Interim Report, KPMG Corporate Finance Analysis

Notes:

1. Excludes ROU associated leases under AASB 16.

2. Although undrawn facilities show a balance of $83.9 million as at 31 December 2022, the undrawn facility under the equipment finance facilities is only able to be drawn down for qualifying plant and equipment and cannot be drawn down for non-qualifying capital expenditure or general working capital.

3. Equipment finance facility limits will reduce as surplus equipment is sold and repayments are made.

Westpac facilities

As at 31 December 2022, the overdraft facility with Westpac was subject to a variable interest rate of bank bill swap bid rate (**BBSY**) plus a margin and a line fee.

The two invoice finance facilities held with Westpac had a combined value of $50.0 million and were subject to variable interest rates of BBSY plus a margin. The facilities can be broken down into $25.0 million for Mastermyne and $25.0 million for Pybar. The invoice finance facilities allow a drawdown of 85% of approved debtors.

Metarock also held a multi option facility (**MOF**) consisting of a bank guarantee and corporate credit card facility with Westpac with a combined value of $3.0 million.

Metarock's facilities with Westpac were due to expire on 31 March 2023. However, on 24 February 2023, Metarock entered an agreement with Westpac to extend its facilities to 30 September 2023. In the course of negotiating the extension, it was agreed that:

- the total facility limit for the overdraft facility would decrease from $10.0 million to $6.0 million
- the facility limit for the invoice finance facility would decrease from $50.0 million to $42.5 million, with the $7.5 million decrease directly relating to Pybar's facility limit
- the MOF facility limit would reduce to $2.75 million.

Metarock will pay an extension fee and all interest rates, except for those relating to the bank guarantee and corporate credit card facility, have increased slightly.

The Westpac overdraft and invoice finance facilities have a single minimum liquidity covenant. Prior to the introduction of the minimum liquidity amount, separate debt service coverage, capital adequacy and gearing covenants were in place.

As part of covenant reporting, Metarock must provide Westpac with a report outlining weekly forecast consolidated cash flows and its weekly liquidity position. In the case of forecasts showing Metarock falling below the minimum liquidity amount, Metarock must identify strategies to ensure it remain compliant with the terms of Westpac's liquidity review event requirements. Under the current Westpac loan agreements, a liquidity review event can occur if Metarock becomes high risk, does not pay an amount due within two banking days of the due date, provides misleading information or under any circumstances where Metarock's ability to comply to the terms of the facility are adversely affected.

M Mining bridging facilities

Management has identified Metarock is at risk of falling below the minimum liquidity requirement prior to the closure of the Proposed Transaction, largely as a result of upfront funding requirements for the commencement of its Rosebery and Maxwell contracts. If the Conditional Placement is approved, Management does not expect the share placement to occur until mid to late May and that further funding support will be required before this time. M Mining has committed to provide $10.4 million in short term debt financing to Metarock to ensure Metarock does not fall below the minimum liquidity requirement.

M Mining has committed to provide short term bridging finance to Metarock. M Mining will extend the Facilities. The facility limits will be able to be reallocated provided that the total commitment of the needed Facilities does not exceed $10.4 million.

Interest will be charged on the facility at a rate commensurate with the level of risk.

The Facilities are secured with first-ranking security of certain plant and equipment assets of Metarock.

If the Conditional Placement is completed, M Mining, must set-off amounts owing under the Facility and Subscription Agreements. If the Conditional Placement is not completed, the Facilities will be required to be repaid by 7 July 2023 (or such later date as agreed between the parties).

Equipment finance facilities

The equipment finance facilities include agreements from Epiroc (Atlas), Caterpillar, Commonwealth Bank of Australia, National Bank of Australia, Sandvik, Toyota,Westpac and De Lage Landen. The equipment finance facilities include a $45 million limit subject to progressive payment arrangements where the facilities will pay for the purchase, construction or refurbishment of equipment. Following the completion of the asset, Metarock enters an amortising term finance arrangement which is subject to a fixed rate.

The remaining $76 million equipment facilities are fixed rate amortising term finance agreements, carried at amortised cost and repayable monthly in arrears over a term of up to five years. The specific term and interest rates vary by agreement, which are set at the outset of each advance.

Of the equipment finance facilities, as at 31 December 2022, there was $22.7 million of liabilities directly associated with the surplus assets classified as held for sale.

ATO debt

Metarock owed $22.5 million to the ATO as at 31 December 2022, subject to a general interest charge (**GIC**) rate which is currently being paid off monthly from January 2023 through to December 2023. This is included in Metarock's trade and other payables accounts in the Statement of Financial Position set out above.

Pybar deferred consideration

Metarock owes the Pybar vendors deferred consideration of approximately $8.9 million, due on 1 September 2023. Interest is payable from 1 September 2022 monthly at a rate of 10% per annum.

6.5.3 Contingent Assets and Liabilities

Contingent Liabilities

In 2021, a claim for damages was lodged against a Metarock subsidiary, Falcon Mining, in relation to an event that occurred at a customer site in May 2020. Management has advised that the corresponding contingent liability cannot be accurately quantified at this time, but that it is expected that it will not be material.

Contingent Assets

Trade receivables with a value of $1.5 million were impaired due to a contractual right for Falcon Mining to offset the receivable against damages. The debt is no longer recoverable and Metarock is currently seeking to recover the full amount through insurance. While legal counsel has informed Metarock it is probable the judgement will be favourable, this has not been recognised as at 31 December 2022. The quantum of the payout is dependent on the outcome of the court proceedings.

6.6 Statement of Historical Cash Flows

The historical statements of cash flows of Metarock for FY21, FY22 and 1H23 are presented in the following table.

Table 8: Statement of Historical Cash Flows

Period $ million unless otherwise stated	FY21 Audited[1]	FY22 Audited[1]	1H23 Reviewed[2]
Cash flows from operating activities			
Receipts from customers	264.4	492.6	280.4
Payments to suppliers and employees	(242.8)	(467.4)	(288.6)
Insurance recovery	-	-	0.3
Interest paid	(1.1)	(3.9)	(3.4)
Interest received	0.0	0.0	0.1
Income tax refunded/(paid)	(3.0)	(2.3)	12.5
Receipts of government grants and subsidies	0.8	1.5	1.5
Net cash (out)flow from operating activities	**18.3**	**20.4**	**2.8**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.1	1.2	2.1
Acquisition of property, plant and equipment	(7.3)	(41.6)	(13.6)
Acquisition of intangibles	(0.4)	(0.1)	-
Acquisition of business	-	(11.6)	-
Payment of contingent consideration	-	(2.0)	(3.8)
Initial direct costs on RoU assets	(0.3)	(0.0)	-
Payment for purchase of non-controlling interest	(0.4)	(0.0)	-
Net cash (out)flow from investing activities	**(8.3)**	**(54.3)**	**(15.4)**
Cash flows from financing activities			
Dividends paid	(4.7)	(2.2)	-
Net borrowings/(repayments)	-	24.5	14.4
Principal of lease payments	(6.3)	(7.6)	(3.5)
Net cash generated from financing activities	**(11.0)**	**14.6**	**10.9**
Net increase/(decrease) in cash and cash equivalents	(1.0)	(19.2)	(1.6)
Cash and cash equivalents at the beginning of the year	25.4	24.4	5.2
Cash and cash equivalents at the end of the year	**24.4**	**5.2**	**3.6**

Notes:

1 *For the year ended*

2 *For the half-year ended*

3 *Amounts may not calculate exactly due to rounding*

Source: Metarock Full-Year Report and Interim Report, KPMG Corporate Finance Analysis

With regard to the historical statement of cash flows summarised above, we note the following:

- Net cash flows from operating activities was $20.4 million for FY22 and decreased to $2.8 million for 1H23 (noting this was a six month period) reflecting Metarock's recent financial performance. The cash flows from operating activities for the half-year ended 31 December 2022 included a one-off tax refund of $12.5 million. Absent this refund, the cash flow from operations for the 6 months would have been negative $9.7 million
- In FY22, net cash flows from investing activities include the payment of the cash component of the Pybar acquisition in FY22 of $11.6 million cash and the acquisition of additional property, plant and equipment in FY22 both for mining operations in relation to Crinum, and Pybar plant and equipment

- In 1H23, net cash flow from investing activities includes the final contingent consideration payment for the acquisition of Wilson Mining Services Pty Ltd of $3.8 million
- Net cash flow from financing activities increased in FY22 and 1H23 due to an increase in net borrowings, which have largely been used to fund investment in working capital and the acquisition of plant and equipment in FY22.

6.7 Dividends

In August 2021, Metarock declared a dividend of $0.0225 per share (paid on 14 October 2021).

No dividends have been declared since August 2021 and there is no guidance as to when dividends may resume.

6.8 Directors

Metarock's current Directors prior to the Conditional Placement is set out in the following table.

Table 9: Directors

Metarock Directors	
Colin Bloomfield	**Julie Whitcombe**
Independent Chairman	Non-executive Director
Andrew Watts	**Paul Green**
Non-executive Director	Managing Director
Gabriel Meena	**Paul Rouse**
Non-executive Director	Non-executive Director

Source: Metarock Interim Report

6.9 Share capital and ownership

As at March 2023, Metarock had 130,992,547 ordinary Shares on issue and its substantial shareholders, so far as known to Metarock based on information contained in substantial shareholders notices lodged with the Company, are set out in the following table.

Table 10: Substantial Shareholders

Shareholder[1]	Number of ordinary shares	Percentage of issued capital
Paul S Rouse	14,573,661	11.1%
Andrew D Watts	12,262,245	9.4%
Kenneth R Kamon	10,864,436	8.3%
Darren W Hamblin	9,631,898	7.4%
Brendan P Rouse	6,622,253	5.1%
Total shares held by substantial shareholders	**53,954,493**	**41.2%**
Other shareholders	77,038,054	58.8%
Total shares on issue	**130,992,547**	**100.0%**

Source: Management, KPMG Corporate Finance Analysis

Note 1: Including associated entities

6.10 Options

As at March 2023, Metarock had 3,332,007 Performance Rights (**PR**s) outstanding. The Directors have resolved that these are expected to vest and convert to ordinary Shares upon completion of the

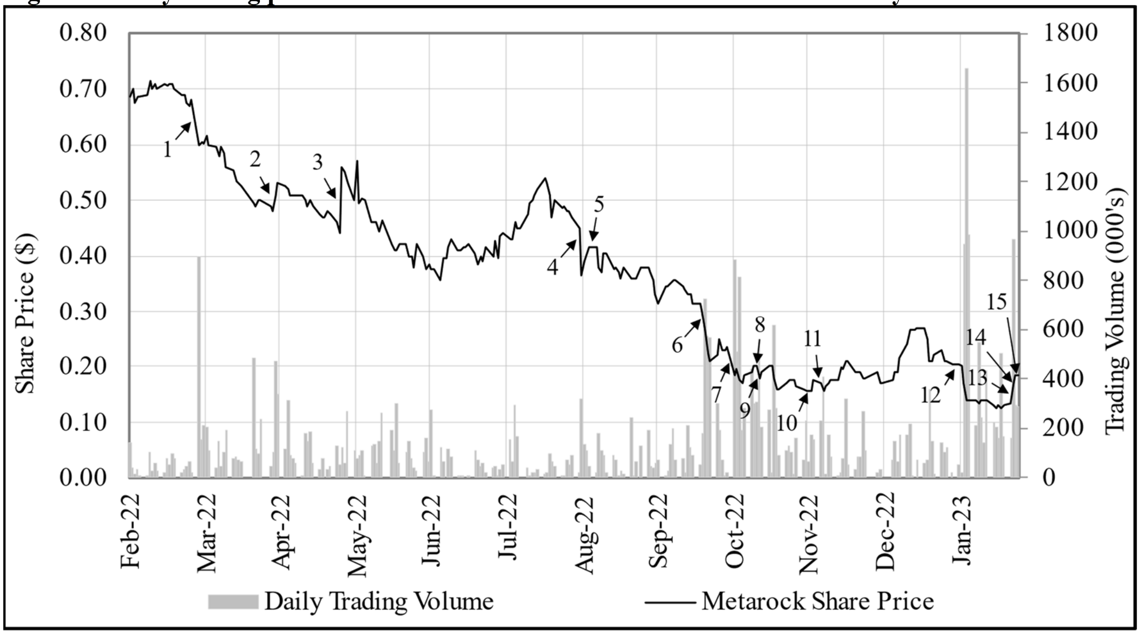
Conditional Placement, given the Directors have the discretion to terminate or vest the PRs on a change of control event.

6.11 Share price and volume trading history

6.11.1 Recent trading in Metarock Shares

The chart below depicts Metarock's daily closing price on the ASX over the period from 27 February 2022 to 27 February 2023, being the day Metarock entered into a voluntary suspension prior to the announcement of the Conditional Placement, along with daily volume of Shares traded on the ASX and Chi-X.

Figure 3: Daily closing price and volume of Metarock Shares since 27 February 2022



Source: S&P Capital IQ, KPMG Corporate Finance analysis, ASX announcements, IRESS

As illustrated above, Metarock's share price has generally trended down over the past year, which we consider to be a reflection of Metarock's financial performance. The share price closed at a high of $0.72 in March 2022 and a low of $0.13 on a number of days in February 2023.

