# Metarock Group Limited
## and its Controlled Entities

ABN 96 142 490 579
Annual Financial Report 30 June 2023

Annual Financial Report 30 June 2023


## Contents



**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

The Directors present their report together with the financial report of Metarock Group Limited (ASX Code : MYE) (' "Metarock" or "the Company') and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2023 and the auditor's reports thereon.

## Directors and company secretary

The following persons were Directors of Metarock Group Limited during the whole or part of the financial year and up to the date of this report:

Mr. J Romcke (appointed on 6 September 2023)
Mr. M Smith (appointed on 22 May 2023)
Mr. A Watts
Mr. P Barker (appointed on 6 September 2023)

The following persons ceased to be Directors of Metarock Group Limited during the financial year or prior to the date of this report:

Mr. A Caruso (ceased on 19 October 2022)
Mr. C Bloomfield (ceased on 22 May 2023)
Mr. G Meena (ceased on 22 May 2023)
Ms. J Whitcombe (ceased on 22 May 2023)
Mr. P Rouse (ceased on 6 September 2023)

Mr P. Green was appointed Managing Director on 19 October 2022 and ceased to be a Director of the Company on 20 June 2023.

## 1 Current Directors

**Jon Romcke**
*Executive Chairman*

Qualifications: B Eng (Mining) (Hons)
Appointed: 6 September 2023

**Experience and other directorships**
Jon has over 40 years of experience in the mining industry and initially moved to Queensland in 2004. His roles have included miner, undermanager, technical services mining engineer, Deputy Mine Manager, Mine Manager, General Manager, Project Director, Managing Director and CEO within the coal and iron ore industries. Jon worked overseas for periods with responsibilities within the global mining industry working in Mauritania, Republic of Congo, Switzerland, and Colorado USA. Jon was the Chief Executive Officer of Allegiance Coal Limited from May 2022 to February 2023.

Adaptable with the ability to engage with people and staff at any level, Jon has played a key role in the success of leadership teams for the companies he has worked for, bridging the gap between company vision and getting the job done.

Jon also holds essential qualifications and certifications for the mining industry as Coal Mine Manager (Qld & New South Wales). Memberships include Institute of Engineers Australia, Australasian Institute of Mining and Metallurgy, and Australian Institute of Company Directors.

**Special responsibilities**
Executive Chairman of the Board (appointed 6 September 2023)
Member of the Audit and Risk Management Committee (appointed 6 September 2023)
Member of the Remuneration and Nomination Committee (appointed 6 September 2023)

## 1 Current Directors (continued)

**Murray Smith**
*Non-executive Director*

Qualifications: Bachelor of Agricultural Economics, Graduate Diploma of Applied Finance and Investment, GAICD
Appointed: 22 May 2023

**Experience and other directorships**
Murray 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, including prior roles with BHP, Aurizon, Thiess and Suncorp.

Murray 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.

Murray 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 is also a Graduate of the Australian Institute of Company Directors.

**Special responsibilities**
Acting Chair from 22 May until 6 September 2023
Chair of the Remuneration and Nomination Committee (appointed 6 September 2023)
Member of the Audit and Risk Management Committee (appointed 22 May 2023)

**Andrew Watts**
*Non-executive Director*

Appointed: 10 March 2010

**Experience and other directorships**
Andrew has been involved in contracting within the mining industry since 1994 and co-founded Mastermyne in 1996.

Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO in 2005. Andrew relocated to Sydney in early 2010 to focus on the New South Wales market.

**Special responsibilities**
Member of the Audit and Risk Management Committee (interim Chair from 23 May until 6 September 2023)
Member of the Remuneration and Nomination Committee

**Peter Barker**
*Non-executive Director*

Qualifications: BComm, MBA, FCPA, GAICD
Appointed: 6 September 2023

**Experience and other directorships**
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.

Prior to his appointment as a Non-Executive Director of Metarock, Peter was engaged as an advisor to the Board for a period of several months. Mr Barker currently serves as a Non-Executive Director for Workpac and brings extensive governance, finance and risk management skills to the Board.

**Special responsibilities**
Chair of the Audit and Risk Management Committee (appointed 6 September 2023)
Member of the Remuneration and Nomination Committee (appointed 6 September 2023)

## 2 Former Directors

**Paul Rouse**
*Non-executive Director until 6 September 2023*

Appointed: 10 November 2021

**Special responsibilities**
Chair of the Remuneration and Nomination Committee (ceased 6 September 2023)
Member of the Audit and Risk Management Committee (ceased 6 September 2023)

**Colin Bloomfield**
*Independent Chairman until 22 May 2023*

Qualifications: Bachelor of Engineering (Mining), Graduate Certificate of Management
Appointed: 6 March 2014 and as Chairman on 26 February 2015

**Special responsibilities**
Chairman of the Board (ceased on 22 May 2023)
Member of the Audit and Risk Management Committee (ceased on 22 May 2023)
Member of the Remuneration and Nomination Committee (ceased on 22 May 2023)

**Gabriel (Gabe) Meena**
*Non-executive Director until 22 May 2023*

Qualifications: Bachelor of Engineering (Mechanical)
Appointed: 15 September 2015 and as Chair of the Remuneration and Nomination Committee on 1 November 2018

**Special responsibilities**
Member of the Audit and Risk Management Committee (ceased on 22 May 2023)
Chair of the Remuneration and Nomination Committee (ceased on 22 May 2023)

**Julie Whitcombe**
*Non-executive Director until 22 May 2023*

Qualifications: Bachelor of Engineering (Mining - First Class Hons), MBA, CA (Distinction)
Appointed: 7 June 2018 and Chair of the Audit and Risk Committee on 1 November 2018

**Special responsibilities**
Chair of the Audit and Risk Management Committee (ceased on 22 May 2023)
Member of the Remuneration and Nomination Committee (ceased on 22 May 2023)

**Anthony (Tony) Caruso**
*Managing Director until 19 October 2022*

Qualifications: Post Graduate Degree in Business Management
Appointed: 10 March 2010

**Special responsibilities**
Member of the Audit and Risk Management Committee (ceased on 19 October 2022)
Member of the Remuneration and Nomination Committee (ceased on 19 October 2022)

**Paul Green**
*Managing Director from 19 October 2022 until 20 June 2023*

Qualifications: BE Mining (Hons), MBA, GAICD
Appointed: 19 October 2022

**Special responsibilities**
Nil

## 3 Company secretary

Andrew Ritter was appointed Company Secretary on 7 October 2022. Andrew is a Chartered Company Secretary and Fellow of The Chartered Governance Institute with over 20 years experience. Andrew is currently the Company Secretary of ASX listed MSL Solutions Limited and Verbrec Limited. Brett Maff was Company Secretary from 12 November 2018 until his resignation on 7 October 2022.

