

Metarock Group Limited
ACN 142 490 579

Third Supplementary Prospectus

1. Important Information

This supplementary prospectus is dated 8 September 2023 (**Third Supplementary Prospectus**) and is supplementary to the supplementary prospectuses dated 23 August 2023 and 28 July 2023 and prospectus dated 12 May 2023 (together **Prospectus**) issued by Metarock Group Limited ACN 142 490 579 (**Company** or **Metarock**).

This Third Supplementary Prospectus was lodged with ASIC on 8 September 2023. Neither ASIC nor ASX takes any responsibility for the contents of this Third Supplementary Prospectus.

This Third Supplementary Prospectus must be read together with the Prospectus. If there is any inconsistency between the Prospectus and this Third Supplementary Prospectus, this Third Supplementary Prospectus will prevail. Capitalised terms used, but not defined, in this Third Supplementary Prospectus have the meaning given to them in the Prospectus.

This is an important document that should be read, together with the Prospectus, in its entirety. If you do not understand it, you should consult your professional advisor.

This Third Supplementary Prospectus will be issued with the Prospectus and accessible online from the Company's website at www.metarock.com.au. A paper copy is available without charge on request by contacting the Share Registry.

The Company will send a copy of this Third Supplementary Prospectus to all persons who have applied for New Securities pursuant to the Prospectus prior to the date of this Third Supplementary Prospectus.

This Third Supplementary Prospectus is not for release to US wire services or distribution in the United States except by the Company to Approved US Shareholders. No other person, including the Lead Manager, may distribute this Third Supplementary Prospectus in the United States.

2. Purpose of this Third Supplementary Prospectus

This Third Supplementary Prospectus has been prepared to:

- (a) provide disclosure of the Board changes announced on 6 September 2023;
- (b) provide disclosure in relation to the Company's unaudited Preliminary Financial Report for the financial year ended 30 June 2023 and the other matters announced with the Company's preliminary financial results on 31 August 2023;
- (c) provide updated historical and pro forma financial information; and
- (d) provide disclosure about the new directors' interests and update the list of recent ASX Announcements.

3. Changes in Composition of Board of Directors

On 6 September 2023, the Company announced the following changes to its Board of Directors:

- Mr Jon Romcke has been appointed as Executive Chair;
- Mr Peter Barker, formerly an Advisor to the Board, has been appointed as a Non-Executive Director and Chair of the Audit and Risk Sub-Committee;
- Mr Murray Smith will step down as Acting Chair but remain a Non-Executive Director (as nominee of M Resources);
- Mr Paul Rouse, Non-Executive Director has resigned from the Board.

A copy of the ASX Announcement outlining those changes and Mr Jon Romcke's terms of employment is provided in Annexure A to this Third Supplementary Prospectus.

4. FY2023 Preliminary Results Announcement, Westpac working capital facility extension and PYBAR deferred consideration

On 31 August 2023, the Company announced its FY2023 Preliminary Financial Results (unaudited) and a range of matters including:

- the unaudited preliminary financial results of the Company for the financial year ended 30 June 2023;
- the extension of the Company's working capital finance facilities with Westpac through to 30 September 2024;
- the agreed restructuring of the deferred consideration payable to the sellers of the PYBAR business acquired by the Company in 2021; and
- a \$2 million unsecured, subordinated arm's-length loan from M Resources, the Company's major shareholder, to partly fund the deferred consideration payable to the sellers of the PYBAR business.

A copy of the FY2023 Preliminary Financial Results (Unaudited) Announcement outlining those matters is provided in Annexure B to this Third Supplementary Prospectus.

Full copies of the Unaudited Appendix 4E & Unaudited FY2023 Preliminary Financial Report of the Company are available from the Company's website <https://www.metarock.com.au/investor-centre/asx/>, and the Company will provide a copy without charge on request prior to the Closing Date.

5. Updated Financial Information

As the Company has now announced its unaudited preliminary financial results for the financial year ended 30 June 2023, Annexure C to this Third Supplementary Prospectus provides an update to the Financial Information in Section 4 of the original Prospectus.

The updated Financial Information consists of a summary of historical financial information for the Company as of 30 June 2023 (unaudited) and a pro forma historical statement of financial position assuming pro forma adjustments occurred as of 30 June 2023.

As announced on 31 August 2023, the unaudited preliminary financial statements for FY2023 are in the process of being audited.

As set out in the 31 August 2023 announcement, it is likely that, once completed, the Independent Auditor's Report will include an emphasis of matter paragraph regarding a material uncertainty in relation to going concern as a result of the matters set out in Note 1 'Basis of Preparation' Going Concern on page 6 and 7 of the Preliminary Financial Report 30 June 2023 (unaudited).