The above figure includes 15 markers, referencing significant announcements (including those displayed by the ASX as price sensitive announcements) Metarock has made over the period to the announcement of the Conditional Placement. These are summarised below:

1. 28 March 2022 – Announcement of fatal incident at the Moranbah North underground mine
2. 28 April 2022 – Operational and guidance update informing shareholders Metarock is performing in line with expectations as previously communicated to the market in the HY22 results
3. 26 May 2022 – Investor Presentation released

4. 30 August 2022 – Release of FY22 full year results where the auditor's report included an emphasis of matter in relation to Metarock's ability to continue as a going concern
5. 2 September 2022 – Announcement of four year extension of the Eloise Copper Mine contract as well as the new Narrabri Coal two year contract with the option to extend for a further two years
6. 19 October 2022 – Strategies and contracts updates, revised FY23 earnings guidance and announcement of Paul Green as Managing Director, termination of Gregory Crinum contract due to a contract disputes and Anglo American contract extension
7. 31 October 2022 – Release of September quarterly activities and Announcement of Thalanga mine being placed on care and maintenance as a result of administrators being appointed for Cromarty Resources
8. 7 November 2022 – Pybar entered into a new contract with Malabar Resources Limited at Maxwell
9. 8 November 2022 – Pybar executed Rosebery Mine contract with MMG Limited
10. 29 November 2022 – Chairman's Address to Shareholders
11. 5 December 2022 – Announcement of termination of Thalanga mining contract following a vote in favour of placing Cromarty Resources into administration
12. 31 January 2023 - Release of December quarterly activities
13. 20 February 2023 – Announcement of settlement of the Gregory Crinum contract
14. 22 February 2023 – Sale of first panel of equipment which was originally intended for the Gregory Crinum contract
15. 27 February 2023 – Voluntary Suspension from Quotation

We note that Metarock was in a voluntary suspension from the 27 February 2023 to the 24 March 2023, with the Conditional Placement and Interim Report being announced to the market on the 17 March 2023.

Metarock's voluntary suspension was lifted on the 24 March 2023, with the share price closing at $0.165 on 24 March 2023 and $0.160 on the 27 March 2023. We note this closing price is closely aligned with the Placement Shares issue price of $0.150 per Share.

6.11.2 Liquidity

An analysis of the volume of trading in Metarock Shares, including the volume weighted average price (**VWAP**), over various periods in the 12 months up to 27 February 2023 (the day Metarock entered into a voluntary suspension prior to the announcement of the Conditional Placement) is set out in the following table.

Table 11: Volume of trading in Metarock Shares

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 day	0.19	0.21	0.19	0.0	0.2	0.1%
1 week	0.16	0.21	0.19	0.3	1.6	1.2%
1 month	0.13	0.21	0.16	1.1	7.2	5.5%
3 months	0.13	0.28	0.17	2.0	11.6	8.9%
6 months	0.13	0.47	0.21	4.6	21.7	16.6%
12 months	0.13	0.74	0.31	10.3	32.9	25.1%

Source: S&P Capital IQ, KPMG Corporate Finance analysis

Notes:

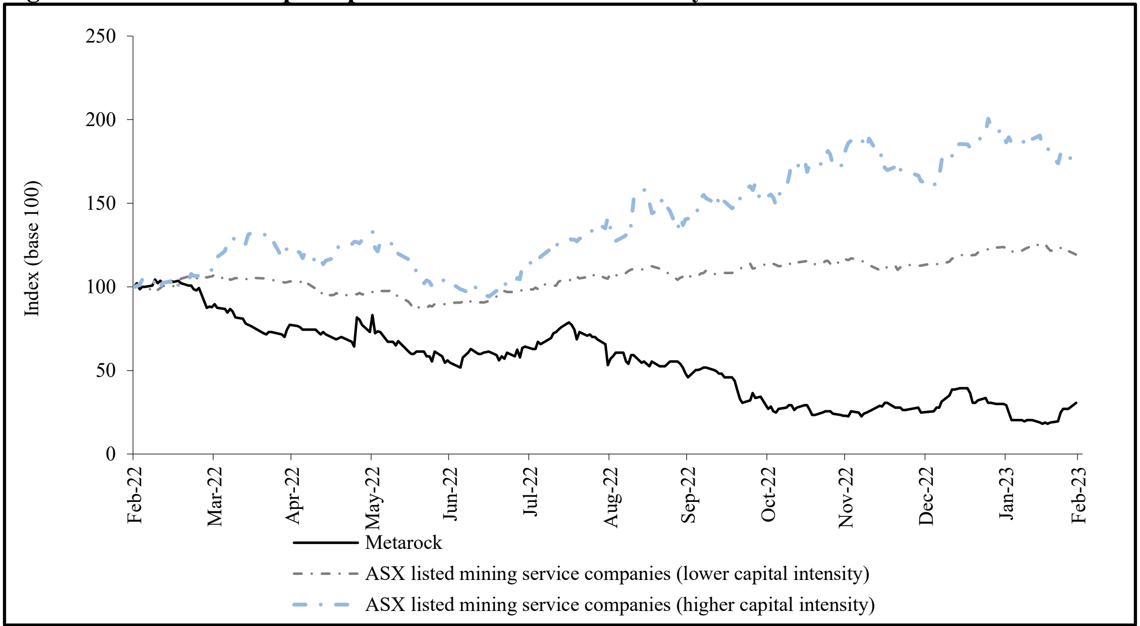
1. *Share price data represents intra-day trading rather than closing prices*
2. *Percentage of issued capital is the cumulative volume traded over the period divided by the weighted average number of Shares on issue over that period.*

During the 12 month period to 27 February 2023 (the last trading day prior to the announcement of the indicative proposal), 25.1% of the issued Shares were traded. This level of trading indicates that Metarock Shares are reasonably illiquid.

6.11.3 Relative share price performance

As illustrated in the figure below, Metarock's share price has significantly underperformed both an equally weighted index of ASX listed mining services companies with high capital intensity (rebased to 100) and an equally weighted index of ASX listed mining services companies with low capital intensity (rebased to 100) over the last twelve months ending 27 February 2023. We consider these outcomes to be largely a reflection of Metarock's financial performance over the period.

Figure 4: Relative share price performance since 27 February 2022



Source: S&P Capital IQ and KPMG Corporate Finance analysis

The ASX listed Mining Services companies indexes (both lower and higher capital intensity) displayed above consist of the comparable companies listed in Appendix 5.

7 Valuation of Metarock Shares pre the Conditional Placement

7.1 Valuation summary

We have assessed the value of Metarock pre the Conditional Placement, inclusive of a premium for control, to be in the range of approximately $41.2 million to $78.6 million, or between approximately $0.31 and $0.58 per Share, as set out in the table below.

Table 12: Underlying value of Metarock pre the Conditional Placement

$ million unless otherwise stated	Section Reference	Low	High
Mastermyne		95.6	119.5
Pybar		42.0	50.4
Enterprise value		**137.6**	**169.9**
Add: Sold surplus assets	*Section 7.3.6*	17.5	17.5
Add: Unsold surplus assets	*Section 7.3.6*	37.6	41.6
Less: Net debt	*Section 7.3.5*	(112.6)	(112.6)
Less: ATO debt	*Section 7.3.8*	(22.5)	(22.5)
Less: Pybar deferred consideration	*Section 7.3.9*	(8.9)	(8.9)
Less: Working capital requirements for new projects	*Section 7.3.4*	(5.0)	(4.0)
Less: Contract liability (refund to customer)	*Section 7.3.10*	(1.6)	(1.6)
Less: Conditional Placement transaction fees	*Section 7.3.11*	(0.9)	(0.9)
Value of equity (100%, controlling, marketable basis)		**41.2**	**78.6**
Number of performance rights (million)	*Section 7.3.12*	3.3	3.3
Number of Shares on issue (million)		131.0	131.0
Diluted number of Shares on issue (million)		**134.3**	**134.3**
Value per Share ($) before Conditional Placement		**0.31**	**0.58**

Source: KPMG Corporate Finance analysis

Note 1: Amounts may not calculate exactly due to rounding.

Our range of assessed values for Metarock incorporates a control premium reflecting synergies that would generally be available to a pool of purchasers. It does not include any potential strategic or operational benefits unique to M Mining, if any.

We also note that our range of values:

- is relatively wide, which largely reflects the impact that we have adopted a sum-of-the-parts approach and applied different earnings multiples to Mastermyne and Pybar, and have adopted a range of values for the surplus assets and working capital requirements of Metarock
- the range on the enterprise value ($137.6 million to $169.9 million or 23%) is lower than the range of values per share ($0.31 per Share to $0.58 per Share or 100%) is as a result of the relatively high level of gearing held by the Company
- represents the full underlying value of Metarock on a going concern basis. In the event that Metarock was unable to continue as a going concern, the realisable value of a Share would lie significantly below that assessed by us above.

7.2 Methodology

Our valuation of Metarock has been prepared on the basis of the International Valuation Standards definition of 'market value', that is, the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market value excludes 'special value', which is an estimated price inflated or deflated by special terms or circumstances granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of a sustainable level of earnings (**Capitalised Earnings**)
- the discounting of expected future cash flows (**DCF**)
- the estimation of the net proceeds from an orderly realisation of assets (**Net Assets**)
- trading prices for the company's securities on an exchange.

These methodologies are discussed in further detail in Appendix 4.

Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

Metarock consists of two key businesses, being Mastermyne and Pybar. Given the two businesses have certain unique characteristics and are reported separately by Management, we have valued each of the businesses separately.

We have adopted a Capitalised Earnings approach in valuing each of Mastermyne and Pybar, as this approach is a commonly adopted method for the valuation of industrial businesses, especially those with a long operating history and an earnings trend that is indicative of ongoing earnings potential. Although the financial performance of both businesses has deteriorated recently, the underperformance has, in large part, been driven by abnormal/non-recurring items (as discussed in Section 6.3). We have considered Management's FY23 earnings guidance and where appropriate made adjustments, to ensure both Mastermyne's and Pybar's maintainable earnings are reflective of their ongoing earnings capacity.

Further, there is sufficient market evidence available from which a meaningful earnings multiple can be derived. In particular, there are a number of comparable companies that perform similar services, operate within similar markets and have similar geographic presence to. Additionally, a number of transactions have occurred over the last three years involving mining services companies predominantly within Australia.

A company's net operating assets (**Net Operating Assets**) are those assets which are core to the day-to-day operations of a business (and are required to realise the level of earnings being capitalised), and excludes net debt, surplus assets and surplus liabilities. A company's net operating assets ignores all finance cash flows and hence provides an accurate representation of the value in a company's underlying business without being distorted by company-specific financing structures. In completing a cross-check of our primary EBITDA multiple valuation conclusions, we have utilised the Enterprise Value/Net Operating Assets multiple (**NOA Multiple**).

In forming our view as to the value of Metarock prior to the Conditional Placement, we have also had regard to Metarock's historical trading prices on the ASX.

While a DCF approach is also commonly used in the valuation of established industrial businesses, the inherent uncertainty associated with the project-driven nature and cyclicality of Mastermyne's and Pybar's operations, and the lumpiness of changes in working capital, means that preparing reliable cash flow projections beyond the current work in hand schedule is particularly challenging. While Management has prepared a medium term forecast for Metarock and each of its key businesses, these projections are dependent on various improvements in the market and Metarock's underlying business, the achievement of which involves a significant degree of uncertainty. Accordingly, we do not consider there to be sufficient certainty in those projections to conclude that there is a reasonable basis to adopt DCF analysis for either Metarock or its underlying businesses.

We did not consider the net realisable assets approach to be appropriate as this method would not capture the potential for value to exist in a going concern business over and above the reference solely to its underlying assets, particularly in respect of businesses such as Mastermyne which is less capital intensive. We note however, that in the event Metarock is unable to continue as a going concern in the future, the net realisable assets approach may be a more appropriate methodology in those circumstances.

7.3 Capitalised earnings valuation of Mastermyne and Pybar

7.3.1 Determination of maintainable earnings

A capitalised earnings approach can be applied to a number of different earnings or cash flow measures, including EBITDA, EBIT and NPAT.

Given the nature of the mining services industry in which both Mastermyne and Pybar operate, we consider EBITDA to be a superior metric as it provides a view of operating performance that is not distorted by the differing depreciation policies or capital structures across comparable companies.

On this basis, we have adopted EBITDA as the earnings base to estimate maintainable earnings for each of Mastermyne and Pybar and consequently referred to EBITDA multiples in our analysis of trading and transaction multiples.

Maintainable earnings represent that level of earnings that the business can sustainably generate in real terms in the future. In assessing the appropriate level of maintainable EBITDA in respect of Mastermyne and Pybar, we have considered the outlook for the industries in which Mastermyne and Pybar operates and also specific factors that have and/or are likely to impact upon the future trading results of Mastermyne and Pybar.

We have considered Management's FY23 normalised EBITDA guidance of approximately $31.2 million, $23.9 million of which is attributed to Mastermyne, with $7.3 million attributed to Pybar. We have also taken into account the following:

- the year-to-date performance of Mastermyne and Pybar, based on the Interim Report and including the normalisations identified in the Interim Report, and discussions with Management
- the order book and tendering pipeline discussed in Section 6.4

- forecasts prepared by Management, including for impairment testing purposes, which have not been made public for confidentiality reasons
- potential upside and downside risks to future profitability have been separately captured in our selection of an appropriate multiple range
- we have not adjusted maintainable earnings for the cost savings available to any acquirer of 100% of a company as these types of general synergies are commonly subsumed within a premium for control that is reflected in our calculation of equity value, via our selection of the capitalisation multiple range.