## 4 Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2023, and the numbers of meetings attended by each Director were:

| | Board meetings | | Audit Committee | | Remuneration & Nomination Committee | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Mr. M Smith | 3 | 3 | - | - | - | - |
| Mr. A Watts | 32 | 32 | 3 | 3 | 4 | 4 |
| Mr. P Rouse | 29 | 32 | 2 | 3 | 4 | 4 |
| Mr. P Green | 19 | 25 | N/A | N/A | N/A | N/A |
| Mr. C Bloomfield | 29 | 29 | 3 | 3 | 4 | 4 |
| Mr. G Meena | 28 | 29 | 3 | 3 | 4 | 4 |
| Ms. J Whitcombe | 28 | 29 | 3 | 3 | 4 | 4 |
| Mr. A Caruso | 3 | 5 | N/A | N/A | N/A | N/A |

A= Number of meetings attended

B= Number of meetings held during the time the Director held office or was a member of the committee during the year

## 5 Operating and financial review

### Results

*Overview*

Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company") had a number of significant challenges during the year ended 30 June 2023 with the first half materially impacted by a series of adverse events occurring over the 18 months to 31 December 2022 which placed significant financial strain on the Group (as noted in the Company's Interim Financial Report). The focus in the second half has been on the implementation of a Company-wide turnaround plan including consolidation of the company's operations, costs reduction, debt reduction through sale of non-core assets and recapitalisation.

Notable outcomes for the financial year include the following:

- 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 for Rosebery Mine and Malabar Resources for Maxwell Mine).
- Revenue of $514,214,000, a 13.6% increase compared to FY2022.
- FY2023 statutory net loss after tax of $74,011,000 (FY2022: net loss after tax of $12,556,000) due to significant impairment write-offs and contract losses from terminated and onerous contracts in the current financial year totalling $72,662,000 before tax, of which $58,809,000 were recorded in the first half of FY2023. Refer to note 6 for further details.
- EBITDA loss for FY2023 of $34,193,000 a $51,692,000 decrease on FY2022 due to the impact of the above-mentioned Significant Items.

## 5 Operating and financial review (continued)

### Results (continued)

*Overview (continued)*

- Normalised EBITDA of $38,469,000 (prior to Significant Items) noting that this includes some one-off positive impact in the second half which are not considered to be recurring in FY2024.
- Recapitalisation of the balance sheet via a $25,000,000 equity injection.
- Cash position at year-end of $12,902,000
- $5,073,000 reduction in net debt at 30 June 2023 compared to prior year through the sale of non-core assets, with a further $19,865,000 of debt reduction from assets sales that settled shortly post the end of FY2023.
- Order Book currently stands at $558,300,000, split between the businesses.

The adverse events impacting on the first half through write-offs and provisions for contract losses included:

• Protracted recovery work following the roof fall incident at Crinum 'whole of mine' contract, coupled with a contractual dispute and termination of the contract through mutual agreement;

• Operational losses on the Peak (Aurelia) 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.

As a result of the actions implemented under the turnaround plan, the Company's financial performance was much improved in the second half, although one legacy challenge remained as at 30 June 2023 with the Cook Colliery contract being recognised as an onerous contract. The provision of services under the Cook contract ceased on 18 August 2023, with the associated contract losses provided for in the year to 30 June 2023.

An additional critical element of the Company's re-capitalisation was the completion of an equity placement to M Resources in May 2023. This strategic placement to M Resources injected $25,000,000 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 as a non-executive director and Acting Chair. Subsequent to year-end on 6 September 2023, M Resources has utilised its rights to appoint a further two directors to the board. Jon Romcke as Executive Chairman and Peter Barker as non-executive director and Chair of the Audit and Risk Committee. At the same time, Paul Rouse resigned from the board.

There were several senior management changes during the year with Tony Caruso departing the Company as Managing Director and CEO in October 2022, being replaced by Paul Green. Mr Green subsequently departed the Company in June 2023, being replaced by Jeff Whiteman as Interim CEO (previously CFO since joining the Company on 28 November 2022). Other executives departing the business during the year were Brett Maff (CFO) in October 2022, Dave Sykes (CEO Mastermyne Mine Operations) in April 2023; Vivienne Gayton (EGM People) in March 2023. In June 2023, Wayne Price was appointed Executive General Manager Mastermyne Pty Ltd with accountability for all coal contracting services in New South Wales and Queensland.

## 5 Operating and financial review (continued)

### Results (continued)

*Overview (continued)*

*Financial Performance*

The Group has increased its revenue in FY2023 to $514,214,000 from $452,698,000 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 $72,662,000. Of these costs, $58,809,000 were incurred in the first half with a further $13,853,000 incurred in the second half. These factors have resulted in a statutory net loss after tax of $74,011,000 in FY2023 compared to a net loss after tax of $12,556,000 in FY2022

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

| | FY2023 $'000 | FY2022 $'000 | Movement $'000 |
|---|---|---|---|
| Revenue & other income | 521,276 | 455,944 | 65,332 |
| 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) |
| Loss before tax | (79,735) | (19,357) | (60,378) |
| Income tax benefit | 5,724 | 6,801 | (1,077) |
| Net loss after tax | (74,011) | (12,556) | (61,455) |

The below table provides a reconciliation of Statutory Results for FY2023 to Normalised Results for FY2023 (adjusting for the Significant Items noted previously in this Report).

| | Statutory Results FY2023 $'000 | Crinum Impact (i) $'000 | PYBAR Impact (ii) $'000 | Cook Impact (iii) $'000 | Other Impacts (iv) $'000 | Normalised Results FY2023 $'000 | Normalised Results FY2022 $'000 | Movement % |
|---|---|---|---|---|---|---|---|---|
| Revenue from customer contracts and other income | 521,276 | (6,995) | - | - | (1,755) | **512,526** | **452,698** | 13.2% |
| EBITDA | (34,193) | 22,146 | 37,410 | 11,542 | 1,564 | **38,469** | **38,591** | (.3)% |
| Depreciation | (31,827) | - | - | - | - | **(31,827)** | **(28,536)** | 11.5% |
| EBITA | (66,020) | 22,146 | 37,410 | 11,542 | 1,564 | **6,642** | **10,055** | (33.9)% |
| Amortisation | (3,945) | - | - | - | - | **(3,945)** | **(4,298)** | (8.2)% |
| Net finance costs | (9,770) | - | - | - | - | **(9,770)** | **(4,022)** | 142.9% |
| Profit/(loss) before tax | (79,735) | 22,146 | 37,410 | 11,542 | 1,564 | **(7,073)** | **1,735** | (507.7)% |
| Income tax (expense)/benefit | 5,724 | (6,644) | (4,890) | (3,463) | (546) | **(9,819)** | **881** | (1,214.5)% |
| Net profit/(loss) after tax | (74,011) | 15,502 | 32,520 | 8,079 | 1,018 | **(16,892)** | **2,616** | (745.7)% |

## 5 Operating and financial review (continued)

### Results (continued)

*Overview (continued)*

Notes to the above table (refer Note 6 for further details)

(i) The Crinum contract termination and subsequent settlement agreement announced on 17 February 2023 resulted in a write-off of previously capitalised costs relating to pre-production costs and accrued revenue, debtors, plant and equipment and inventory totalling $11,130,000 in the first half of FY2023. In addition, ongoing expenses of $8,064,000 relating to the Crinum incident and subsequent recovery were also incurred in the first half which will not be recovered. During the second half of FY2023, a further $253,000 of unrecovered costs and $2,699,000 of asset impairments were written off.