6. Restructure of PYBAR deferred consideration

On 31 August 2023, the Company announced the restructure of the deferred consideration payable to the sellers of the PYBAR business acquired by the Company in 2021.

The restructure of the deferred consideration involves a part payment of \$2 million on 1 September 2023 to the PYBAR vendors plus progressive monthly payments of the balance on the last business day of each month from January 2024 to July 2024.

The applicable interest rate for the deferred consideration is 12.25% per annum payable monthly in arrears.

If the Company undertakes a Qualifying Event prior to the final payment date, the Company must on completion of the Qualifying Event apply the net proceeds permitted by Westpac towards repayment of the remaining instalments of the PYBAR deferred consideration. A "Qualifying Event" is either a "Qualifying Capital Raising Event" (being a capital raising other than this Entitlement Offer or any employee/executive incentive scheme) or a "Qualifying Liquidity Event" (being a third party acquisition of control of the Company (other than as a consequence of this Entitlement Offer), a Group member or the sale of substantially all of the assets or the business of a Group member).

7. Loan from M Resources

On 31 August 2023, the Company announced a new \$2 million unsecured, subordinated loan from M Resources to partly fund the PYBAR deferred consideration. The loan agreement is on arm's length

terms and contains terms and conditions considered usual for an agreement of this nature. The material terms are summarised below:

Subject	Provision
Lender	M Mining Services Pty Ltd ACN 666 168 627 as trustee for M Mining Services Trust (M Resources)
Principal Amount	\$2 million Drawn in full on 1 September 2023
Security	The loan is unsecured and subordinated to the Company's senior lender, Westpac.
Maturity Date	13 months from the drawdown date, being 1 October 2024.
Repayment Date	All outstandings are payable on the earliest of: a) the Maturity Date; and b) The date of a "Qualifying Liquidity Event" (as noted in section 6 above) under the revised payment terms for the PYBAR deferred consideration.
Voluntary Repayment	Metarock may repay the Loan, together with the Minimum Earn Amount on 5 days' notice to M Resources.
Interest Rate	BBSY + 15% per annum (payable monthly unless capitalised) Interest may, at Metarock's election, be capitalised monthly. Interest will accrue on such capitalised amount at an additional 2% per annum.
Establishment Fee	3.5% of the Principal Amount, payable on draw. Establishment Fee to be capitalised at the election of Metarock.
Minimum Earn Amount	\$1,000,000 If on the date on which the Principal Amount (together with all interest) is repaid in full (the Repayment Date), the aggregate of all fees and interest (including any Interest) accrued and/or paid by Metarock under the loan agreement is less than the Minimum Earn Amount (the difference being the Make Whole Amount), Metarock must pay to M Resources an amount equal to the Make Whole Amount. The Minimum Earn Amount is payable within 3 Business Days following the earlier of the Repayment Date and the Maturity Date.

8. Applications

8.1 **Eligible Shareholders who have NOT previously submitted an Application**

Applications for New Shares and New Options under the Entitlement Offer **must** be made using the Entitlement and Acceptance Form attached to or accompanying this Third Supplementary Prospectus (**Supplementary Application Form**).

Applications must **not** be made on the original Application Form attached to or accompanying the original Prospectus, first Supplementary Prospectus or Second Supplementary Prospectus.

The Supplementary Application Form contains detailed instructions on how to submit your Application by BPAY®, or, for New Zealand holders, payment of Application Monies by electronic funds transfer and return of a duly completed Supplementary Application Form.

Applications must be received by the Company no later than the Closing Date (being 5:00pm Sydney time on Monday, 25 September 2023).

In all other respects, the procedure for applying for New Shares and New Options is as set out in Sections 2.8 and 2.9 of the Prospectus.

8.2 ***Eligible Shareholders who HAVE previously submitted an Application and DO NOT want to withdraw their Application***

Eligible Shareholders in this category do not need to complete a Supplementary Application Form.

However, such applicants may lodge a Supplementary Application Form if they wish to apply for additional New Shares and New Options in accordance with the instructions set out above and contained in the Supplementary Application Form.

8.3 ***Eligible Shareholders who have previously submitted an Application under the original Prospectus or first Supplementary Prospectus and want to withdraw their Application***

Eligible Shareholders who submitted an Application prior to the date of the Second Supplementary Prospectus (i.e. before 23 August 2023) may withdraw their Application and be repaid all Application Monies by written request received by the Company no later than the Withdrawal Date set out in the Second Supplementary Prospectus (being 5:00pm Sydney time on Monday, 25 September 2023). The procedure for submitting a written request is as set out in section 5 of the Second Supplementary Prospectus.

The Directors do not consider that the information set out in this Third Supplementary Prospectus is materially adverse from the point of view of a potential investor. Accordingly, Eligible Shareholders who submitted an Application after the date of the Second Supplementary Prospectus (i.e. on or after 23 August 2023) do not need to take any action.