Having regard to the above, we have estimated a FY23 maintainable earnings of approximately $23.9 million for Mastermyne.

In respect of Pybar we further note that the FY23 normalised EBITDA of $7.3 million:

- included significant EBITDA losses from the operation of the Thalanga contract. As this contract has been terminated, we have adjusted the normalised EBITDA to exclude these losses
- included EBITDA from the operation of the Peak contract and the Gwalia contract. As the Peak contact has been terminated and the Gwalia contract has been completed, we have adjusted the normalised EBITDA to exclude the EBITDA from both of these contracts
- excluded any EBITDA from either the Rosebery or Maxwell contracts, both of which are expended to commence in 2H23. As the EBITDA for these contracts is material and these contracts represent the types of contracts that Pybar expects to operate going forward, we have adjusted the normalised EBITDA to include the EBITDA from these contracts, noting that we have considered the risk associated with the successful operation of these new contacts in the adopted earnings multiple.

Having regard to the above, we have estimated a FY23 maintainable earnings of approximately $16.8 million for Pybar.

7.3.2 Determination of earnings multiples

Mastermyne and Pybar both operate in the mining services sector, with Mastermyne being considered to be a lower capital-intensive business and Pybar considered to be a higher capital-intensive business. Mastermyne and Pybar are generally exposed to different commodities within the mining sector and Metarock has different strategic goals for holding each of the businesses. Given these unique characteristics, we have estimated a separate earnings multiple for each business.

The multiple applied in a Capitalised Earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business's operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from recent transactions involving comparable businesses/assets and listed comparable companies, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

The multiples derived from listed comparable companies are based on share prices generally reflective of the trades of small parcels of Shares. As such, they reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock.

It is generally acknowledged that, in order to acquire a 100% controlling interest in a company, the acquirer is often required to pay a premium over and above the traded price of a minority or portfolio interest.

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Metarock and have therefore considered a premium for control when assessing our Capitalised Earnings multiples for Mastermyne and Pybar. Accordingly we have included a premium for control when assessing the multiples implied by the share prices for listed comparable companies.

In order to assess a reasonable range for implied acquisition premia in Australia, we have considered the control premia observed in successful takeovers and schemes of arrangement in Australia over the period 1 January 2008 to 1 March 2023, which indicated (based on a data set of 438 transactions), the 1-day, 1-week and 1-month pre-bid average premium was 33.1%, 34.6% and 36.5% respectively.

Having considered these outcomes and based on our assessment, we consider, on balance, that it is reasonable to suggest that in Australia, successful transactions are typically likely to complete with an acquisition premia of approximately 30%.

In considering the evidence provided by actual transactions, it is important to recognise, however, that the observed premium for control is an outcome of the valuation process, not a determinant of value and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including amongst other things:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer and/or vendor to complete the transaction
- whether the acquisition is competitive, and
- the extent the target company's share price already reflects a degree of takeover speculation.

Trading multiples

In selecting the comparable peers of Mastermyne and Pybar we have had reference to companies that operate in the mining services sector. We have segregated these peers into higher capital intensity and lower capital intensity segments to align with underlying nature of the Mastermyne and Pybar businesses. We have had reference to the fixed assets as a % of revenue of the comparable companies in determining whether the peers are classified as higher capital intensity or lower capital intensity. These comparators are discussed further in Appendix 5.

The table below sets out the historical and forecast EBITDA multiples implied by the current share prices of companies selected for comparison, including a 30% control premium.

Table 13: Historical and forecast trading multiples

Company	Latest Report FY	Market Capitalisation ($ million)	Enterprise Value ($ million)	EBITDA Multiple FY	EBITDA Multiple FY+1	EBITDA Multiple FY+2
Metarock Group Limited	**30/06/2022**	**28**	**126**	**5.8**	**3.3**	**2.2**
Higher Capital Intensity						
AJ Lucas Group Limited	30/06/2022	37	148	7.7	n/a	n/a
Austin Engineering Limited	30/06/2022	225	322	11.4	7.5	6.7
Boom Logistics Limited	30/06/2022	58	132	3.2	n/a	n/a
Dynamic Group Holdings Limited	30/06/2022	31	64	3.7	n/a	n/a
DDH1 Limited	30/06/2022	354	486	5.4	3.7	3.5
Emeco Holdings Limited	30/06/2022	369	760	3.1	3.0	2.7
Macmahon Holdings Limited	30/06/2022	273	602	2.1	2.0	1.9
Mineral Resources Limited	30/06/2022	15,351	21,396	21.4	7.8	4.9
MLG Oz Limited	30/06/2022	56	141	4.7	3.2	3.0
Mitchell Services Limited	30/06/2022	72	132	12.6	3.6	3.2
Perenti Limited	30/06/2022	748	1,553	3.9	2.8	2.9
Low (excl. outliers)				**2.1**	**2.0**	**1.9**
High (excl. outliers)				**12.6**	**7.8**	**6.7**
Median (excl. outliers)				**4.3**	**3.4**	**3.1**
Average (excl. outliers)				**5.8**	**4.2**	**3.6**
Lower Capital Intensity						
Boart Longyear Group Ltd.	31/12/2022	621	1,067	7.1	n/a	n/a
Decmil Group Limited	30/06/2022	28	61	nmf	4.6	3.1
DRA Global Limited	31/12/2022	124	108	5.1	n/a	n/a
GR Engineering Services Limited	30/06/2022	325	349	6.2	n/a	n/a
Lycopodium Limited	30/06/2022	329	349	10.3	n/a	n/a
Mader Group Limited	30/06/2022	754	1,039	22.5	14.5	12.0
Monadelphous Group Limited	30/06/2022	1,097	1,348	4.6	12.3	10.5
NRW Holdings Limited	30/06/2022	993	1,463	5.7	5.2	4.8
SRG Global Limited	30/06/2022	364	457	8.0	5.8	4.8
WestStar Industrial Limited	30/06/2022	24	14	1.7	n/a	n/a
Low (excl. outliers)				**1.7**	**4.6**	**3.1**
High (excl. outliers)				**10.3**	**5.8**	**4.8**
Median (excl. outliers)				**6.0**	**5.2**	**4.8**
Average (excl. outliers)				**6.1**	**5.2**	**4.2**

Source: S&P Capital IQ (data as at 17 March 2023), KPMG Corporate Finance analysis

Notes:

1. *Enterprise value and market capitalisation of the company as at 17 March 2023.*
2. *The EBITDA multiples are presented on a post-AASB 16 basis.*
3. *Outliers have been shaded grey based on an 80% confidence level.*
4. *We have placed less reliance on Mineral Resources given, in addition to mining services, it also has a significant interest in lithium assets.*

In assessing the comparability of the companies detailed above, we have considered the following:

- *Growth prospects:* the forecast multiples of each of the comparable companies lie below historical multiples, suggesting an expectation of improving trading results, this compares to Metarock's expectation of a significant improvement in earnings during 2H23
- *Scale:* size is typically a substantial advantage for mining service companies for a number of reasons. Firstly, larger companies tend to be more competitive for the largest contracts. Secondly, the larger company, the larger the benefit realised from efficiencies (i.e. economies of scale and advantageous financing terms). Thirdly, larger companies have greater capacity to absorb losses on specific projects given the larger number of projects in their portfolio. Lastly, larger companies tend to have lower levels of earnings volatility as a result of their greater diversity in their service and/or market mix. We note that the majority of the companies considered appear to be larger than both Mastermyne and Pybar, and in some cases significantly so.

Multiples implied by recent transactions

In selecting the multiple range to be applied, we have given consideration to market evidence derived from recent transactions involving comparable businesses/assets, having regard to the specific characteristics of the business being valued.

Transaction multiples reflect historical multiples, that is, based on the last twelve months (**LTM**) results prior to the transaction. It is reasonable to expect that the final price paid to acquire the target will reflect a pure control premium, as well as any general and specific synergies, hence the below multiples are likely to be at a premium to the multiple implied with no control premium.

The table below sets out the EBITDA multiples implied by recent transactions involving companies operating in the mining services sector in Australia and New Zealand for which sufficient financial data is available. These transactions are discussed further in Appendix 6.

Table 14: Transaction multiples

Announce-ment date	Target	Acquirer	% acquired	Enterprise Value (A$ million)	EBITDA Multiple LTM
Jul-22	MACA Limited	Thiess Group Investments Pty Ltd	100%	556	3.0
Oct-21	Drilling business of Swick Mining Services Limited	DDH1 Limited	100%	85	2.8
Oct-21	Intega Group Limited	Kiwa Australia 2 Pty Ltd	100%	457	10.0
Sep-21	Pybar Mining Services Pty Ltd	Mastermyne Group Limited	100%	99	3.5
Jan-20	Pit N Portal Mining Services Pty Ltd/Pit N Portal Equipment Hire Pty Ltd	Emeco Holdings Limited	100%	72	3.6
Low (excl. outliers)					**2.8**
High (excl. outliers)					**3.6**
Median (excl. outliers)					**3.2**
Average (excl. outliers)					**3.2**

Source: S&P Capital IQ, ASX announcements, KPMG Corporate Finance Analysis

Notes:

1. *Enterprise value of the company as at the date of announcement.*
2. *LTM multiples calculated based on EBITDA from most recent financial results as at the transaction announcement date.*
3. *Given insufficient data, the EBITDA multiples have not been adjusted to reflect any impacts of AASB16 and have not been separated into higher capital intensity and lower capital intensity segments.*
4. *Outliers have been shaded grey based on our professional judgement.*

Selection of an appropriate earnings multiple

Mastermyne

In determining an appropriate earnings multiple range for Mastermyne, we have:

- had regard to the FY+1 mean/median EBITDA multiple range of the low-capital intensity comparable companies, as the FY+1 multiples best align with our adopted FY23 maintainable earnings (having regard to the FY reporting dates of the comparable companies)
- had regard to the mean and median EBITDA multiples observed in recently completed transactions. We have placed less reliance on the comparable transaction data as there is a limited sample size of transactions where financial information is disclosed, and of those transactions with financial information disclosed, the details are generally limited, particularly in respect of information on growth prospects
- considered Mastermyne's growth prospects through its order book, on a standalone basis, beyond FY23
- considered Mastermyne's size relative to the comparable companies. Smaller companies are typically risker than larger companies and as a result, we have adjusted by applying a discount for Mastermyne's size relative to the comparable companies and transactions
- considered Mastermyne's relatively low diversification as compared to the comparable companies and companies acquired in recent transaction.

Having regard to these considerations, we have adopted a FY23 EBITDA multiple, on a controlling interest basis, of 4.0 times to 5.0 times for Mastermyne.

Pybar

In determining an appropriate earnings multiple range for Pybar, we have:

- had regard to the FY+1 mean/median EBITDA multiple range of the high-capital intensity comparable companies, as the FY+1 multiples best align with a FY23 maintainable earnings (having regard to the FY reporting dates of the comparable companies)
- had regard to the mean and median EBITDA multiples observed in recently completed transactions, specifically the drilling business of Swick Mining and the Pybar transaction, recognising these multiples will include an element of control premium
- considered Pybar's growth prospects through its order book, on a standalone basis, beyond FY23 compared to the comparable companies
- considered Pybar's size relative to the comparable companies. As a result our starting multiple range implicitly includes a degree of size premium, which we have adjusted by applying a discount for Pybar's relatively smaller size
- considered Pybar's relatively low diversification as compared to the comparable companies.

Having regard to these considerations, we have adopted a FY23 EBITDA multiple, on a controlling interest basis, of 2.5 times to 3.0 times for Pybar.

7.3.3 Capitalised earnings valuation of Mastermyne and Pybar

Mastermyne

Having regard to the earnings multiples and maintainable earnings of Mastermyne (see Section 7.3.1 and 7.3.2), the enterprise value of Mastermyne is shown in the below table.

Table 15: Enterprise Value of Mastermyne

$ million unless otherwise stated	Low	High
Mastermyne FY23 EBITDA	23.9	23.9
EBITDA Multiple	4.0x	5.0x
Enterprise value	**95.6**	**119.5**

Source: KPMG Corporate Finance Analysis

Pybar

Having regard to the earnings multiples and maintainable earnings of Pybar (see Section 7.3.1 and 7.3.2), the enterprise value of Pybar is shown in the below table.

Table 16: Enterprise Value of Pybar

$ million unless otherwise stated	Low	High
Pybar FY23 EBITDA	16.8	16.8
EBITDA Multiple	2.5x	3.0x
Enterprise value	**42.0**	**50.4**

Source: KPMG Corporate Finance Analysis

7.3.4 Cash and working capital position

We have considered the working capital requirements that would be required by Metarock to achieve the future maintainable earnings of Mastermyne and Pybar and in particular the working capital required for the new Rosebery and Maxwell contracts. Based on discussions with Management and forecasts prepared by Management, we have included an adjustment of $4.0 million to $5.0 million for the additional working capital required to support the maintainable earnings.

Based on this analysis we consider any purchaser would be required to invest further funds into the business to fund the net working capital required to support the maintainable earnings.

7.3.5 Net debt

As at 31 December 2022, Metarock had a net debt balance of approximately $112.6 million as set out in the table below.