(ii) The downsizing and subsequent termination of the Peak contract, termination of the Thalanga contract and the completion of the Gwalia contract has resulted in surplus plant and excess inventory levels within the business, resulting in inventory write-offs and PP&E impairment of $5,673,000 for FY2023. In addition, the Company incurred a bad debt and intangible asset write-off of $7,093,000 relating to the Thalanga contract following the Administration of the mine owner. Due to the underperformance of the PYBAR operations, Metarock revised the value in use assumptions which reflected a recoverable value of less than the carrying value of the Pybar CGU. This resulted in a write-off of capitalised goodwill, brand related costs and customer contracts of $24,644,000 during the first half of FY2023.

(iii) The cessation of services at the Cook mine, announced in August 2023, resulted in the Cook contract being recorded as onerous at 30 June 2023. As a result a total of $10,358,000 of asset impairment write-offs and onerous contract provisions were recorded in the second half of FY2023. In addition, $1,184,000 of termination obligations were brought forward and provided for at 30 June 2023 (some of which were being progressively provided for over the term of the contract).

(iv) Other impacts during the first half related to $319,000 of legal and consulting costs associated with the Moranbah North and Crinum mine incidents and $1,500,000 of bad debt write-offs. Furthermore, a total of $1,500,000 of asset impairments and costs in relation to prior incidents have been recorded in the second half, offset by $1,755,000 of profit on sale of surplus assets.These transactions were treated as non-recurring adjustments.

The Group achieved a significant turnaround in underlying operating performance in the second half (2H) of FY2023 compared to the first half (1H). The table below shows the split of normalised EBITDA and EBITDA margin for each half of FY2023:

| | Normalised Results 1H FY2023 $'000 | Normalised Results 2H FY2023 $'000 | Normalised Results FY2023 $'000 |
|---|---|---|---|
| Revenue from customer contracts and other income | 255,514 | 257,012 | 512,526 |
| EBITDA | 8,775 | 29,694 | 38,469 |

Of the $29,694,000 normalised EBITDA in 2H FY2023, approximately $6,000,000 is non-recurring, relating to ceased contracts, one-off work in 2H and contracts not operating at the same activity level beyond 2H.

*Operational overview*

The coal contracting division has continued to see strong demand for its services underpinned by strong coal prices and Mastermyne’s leading market position. Coal Contracting revenue remained robust with an extension of the Anglo American contract and new activities at their Grosvenor Mine. The division’s margins were supported by a strong performance from the Wilson Mining business, for which the final earn out payment was made in December 2022. Recruitment and retention of the projects’ workforce remains a key challenge given strong competition although Mastermyne has well developed strategies to manage this risk.

The coal operations division was significantly impacted during the financial year by the recovery phase of the Crinum mine incident and associated contractual negotiations culminating in the mutual termination of the contract in February 2023. The division was further impacted in the second half by the contract loss provisions associated with recognising the Cook project as an onerous contract at 30 June 2023.

## 5 Operating and financial review (continued)

### Results (continued)

*Operational overview (continued)*

The PYBAR results for FY2023 were impacted by project losses on the Peak and Thalanga contracts, both of which were terminated during the year. Recovery of revenue and margins was enhanced by the commencement of the MMG Rosebery project in Tasmania in April 2023, whilst the mobilisation of the Malabar Resources Maxwell project was largely completed by the year end in preparation for project commencement in July 2023.

*Balance Sheet and Cash Flows*

The total assets of Metarock at 30 June 2023 were $226,955,000, a reduction of $72,198,000 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 $32,755,000, a reduction of $50,432,000 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 $9,566,000 compared to $54,244,000 in FY2022 (when significant investment was made in plant and equipment for the Cook and Crinum whole of mine projects). 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, particularly in the second half, resulting in net debt at 30 June 2023 of $73,706,000 compared to $78,779,000 at 30 June 2022, a reduction of $5,073,000 which has been funded from asset sales during FY 2023. Post year end, this has reduced by a further $19,865,000 from the proceeds of asset sales that settled in July 2023.

*Outlook*

The Company’s turnaround plan is well progressed, as evidenced by the normalised EBITDA for the second half and the progress on exiting loss making projects, which is now complete. As such, the Company is well positioned , with a total order book of $558,300,000 including approximately $341,200,000 to be delivered in FY24. Looking ahead, the tendering pipeline is strong at $2,100,000,000, with $700,000,000 in the coal contracting business and $1,400,000,000 in underground hard rock projects.

*Material business risks*

The Company’s future financial performance is subject to a range of specific risks as set out below, which are focal points for the Company’s risk management strategy:

- Customer demand and outlook for the minerals exploration and mining sector
- Loss of customer contracts
- Key personnel, labour shortages and cost of labour increases
- Health and safety outcomes
- Increased levels of competition
- Tender process
- Business interruption
- Critical supply
- Availability and cost of insurance
- Availability and cost of financing

## 6 Remuneration Report (audited)

The Directors present the Metarock Group Limited 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### (a) Principles of remuneration

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors and executives of the Company listed below.

| Name | Position | Movement |
|---|---|---|
| **Non-executive and executive Directors** | | |
| Mr. M Smith | Acting Chairman | Appointed 22 May 2023. |
| Mr. A Watts | Non-executive Director | |
| Mr. P Rouse | Non-executive Director | |
| Mr. C Bloomfield | Independent Chairman | Ceased 22 May 2023. |
| Mr. G Meena | Non-executive Director | Ceased 22 May 2023. |
| Ms. J Whitcombe | Non-executive Director | Ceased 22 May 2023. |
| Mr. A Caruso | Managing Director & Chief Executive Officer | Ceased 19 October 2022. |
| Mr. P Green | Managing Director & Chief Executive Officer | Appointed 19 October 2022. Ceased 20 June 2023. |
| **Other Executives** | | |
| Mr. J Whiteman | Chief Financial Officer | Appointed 28 November 2022. Ceased 19 June 2023. |
| | Acting Chief Executive Officer Metarock | Appointed 20 June 2023. |
| Mr. W Price | Executive General Manager Mastermyne Mining Services | Appointed 20 June 2023. |
| Mr. J Glover | Chief Executive Officer Pybar | |
| Mr. P Green | Chief Executive Officer Mastermyne Mining Services | Ceased 14 August 2022. |
| | Chief Executive Officer Mastermyne Coal Contracting | Appointed 15 August 2022. Ceased 18 October 2022. |
| Mr. D Sykes | Chief Executive Officer Mastermyne Mine Operations | Ceased 14 August 2022. |
| | Executive General Manager Special Projects | Appointed 15 August 2022. Ceased 12 April 2023. |
| Ms. V Gayton | Executive General Manager People | Ceased 17 March 2023. |
| Mr. B Maff | Chief Financial Officer | Ceased 7 October 2022. |
| Mr. B Burgess | Executive General Manager Asset & Engineering | Appointed 4 July 2022. Ceased 28 September 2022. |

Changes since the end of the reporting period

Mr. J Romcke was appointed to the position of Executive Chair on 6 September 2023.