8.4 ***Supplementary Application Form for Subscription Options***

An application for the Subscription Options must be made by M Resources using the replacement application form provided to M Resources with this Third Supplementary Prospectus as the sole participant in the offer of Subscription Options.

9. **Updates to Details of interests**

(a) **Directors' security holdings**

Neither of Mr Jon Romcke or Mr Peter Barker have relevant interests in any existing securities of the Company.

(b) **Directors' remuneration**

- (i) Remuneration and other key terms of employment of Mr Jon Romcke as Executive Chair are set out in Appendix 1 of the ASX Announcement in Annexure A of this Third Supplementary Prospectus.
- (ii) Mr Romcke may be invited to participate in the Company's long term incentive plan or otherwise be offered Performance Rights as long term incentives. The terms of any such participation remain to be negotiated and agreed between the Company and Mr Romcke. Any proposed grant of Performance Rights to Mr Romcke will be announced on ASX and subject to shareholder approval. Shareholder approval for the initial grant will be sought at the Annual General Meeting scheduled for November 2023.
- (iii) As a non-executive Director, Mr Peter Barker is currently entitled to be paid \$100,000 (excluding GST) in directors' fees per annum, inclusive of superannuation. Prior to his appointment as Director on 6 September 2023, Mr Barker was engaged as an adviser to the Company, as announced on 20 June 2023.
- (iv) The Company proposes to issue to each of its non-executive directors ordinary shares in the Company to a value of \$20,000, subject to shareholder approval to be sought at the Annual General Meeting scheduled for November 2023.

(c) **Nominations by M Resources**

Each of Mr Jon Romcke, Mr Peter Barker and Mr Murray Smith has been nominated for appointment as a Director of the Company by M Resources pursuant to the Subscription Agreement.

10. Additional Information

Applicants should also be aware that, between the date of lodging the Prospectus with ASIC and the date of this Third Supplementary Prospectus, various other documents have been lodged with ASX as set out in the table below:

September 2023	
6th	Changes in Composition of Board of Directors
August 2023	
31st	FY2023 Preliminary Financial Results (Unaudited)
31st	Preliminary Final Report
23rd	Update - Proposed issue of securities - MYE (Appendix 3B)
23rd	Update - Proposed issue of securities - MYE (Appendix 3B)
23rd	Second Supplementary Prospectus
21st	Cessation of Services at Cook Colliery
July 2023	
31st	Quarterly Activities/Appendix 4C Cash Flow Report
28th	Updated Target Market Determination
28th	Update - Proposed issue of securities - MYE (Appendix 3B)
28th	Update - Proposed issue of securities - MYE (Appendix 3B)
28th	Supplementary Prospectus
14th	Update - Proposed issue of securities - MYE (Appendix 3B)
14th	Update - Proposed issue of securities - MYE (Appendix 3B)
14th	Entitlement Offer - Extension of Closing Date
June 2023	
30th	Update on Asset Sales
30th	Update - Proposed issue of securities - MYE (Appendix 3B)
30th	Update - Proposed issue of securities - MYE (Appendix 3B)
30th	Entitlement Offer - Extension of Closing Date
22nd	Final Director's Interest Notice - P Green
20th	Changes to Board & Management and Proposed Asset Sales
16th	Update - Proposed issue of securities - MYE (Appendix 3B)
16th	Update - Proposed issue of securities - MYE (Appendix 3B)
16th	Entitlement Offer - Extension of Closing Date
2nd	Update - Proposed issue of securities - MYE (Appendix 3B)
2nd	Update - Proposed issue of securities - MYE (Appendix 3B)
2nd	Entitlement Offer - Extension of Closing Date
May 2023	
24th	Becoming a substantial shareholder (M Resources)
24th	Change of Director's Interest Notice - P Green
24th	Application for quotation of securities - MYE (Appendix 2A)
23rd	Initial Director's Interest Notice - M Smith
23rd	Final Director's Interest Notice - C Bloomfield
23rd	Final Director's Interest Notice - G Meena
23rd	Final Director's Interest Notice - J Whitcombe
22nd	Application for quotation of securities - MYE (Appendix 2A)
22nd	Completion of Conditional Placement
19th	Correction to Announcement - Despatch of Prospectus
19th	Entitlement Offer - Despatch of Prospectus
15th	Update - Proposed issue of securities - MYE (Appendix 3B)
12th	Update - Proposed issue of securities - MYE (Appendix 3B)
12th	Target Market Determination
12th	Proposed issue of securities - MYE (Appendix 3B)
12th	Prospectus

This third supplementary prospectus is to be read with the prospectus dated 12 May 2023 and supplementary prospectuses dated 28 July 2023 and 23 August 2023 issued by Metarock Group Limited.