Table 17: Net debt of Metarock

$ million unless otherwise stated	
Add: Cash	3.6
Less: Current borrowings	(55.8)
Less: Current lease liabilities	(6.0)
Less: Liabilities associated with assets held for sale	(22.7)
Less: Non-current borrowings	(20.6)
Less: Non-current lease liabilities	(11.2)
Net debt	**(112.6)**

Source: Management, KPMG Corporate Finance Analysis

Note 1: Amounts may not calculate exactly due to rounding.

7.3.6 Surplus PP&E

One component of Management's turnaround and recapitalisation plan is to raise cash through the sale of surplus assets.

In the Interim Report, Metarock recognised, on its balance sheet, a group of assets classified as held for sale (refer Section 6.5.1), which was made up of Panels One, Two and Three. As at the date of this report Panel One has been sold.

In addition to the assets classified as held for sale, Management in in the process of selling 51 items of idle plant & equipment relating to the Pybar business (Pybar P&E). The Pybar P&E includes underground loaders, underground mining trucks, Jumbos, Cablebolters, IT loaders, shotcrete rigs, ANFO loaders and other specialised mining assets, all of which are second-hand.

We have estimated the market value of Panel Two, Panel Three & the Pybar P&E (together the **Subject Assets**) to be in the range of $37.6 million to $41.6 million. Given the Subject Assets are currently under negotiation, Management has requested their individual values are not disclosed due to their commercial sensitivity. Refer Appendix 7 for further information.

7.3.7 Carry forward tax losses

As discussed in Section 6.5, Metarock has a carried forward loss of $45.5 million and a further loss of $19.4 million which is subject to available fraction tax rules. As Metarock was able to immediately deduct significant expenditure in relation to the acquisition/refurbishment of the Crinum equipment for tax purposes the sale of the Subject Assets will give rise to a taxable gain on sale. This gain on sale is expected to absorb the majority of the carried forward tax losses. As a result, we have not placed a separate value on the carried forward tax losses.

7.3.8 ATO debt

As discussed in Section 6.5.2, Metarock owed $22.5 million to the ATO as at 31 December 2022, inclusive of GIC. We have treated this as a surplus liability.

7.3.9 Pybar deferred consideration

As discussed in Section 6.5.2, Metarock owes the Pybar vendors a deferred consideration of approximately $8.9 million, due on 1 September 2023. We have treated this as a surplus liability.

7.3.10 Contract liability

As discussed in Section 6.5, Contract liabilities includes expected refunds to customers of $1.6 million. We have treated this as a surplus liability.

7.3.11 Conditional Placement transaction fees

Metarock have already incurred fees of $0.9 million in relation to the Conditional Placement and Facilities which they are not able to avoid paying if the Conditional Placement does not proceed.

7.3.12 Performance rights

For the purposes of assessing Metarock's value per share we have included 3,332,007 PRs (refer Section 6.10) in the total number of Shares on issue, on the expectation they will be converted to Metarock Shares as a result of the Conditional Placement. There will not be any cash raised from the conversion of the PRs. This results in a total number of Shares on issue equal to 134,324,554.

7.3.13 Contingent liabilities

As discussed in Section 6.5.3, Management has advised that the contingent liability associated with Falcon Mining cannot be accurately quantified at this point in time, hence we have not ascribed a value to the contingent liability as part of our analysis. Management has advised that it is expected the value will not be significant.

7.4 Cross-check

NOA multiple

We have cross-checked our conclusions from our primary approach for Mastermyne and Pybar using an NOA multiple. In undertaking the cross-check, we have had reference to the net operating assets per the segment balance sheets for Mastermyne and Pybar as at 31 December 2022, as provided by Management, and the Enterprise Values for Mastermyne and Pybar (see Section 7.3.3).

We calculated an implied NOA multiple range for each of Mastermyne and Pybar in the able below.

Table 18: Implied NOA multiples for Mastermyne

$ million unless otherwise stated	Low	High
Mastermyne Net Operating Assets	45.9	45.9
Mastermyne Enterprise Value	95.6	119.5
Implied NOA multiple	**2.1**	**2.6**
Comparable company LTM NOA multiple - mean	**2.0**	
Comparable company LTM NOA multiple - median	**2.4**	

Source: Management, KPMG Corporate Finance Analysis

Note 1: Amounts may not calculate exactly due to rounding.

Table 19: Implied NOA multiples for Pybar

$ million unless otherwise stated	Low	High
Pybar Net Operating Assets	43.4	43.4
Pybar Enterprise Value	42.0	50.4
Implied NOA multiple	**1.0**	**1.2**
Comparable company LTM NOA multiple - mean	**1.0**	
Comparable company LTM NOA multiple - median	**1.6**	

Source: Management, KPMG Corporate Finance Analysis

Note 1: Amounts may not calculate exactly due to rounding.

The implied multiples of Mastermyne and Pybar have been compared to multiples of comparable companies (included in Appendix 5) in the lower capital intensity and higher capital intensity categories. Consistent with our primary capitalisation of earnings valuation we have included a control premium of 30% to arrive at the NOA multiples for the comparable companies.

In relation to the comparable companies, we note the following:

- while the companies selected have similarities to Mastermyne and Pybar in terms of core operations, there are differences in their size, product diversification, geographic diversification and growth profile
- we consider the LTM NOA multiples of the comparable companies to be most comparable to Mastermyne's and Pybar's implied NOA multiple range. Given a majority of the peers have a FY reporting date of 30 June 2022, the LTM multiple aligns closest to the 31 December 2022 balance sheet date for Mastermyne and Pybar.

In relation to the comparable companies for Mastermyne, we note the following:

- the LTM NOA multiples of the lower capital intensity peers, excluding outliers, are in the range of 0.6 times to 6.5 times with a mean of 2.0 times and a median of 2.4 times. The implied NOA multiple range for Mastermyne of 2.1 to 2.6 times falls within the range and broadly aligns with the mean and median of the comparable companies.

In relation to the comparable companies for Pybar, we note the following:

- the LTM NOA multiples of the higher capital intensity peers, excluding outliers, are in the range of 0.7 times to 4.4 times with a mean of 1.0 times and a median of 1.6 times. The implied NOA multiple range for Pybar of 1.0 to 1.2 times falls within the range and broadly aligns with the mean of the comparable companies.

While in our view the outcome of this analysis provides broad support for our range of values, it should only be considered as a high-level cross-check of the outcomes of other valuation methodologies and not as a determinant of value. In this regard we note we have adopted normalised financial information for Mastermyne and Pybar in our primary valuation approach. However, we do not have sufficient information with which to normalise the financial information and valuation metrics of the comparable companies.

Quoted Market Price

We note that Metarock was in a voluntary suspension from the 27 February 2023 to the 24 March 2023, with the Conditional Placement and half-yearly accounts being announced to the market on the 17 March 2023.

With reference to our assessed the value of $0.31 and $0.58 per Share pre the Conditional Placement, our assessed value is higher than the recent trading prices of Metarock (see Section 6.11) due to the following:

- Our assessed value is inclusive of a control premium of 30%, whilst the historical trading prices of Metarock are generally reflective of trades of small parcels of securities (on a minority basis)
- In completing our valuation, we have held discussions with Management and been provided with a level of detailed information that is not normally released to the market given its commercially sensitive nature.

Metarock's voluntary suspension was lifted on the 24 March 2023, with the share price closing at $0.165 on the 24 March 2023 and $0.160 on the 27 March 2023. We note this closing price is closely aligned with the $0.150 price that the Placement Shares are being issued at, suggesting the market perceives the Conditional Placement is likely to be supported by Shareholders. The trading volume of 0.3%[7] of the issued capital of Metarock traded on the 24 March 2023 (day the voluntary suspension was lifted was broadly in line with average daily trading volumes for the previous month).

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[7] 454,312 Metarock Shares traded on 24 March 2023.

8 Summary of value of Metarock post Conditional Placement

Approval of the Conditional Placement will result in the issue of the Placement Shares and the Placement Options. Accordingly, for the purpose of our valuation of the ordinary Shares of Metarock following the Conditional Placement we have:

- assumed the Placement Shares are issued
- where the Placement Options are 'out of the money' based on our assessed values for Metarock on an undiluted, minority interest basis following the Conditional Placement (i.e. before the impact of the Placement Options), we have deducted our assessed market value of the Placement Options (as discussed below) from the total equity value of Metarock to determine the residual value to ordinary Shares
- where the Placement Options are 'in the money' based on our assessed values for Metarock on an undiluted, minority interest basis following the Conditional Placement (i.e. before the impact of the Placement Options), we have assumed the Placement Options are immediately exercised and have included the cash raised from conversion, and included the additional Shares which will be issued from conversion, in our assessed market value of ordinary Shares.

In addition, in order to comply with the requirements of RG111, we have further adjusted our values for Metarock to reflect the removal of the control premium following the Conditional Placement.

As summarised in the table below, KPMG Corporate Finance has calculated an estimated value range for a Share, post completion of the Conditional Placement to be in the range of $0.15 to $0.25 per Share.

We have not considered the Entitlement Offer as part of our analysis as the Entitlement Offer is not a legal obligation that requires Shareholder approval, but rather is an offering to existing Shareholders. Further, as the Entitlement Offer is at the option of Metarock, there is not absolute certainty that it will proceed. If the Entitlement Offer does proceed, it will reduce M Mining's ownership interest from 55.4% to 61.9% to 51.0% to 56.4%. Refer to Section 3.2.2 for more details.

Table 20: Estimated trading range of a share post Conditional Placement

$ million unless otherwise stated	Low	High
Value of equity (100% basis)	**41.2**	**78.6**
Add: Cash raised from Placement Shares	25.0	25.0
Add: Cash raised from Placement Options conversion[3]	-	11.8
Less: Incremental transaction costs	(1.4)	(1.4)
Equity value post Conditional Placement (controlling, marketable basis)	**64.8**	**113.9**
Less: minority interest discount[1]	(14.9)	(26.3)
Equity value post Conditional Placement (minority, marketable basis)	**49.8**	**87.7**
Less: Value of Placement Options[2]	(3.2)	-
Ordinary share value post Conditional Placement (minority, marketable basis)	**46.6**	**87.7**
Number of diluted ordinary shares pre-Conditional Placement (m)	134.3	134.3
Number of ordinary shares issued from Placement Shares (m)	166.7	166.7
Number of ordinary shares issued following Placement Options conversion (m)[3]	-	51.3
Number of Shares post Conditional Placement (m)	**301.0**	**352.3**
Value per Share post Conditional Placement (marketable, minority interest basis)	**0.15**	**0.25**

Source: KPMG Corporate Finance Analysis
Notes:
1. *A minority discount of 23.1% has been deducted at the low and high end of the range, calculated based off a control premium of 30%.*
2. *As the Placement Options are 'out of the money' at the low end of the range, it has been assumed the Placement Options are not exercised and their value has been calculated using a Black Scholes Mode based adopting an exercise price of $0.23 per share, a term of 5 years, a risk free rate commensurate with the term (of 3.12%), an expected dividend yield of nil and a volatility of 50% based on the historical volatility of comparable companies.*
3. *As the Placement Options are 'in the money' at the high end of the range (based on a value per Share excluding the impact of converting the Placement Options), it has been assumed the Placement Options are immediately exercised.*
4. *Amounts may not calculate exactly due to rounding.*

Our determination of the estimated trading range of a Share post Conditional Placement has been based on the below.

- *Underlying value of Metarock equity*: The underlying value of Metarock equity, on a control basis, as set out in Section 7 above
- *Minority discount:* A discount to reflect the trading of a minority interest of 23.1%, which is calculated based on the inverse of the control premium of 30% (consistent with Section 7.3.2)
- *Cash raised from Placement Shares:* The addition of $25.0 million cash received from the Placement Shares at $0.150 per share
- *Cash raised from Placement Options conversion:* The addition of $11.8 million at the high end of our range of values in respect of cash received from the assumed conversion of the Placement Options at $0.230 per Metarock share. As the value of the total equity of Metarock post the Conditional Placement (calculated as total equity value on a minority interest basis, divided by the undiluted number of ordinary Shares) at the high end of the range is greater than the exercise price of the

Placement Options of $0.230 per option, we have assumed that the 51,282,051 Placement Options will be 'in the money' and immediately exercised.

- *Transaction costs:* Incremental transaction costs of $1.4 million have been deducted
- *Value of the Placement Options*: As the value of the total equity of Metarock post the Conditional Placement (calculated as total equity value on a minority interest basis, divided by the undiluted number of ordinary Shares) at the low end of the range is less than the exercise price of the Placement Options of $0.230 per option, we have assumed that the Placement Options will be 'out of the money' and not immediately exercised. As a result, in order to value the ordinary Shares of Metarock, we have deducted the value of the Placement Options from the total equity value to derive the value of the ordinary Shares on the low end of our range.

  The value of the Placement Options has been estimated to be $3.2 million calculated using the Black Scholes model, adopting an exercise price of $0.23 per share, a term of 5 years, a risk free rate commensurate with the term (of 3.12%), an expected dividend yield of nil and a volatility of 50% based on the historical volatility of comparable companies.
- *Ordinary Shares issued from the Placement Shares and Placement Options:* We have assumed total Shares on issue of 300,991,221 being the existing 134,324,554 plus the 166,666,667 ordinary Shares issued from the Placement Shares on the low end of our range and 352,273,272 on the high end of our range, being inclusive of the 51,282,051 Placement Options.