Mr. P Barker was appointed to the position of Non-executive Director and Chair of the Audit and Risk Sub-Committee on 6 September 2023.

Mr. M Smith resigned from the position of Acting Chair (but remains a Non-Executive Director) on 6 September 2023.

Mr. P Rouse resigned from the position of Non-executive Director on 6 September 2023.

## 6 Remuneration Report (audited) (continued)

### (a) Principles of remuneration (continued)

*Remuneration policy*

Compensation levels for Key Management Personnel (KMP) of the Group are competitively set to attract, retain and motivate appropriately qualified and experienced directors and executives. The Remuneration and Nomination Committee (RNC) obtains independent data on the appropriateness of remuneration packages of the Group given trends in comparative companies and sectors both locally and nationally, and the objectives of the Company's compensation strategy.

The remuneration structures of the Group are designed to attract and reward suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures consist of both a fixed and variable component designed around KPI's aligned with the short and long-term strategic objectives of the Group. Remuneration structures reflect:

- the capability and experience of key management personnel;
- the key management personnel's ability to control the relevant performance; and
- the recognition of the key management personnel's contribution to the Group's performance.

In addition to their salaries, the Group also provides non-cash benefits to its KMP and contributes to a post-employment defined contribution superannuation plan on their behalf. Remuneration of key management personnel is reviewed by the RNC annually to ensure it remains aligned to business needs and meets our remuneration principals.

*Fixed remuneration*

Fixed remuneration consists of base compensation (which is calculated on total cost basis and includes any fringe benefit tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as travel allowances.

Fixed remuneration is reviewed annually, or on promotion, by the RNC through a process that considers individual, segment and overall performance of the Group. In addition, external data is provided for analysis of KMP's remuneration to ensure it remains competitive by benchmarking against the market. The chairman of the RNC sources data independently of management from appropriate independent advisors. For key executive management other than the CEO/Managing Director, the CEO/Managing Director will submit recommendations to the RNC along with relevant supporting data and externally independent comparative information. A senior executive’s compensation may also be reviewed upon promotion or in line with movements in the market during the period.

*Performance linked remuneration*

Non-executive Directors are not eligible to participate in performance linked remuneration of either a short or long term nature.

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward KMP for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash or shares in the Company.

## 6 Remuneration Report (audited) (continued)

### (a) Principles of remuneration (continued)

*Short-term incentive bonus*

The Metarock short term incentive plan was introduced as a structured incentive to reward KMP's performance against predetermined KPIs.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Award opportunity</td><td>CEO/Managing Director: 75% of fixed remuneration<br>Other executives: up to 50% of fixed remuneration</td></tr>
<tr><td>Performance metrics</td><td>The STI metrics align with our strategic objectives of the Group, with specific financial and non-financial measures (normally 5 or 6) for individual performance, group performance and underlying performance of the Group.<br><br>A summary of the measures and weightings are set out in the table below:
<table>
<tr><th>KMP</th><th>Financial</th><th>Non-financial</th></tr>
<tr><td>CEO/Managing Director</td><td>40%</td><td>60%</td></tr>
<tr><td>Other executives</td><td>40%</td><td>60%</td></tr>
</table>
The financial performance objectives may vary by individual and are broadly based on profitability compared to budgeted amounts approved by the Board each year.<br><br>The non-financial objectives vary dependent upon position and responsibility and are aligned with the measures and targets set to achieve the strategic objectives of the Group on an annual basis.<br><br>At the commencement of each performance year, the Board approves the corporate performance scorecard and metrics to be measured for that year. The metrics generally have performance levels set as:<br>• Threshold: Being the minimum level of performance deserving of reward. Achievement of the Threshold results in 50% of the STI Award Opportunity being awarded.<br>• Target: Being a challenging but achievable level of performance. Achievement of the Target results in 100% of the STI Award Opportunity being awarded.<br>• Stretch: Being the upper limit of possible outcomes that were planned for and a very challenging goal that is unlikely to be achieved. Achievement of the Stretch results in 150% of the STI Award Opportunity being awarded.<br><br>At the end of the financial year, the RNC assess the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the year. Payment of individual bonuses is based on the assessment of the RNC with recommendations from the Managing Director (for employees other than the Managing Director) taking into consideration the overall performance of the individual for the period. The Managing Director's STI bonus is set by the board based on assessment of his/her performance against agreed KPIs as assessed by the RNC and recommended to the Board.</td></tr>
<tr><td>Delivery of STI</td><td>Employees can nominate for up to 50% of their STI award to be settled in shares. When a nomination is made, performance rights are issued to the employee and vest at the end of the year in line with the achievements of their relative KPI's. Any balance not elected to be paid as shares in the Company is paid in cash at the end of the financial year.<br>STI payments must be self funding.</td></tr>
<tr><td>Board discretion</td><td>The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes, including reducing down to zero, if appropriate.</td></tr>
</table>

## 6 Remuneration Report (audited) (continued)

### (a) Principles of remuneration (continued)

*Long-term incentives*

Executive KMP participate at the Board's discretion, in the Employee Performance Rights Plan comprising annual grants of rights which are subject to various vesting conditions outlined in the table below. The purpose of the Employee Performance Rights Plan is to attract, motivate and retain executives, encouraging individuals to participate in the company through ownership of shares. The objective is to improve Metarock's performance by aligning the interests to those of the shareholders and the Group.

Performance Rights issued in 2020 or thereafter have the following structure:

<table>
<tr><th>Feature</th><th colspan="2">Description</th></tr>
<tr><td>Opportunity/ Allocation</td><td colspan="2">CEO/Managing Director: 75% of fixed remuneration<br>Other executives: 50% of fixed remuneration<br>The opportunity is divided by the share price face value to determine the number of rights.</td></tr>
<tr><td rowspan="10">Performance hurdle</td><td colspan="2">Vesting of the rights will be subject to achievement of the vesting conditions set out below:<br><br>• Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment has ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.<br><br>• Vesting Condition 2: Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Metarock. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Metarock, the Board at its discretion may determine that some or all of the performance rights will lapse.<br><br>• Vesting Condition 3: If Vesting Conditions 1 and 2 are achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. These Vesting Conditions depend on Metarock's TSR percentile rank during the TSR measurement period and the Earnings per Share (EPS) performance over the measurement period:<br><br>(a) Tranche A: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX Peer Group index; and<br><br>(b) Tranche B: 50% of the performance rights will be conditional on the Company's EPS performance.<br><br>For each tranche, the percentage of performance rights which will vest will be as specified in the table below:</td></tr>
<tr><td>TSR Rank during TSR measurement period</td><td>Proportion of Tranche A to vest</td></tr>
<tr><td>Below 50th percentile of the ASX Peer Group</td><td>0%</td></tr>
<tr><td>50th percentile to 75th percentile of the ASX Peer Group</td><td>50% plus 2% for each percentile above 50th percentile</td></tr>
<tr><td>Above 75th percentile of the ASX Peer Group</td><td>100%</td></tr>
<tr><td>EPS Performance during measurement period</td><td>Proportion of Tranche B to vest</td></tr>
<tr><td>EPS growth at <6%</td><td>0%</td></tr>
<tr><td>EPS growth between 6% and 12%</td><td>0% to 100% pro rata</td></tr>
<tr><td>EPS growth >12%</td><td>100%</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Exercise price</td><td colspan="2">The exercise price is $Nil.</td></tr>
<tr><td>Forfeiture and termination</td><td colspan="2">Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.</td></tr>
</table>