12th	Investor Presentation
12th	Capital Raising Announcement

Copies of those announcements are available from the Company's website <https://www.metarock.com.au/investor-centre/asx/>, and the Company will provide a copy without charge on request between the date of issue of this Third Supplementary Prospectus and the Closing Date.

11. Consents

The Company confirms that as at the date of this Third Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

12. Directors' Authorisation

This Third Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Third Supplementary Prospectus with ASIC.



Mr Jon Romcke
Executive Chair
For and on behalf of
Metarock Group Limited

Annexure A - ASX Announcement on 6 September 2023



6 September 2023

Changes in Board for announcement to the market

Changes in Composition of Board of Directors

Metarock Group Limited (ASX: MYE) (“Metarock”, “the Group” or “the Company”) today announces the following changes in its Board of Directors:

- Mr Jon Romcke has been appointed as Executive Chair;
- Mr Peter Barker, formerly an Advisor to the Board, has been appointed as a Non-Executive Director and Chair of the Audit and Risk Sub-Committee;
- Mr Murray Smith will step down as Acting Chair but remain a Non-Executive Director (as nominee of M Resources); and
- Mr Paul Rouse, Non-Executive Director has resigned from the Board.
- Messrs Romcke and Barker have been nominated for appointment to the Board by M Mining Services Pty Ltd, a major shareholder (“M Resources”) under the terms of its investment in the Company which permits M Resources to appoint two Non-Executive Directors and an Independent Chair.

Jon Romcke

“Jon Romcke brings an extensive mining sector pedigree to Metarock having commenced his working life in underground coal mine manager roles before stints with BHP, Xstrata, Glencore, Sphere Minerals, Anglo, Stanmore and most recently as CEO Allegiance Coal Limited” said Mr Smith. Jon has prior experience as an executive director as Managing Director of Sphere Minerals, a then ASX listed Glencore subsidiary. Mr Romcke will work in the business as Executive Chair with a focus on business development, operational excellence and safety. Details of Mr Romcke’s remuneration is set out below and in Appendix 1.

Peter Barker

Peter Barker has an extensive history as a CFO for large ASX listed entities including Computershare and Cardno and was instrumental in the turnaround and ultimate sale of the latter. Mr Barker currently serves as a Non-Executive Director for Workpac and brings extensive governance, finance and risk management skills to the Board. Mr Barker will serve as Chair of the Company’s Audit and Risk Sub-Committee. “Peter also has knowledge of the Company having been engaged as an advisor to the Board for several months now” said Mr Smith.

Paul Rouse resignation

The Board expressed its appreciation to Mr Rouse for his contribution throughout a challenging period for the Company. Acting Chair, Mr Murray Smith noted that Mr Rouse had been instrumental in the

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establishment and growth of the PYBAR business and its successes over the past 30 years. “Paul has been one of the true leaders in the underground hard rock contract mining services sector in Australia and his deep contribution to Metarock will be missed both professionally and personally”. Paul remains a significant shareholder of the Company and will continue to be an important part of the organisation’s history and culture.

Mr Smith further noted that these changes align with the ongoing execution of the Company’s turnaround strategy and the re-focus of the business on its core capabilities. “With a strengthened balance sheet, the cessation of unprofitable contracts throughout FY23 and these latest leadership changes, Metarock, through its major brands of PYBAR, Mastermyne and Wilson Mining is well positioned for sustained earnings improvement and growth in shareholder value” said Mr Smith.

The Appendix 3X for Messrs Romcke and Barker and the Appendix 3Z for Mr Rouse are attached to this announcement.

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

Further information:

Murray Smith, Interim Chair – 07 4963 0400

Jeff Whiteman, Interim Chief Executive Officer – 07 4963 0400

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Appendix 1

Executive Chair Appointment Key Terms and Appendix 3X

With reference to the ASX announcement made on 6 September 2023 and in accordance with ASX Listing Rule 3.16.4, Metarock Group Limited (ASX Code: MYE) (“Metarock” or “the Company”) advises the key terms of the appointment of Mr Jon Romcke as Executive Chair of the Company.

Key Terms of Employment

Base salary \$ 400,000

Superannuation \$ 44,000

Total Fixed Remuneration \$ 444,000

Short Term Incentive (STI):

Maximum of 30% of the Base salary, payable in cash, subject to achievement of STI metrics aligned with the Company’s strategic objectives, with specific financial and non-financial measures for individual performance, group performance and the Company’s underlying performance, with the ability to achieve up to 150% of the allocated STI opportunity amount based on achievement of stretch metrics).

Long Term Incentive (LTI):

Terms to be negotiated and any securities to be issued will be subject to shareholder approval at Annual General Meeting in November 2023.