Our assessed value range of an ordinary share post completion of the Conditional Placement does not include any potential benefits that may arise as a result of the Conditional Placement including through the Metarock utilising additional funds to reinvest in the business or through the introduction of M Mining as a strategic investor who can provide assistance in expanding their customer base, as this is yet to be quantified.

Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Jason Hughes. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Bill Allen is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance.

Jason Hughes is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Conditional Placement is fair and reasonable to the Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Metarock Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Statement or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Explanatory Statement as a whole or other documents prepared in respect of the Proposed Transaction.

Our report makes reference to "KPMG Corporate Finance analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently. In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Metarock for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Other than fees to be received in respect to preparing this report, neither KPMG Corporate Finance or the KPMG Partnership have provided professional services to Metarock or M Resources in relation to the Proposed Transaction.

By way of disclosure, total fees received from Metarock by the KPMG partnership and/or KPMG Corporate Finance in the 2 years prior to that date of announcement of the Proposed Transaction were nil excluding Goods and Services Tax (**GST**).

From time to time KPMG Corporate Finance and/or the KPMG Partnership undertake professional assignments for M Resources and its affiliated entities. Total fees received from M Resources by KPMG and/or KPMG Corporate Finance over the same 2 year period were in the order of $42,000, excluding GST. The quantum of the fees received from both Metarock and M Resources are not material to either the KPMG Partnership or KPMG Corporate Finance.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Statement to be issued to the Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board. KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd
- information from AssetX marketplace, Machinerytrader.com.au, Oanda currency converter
- financial information from Bloomberg, S&P Capital IQ and Connect 4.

Non-public information:

- various documents containing information and analysis provided by Management

In addition, we have had discussions with the following persons:

- Mr Paul Green, Managing Director of Metarock
- Mr Jeff Whiteman, Chief Financial Officer of Metarock
- Mr Colin Bloomfield, Chairman of Metarock
- Mr Andrew Watts, Non-Executive Director of Metarock and acting Managing Director (October 2022 to December 2022)
- Senior Management
- Yellow goods and construction machinery manufactures / vendors.

Appendix 3 – Industry overview

To provide context for assessing the future prospects of Metarock, we have set out below an overview of Australia's Mining Services industry. All data is sourced from IBIS World Pty Ltd (**IBISWorld**) unless otherwise stated.

Mining Services

Mining Services firms are commonly contracted to operate mines or undertake affiliated activities through providing equipment and labour resources to mining companies. Firms in the industry typically specialise in surface mining, underground mining, or oil and gas extraction and exploration drilling. Underground contract mining accounts for 22.3% of the industry with surface contract mining accounting for 63.2% and oil and gas extraction accounting for 14.5%. Outsourcing to the Mining Services industry can benefit mining companies by reducing the cost of buying equipment outright, reducing the cost of training and retaining labour or accessing specialist skills. However, demand for Mining Services is heavily reliant on the demand for mining.

Mining Services in Australia is a mature market with total revenue in the industry for FY22 at $13.9 billion. Market concentration within the mining services industry is relatively high due to the high costs of entering the industry, with the four largest companies (i.e. CIMIC, Byrnecut, Macmahon Holdings, MACA Limited) expected to account for 62.5% of industry revenue in FY22. The larger firms also hold long term contracts, eliminating some demand risks.

The last five years has seen a consolidation in the hard rock sector (both surface and underground), with larger firms acquiring smaller firms, increasing their market share further while diversifying their offerings. Management has advised that consolidation isn't as prevalent in the underground coal sector, as the sector is typically made up of smaller value contracts, which enables smaller businesses to fund the start-up of a contracting company and service the needs of one or two sites.

Key transactions in the past few years include the acquisition of MACA Limited by Thiess Group Investments Pty Ltd, the acquisition of the drilling business of Swick Mining Services Limited by DDH1 Limited and MACA Limited's acquisition of Downer EDI Mining-Blasting Services Pty Ltd.

Outlook

The Mining Services industry in Australia is generally cyclical and relies heavily on the performance of domestic mining firms. The industry's main drivers include commodity prices, demand for coal and minerals, supply chain issues and ESG considerations. Management has advised that a lead indicator for the outlook of Mining Services work is the volume and location of pre-mining works, as pre-mining works is often considered a prelude to the engagement of Mining Services activities, such as in the development of mine accesses, roadways and subsequently ongoing production related works.

ESG concerns are expected to decrease the demand for coal mining over the next five years, particularly for companies with exposure to thermal coal. The impact on metallurgical coal is generally expected to be less profound in the short to medium term. As a result of ESG pressures, major mining houses have considered divesting and/or closing their coal assets. Where the operations have been sold, these sales are typically to smaller operators, that specialise in the coal industry and plan to continue operations over the short to medium term.

Concurrently the global energy transition driven by ESG considerations is expected to increase demand in the hard rock minerals sector and the Mining Services industry is expected to evolve to meet this shift in demand.

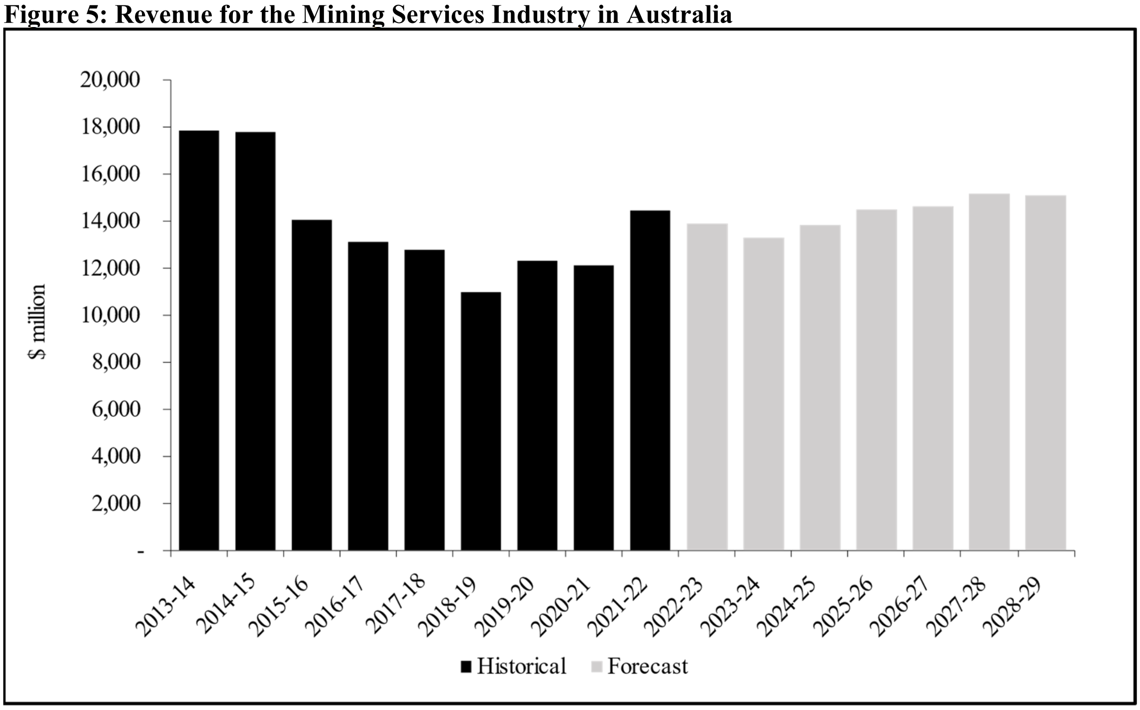
There has been significant volatility in commodity prices in recent years as a result of COVID-19, trade disputes with China and the ongoing Russia and Ukraine conflict. Geopolitical issues will continue to create commodity price volatility moving forward, which may lead to future uncertainty in the mining industry and hence the Mining Services industry.

Continuing inflationary pressures have caused the Reserve Bank of Australia (**RBA**) to increase the cash interest rate, with rates rising ten times over the eleven-month period through to March 2023. With borrowing costs increasing, lower business confidence may cause mining firms to opt to keep core operations in-house rather than contracting them out to the Mining Services industry with long term contracts. However, there is also the possibility that inflationary pressures could lead to companies reducing internal labour costs and preferring to outsource operations to contractors.

There is also a risk that mining companies will focus on production rather than expansion as the market tightens, which will impact on the demand for Mining Services. With demand forecast to be down and costs to maintain equipment and labour up, IBISWorld notes the Mining Services industry is expected to see an approximate 4.0% decrease in revenue in FY23.

Despite inflationary pressures, a tightening labour market and commodity price volatility, mining activities are expected to grow over the next five years due to expected increases in export demand paired with increased activity in the mining sector (particularly new economy minerals), increasing the demand for Mining Services, with IBISWorld noting industry revenues are expected to increase at an annualised rate of 1.8% (real) from FY23 to FY28.

Figure 5: Revenue for the Mining Services Industry in Australia



Source: IBISWorld, KPMG Corporate Finance analysis

Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Comparable Companies

Sharemarket evidence

The following tables sets out the implied EBITDA multiples as well as other statistics relevant to our analysis for selected listed companies operating in the mining services industry.

Table 21: Sharemarket evidence - EBITDA multiples

Company	Latest Report FY	Market Capitalisation ($ million)	Enterprise Value ($ million)	EBITDA Multiple FY	EBITDA Multiple FY+1	EBITDA Multiple FY+2
Metarock Group Limited	**30/06/2022**	**28**	**126**	**5.8**	**3.3**	**2.2**
Higher Capital Intensity						
AJ Lucas Group Limited	30/06/2022	37	148	7.7	n/a	n/a
Austin Engineering Limited	30/06/2022	225	322	11.4	7.5	6.7
Boom Logistics Limited	30/06/2022	58	132	3.2	n/a	n/a
Dynamic Group Holdings Limited	30/06/2022	31	64	3.7	n/a	n/a
DDH1 Limited	30/06/2022	354	486	5.4	3.7	3.5
Emeco Holdings Limited	30/06/2022	369	760	3.1	3.0	2.7
Macmahon Holdings Limited	30/06/2022	273	602	2.1	2.0	1.9
Mineral Resources Limited	30/06/2022	15,351	21,396	21.4	7.8	4.9
MLG Oz Limited	30/06/2022	56	141	4.7	3.2	3.0
Mitchell Services Limited	30/06/2022	72	132	12.6	3.6	3.2
Perenti Limited	30/06/2022	748	1,553	3.9	2.8	2.9
Low (excl. outliers)				**2.1**	**2.0**	**1.9**
High (excl. outliers)				**12.6**	**7.8**	**6.7**
Median (excl. outliers)				**4.3**	**3.4**	**3.1**
Average (excl. outliers)				**5.8**	**4.2**	**3.6**
Lower Capital Intensity						
Boart Longyear Group Ltd.	31/12/2022	621	1,067	7.1	n/a	n/a
Decmil Group Limited	30/06/2022	28	61	nmf	4.6	3.1
DRA Global Limited	31/12/2022	124	108	5.1	n/a	n/a
GR Engineering Services Limited	30/06/2022	325	349	6.2	n/a	n/a
Lycopodium Limited	30/06/2022	329	349	10.3	n/a	n/a
Mader Group Limited	30/06/2022	754	1,039	22.5	14.5	12.0
Monadelphous Group Limited	30/06/2022	1,097	1,348	4.6	12.3	10.5
NRW Holdings Limited	30/06/2022	993	1,463	5.7	5.2	4.8
SRG Global Limited	30/06/2022	364	457	8.0	5.8	4.8
WestStar Industrial Limited	30/06/2022	24	14	1.7	n/a	n/a
Low (excl. outliers)				**1.7**	**4.6**	**3.1**
High (excl. outliers)				**10.3**	**5.8**	**4.8**
Median (excl. outliers)				**6.0**	**5.2**	**4.8**
Average (excl. outliers)				**6.1**	**5.2**	**4.2**

Source: S&P Capital IQ (data as at 17 March 2023), KPMG Corporate Finance analysis

Notes:

1. *Enterprise value and market capitalisation of the company as at 17 March 2023.*
2. *The EBITDA multiples are presented on a post-AASB 16 basis.*
3. *Outliers have been shaded grey based on an 80% confidence level.*
4. *We have placed less reliance on Mineral Resources given, in addition to mining services, it also has a significant interest in lithium assets.*

The above multiples are based on sharemarket prices as at 17 March 2023 and include a 30% control premium. A brief description of each company is provided below.

Sharemarket evidence – NOA multiples

The following table sets out the NOA multiples for selected listed companies operating in the mining services industry.