## 6 Remuneration Report (audited) (continued)

### (a) Principles of remuneration (continued)

*Other benefits*

Key Management Personnel can receive additional benefits as non-cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicle benefits, and the Group pays fringe benefits tax on these benefits.

### (b) Link between remuneration and performance

*Current financial year performance and impact on remuneration*

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward KMP for meeting or exceeding their financial and personal objectives.

While the Group's performance in the year ended 30 June 2023 was severely impacted by a number of one-off events and terminated contracts, the KMP have been instrumental in the development and implementation of the Turnaround Plan for the group. In this regard, the board has approved discretionary Short Term Incentive payments based on the results achieved through the Turnaround Plan and an imperative to retain key personnel.

*Statutory performance indicators*

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between statutory key performance measures and the variable remuneration.

| Performance indicator | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Profit for the year attributable to owners of Metarock ($'000) | (74,011) | (12,556) | 5,864 | 11,557 | 10,348 |
| Dividends payments ($'000) | - | 2,421 | 5,057 | 6,346 | - |
| Increase/(decrease) in share price (%) | (62.0) | (53.0) | +23.0 | (37.0) | (14.0) |
| Return on capital employed from continuing operations (%) | (213.6) | (18.9) | 13.0 | 24.0 | 18.0 |
| Basic earnings per share (cents) | (49.3) | (10.2) | 5.5 | 11.0 | 10.1 |

### (c) Contractual arrangements with executive KMPs

The RNC recommends Group remuneration policies for Key Management Personnel. The RNC focuses mainly on the CEO's remuneration but reviews agreements made with other KMP. In recommending the CEO remuneration package, the RNC takes advice from independent advisors in executive and non-executive remuneration as noted below.

| Component | Acting CEO description | Senior executive description |
|---|---|---|
| Fixed remuneration (including superannuation) (i) | $556,980 (ii) | Range between $373,957 and $420,726 (ii) |
| Contract duration | Ongoing contract | Ongoing contract |
| Notice by the individual/company | 8 weeks (iii) | 6 weeks to 3 months |
| Termination of employment (without cause) | Entitlement to pro-rata STI for the year<br><br>Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing<br><br>The Board has discretion to award a greater or lower amount | |
| Termination of employment (with cause) or by the individual | STI is not awarded, and all unvested LTI will lapse | |

(i) The actual remuneration paid to KMP during the year will vary from the contracted amounts depending on the number of payroll weeks in the financial year.

## 6 Remuneration Report (audited) (continued)

### (c) Contractual arrangements with executive KMPs (continued)

(ii) Fixed remuneration is for current Acting CEO and Senior executive.

(iii) Acting CEO has a notice period of 8 weeks where tenure is less than 12 months, otherwise the notice period is 12 weeks.

Different contractual terms apply to the following individual:

- B Maff was employed as a contractor through a consulting company effective 11 June 2022
  - The Professional Service Agreement expired 31 December 2022 and was not extended.
  - Fixed remuneration is payable as an hourly rate for services performed and business travel.
  - As a contractor he is not entitled to receive superannuation benefits, STI's or LTI's.
  The contract may be terminated by either party by giving two weeks notice.

## 6 Remuneration Report (audited) (continued)

### (d) Remuneration expenses for executive KMP

The following tables show details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

| 2023 | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | Share based payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Super-annuation $ | Employee entitlements $ | Rights $ | Termination benefits $ | Total $ | Performance related |
| **Executive Director** | | | | | | | | | |
| Mr. A Caruso | 291,519 | - | 6,000 | 13,697 | 47,981 | (156,501) | 214,538 | 417,234 | (37.51)% |
| Mr. P Green | 491,477 | - | 18,750 | 27,500 | - | 348,824 | 120,231 | 1,006,782 | 34.65% |
| **Other key management personnel** | | | | | | | | | |
| Mr. J Whiteman | 296,039 | 100,000 | - | 16,923 | - | 80,623 | - | 493,585 | 36.59% |
| Mr. J Glover | 401,671 | 110,000 | - | 27,519 | 678 | 69,139 | - | 609,007 | 29.41% |
| Mr. W Price | 12,768 | 3,452 | - | 1,642 | 26 | - | - | 17,888 | 19.30% |
| Mr. D Sykes | 268,878 | - | - | 27,825 | 8,585 | (83,960) | - | 221,328 | (37.93)% |
| Ms. V Gayton | 234,747 | - | - | 21,677 | 8,141 | (66,121) | 30,256 | 228,700 | (28.91)% |
| Mr. B Maff | 165,813 | - | - | - | - | (83,371) | - | 82,442 | (101.13)% |
| Mr. B Burgess | 77,146 | - | - | 7,404 | - | - | 86,009 | 170,559 | -% |
| Total key management personnel compensation | 2,240,058 | 213,452 | 24,750 | 144,187 | 65,411 | 108,633 | 451,034 | 3,247,525 | 9.92% |

## 6 Remuneration Report (audited) (continued)

### (d) Remuneration expenses for executive KMP (continued)

**Notes in relation to the 2023 table of remuneration expenses for executive KMP:**

* Mr. T Caruso ceased the role of CEO and Managing Director effective 19 October 2022.

* Mr. P Green appointed CEO of Mastermyne on 15 August 2022, then appointed CEO and Managing Director on 19 October 2022 and ceased the role effective 20 June 2023.

* Mr. D Sykes appointed EGM Special Projects on 15 August 2022 and resigned from the role effective 12 April 2023.

* Ms. V Gayton ceased the role of EGM Human Resources effective 17 March 2023.

* Mr. B Maff ceased the role of CFO and Company Secretary effective 7 October 2022.

* Mr. W Price appointed EGM Mastermyne Mining effective 20 June 2023.

* Mr. J Whiteman appointed CFO on 28 November 2022, and then interim CEO effective 20 June 2023.

* Mr. B Burgess ceased the role of General Manger - Assets and Engineering on 8 October 2022.

* Employee entitlements reflects the movement in the value of employee leave provisions where those entitlements are required to be paid on termination.

* The fair value of the rights is calculated at the date of grant using a Monte Carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.