Termination Notice Period:

Tenure less than two years: 12 weeks notice (both parties)

Tenure more than two years: 16 weeks notice (both parties)

Annexure B - ASX Announcement on 31 August 2023



31 August 2023

Results for announcement to the market

FY2023 Preliminary Financial Results (Unaudited)

Metarock Group Limited (ASX: MYE) (“Metarock”, “the Group” or “the Company”) provides the following documents (which are attached to this announcement), in accordance with ASX Listing Rule 4.3A:

- Unaudited Appendix 4E for 30 June 2023; and
- Unaudited Preliminary Financial Report for the year ended 30 June 2023.

Highlights

- Turnaround plan has delivered significant improvement in underlying operating performance in the second half.
- Current and forward order book significantly lower risk with strong counterparty profile.
- Problematic legacy contracts (Cook, Crinum, Peak and Thalanga) all finalised – \$72.7 million of losses attributable to non-recurring significant items.
- Contracts secured for Mastermyne (new contract at Whitehaven’s Narrabri Coal Mine and contract extension with Anglo American) and PYBAR (new contracts with MMG Limited and Malabar Resources plus contract extension at AIC’s Eloise Copper Mine).
- Revenue of \$514 million at upper end of half year guidance of \$490 to \$520 million.
- Statutory net loss after tax of \$(74.0) million (FY2022: \$(12.6) million) due to significant impairment write-offs and losses from terminated and onerous contracts.
- Normalised EBITDA of \$38.5 million above half year guidance of \$31 million reflecting second half improvement.
- Normalised, recurring EBITDA margins of 9% in 2H FY2023 up from 3.5% in 1H.
- Recapitalisation and de-leveraging of balance sheet through \$25 million equity injection and \$5.1 million reduction in net debt (plus a post balance date reduction of a further \$19.9 million).
- Working capital finance facility extension executed with Westpac.
- Funding requirement driven by Cook exit met by restructure of PYBAR vendor deferred consideration on acceptable terms and partly funded by a new \$2 million unsecured, subordinated and arm’s-length loan from M Resources, the Company’s major shareholder, subject to satisfaction of limited conditions precedent which are typical for a financing of this nature.



1. Background to the requirement for unaudited Preliminary Results

The finalisation of Metarock's audited accounts for FY2023 has been delayed due to a late development on one of its larger projects, Cook, which has impacted accounting treatments as at 30 June 2023. However, Metarock expects to release its audited 2023 Annual Report well before the 30 September 2023 deadline.

The Company noted in an ASX release on 21 August 2023 that Metarock subsidiary, Mastermyne (CC) Operations Pty Ltd had ceased the provision of contract services at the Cook Colliery by mutual agreement, effective as at close of business on Friday, 18 August 2023.

This cessation of services resulted in an adverse impact on net profit before tax in the second half of FY2023 of approximately \$11 million and a similar cash impact in the September 2023 quarter. The timing of this impact has resulted in a funding requirement which has been met through a restructure of the \$8.9 million deferred consideration loan, payable to the PYBAR vendors, together with a new arm's-length, subordinated and unsecured \$2.0 million shareholder loan from M Mining Services Pty Ltd as trustee for M Mining Services Trust (**M Resources**), in a positive signal of support from the Company's major shareholders.

The Company has also extended its working capital finance facilities with Westpac through to 30 September 2024.

The delay in finalisation and release of the Company's FY2023 audited accounts is solely attributable to the timing of these events.

2. FY2023 Review (based on unaudited Preliminary Results)

2.1 Key highlights of the FY2023 unaudited preliminary results

- Developed and implemented a turnaround plan from late 2022 to refocus the business on profitable operations by exiting loss-making contracts, disciplined tender management, sale of non-core assets and overhead reduction.
- Termination of under-performing contracts during the financial year at Crinum, Peak and Thalanga mining operations, and post year end, cessation of services at Cook Colliery.
- Contracts secured for Mastermyne (new contract at Narrabri Coal Mine plus contract extension with Anglo American) and PYBAR (contract extension at AIC's Eloise Copper Mine plus new contracts with MMG Limited and Malabar Resources).
- Revenue of \$514 million, towards the top end of guidance range of \$490 million to \$520 million and a 13.6% increase compared to FY2022.
- FY2023 statutory net loss after tax of \$(74.0) million (FY2022: net loss after tax of \$(12.6) million) due to significant impairment write-offs and contract losses from terminated and onerous contracts in the current financial year totalling \$72.7 million before tax (**Significant Items**).
- Preliminary EBITDA loss for FY2023 of \$(34.2) million, a \$51.7 million decrease on FY2022 due to the impact of the above-mentioned Significant Items.