Table 22: Sharemarket evidence - Other statistics

Company	Latest Report FY	Market Capitalisation ($ million)	Enterprise Value ($ million)	Net Operating Assets Multiple FY	Net Operating Assets Multiple LTM	Debt to EBITDA FY
Metarock Group Limited	**30/06/2022**	**28**	**126**	**0.7**	**1.1**	**4.7**
Higher Capital Intensity						
AJ Lucas Group Limited	30/06/2022	37	148	0.8	3.8	5.7
Austin Engineering Limited	30/06/2022	225	322	2.6	2.3	1.3
Boom Logistics Limited	30/06/2022	58	132	0.9	0.8	1.1
Dynamic Group Holdings Limited	30/06/2022	31	64	1.4	1.0	1.1
DDH1 Limited	30/06/2022	354	486	1.3	1.3	0.5
Emeco Holdings Limited	30/06/2022	369	760	0.9	0.9	1.2
Macmahon Holdings Limited	30/06/2022	273	602	0.8	0.7	1.5
Mineral Resources Limited	30/06/2022	15,351	21,396	5.4	4.4	3.1
MLG Oz Limited	30/06/2022	56	141	0.8	0.8	2.3
Mitchell Services Limited	30/06/2022	72	132	1.3	1.3	1.0
Perenti Limited	30/06/2022	748	1,553	0.8	0.8	2.2
Low (excl. outliers)				**0.8**	**0.7**	**0.5**
High (excl. outliers)				**5.4**	**4.4**	**3.1**
Median (excl. outliers)				**1.5**	**1.6**	**1.3**
Average (excl. outliers)				**0.9**	**1.0**	**1.5**
Lower Capital Intensity						
Boart Longyear Group Ltd.	31/12/2022	621	1,067	2.3	2.3	2.1
Decmil Group Limited	30/06/2022	28	61	1.1	1.0	nmf
DRA Global Limited	31/12/2022	124	108	0.6	0.6	3.8
GR Engineering Services Limited	30/06/2022	325	349	nmf	nmf	0.1
Lycopodium Limited	30/06/2022	329	349	22.7	13.9	0.5
Mader Group Limited	30/06/2022	754	1,039	8.7	6.5	0.9
Monadelphous Group Limited	30/06/2022	1,097	1,348	4.0	3.9	1.6
NRW Holdings Limited	30/06/2022	993	1,463	2.2	1.9	1.1
SRG Global Limited	30/06/2022	364	457	2.0	2.0	1.0
WestStar Industrial Limited	30/06/2022	24	14	2.4	1.3	0.3
Low (excl. outliers)				**0.6**	**0.6**	**0.1**
High (excl. outliers)				**8.7**	**6.5**	**2.1**
Median (excl. outliers)				**2.9**	**2.4**	**1.0**
Average (excl. outliers)				**2.3**	**2.0**	**1.0**

Source: S&P Capital IQ (data as at 17 March 2023), KPMG Corporate Finance analysis

Notes:

1. *Enterprise value and market capitalisation of the company as at 17 March 2023.*
2. *The NOA multiples are presented on a post-AASB 16 basis.*
3. *Outliers have been shaded grey based on an 80% confidence level.*
4. *We have placed less reliance on Mineral Resources given, in addition to mining services, it also has a significant interest in lithium assets.*

The multiples are based on sharemarket prices as at 17 March 2023 and include a 30% control premium. A brief description of each company is provided below.

Higher Capital Intensity

AJ Lucas Group Limited

AJ Lucas Group Limited provides drilling services in Australia. The company operates in two segments: Drilling, and Oil and Gas. Its Drilling segment provides integrated professional drilling services primarily for exploration and degasification of coal mines, which includes recovery and commercialization of coal seam gas and associated services. The Oil and Gas segment engages in the exploration, development, and commercialisation of unconventional and conventional hydrocarbons in the United Kingdom. In addition, the company offers engineering services, including design of wells, drilling optimisation, professional steering services, and specialised equipment for directional drilling programmes. The company was incorporated in 1993 and is headquartered in Brisbane, Australia.

Austin Engineering Limited

Austin Engineering Limited engages in the manufacture, repair, overhaul, and supply of mining attachment products, and other associated products and services for the industrial and resources-related business sectors. It offers loading and hauling solutions, including off-highway dump truck bodies, buckets, and water tanks for multi-commodity open-cut and underground operations, as well as tire handlers and other ancillary equipment. The company also provides on and off-site repair and maintenance, condition monitoring, engineering, product improvements, heavy equipment lifting and transport, specialized fabrication, blasting and painting, line boring and machining, and CNC profile cutting and pressing services. Austin Engineering Limited was founded in 1982 and is headquartered in Kewdale, Australia.

Boom Logistics Limited

Boom Logistics Limited provides lifting solutions and labour services to mining and resources, infrastructure and construction, wind, energy, and utilities, industrial maintenance, and telecommunications sectors in Australia. The company operates in two segments, Lifting Solutions and Labour Hire. It offers mobile and crawler cranes for wet and dry hire with short or long term hire facilities; travel towers and access equipment, and associated services. The company also provides special hydraulic mobile cranes and low profile prime movers; access equipment, including boom lifts, knuckle booms, elevated work platforms, and travel towers. In addition, it offers low loaders to transport heavy and large equipment, as well as engineering and project management services. Further, the company provides skilled labours for various trades. Boom Logistics Limited was incorporated in 2000 and is based in Southbank, Australia.

Dynamic Group Holdings Limited

Dynamic Group Holdings Limited provides drilling and blasting services for mining and construction sectors in Western Australia. It offers exploration and grade control drilling services. The company was incorporated in 2020 and is based in Wangara, Australia.

DDH1 Limited

DDH1 Limited provides specialized drilling services for the exploration, mining, and energy industries in Australia. The company offers diamond core drilling services for near-mine exploration, mine development, and production drilling activities of gold, nickel, copper, iron ore, and other metals; reverse circulation and air core drilling services for earlier stage exploration drilling activities; and reverse circulation and water bore drilling services to the iron ore industry. It also involved in the construction of drill rigs. The company was founded in 2006 and is headquartered in Canning Vale, Australia.

Emeco Holdings Limited

Emeco Holdings Limited provides heavy earthmoving equipment and mining service solutions in Australia. The company rents trucks, excavators, dozers, loaders, and graders. It is also involved in the maintenance and remanufacturing of various components of heavy earthmoving equipment; mechanical and boilermaker repair services; and sandblasting and painting services. The company was founded in 1972 and is headquartered in Perth, Australia.

Macmahon Holdings Limited

Macmahon Holdings Limited provides mining and civil construction services to mining companies in Australia, Indonesia, Malaysia, and South Africa. The company operates in three segments: Surface Mining, Underground Mining, and International Mining. Further, the company provides equipment maintenance and management support services; and advisory operational improvement services, which include operator coaching and training, and cultural change programs for employees, as well as advisory and assistance services with mine planning, maintenance, and employee engagement. Macmahon Holdings Limited was incorporated in 1963 and is headquartered in Perth, Australia.

Mineral Resources Limited

Mineral Resources Limited, together with subsidiaries, operates as a mining services company in Australia, China, Singapore, and internationally. It operates through five segments: Mining Services and Processing, Iron Ore, Lithium, Other Commodities, and Central. The company offers contract crushing, screening, and processing; specialized mine services, including materials handling, plant and equipment hire and maintenance, tails recovery, and aggregate crushing; and design, engineering, and construction services for resources sector. It also manages the processing, production, logistics, ship loading, marketing, and export of commodities on behalf of tenement owners; and provides specialist parts to the mining, quarrying, and recycling industries. In addition, the company has a portfolio of iron ore assets; and holds interests in the Mount Marion and Wodgina lithium projects located in Western Australia. Mineral Resources Limited was founded in 1993 and is based in Osborne Park, Australia.

MLG Oz Limited

MLG Oz Limited provides mine site services in Western Australia and the Northern Territory. The company offers mine site and bulk haulage services, such as crusher feed, road and vehicle maintenance, machine and labour hire, and rehabilitation work, as well as mine site haulage services; and supplies construction materials, including sand, aggregate, cement, and lime for mining and civil projects. It also provides crushing and screening services comprising mobile and fixed plant crushing equipment, mine ore crushing, concrete aggregate production, road base production, and general screening services; and export logistics services, including mine to port transport, container packing and devanning, import receival and distribution, and shipping documentation services. MLG Oz Limited was founded in 2001 and is headquartered in Kalgoorlie, Australia.

Mitchell Services Limited

Mitchell Services Limited provides exploration and mine site drilling services to the exploration, mining, and energy industries in Australia. The company's drilling services include greenfield exploration, project feasibility, mine site exploration and resource definition, development, and production. It also provides coal exploration, mineral exploration, mine services, underground coal drilling, and drill and blast services. Mitchell Services Limited was founded in 1969 and is headquartered in Seventeen Mile Rocks, Australia.

Perenti Limited

Perenti Limited operates as a mining services company worldwide. The company offers mining services, including drilling and blasting, in-pit grade control, exploration drilling, and earthmoving services, as well as underground mining services. It also provides mining support services, such as equipment hire, equipment parts and sales, equipment supply, logistics services, and technology driven products and services. Perenti Limited was incorporated in 1986 and is headquartered in Northbridge, Australia.

Lower Capital Intensity

Boart Longyear Group Ltd.

Boart Longyear Group Ltd provides drilling services, drilling equipment, and performance tooling for mining and mineral drilling companies. The company operates through two segments, Global Drilling Services and Global Products. It offers diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply, pump services, production, and sonic drilling services. The company also manufactures, markets, and services drill rigs, drill string products, rugged performance tooling, durable drilling consumables, and parts. In addition, it utilizes scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. Boart Longyear Group Ltd was founded in 1890 and is headquartered in West Valley City, Utah.

Decmil Group Limited

Decmil Group Limited provides design, engineering, construction, and maintenance works for infrastructure, resources, energy, and construction sectors primarily in Australia. It operates through two segments: Construction and Engineering, and Accommodation. The company undertakes various projects in the infrastructure sector, which include road and bridge civil engineering, and railway network and airport projects. It is also involved in the construction of industrial buildings, workshops, and storage facilities; workforce accommodation and associated facilities; structural mechanical and piping, processing units and systems, and engineering infrastructure power delivery management; and site preparation, excavation, and bulk earthworks. In addition, the company undertakes projects in the energy sector comprises oil and gas projects, such as wellhead installation, downstream processing components, gas compressors, and gas plants; control rooms, substations, workshops, and accommodation facilities; and feasibility, engineering, project management, and construction services. The company was founded in 1978 and is based in Osborne Park, Australia.

DRA Global Limited

DRA Global Limited operates as a diversified engineering, project management, and operations management company in the mining, mineral, and metal sectors. It offers project development services, including concept development, economic and project evaluation, study development, estimating and planning, project risk assessment, opportunity identification, preliminary economic assessment, and front-end engineering design, as well as advisory and front-end solutions, and pre/definitive/bankable feasibility studies. The company also provides project delivery and execution services, such as project management, engineering design, procurement, construction management, commissioning, detailed design, construction, commercial contract management, and capital portfolio delivery. In addition, it offers operations and maintenance services comprising plant operation and management, operational assessment and management, small project and plant modification, sustaining capital, process optimization, system, asset integrity management, and maintenance and operation strategy development. DRA Global Limited was founded in 1984 and is headquartered in Perth, Australia.

GR Engineering Services Limited

GR Engineering Services Limited provides engineering, procurement, and construction services to the mining and mineral processing industries in Australia and internationally. The company operates through two segments, Mineral Processing, and Oil & Gas. It offers feasibility studies as well as study work and services and refurbishment assessments. The company also provides design and construction of minerals processing facilities and related infrastructure for green fields or brownfield projects, including plant modifications, and upgrades, and expansions; plant evaluation and condition reports; plant operations, and maintenance support and optimization; and plant relocation, refurbishment, and recommissioning, as well as offers owners representatives and teams for project management and delivery. In addition, it provides project management services. Further, the company offers engineering and process design consulting services; asset management services; and operations, maintenance, and advisory services to the oil and gas sector. GR Engineering Services Limited was founded in 1986 and is based in Ascot, Australia.

Lycopodium Limited

Lycopodium Limited provides engineering and project delivery services in the resources, infrastructure, and industrial processes sectors. It operates through four segments: Mineral, Process Industries, Project Services-Africa, and Others. The company provides engineering and related services to junior exploration companies, multinational producers, manufacturing, and renewable energy facilities; project management, construction management, and commissioning services to the extractive mining industry; and asset management, engineering, architectural, and project delivery services to a range of private and public clients. It also offers metallurgical consulting services to mineral processing community in the field of comminution, hydrometallurgy, and mineral processing design; and drafting services to offshore entities. Lycopodium Limited was founded in 1992 and is headquartered in East Perth, Australia.

Mader Group Limited

Mader Group Limited, a contracting company, provides specialized technical services in the mining, energy, and industrial sectors in Australia and internationally. It offers rail services, digger and drill support team, fabrication and line boring, non-processing and processing infrastructure, power generation and marine, field support, professional support roles, maintenance projects, electrical services, component exchange, rapid response teams, rostered support, HME shutdown teams, specialized tool hire, clean team, trade upgrade program, training national workforces, and maintenance centre services. The company also provides in-field technical support, major overhauls and repairs, preventative equipment maintenance, training of maintenance teams, and ancillary services. Mader Group Limited was founded in 2005 and is headquartered in Perth, Australia.

Monadelphous Group Limited

Monadelphous Group Limited, an engineering group, provides construction, maintenance, and industrial services to resources, energy, and infrastructure industries in Australia and internationally. It operates through Engineering Construction, and Maintenance and Industrial Services divisions. The company offers fabrication, modularization, offsite pre-assembly, procurement, and installation of structural steel, tankage, mechanical and process equipment, piping, demolition, and remediation works; multi-disciplined construction services; plant commissioning; electrical and instrumentation services; engineering, procurement, and construction services; process and non-process maintenance services; and front-end scoping, shutdown planning, management, and execution services. It also provides water and wastewater asset construction and maintenance; transmission pipelines and facilities construction; power and water assets operation and maintenance; heavy lift and specialist transport; access solutions; dewatering services; corrosion management services; specialist coatings; rail maintenance services; and insulation and cladding services. In addition, it offers turnkey design and construction, heavy lift and crane, and civil and electrical services. Monadelphous Group Limited was founded in 1972 and is headquartered in Perth, Australia.