## 6 Remuneration Report (audited) (continued)

### (d) Remuneration expenses for executive KMP (continued)

| 2022 | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | Share based payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Super-annuation $ | Employee entitlements $ | Rights $ | Termination benefits $ | Total $ | Performance related |
| **Executive Director** | | | | | | | | | |
| Mr. A Caruso | 510,222 | - | 19,500 | 29,251 | 12,337 | 163,929 | - | 735,239 | 22.30% |
| Mr. P Green | 368,788 | - | 8,250 | 11,635 | - | 26,444 | - | 415,117 | 6.37% |
| **Other key management personnel** | | | | | | | | | |
| Mr. J Glover | 29,427 | - | 1,228 | 1,925 | 26 | - | - | 32,606 | -% |
| Mr. W Price | 128,727 | - | - | 8,996 | - | 22,069 | - | 159,792 | 13.81% |
| Mr. D Sykes | 378,697 | - | - | 34,542 | 7,794 | 82,544 | - | 503,577 | 16.39% |
| Ms. V Gayton | 338,947 | - | - | 30,085 | 14,918 | 64,855 | - | 448,805 | 14.45% |
| Mr. B Maff | 404,802 | - | - | 25,447 | - | 77,710 | - | 507,959 | 15.30% |
| Mr. R Bedggood | 87,730 | 76,897 | - | - | - | - | - | 164,627 | 46.71% |
| Mr. N Woolrych | 273,607 | - | - | 17,302 | (23,711) | 32,921 | - | 300,119 | 10.97% |
| Total key management personnel compensation | 2,520,947 | 76,897 | 28,978 | 159,183 | 11,364 | 470,472 | - | 3,267,841 | 16.75% |

**Notes in relation to the 2022 table of remuneration expenses for executive KMP:**

* W Price ceased to be a KMP effective 14 November 2021.

* R Bedggood ceased the role of General Manager Hardrock effective 30 September 2021.

* N Woolrych, as CEO of PYBAR, became a KMP upon the acquisition of PYBAR on 31 October 2021 and ceased the role effective 3 June 2022.

* J Glover was appointed CEO of PYBAR effective 6 June 2022.

* Employee entitlements reflects the movement in the value of employee leave provisions where those entitlements are required to be paid on termination.

* The fair value of the rights is calculated at the date of grant using a Monte Carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the rights recognised in this reporting period.

## 6 Remuneration Report (audited) (continued)

### (e) Performance based remuneration granted & forfeited during the year

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of rights that were granted and exercised during the year ended 30 June 2023. The number of rights and percentages vested/forfeited for each grant date are disclosed in Section (h) Equity instruments on pages 20 to 22.

| 2023 | Total STI bonus | | | LTI Rights | |
|---|---|---|---|---|---|
| | Total opportunity $ | Awarded % | Forfeited % | Value granted* $ | Value exercised ** $ |
| Mr. A Caruso | 432,703 | - | 100 | - | - |
| Mr. P Green | 414,750 | - | 100 | 246,827 | 246,827 |
| Mr. J Whiteman | 129,719 | 77 | 23 | 80,623 | 80,623 |
| Mr. J Glover | 187,775 | 59 | 41 | 69,139 | 69,139 |
| Mr. W Price | 5,563 | 62 | 38 | | |
| Mr. D Sykes | 185,916 | - | 100 | - | - |
| Ms. V Gayton | 160,000 | - | 100 | - | - |
| Mr. B Burgess | 136,250 | - | 100 | - | - |
| Mr. B Maff | - | - | - | - | - |

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

** The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

### (f) Services from remuneration consultants

In the current year the RNC was presented with a report comparing KMP salaries across industry peers. No specific recommendations were sought on director or KMP remuneration due to the Board's view that market circumstances were too fluid to allow historical information to provide a useful guide to appropriate remuneration levels.

$7,500 in external fees were paid for remuneration research reports during the 2023 financial year.

### (g) Non-executive director arrangements

Non-executive Directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the board taking into account comparable roles and market data provided by the board’s independent remuneration adviser.

| Board fees | | $ |
|---|---|---|
| Chair | | 110,500 |
| Other non-executive directors | | 66,300 |
| Committee fees | | |
| Audit | Chair | 5,525 |
| | Member | - |
| Remuneration and nomination | Chair | 5,525 |
| | Member | - |

For the year completed (FY23), Acting Chairman, Mr. M Smith was not remunerated.

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of Director.

## 6 Remuneration Report (audited) (continued)

### (g) Non-executive director arrangements (continued)

The actual remuneration paid to Non-executive Directors during the year will vary from the contracted amounts depending on the number of payroll weeks in the financial year.

The following table shows details of the remuneration expense recognised for the Group's non-executive directors for the current and previous financial year measured in accordance with the requirements of the accounting standards.

| 2023 | Short-term employee benefits | | | Post-employment benefits | |
|---|---|---|---|---|---|
| | Board fees $ | Audit committee fees $ | Remuneration and nomination committee fees $ | Super-annuation $ | Total $ |
| **Non-executive Directors** | | | | | |
| Mr. M Smith | - | - | - | - | - |
| Mr. C Bloomfield | 88,846 | - | - | 9,329 | 98,175 |
| Mr. A Watts | 129,231 | - | - | 13,581 | 142,812 |
| Mr. G Meena | 53,308 | - | 4,442 | 6,064 | 63,814 |
| Ms. J Whitcombe | 53,308 | 4,442 | - | 6,064 | 63,814 |
| Mr. P Rouse | 60,000 | - | - | 6,312 | 66,312 |
| Total non-executive directors | 384,693 | 4,442 | 4,442 | 41,350 | 434,927 |

* Mr. C Bloomfield ceased the role of Chairman effective 22 May 2023.

* Mr A Watts acted as CEO for a period during the year. During this period he was paid Salary $75,000, Super $7,875.

* Mr. G Meena ceased the role of Non-Executive Director effective 22 May 2023.

* Mr. J Whitcombe ceased the role of Non-Executive Director effective 22 May 2023.

* Mr. M Smith appointed Non-Executive Director on 22 May 2023. For the year completed (FY23), Acting Chairman, Mr. M Smith was not remunerated.

| 2022 | Short-term employee benefits | | | Post-employment benefits | |
|---|---|---|---|---|---|
| | Board fees $ | Audit committee fees $ | Remuneration and nomination committee fees $ | Super-annuation $ | Total $ |
| **Non-executive Directors** | | | | | |
| Mr. C Bloomfield | 100,000 | - | - | 10,019 | 110,019 |
| Mr. A Watts | 60,000 | - | - | 6,012 | 66,012 |
| Mr. G Meena | 60,000 | - | 5,000 | 6,513 | 71,513 |
| Ms. J Whitcombe | 60,000 | 5,000 | - | 6,513 | 71,513 |
| Mr. P Rouse | 39,462 | - | - | 3,958 | 43,420 |
| Total non-executive directors | 319,462 | 5,000 | 5,000 | 33,015 | 362,477 |

* Mr. P Rouse was appointed as a non-executive director on 5 November 2021.