- Normalised preliminary EBITDA of \$38.5 million (prior to Significant Items) which is above normalised EBITDA guidance of \$31 million provided at the half year.
- Recapitalisation of the balance sheet via a \$25 million equity injection.
- Cash position at year-end of \$12.9 million.
- \$5.1 million reduction in net debt at 30 June 2023 compared to prior year through the sale of surplus assets, with a further debt reduction of \$19.9 million from assets sales that have settled shortly post the end of FY2023. This results in proforma net debt at 30 June 2023 of \$53.8 million.

2.2 Overview of Operations

As noted in its December 2022 Half Year Report, Metarock experienced a series of adverse events over the prior 18 months which placed significant financial strain on the Group. These events included:

- Protracted recovery work following the roof fall incident at the Crinum 'whole of mine' contract, coupled with a contractual dispute and termination of the contract through mutual agreement;
- Operational losses on the Peak mining services contract which has been terminated through mutual agreement; and
- Losses suffered on the Thalanga mining services contract as a result of the mine owner entering Administration and termination of the contract.

In addition to the above, the Company announced on 21 August 2023 that Metarock had ceased the provision of contract services at the Cook Colliery on Friday, 18 August 2023, resulting in adverse net profit before tax and cashflow impacts.

The terminations of the Crinum, Peak and Thalanga contracts and recognition of Cook as an onerous contract as at 30 June 2023 has resulted in significant write-offs and provisions for contract losses which have materially impacted the Group's results in FY2023.

As part of the turnaround strategy, the Company has implemented a plan to improve the working capital position, reduce costs and return the Company to sustainable profitability. The Company had invested heavily in overhauling mining equipment intended for the Crinum and Cook contracts, necessitating Metarock to prioritise the sale of this equipment.

An additional critical element of the Company's recapitalisation was the completion of an equity placement to M Resources in May 2023. This strategic placement to M Resources injected \$25 million of cash into the business (before transaction costs) to reduce debt and improve working capital and resulted in a change in the composition of the board. M Resources is now the largest shareholder of Metarock with a 55.99% shareholding. M Resources also has the right to apply for 51,282,051 options (for nil consideration) with an exercise price of \$0.23 per option.

Following the issue of shares to M Resources in May 2023, three independent non-executive directors (Colin Bloomfield, Julie Whitcombe and Gabriel Meena) retired from the Board and Murray Smith (nominated by M Resources) was appointed to the Board and is currently Acting Chairman. M Resources has the right to appoint a further two director nominees to the board.



Metarock also announced in June 2023 further changes to the board with Paul Green (previously CEO and Managing Director) departing the business and Jeff Whiteman (previously CFO) being appointed as Interim CEO. At the same time, Wayne Price was appointed Executive General Manager of Mastermyne with accountability for all coal contracting services in New South Wales and Queensland.

2.3 Financial Performance

The Group has increased its revenue in FY2023 to \$514 million, from \$453 million in FY2022, as a result of a full year contribution in FY2023 from PYBAR (following its acquisition by Metarock on 31 October 2021) and the Cook contract together with growth from the Wilsons Mining business, partially offset by the cessation of various contracts throughout the financial year.

The Crinum, Peak and Thalanga contract terminations as well as the Cook onerous contract have impacted the Group results materially in FY2023 due to asset impairment write-offs, provision for contract losses and other one-off costs incurred of \$72.7 million. Of these costs, \$58.8 million were incurred in the first half with a further \$13.9 million incurred in the second half. These factors have resulted in an unaudited preliminary net loss after tax of \$74.0 million in FY2023 compared to a net loss after tax of \$12.6 million in FY2022.

The table below outlines the unaudited preliminary results for FY2023 compared to FY2022.

	Preliminary Results (unaudited) FY2023 \$'000	Preliminary Results (unaudited) FY2022 \$'000	Movement \$'000
Revenue & other income	521,277	455,944	65,333
EBITDA	(34,193)	17,499	(51,692)
Depreciation	(31,827)	(28,536)	(3,291)
EBITA	(66,020)	(11,037)	(54,983)
Amortisation	(3,945)	(4,298)	353
Net finance costs	(9,770)	(4,022)	(5,748)
Profit/(loss) before tax	(79,735)	(19,357)	(60,378)
Income tax (expense)/benefit	5,724	6,801	(1,077)
Net profit/(loss) after tax	(74,011)	(12,556)	(61,455)

2.4 Normalised results

As noted above, the unaudited preliminary results for FY2023 have been materially adversely impacted by Significant Items before tax of \$72.7 million for FY2023 (compared to \$21.1 million in FY2022). Prior to the impact of the Significant Items, the normalised EBITDA for FY2023 is \$38.5 million which is above the normalised EBITDA guidance of \$31 million provided at the half year. This normalised result includes one-off positive impacts on EBITDA in the second half which are not considered to be recurring in FY2024. This is discussed further in Section 2.5 below.