NRW Holdings Limited

NRW Holdings Limited provides diversified contract services to the resources and infrastructure sectors in Australia. The company operates through three segments: Civil, Mining and Minerals, Energy & Technologies. The Civil segment delivers private and public civil infrastructure, mine development, bulk earthworks, and commercial and residential subdivision projects. Its civil construction projects include roads, bridges, tailings storage facilities, rail formations, ports, renewable energy projects, water infrastructure, and concrete installations. The Mining segment engages in the mine management, contract mining, load and haul, dragline, drill and blast, and coal handling preparation plant operations; maintenance activities; and fabrication of water and service vehicles. The Minerals, Energy & Technologies segment provides materials handling, onsite maintenance, and shutdown services; industrial engineering and fabrication services; and engineering, procurement, and construction services. The company was founded in 1994 and is headquartered in Belmont, Australia.

SRG Global Limited

SRG Global Limited provides engineering-led specialist asset maintenance, mining services, and engineering and construction services in Australia and internationally. The company operates through Asset Maintenance, Mining Services and Engineering & Construction segments. SRG Global Limited was founded in 1961 and is headquartered in Subiaco, Australia.

WestStar Industrial Limited

WestStar Industrial Limited, an industrial services company, provides engineering, construction, and mining services to resource, energy, and infrastructure sectors in Australia. The company operates through SIMPEC and Alltype segments. Its services include structural mechanical piping, and electrical and instrumentation; precast concrete and structural steel supply and installation; and asset management services. The company also provides construction contracting, fabrication, and mineral exploration services. WestStar Industrial Limited was incorporated in 2006 and is based in Naval Base, Australia.

Appendix 6 – Comparable Transactions

Transaction evidence

The following table sets out a select summary of transactions involving businesses operating in Australia in the mining services industry since 2020.

Table 23: Transaction evidence

Announce-ment date	Target	Acquirer	% acquired	Enterprise Value (A$ million)	EBITDA Multiple LTM
Jul-22	MACA Limited	Thiess Group Investments Pty Ltd	100%	556	3.0
Oct-21	Drilling business of Swick Mining Services Limited	DDH1 Limited	100%	85	2.8
Oct-21	Intega Group Limited	Kiwa Australia 2 Pty Ltd	100%	457	10.0
Sep-21	Pybar Mining Services Pty Ltd	Mastermyne Group Limited	100%	99	3.5
Jan-20	Pit N Portal Mining Services Pty Ltd/Pit N Portal Equipment Hire Pty Ltd	Emeco Holdings Limited	100%	72	3.6
Low (excl. outliers)					**2.8**
High (excl. outliers)					**3.6**
Median (excl. outliers)					**3.2**
Average (excl. outliers)					**3.2**

Source: Company financial statements and announcements, S&P Capital IQ, KPMG Corporate Finance analysis

Notes:

1. *Enterprise value of the company as at the date of announcement.*
2. *LTM multiples calculated based on EBITDA from most recent financial results as at the transaction announcement date.*
3. *Given insufficient data, the EBITDA multiples have not been adjusted to reflect any impacts of AASB16 and have not been separated into higher capital intensity and lower capital intensity segments.*
4. *Outliers have been shaded grey based on our professional judgement.*

A brief description of the selected comparable transactions is provided below.

Acquisition of MACA Limited by Thiess Group Investments Pty Ltd

In July 2022, Thiess Group Investments Pty Ltd entered into a bid implementation deed to acquire all MACA Limited shares on issue. The transaction closed in October 2022 for a transaction value of approximately $370 million. MACA Limited engages in contract mining, civil and infrastructure, and structural, mechanical, and piping businesses.

Acquisition of Drilling business of Swick Mining Services Limited by DDH1 Limited

In October 2021, DDH1 Limited entered into a scheme implementation deed to acquire the Drilling business of Swick Mining Services Limited. The transaction closed in February 2022 for a transaction value of approximately $97.7 million. The drilling business of Swick Mining Services Limited provides mineral drilling services and is located in Australia. They reported EBITDA of $30.4 million and EBIT of $17.2 million for the financial year ended June 30, 2021.

Acquisition of Intega Group Limited by Kiwa Australia 2 Pty Ltd

In October 2021, Kiwa Australia 2 Pty Ltd entered into a scheme implementation deed to acquire Intega Group Limited. The transaction closed in December 2021 for a transaction value of approximately $380 million. Intega Group Limited provides engineering services, including testing services, subsurface utility engineering services and environmental testing services.

Acquisition of Pybar Mining Services Pty Ltd by Metarock Group Limited

In September 2021, Metarock Group Limited entered into an agreement to acquire Pybar Mining Services Pty Ltd. The transaction closed in October 2021 for an enterprise value of approximately $99.0 million with the consideration consisting of cash consideration of $23.5 million, with $11.75 million (50%) payable on completion of the transaction and the remaining $11.75 million (50%) and scrip consideration of approximately 23.2 million Metarock shares at an implied value of $23.5 million. Pybar Mining Services Pty Ltd operates as a hard rock mining contractor company in Australia.

Acquisition of Pit N Portal Pty Ltd by Emeco Holdings Limited

In January 2020, Emeco Holdings Limited entered into a binding agreement to acquire Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd. The transaction closed in for a transaction value of $72 million, with the consideration consisting of $62 million in cash and $10 million Emeco shares. Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd engages in the rental of hard-rock underground mining equipment. For the year end 30 June 2019, Pit N Portal has revenues of approximately $101 million and an EBITDA of $20 million.

Appendix 7 – Desktop value of Subject Assets

Scope

The scope of the desktop valuation (**P&E Valuation**) is the subject Assets which include:

- all components included in Panel Two and Panel Three and
- Pybar P&E

Basis of value

The P&E Valuation has been prepared on the basis of market value.

Adopted approach

Based on the nature of the assets, KPMG Corporate Finance has relied on a combination of the depreciated replacement cost (**DRC**) and market approaches to value the Subject Assets (as described below).

In performing the P&E Valuation we have primarily relied on information contained in the asset listings provided by Management (detailed in Appendix 2) and detailed information supplied in response to our requests for information (e.g., asset description, make, model, serial number, hours, working condition, overhaul information etc.). We have not performed a physical inspection of the Subject Assets.

Cost/DRC approach

Under the DRC approach, the market value of an asset is estimated as a function of the current cost to purchase or replace the asset, adjusted to reflect the age and utility of the asset. This is based upon the principle of substitution, which states that a prudent investor would typically pay no more for an asset than the amount necessary to replace the asset.

The DRC approach involves a number of steps:

- determining the replacement cost new (**RCN**) for each asset
- estimating each asset's Normal Useful Life (**NUL**), Remaining Useful Life (**RUL**) and its salvage value
- applying adjustments for physical depreciation/deterioration
- assessing/adjusting for functional and economic obsolescence

Replacement Cost New

When applying the DRC approach, the direct or indirect method may be used to estimate the RCN:

- the direct cost approach involves researching the current cost to replace an asset with a new one of equivalent functionality
- the indirect cost approach involves applying equipment-specific inflation factors to historical costs resulting in an estimate of RCN that is often referred to as reproduction cost new.

In the application of the DRC approach, we have relied on the direct cost approach only.

Direct Cost Approach

In assessing the current cost to replace estimates, we have considered the following sources of data:

- Analysis of replacement cost estimates for Panel Two and Panel Three by a third-party technical specialist
- Discussions with manufacturers and suppliers of Subject Assets
- Information provided by Management
- Data held on file by KPMG Corporate Finance

Additionally, KPMG Corporate Finance held discussions with Management to confirm the reasonableness of our RCN estimates for the Subject Assets.

Normal Useful Lives and Depreciation

After determining the RCN using the cost approach, we applied depreciation for physical deterioration, which is defined as the diminution in value that occurs as a result of wear and tear through use, exposure to the elements, and the passage of time. Depreciation for each asset was based on the asset's NUL, effective age, usage and the overhaul history. Our NUL estimates were based on our experience in valuing similar assets, discussions with Management and industry publications.

Salvage value

Salvage value is defined by the IVS as *"the anticipated value of an asset at the expiration of its useful life…"*. This value may be equivalent to scrap or salvage value or a value that reflects the ability of the asset to contribute to the ongoing operation of a business with increased maintenance and operating costs.

In our analysis, residual lives are calculated by adopting a nominal amount (determined as a percentage of its RCN) to recognise that the asset is still operating and producing a benefit to the business even though it is beyond its NUL.

In our valuation, we have considered a salvage floor percentage of between 5% and 20%, depending on the asset specification and our understanding of the condition of the asset; this has been based on prior experience in valuing similar assets.

Functional obsolescence

Functional obsolescence represents the reduction in value caused by inutility, excess capital costs, excess operating cost, and/or insufficient business economic factors, specific or external to the assets.

IVS defines the functional obsolescence as "*any loss of utility resulting from inefficiencies in the subject asset compared to its replacement such as its design, specification or technology being outdated*".

In particular, IVS highlights two forms of functional obsolescence namely:

- excess capital cost, which can be caused by changes in design, materials of construction, technology or manufacturing techniques resulting in the availability of modern equivalent assets with lower capital costs than the subject asset, and

- excess operating cost, which can be caused by improvements in design or excess capacity resulting in the availability of modern equivalent assets with lower operating costs than the subject asset.

Discussions with management revealed no material factors that warranted application of adjustments for functional obsolescence due to excess operating costs in respect of the Subject Assets.

Economic obsolescence

Economic obsolescence is defined as the loss in value or usefulness of a property caused by factors external to the asset.

No adjustment for economic obsolescence has been deemed applicable, given the Subject Assets are in the process of being sold as surplus assets.

Market comparison approach

The market comparison approach measures market value based on what other purchasers in the market have paid for assets that can be considered reasonably similar to those being valued. When the market comparison approach is utilised, data is collected on the prices paid for reasonably comparable assets. Adjustments are made to the comparable asset's prices to compensate for differences between those assets and the asset being valued. The application of the market comparison approach results in an estimate of the price reasonably expected to be realised from the sale of the asset.

In the application of the market comparison approach, we have researched prices paid in the second-hand market for assets considered reasonably similar. After data was collected on the prices paid for reasonably comparable assets, we have determined a range of market values based on direct match or a regression analysis.

We have considered the following sources of market data in determining our values:

- Analysis of market value estimates from third party technical specialists
- AssetEx – Dealer Management and Valuation Tool
- Machinerytrader.com.au
- Discussions with asset managers, manufacturers and suppliers of the Subject Assets
- Information provided by Management
- Prior sales data of Panel One assets
- Current sales pipeline and offers for certain Subject Assets
- Data held on file by KPMG Corporate Finance

Pybar P&E

The valuation of Pybar P&E was based on our assessment of Management's internal market value estimates. To test the reasonableness of Management's values, we independently valued a selected sample of 14 assets (representing 33% of Management's total value of the Pybar P&E) and held discussions with Management to understand their valuation approach, assumptions and sources of information for the remaining assets.

Based on our independent analysis of the sample assets and our assessment of Management's valuation approach, we have concluded that Management's estimates are at the low end of our expected range of values for the Pybar P&E. Accordingly we have adopted Management's value as the low end of our value range. For the 14 assets that we independently assessed, our estimated market value was approximately 12% higher than Management's values. We have applied this premium to the remaining assets to determine the high end of the value range.

Valuation Conclusions

Based on our analysis, the range of our Market Value estimates for the Subject Assets is $37.6 million to $41.6 million. Given the Subject Assets are currently under negotiation, Management has requested their individual values to not be disclosed.

Critical assumptions and limiting conditions

In determining the fair value of the Subject Assets as at the Valuation Date, we have made the following assumptions:

- our assessment includes assets described in the Scope section
- the P&E Valuation has been performed on a desktop basis
- we have relied on information provided by Management in relation to asset data (including asset description, make, model, serial number, hours, working condition, overhaul information etc.)
- we have relied on the asset listings (and assets identified as held for sale) provided by Management
- The Pybar P&E were sourced back to the Pybar fixed asset register dated 31 December 2022. We have been advised that the condition of the assets has not materially changed from the date of the fixed asset register to the Valuation Date.

Part Two – Financial Services Guide

Dated: 5 April 2023

What is a Financial Services Guide (**FSG**)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd (**KPMG FAS**) ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Bill Allen as an authorised representative of KPMG Corporate Finance, authorised representative number 405336 and Jason Hughes as an authorised representative of KPMG Corporate Finance, authorised representative number 404183 (each, **Authorised Representative**).

This FSG includes information about:

- KPMG FAS and its Authorised Representative/s and how they can be contacted;
- The services KPMG FAS and its Authorised Representative/s are authorised to provide;
- How KPMG FAS and its Authorised Representative/s are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representative/s;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG FAS has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG FAS. This FSG forms part of an Independent Expert Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits, and costs of acquiring the particular financial product.

Financial services that KPMG FAS and the Authorised Representative are authorised to provide:

KPMG FAS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,
- to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG FAS to provide financial product advice on KPMG FAS's behalf.

KPMG FAS and the Authorised Representative's responsibility to you

KPMG FAS has been engaged by Metarock Group Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Explanatory Statement (**Document**) prepared by the Client in relation to Conditional Placement involving M Resources Pty Ltd (**Transaction**).