## 6 Remuneration Report (audited) (continued)

### (h) Equity instruments

*Rights*

The terms and conditions of each grant of rights affecting remuneration in the current or a future reporting period are as follows:

| Grant date | Vesting and exercise date | Expiry date | Exercise price | Value per option at grant date | Performance achieved | % Vested |
|---|---|---|---|---|---|---|
| Tranche A | | | | | | |
| 28/11/2022 | 1/10/2025 | 1/10/2025 | - | 0.1221 | Note 1 | 100% |
| 19/10/2022 | 1/10/2025 | 1/10/2025 | - | 0.201 | Note 1 | 100% |
| 29/11/2021 | 1/10/2024 | 1/10/2024 | - | 0.6664 | Note 1 | 100% |
| 24/11/2020 | 1/10/2023 | 1/10/2023 | - | 0.4945 | Note 1 | 100% |
| 21/11/2019 | 1/10/2022 | 1/10/2022 | - | 0.7415 | Not achieved | 0% |
| Tranche B | | | | | | |
| 28/11/2022 | 1/10/2025 | 1/10/2025 | - | 0.16 | Note 1 | 100% |
| 19/10/2022 | 1/10/2025 | 1/10/2025 | - | 0.265 | Note 1 | 100% |
| 29/11/2021 | 1/10/2024 | 1/10/2024 | - | 0.5827 | Note 1 | 100% |
| 24/11/2020 | 1/10/2023 | 1/10/2023 | - | 0.4784 | Note 1 | 100% |
| 21/11/2019 | 1/10/2022 | 1/10/2022 | - | 0.7100 | Not achieved | 0% |
| Granted in relation to STI | | | | | | |
| 7/12/2021 | 1/10/2022 | 1/10/2022 | - | 0.7800 | Not achieved | - |

Note 1

On 22 May 2023 the Group issued placement shares upon completion of the Conditional Placement. This constituted a change in control under the Performance Rights Plan. The board determined the performance rights which were outstanding as of that date had fully vested.

## 6 Remuneration Report (audited) (continued)

### (h) Equity instruments (continued)

The number of performance rights provided as remuneration to key management personnel is shown in the table below. All rights refer to rights to acquire one ordinary share of Metarock Group Limited for no consideration which upon exercise are exchangeable on a one for one basis.

The following table shows a reconciliation of rights held by each KMP for the year ended 30 June 2023. There were no vested rights as at 1 July 2022.

| 2023 | | Balance at the start of the year | | Vested | | | Forfeited | | Balance at the end of the year | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Unvested | Granted as compen-sation | Number | % | Exercised / lapsed | Number | % | Vested and exercisable | Unvested |
| **Tranche A** | | | | | | | | | | |
| Mr. A Caruso | 21/11/2019 | 73,947 | - | - | - | (73,947) | - | - | - | - |
| Mr. A Caruso | 24/11/2020 | 211,758 | - | - | - | - | (211,758) | (100) | - | - |
| Mr. A Caruso | 29/11/2021 | 192,998 | - | - | - | - | (192,998) | (100) | - | - |
| Mr. D Sykes | 21/11/2019 | 31,924 | - | - | - | (31,924) | - | - | - | - |
| Mr. D Sykes | 24/11/2020 | 112,611 | | - | - | - | (112,611) | (100) | - | - |
| Mr. D Sykes | 29/11/2021 | 102,538 | - | - | - | - | (102,538) | (100) | - | - |
| Ms. V Gayton | 21/11/2019 | 24,181 | - | - | - | (24,181) | - | - | - | - |
| Ms. V Gayton | 24/11/2020 | 85,243 | - | - | - | - | (85,243) | (100) | - | - |
| Ms. V Gayton | 29/11/2021 | 87,601 | | - | - | - | (87,601) | (100) | - | - |
| Mr. B Maff | 21/11/2019 | 30,398 | - | - | - | (30,398) | - | - | - | - |
| Mr. B Maff | 24/11/2020 | 111,754 | - | - | - | - | (111,754) | (100) | - | - |
| Mr. B Maff | 29/11/2021 | 101,440 | - | - | - | - | (101,440) | (100) | - | - |
| Mr. P Green | 29/11/2021 | 102,828 | | | | (102,828) | - | - | - | - |
| Mr. P Green | 19/10/2022 | - | 529,671 | - | - | (529,671) | - | - | - | - |
| Mr. J Whiteman | 28/11/2022 | - | 285,898 | - | - | (285,898) | - | - | - | - |
| Mr. J Glover | 28/11/2022 | | 245,173 | - | | (245,173) | - | | - | - |
| **Tranche B** | | | | | | | | | | |
| Mr. A Caruso | 21/11/2019 | 73,947 | | - | - | (73,947) | - | - | - | - |
| Mr. A Caruso | 24/11/2020 | 211,758 | - | - | - | - | (211,758) | (100) | - | - |
| Mr. A Caruso | 29/11/2021 | 192,998 | - | - | - | - | (192,998) | (100) | - | - |
| Mr. D Sykes | 21/11/2019 | 31,924 | - | - | - | (31,924) | - | - | - | - |
| Mr. D Sykes | 24/11/2020 | 112,611 | | - | - | - | (112,611) | (100) | - | - |
| Mr. D Sykes | 29/11/2021 | 102,538 | - | - | - | - | (102,538) | (100) | - | - |
| Ms. V Gayton | 21/11/2019 | 24,181 | - | - | - | (24,181) | - | - | - | - |
| Ms. V Gayton | 24/11/2020 | 85,243 | - | - | - | - | (85,243) | (100) | - | - |
| Ms. V Gayton | 29/11/2021 | 87,601 | | - | - | - | (87,601) | (100) | - | - |
| Mr. B Maff | 21/11/2019 | 30,398 | - | - | - | (30,398) | - | - | - | - |
| Mr. B Maff | 24/11/2020 | 111,754 | - | - | - | - | (111,754) | (100) | - | - |
| Mr. B Maff | 29/11/2021 | 101,440 | - | - | | - | (101,440) | (100) | - | - |
| Mr. P Green | 29/11/2021 | 102,828 | | - | - | (102,828) | - | - | - | - |
| Mr. P Green | 19/10/2022 | - | 529,671 | - | - | (529,671) | - | - | - | - |
| Mr. J Whiteman | 28/11/2022 | - | 285,898 | - | | (285,898) | - | - | - | - |
| Mr. J Glover | 28/11/2022 | - | 245,173 | - | | (245,173) | - | - | - | - |
| **Granted as part of STI** | | | | | | | | | | |
| Mr. B Maff | 7/12/2021 | 104,407 | - | - | | | (104,407) | (100) | | - |