2.5 Business improvement in 2H FY2023

The Group has achieved a significant turnaround in underlying operating performance in the second half of FY2023 compared to the first half. The table below shows the split of normalised EBITDA and EBITDA margin for each half of FY2023:

	Normalised Results (unaudited) 1H FY2023 \$'000	Normalised Results (unaudited) 2H FY2023 \$'000	Normalised Results (unaudited) FY2023 \$'000
Revenue	253,577	254,497	508,074
EBITDA	8,775	29,695	38,470
EBITDA margin (%)	3.5%	11.7%	7.6%

Of the \$29.7 million 2H FY2023 normalised EBITDA shown in the table above, approximately \$6 million is non-recurring, relating to ceased contracts, one-off work in 2H and contracts not operating at the same activity level beyond 2H, resulting in a normalised EBITDA margin in 2H of approximately 9%.

2.6 Balance Sheet, Debt and CAPEX

The total assets of Metarock at 30 June 2023 were \$227.0 million, a reduction of \$72.2 million compared to the prior year. The decrease is mainly due to asset sales (with sale proceeds mainly applied to repayment of borrowings), impairment of intangibles and other asset write-downs (refer to the Significant Items note above) and lower receivables due to ceased contracts.

The net assets of the Group at 30 June 2023 were \$32.8 million, a reduction of \$50.4 million compared to the prior year, due to the reduction in total assets noted above and increased provisions due to the Cook onerous contract at 30 June 2023.

The Group was able to reduce its capital expenditure during FY2023 which mainly comprised mining equipment rebuilds planned to be deployed at Crinum and Cook. With the cessation of both of these projects, the assets were prioritised for sale during the financial year. On a net basis after asset sales, total payments for capital expenditure and acquisitions for FY2023 were \$9.7 million compared to \$54.2 million in FY2022. The Group expects capital expenditure in FY2024 and beyond to return to historical levels of maintenance capex. Capital will be deployed to new contracts if it meets the Group's internal return hurdles.

Debt reduction has been a priority for the Group during FY2023 and net debt at 30 June 2023 was \$73.7 million compared to \$78.8 million at 30 June 2022, a reduction of \$5.1 million which has been funded from asset sales during FY 2023. Post year end, this has reduced by a further \$19.9 million from the proceeds of asset sales that settled in July 2023.



3. Going Concern basis for preparation of the preliminary financial report

The attached unaudited preliminary consolidated financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group generated a net loss after tax of \$74.0 million for FY2023 and has a net current deficiency of \$28.0 million at 30 June 2023 (compared to a net current deficiency of \$52.7 million at 30 June 2022). The Board has been focused since late 2022 on implementing a turnaround plan with the following key elements:

- Appointment of a new management team which commenced in late 2022 to lead the Group and implement the turnaround plan.
- In the Mastermyne business unit, termination and settlement of Mastermyne's Crinum contract and, post the end of the financial year, cessation of services at Cook Colliery.
- In the PYBAR business unit, exiting the Thalanga contract and terminating the Peak contract by mutual agreement which were either incurring losses or not making a sufficient financial return.
- Sale of idle plant, including the Crinum and Cook coal equipment and various non-core hard rock equipment. The sale of coal equipment is well progressed, with \$24.0 million settling prior to year-end and a further \$28.5 million which settled post year-end.
- Completion of a \$25 million equity placement in May 2023 to M Resources to improve liquidity and net debt positions.
- Restructuring the deferred consideration payable to the PYBAR vendors with a part payment and progressive repayment of the balance, partly funded by a newly agreed \$2.0 million unsecured and subordinated shareholder loan from Metarock major shareholder, M Resources.
- Extension of the Westpac working capital facilities through to 30 September 2024.

On the above basis, the Directors are of the opinion the Group will be able to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business. Accordingly, the preliminary financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities which may be necessary should the Group be unsuccessful in extending or increasing its facilities and / or raising additional capital.

Should the Directors not be able to manage these inherent uncertainties and successfully secure new facilities or raise additional equity, there would be a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

4. Status of Audit of FY2023 Results

The accompanying unaudited preliminary financial statements for FY2023 are in the process of being audited. Once completed, it is likely that the Independent Auditor's Report will include an emphasis of matter paragraph regarding a material uncertainty in relation to going concern as a result of the items noted above in Section 3 above.



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

Further information:

Murray Smith, Acting Chair – 07 4963 0400

Jeff Whiteman, Interim Chief Executive Officer – 07 4963 0400

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Annexure C - Updated Financial Information

4. FINANCIAL INFORMATION

4.1 Historical and pro forma balance sheet

This Section 4 contains a summary of the unaudited historical statement of financial position for Metarock as of 30 June 2023 (**Historical Financial Information**) and a pro forma historical statement of financial position assuming the pro forma adjustments occurred as of 30 June 2023 (**Pro Forma Historical Financial Information**) (collectively, **Financial Information**). The Financial Information has been prepared to illustrate the effect of the pro forma adjustments described in Section 4.3 below.