You have not engaged KPMG FAS or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG FAS nor the Authorised Representative are acting for any person other than the Client.

KPMG FAS and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG FAS has been engaged by the Client, the Report only contains general advice as it has been prepared without taking your personal objectives, financial situation or needs into account. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG FAS may receive and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG FAS $110,000 for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). KPMG FAS's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals
Neither KPMG FAS nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships
Through a variety of corporate and trust structures, KPMG FAS is controlled by and operates as part of the KPMG Partnership. KPMG FAS 's directors and Authorised Representatives may be partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to the Client and to M Resources Pty Ltd for which professional fees are received. Over the past two years professional fees of approximately nil have been received from the Client and approximately $42,000 from M Resources Pty Ltd respectively. None of those services have related to the Transaction or alternatives to the Transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution
Internal complaints resolution process

If you have a complaint, please let either KPMG FAS or the Authorised Representative know. Complaints can be sent in writing to:

The Complaints Officer
KPMG FAS
GPO Box 2291U
Melbourne, VIC 3000
or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au).

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (03) 9288 5555 and they will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

External complaints resolution process

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements
KPMG FAS has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001 (Cth).

Contact Details
You may contact KPMG FAS using the below contact details:

KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)
Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7621
Facsimile: (02) 9335 700

METAROCK GROUP LIMITED
ACN 142 490 579

GENERAL MEETING TO BE HELD ON THURSDAY, 11 MAY 2023

Explanatory Statement - Annexure C - Summary of Subscription Agreement Material Terms

Overview of Subscription Agreement	M Mining Services Pty Ltd ACN 666 168 627 as trustee for the M Mining Services Trust (**M Resources**) has agreed to subscribe for a conditional placement of 166,666,667 new fully paid ordinary shares at $0.15 per share (**Subscription Shares**) and 51,282,051 options with an exercise price of $0.23 (**Subscription Options**), pursuant to a subscription agreement with MYE (Subscription Agreement).
Entitlement Offer	MYE may also undertake a pro-rata non-renounceable entitlement offer to issue up to 26,000,000 fully paid ordinary shares in MYE and up to 8,000,000 options.
Condition Precedent	Completion of the issue of the Subscription Shares and Subscription Options is subject to shareholder approval by MYE's shareholders including for the purposes of section 611 Item 7 of the Corporations Act (**Shareholder Approval**).
Key obligations	The Company has a number of obligations under the Subscription Agreement, including but not limited to: • engage an appropriately qualified independent expert to prepare a report in connection with the shareholder meeting (IER); • prepare a notice of meeting and explanatory memorandum for the shareholder meeting to obtain Shareholder Approval (NOM); • provide a draft of the NOM and IER to ASIC and ASX for comment prior to finalisation; • take all necessary steps to call a general meeting in compliance with the Corporations Act, ASIC Regulatory Guides, the ASX Listing Rules and the Company's constitution to consider the Shareholder Approval; and • once M Resources has subscribed and paid the subscription price, issue the Subscription Shares and Subscription Options. The Company must issue the placement securities in compliance with the ASX Listing Rules and Corporations Act. The Subscription Agreement contains customary representations, warranties and indemnities for a conditional placement of this nature.
Director and observer nomination rights	From and subject to completion, as long as M Resources and its related entities continue to hold: • 50.1% or more of MYE shares, M Resources will be entitled to nominate two non-executive directors for appointment to the board of MYE together with an independent non-executive chair of the board of MYE;

	• 40% or more (but less than 50.1%) of MYE Shares, M Resources may nominate two non-executive directors for appointment to the board of MYE; • 20% or more (but less than 40%) of MYE Shares, M Resources may nominate one non-executive director for appointment to the board of MYE. From and subject to completion, as long as M Resources and its related entities continue to hold more than 50% of MYE Shares, M Resources may nominate up to two individuals as observers of the board of MYE. Upon completion of the Conditional Placement occurring, Colin Bloomfield, Gabriel Meena and Julie Whitcombe intend to retire from the MYE Board.
No talk, no shop	The Subscription Agreement includes customary no shop, no talk and no due diligence provisions. The no talk and no due diligence provisions will not apply where the board of MYE has formed the view in good faith that it would breach its fiduciary or statutory duties not to have discussions or provide information to assist a person making the proposal. MYE must notify M Resources of discussions or proposals of which MYE becomes aware.
Termination	Either party may terminate the Subscription Agreement at any time before completion by giving 5 Business Days written notice to the other party if: • any resolution comprising the Shareholder Approval is not passed at the general meeting; • the Shareholder Approval condition precedent is not satisfied on or before 30 June 2023; • a director of the Company: o fails to make, withdraws or adversely modifies or qualifies their recommendation that the Company's shareholders vote in favour of the Shareholder Approval; o fails to make, withdraws or adversely modifies or qualifies their intention to vote, or cause to be voted, all Shares in which he or she has a relevant interest in favour of the Shareholder Approval; or o publicly recommends, promotes or otherwise endorses a competing proposal; or • a binding agreement, arrangement or understanding with respect to a competing proposal is entered into by the Company. Either party may also terminate the Subscription Agreement if the other party fails to perform a material obligation under the agreement and the failure is not remedied within 5 Business Days' notice.
Subscription Option Terms	Each Subscription Option: • entitles the holder to subscribe for 1 fully paid ordinary MYE share at an exercise price of $0.23;

	• will expire at 5:00pm (Sydney time) on 31 May 2028. Any options not exercised before that time automatically lapse; • does not entitle the holder to any voting rights or rights to participate in new issues until the Subscription Options are exercised and MYE Shares are issued; and • are freely transferable subject to registration of the transfer with MYE, any restrictions under an applicable law and any restrictions or escrow arrangements imposed by ASX. Subject to meeting the requirements of the ASX Listing Rules and the Corporations Act, MYE intends to apply for quotation on ASX of the Subscription Options and the options proposed to be issued under the Entitlement Offer. The options to be offered under the Entitlement Offer are intended to be issued on substantially the same terms as the Subscription Options.

METAROCK GROUP LIMITED
ACN 142 490 579

GENERAL MEETING TO BE HELD ON THURSDAY, 11 MAY 2023

Explanatory Statement - Annexure D - Summary of Interim Debt Financing Material Terms

Overview	M Resources has committed to provide non-revolving debt facilities of up to $10.4m to provide additional short-term working capital to certain subsidiaries of the Company (the "**Borrowers**") pursuant to a facility agreement between the Company, the Borrowers and M Resources (the "**Facility Agreement**").
Conditions Precedent	Utilisation of the Interim Debt Financing is subject to conditions precedent which are usual for a financing of this nature and include, among other things, delivery of certain financial information relating to the Group and the granting of a security interest in certain assets of the Borrowers and evidence of the Borrowers' title to such assets.
Guarantee & Security	The Company and each Borrower have guaranteed the amounts payable under the Interim Debt Financing. The Borrowers have granted security interests in certain assets which are the subject of the ongoing asset divestment program. The Company has not granted any security interests in connection with the Interim Debt Financing.
Purpose	The proceeds of the Interim Debt Financing may be applied towards repayment of existing financial indebtedness of the Group and towards financing general corporate purposes (including working capital purposes) of the Group.
Financial Covenants	The Interim Debt Financing does not include any financial covenants.
Representations, undertakings & events of default	The Facility Agreement includes customary representations and warranties, undertakings and events of default for a financing of this nature.
Repayment	If Shareholder Approval to the Conditional Placement is obtained, the facilities must be repaid on completion of the Conditional Placement. The subscription proceeds of the Conditional Placement will be applied against any amounts owing to M Resources under the Interim Debt Financing. If Shareholder Approval to the Conditional Placement is not obtained, the facilities must be repaid by 7 July 2023. If the Board announces a competing transaction which would see another third party acquiring more than 50% of the Company, the facilities must be repaid within 30 days of that announcement (or, if earlier, the date on which the competing transaction completes).

1. Definitions

In these terms and conditions:

ASX means ASX Limited ACN 008 624 691, or the financial market known as the 'Australian Securities Exchange' operated by it, as the context requires.

ASX Listing Rules means the official listing rules of ASX as amended or waived.

Board means the board of directors of the Company from time to time.

Bonus Issue has the meaning in clause 2.12.

Business Day:

(a) if the Company is admitted to the official list of ASX at the time, has the meaning given in the ASX Listing Rules; or

(b) otherwise, means a day except a Saturday, Sunday or public holiday in the State of Queensland, Australia.

Company means Metarock Group Limited ACN 142 490 579.

Corporations Act means Corporations Act 2001 (Cth).

Exercise Period has the meaning given in clause 2.4.

Exercise Price has the meaning given in clause 2.2.

Expiry Date has the meaning given in clause 2.3.

Option means an option issued on these terms and conditions.

Quotation Condition means the conditions for official quotation of the Options under the ASX Listing Rules, including under ASX Listing Rule 2.5, condition 6 requiring at least 100,000 Options on issue and at least 50 holders of Options with a marketable parcel (excluding restricted securities).

Relevant Interest has the meaning in the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of at least one Share.

2. Options

2.1 Entitlement

Each Option entitles the holder to subscribe for 1 Share on exercise of the Option.

2.2 Exercise Price

The exercise price of each Option will be AUD$0.23 (**Exercise Price**).

2.3 Expiry Date

The Options will expire at 5.00pm (Sydney time) on 31 May 2028 (**Expiry Date**).

Any Options not exercised before 5.00pm (Sydney time) on the Expiry Date will automatically lapse at that time.

2.4 Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date **(Exercise Period**).

2.5 Notice of Exercise

The Options may be exercised in whole or in part (subject to the minimum amount noted below) during the Exercise Period by notice in writing to the Company in the manner specified on the holding statement (**Notice of Exercise**), together with payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

A minimum of 10,000 Options may be exercised under each Notice of Exercise. If a Shareholder holds less than 10,000 Options, all of the Options held by them must be exercised in one Notice of Exercise.

2.6 Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the applicable Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

2.7 Timing of issue of Shares on exercise

Within 20 Business Days after the relevant Exercise Date, or such other period required by the ASX Listing Rules, the Company will:

(a) issue the number of Shares required under these terms and conditions in respect of the number of the Options specified in the Notice of Exercise; and

(b) if an ASX listed company at the time, apply for official quotation on ASX of Shares issued on the exercise of the Options.

2.8 Shares issued on exercise

Shares issued on exercise of the Options will rank equally in all respects with the Shares then on issue.

2.9 Reconstruction of capital

If at any time the issued capital of the Company is reconstructed (including a consolidation, subdivision, return or cancellation of capital), all rights of a holder of the Options are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

2.10 Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options and unless Shares have been allotted in respect of the Options before the record date for determining entitlements to the issue.

2.11 Change in Exercise Price

There will be no change to the applicable Exercise Price of an Option or the number of Shares over which an Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than for a Bonus Issue).

2.12 Bonus issue

If before the expiry of any Options, the Company makes a pro rata issue of Shares to Shareholders for no consideration (**Bonus Issue**), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue.

2.13 Voting

Holders of Options have no voting rights until the Options are exercised and Shares are issued on exercise of those Options in accordance with the ASX Listing Rules.

2.14 Quotation

Subject to meeting the requirements of the Quotation Condition, the ASX Listing Rules and the Corporations Act, the Company intends to apply for quotation of the Options on ASX. The Company makes no guarantee that it will make any such application or that, if an application is made, that it will be successful.

For such time as the Company is listed on the ASX, the ASX Listing Rules will apply to the Options.

2.15 Transferability

The Options are freely transferable subject registration of the transfer with the Company, subject to any restrictions under applicable law and any restrictions or escrow arrangements imposed by ASX.

2.16 Governing Law

These terms and conditions are governed by the law applicable in Queensland, Australia. Any person who applies for Options submits to the non-exclusive jurisdiction of the courts of Queensland, Australia.

METAROCK

ACN 142 490 579

LODGE YOUR VOTE

ONLINE
https://investorcentre.linkgroup.com

BY MAIL
Metarock Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

ALL ENQUIRIES TO
Telephone: +61 1300 554 474

X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Metarock Group Limited (**Company**) and entitled to attend and vote hereby appoint:

STEP 1 Please mark either A or B

A VOTE DIRECTLY

elect to lodge my/our vote(s) directly (mark box)

in relation to the General Meeting of the Company to be held at **2:00pm (Queensland time), Thursday, 11 May 2023,** and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

B APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **2:00pm (Queensland time) on Thursday, 11 May 2023** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid event. You can participate by attending in person at **The Pod room at Capri by Fraser, 83 Albert Street, Brisbane, Queensland** or logging in online at **https://meetings.linkgroup.com/MYEEGM23** (refer to details in the Online Guide).

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	**For**	**Against**	**Abstain***
1 Approval of Conditional Placement			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form.

VOTES ON RESOLUTION 1 – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite Resolution 1. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on Resolution 1, your proxy may vote as he or she chooses. If you mark more than one box on Resolution 1 your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (Queensland time) on Tuesday, 9 May 2023,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
https://investorcentre.linkgroup.com

Login to the Link website using the holding details as shown on the Voting/Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your vote by scanning the QR code adjacent or enter the voting link **https://investorcentre.linkgroup.com** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL
Metarock Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX
+61 2 9287 0309

BY HAND
delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

* in business hours (Monday to Friday, 9:00am–5:00pm)