30 June 2023 (A\$000's)	Preliminary Financial Report (unaudited)	Debt adjustments ^[1]	Proforma before Entitlement Offer	Entitlement Offer ^[2] (0% to 100% uptake)		Proforma (unaudited) after Entitlement Offer (0% to 100% uptake)
Assets						
Cash and Cash Equivalents	12,902	8,675	21,577	(200)	3,705	21,377 – 25,282
Trade and Other Receivables	75,604		75,604			75,604
Inventories and Other Assets	19,017		19,017			19,017
Assets classified as held for resale	33,906	-24,041	9,865			9,865
Total Current Assets	141,429	-15,366	126,063	(200)	3,705	125,863 – 129,768
Property, Plant and Equipment	53,772		53,772			53,772
Right-Of-Use Assets	17,568		17,568			17,568
Intangible Assets	14,186		14,186			14,186
Total Non-Current Assets	85,526		85,526			85,526
Total Assets	226,955	-15,366	211,589	(200)	3,705	211,589 – 215,294
Liabilities						
Trade and Other Payables	55,263		55,263			55,263
Borrowings	40,686		40,686			40,686
Lease Liabilities	7,144		7,144			7,144
Employee Benefits	20,395		20,395			20,395
Other Liabilities	15,458	1,350	16,808			16,808
Liabilities directly associated with assets classified as held for sale	30,499	(19,865)	10,634			10,634
Total Current Liabilities	169,445	(18,515)	150,930			150,930
Borrowings	15,423		15,423			15,423
Lease Liabilities	8,675		8,675			8,675
Employee Benefits	657		657			657
Total Non-Current Liabilities	24,755		24,755			24,755
Total Liabilities	194,200	(18,515)	175,685			175,685
Net Assets	32,755	3,149	35,904	(200)	3,705	35,704 – 39,609
Equity						
Share capital	111,180		111,180	0	3,900	111,180 – 115,080
Other reserves	(24,237)		(24,237)			(24,237)
Retained earnings / (accumulated losses)	(54,188)	3,149	(51,039)	(200)	(200)	(51,239)
Total Equity	32,755	3,149	35,904	(200)	3,705	35,704 – 39,609

¹ Includes debt adjustments post 30 June 2023 to account for the sale of surplus assets (assets classified as held for resale). No adjustment has been made for ATO debt repayments.

² 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. gross proceeds of between zero and \$3.9 million less estimated transaction costs of approximately \$0.2 million.

4.2 Basis of preparation for the Financial Information

The basis of preparation for the Historical Financial Information is in accordance with the Company's accounting policies, as described in its financial reports, and the recognition and measurement principles of the Australian Accounting Standards.

This third supplementary prospectus is to be read with the prospectus dated 12 May 2023 and supplementary prospectuses dated 28 July 2023 and 23 August 2023 issued by Metarock Group Limited.

The Historical Financial Information is based on the unaudited balance sheet as of 30 June 2023 in the Company's unaudited preliminary final report lodged with ASX on 31 August 2023, plus the unaudited pro forma adjustments outlined in Section 4.3. The unaudited preliminary consolidated financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The unaudited preliminary financial statements for FY2023 are in the process of being audited. Once completed, it is likely that the Independent Auditor's Report will include an emphasis of matter paragraph regarding a material uncertainty in relation to going concern.

The Company believes that the stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4.3, as if those events or transactions had occurred as of 30 June 2023. However, the Historical Financial Information is unaudited and remains subject to completion of the Company's 2023 Annual Report and audited financial statements contained therein. As a result, the Historical Financial Information remains subject to any changes arising out of the finalisation of the Company's 2023 Annual Report and audited financial statements contained therein.

4.3 **Pro forma adjustments**

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis of the following pro forma adjustments:

- (a) The impact of debt adjustments after 30 June 2023 to account for the sale of surplus assets (assets classified as held for resale). No adjustments have been made for Australian Tax Office debt repayments; and
- (b) The impact on completion of the Entitlement Offer of between zero (fully unsubscribed) and 26.0 million New Shares (fully subscribed) being issued under the Entitlement Offer (together with up to 8.0 million New Options which are unexercised) and the associated receipt of gross proceeds of between zero and \$3.9 million less estimated transaction costs of approximately \$0.2 million.

The Pro Forma Historical Financial Information has not been prepared on a fully diluted basis meaning that it assumes none of the New Options to be issued as part of the Conditional Placement or Entitlement Offer have been exercised.

The Pro Forma Historical Financial Information has been prepared to provide investors with information on the assets and liabilities of the Company and pro forma assets and liabilities of the Company. The Financial Information is presented in abbreviated form, insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.