## 6 Remuneration Report (audited) (continued)

### (h) Equity instruments (continued)

*Shareholdings*

The movements during the reporting period in the number of ordinary shares in Metarock Group Limited held directly, indirectly or beneficially by each key management person including their related parties, is as follows:

| 2023<br>Name | | Balance at the start of year | Received during the year on exercise of rights | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr. C Bloomfield | (i) | 1,117,629 | - | (1,117,629) | - |
| Mr. A Watts | | 12,262,245 | - | - | 12,262,245 |
| Mr. G Meena | (i) | 100,000 | - | (100,000) | - |
| Ms. J Whitcombe | (i) | 94,000 | - | (94,000) | - |
| Mr. M Smith | (ii) | - | - | - | - |
| Mr. P Rouse | | 21,195,914 | - | - | 21,195,914 |
| Mr. A Caruso | (iii) | 2,391,555 | - | (2,391,555) | - |
| Mr. D Sykes | (iv) | 284,811 | - | (284,811) | - |
| Ms. V Gayton | (v) | 159,278 | - | (159,278) | - |
| Mr. B Maff | (vi) | 187,708 | - | (187,708) | - |
| Mr. W Price | (vii) | 11,173 | 808,337 | - | 819,510 |
| Mr. N Woolrych | | 115,000 | | (115,000) | - |
| Mr. P Green | (viii) | - | 1,264,999 | (1,264,999) | - |
| Mr. J Whiteman | (ix) | - | 571,796 | 55,484 | 627,280 |
| Mr. J Glover | | - | 490,346 | - | 490,346 |

(i) Retired 22 May 2023
(ii) Appointed 22 May 2023
(iii) Resigned 19 October 2022
(iv) Resigned 12 April 2023
(v) Resigned 17 March 2023
(vi) Resigned 7 October 2022
(vii) Appointed 20 June 2023
(viii) Appointed 19 November 2022 and resigned 20 June 2023
(ix) Appointed CFO 28 November 2022 and then Interim CEO 20 June 2023. Other changes relates to on market share purchases made during the year.

### (i) Individual directors and executives compensation disclosures

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

*Loans given to key management personnel*

No loans were made, guaranteed or secured by the Company to key management personnel during the year.

*Other transactions with key management personnel*

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable then those available, or which might reasonably be expected to be available, on similar transactions to non-key management persons related entities on an arm's length basis. These include the following:

## 6 Remuneration Report (audited) (continued)

*Other transactions with key management personnel (continued)*

*Revenue*

i. The Group provides administration services to Digital Terrain Pty Ltd and HMR Drilling Services Pty Limited as part of a transitional services arrangement. These entities are owned by Paul Rouse or his close family members. Amounts received are at arm's length and are due and receivable under normal payment terms.

ii. The Group provides equipment to JTMEC Pty Ltd an entity owned by Paul Rouse, for the provision of labour hire services. Amounts paid are at arm's length and are due and payable under normal payment terms. JTMEC was divested by Paul Rouse effective 1 June 2022 and transactions and balances with JTMEC after this date are not treated as related party transactions or balances.

iii. The Group incurred costs that related to Diversified Minerals Pty Ltd, a company owned by Paul Rouse. These expenses were recharged at cost to Diversified Minerals Pty Ltd.

*Expenses*

iv. The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

v. The Group rents the premises at 56A Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

vi. The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payments terms.

vii. The Group obtains software and IT consulting services and licences production planning and activity recording software from Digital Terrain Pty Ltd, an entity owned by a close family member of Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

viii. The Group leases 1688 Forest Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

ix. The Group leases 23 Huntley Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

x. The Group leases Units 1-6 Kenna Street in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

xi. The Group engages JTMEC Pty Ltd, an entity owned by Paul Rouse, for the provision of labour hire services. Amounts paid are at arm's length and are due and payable under normal payment terms. JTMEC was divested by Paul Rouse effective 1 June 2022 and transactions and balances with JTMEC after this date are not treated as related party transactions or balances

(xii) The Group incurred establishment fees on the loan facility agreement with M Mining Resources which was entered into on 16 March 2023. The facility was available for period up to 30 April 2023 and was not utilised.

(xiii) The Group incurred interest costs at a rate of 10% per annum on the deferred contingent consideration following the execution of an agreement to defer the payment of the deferred consideration to 1 September 2023. The interest is payable monthly in arrears. Refer to note 33 for post year end changes to the arrangement.

## 6 Remuneration Report (audited) (continued)

*Other transactions with key management personnel (continued)*

Aggregate amounts of each of the above types of other transactions with key management personnel of Metarock Group Limited:

| | 2023 $ | 2022 $ |
|---|---|---|
| *Amounts recognised as revenue* | | |
| i. Administration services | 70,905 | 173,425 |
| ii. Equipment hire | - | 112,492 |
| iii. Back charges | - | 3,935 |
| | 70,905 | 289,852 |
| *Amounts recognised as expense* | | |
| iv. Rent of 45 River Street | 263,420 | 207,300 |
| v. Rent of 56A Grosvenor Drive | 29,986 | 29,943 |
| vi. General plumbing repairs | 4,554 | 4,187 |
| vii. Software and IT consulting services and software licencing | 1,063,405 | 877,974 |
| viii. Rent of 1688 Forest Road in Orange NSW | 425,442 | 267,346 |
| ix. Rent of 23 Huntley Road in Orange NSW | 113,709 | 67,898 |
| x. Rent of Units 1-6 Kenna St in Orange NSW | 54,691 | 60,683 |
| xi. Labour hire services | - | 3,367,141 |
| xii. Borrowing costs on related party loan | 234,000 | - |
| xiii. Interest on contingent consideration | 742,830 | - |
| | 2,932,037 | 4,882,472 |

From time to time key management personnel and directors of the Group, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

*Amounts recognised as assets and liabilities*

At the end of the reporting period the following assets and liabilities were recognised in relation to the above transactions.

| | 2023 $ | 2022 $ |
|---|---|---|
| *Amounts recognised as receivables* | | |
| i. Administration services | 6,325 | 6,359 |
| iii. Back charges | 4,329 | 4,329 |
| vii. Software and IT consulting services and software licencing | 6,909 | - |
| | 17,563 | 10,688 |
| *Amounts recognised as payables* | | |
| i. Administrative services | 2,565 | - |
| vii. Software and IT consulting services and software licencing | 97,364 | 21,932 |
| Rent of 1688 Forecast Road, 23 Huntley Road and Units 1-6 Kenna St in Orange NSW* | 37,545 | - |
| | 137,474 | 21,932 |

*Relates to amounts recognised as payables associated with (viii),(ix) and (x)

(j) Voting of shareholders at last year’s annual general meeting

Metarock Group Limited received more than 97% of “yes” votes on its remuneration report for the 2022 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This concludes the remuneration report, which has been audited.

## 7 Principal activities

The principal activities of the Group during the financial year were to provide mine operations, contracting, training and related services in mining and supporting industries across Australia.

The Group's activities changed significantly during the prior year following the acquisition of PYBAR Holdings Pty Limited, diversifying the Group's activities from coal to include metalliferous underground hard rock mining.

## 8 Significant changes in the state of affairs

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- During the period, a number of contracts that were placing financial strain on the business were terminated . These included Crinum mining operations contract, Peak mining services contract and Thalanga mining services contract (as a result of the mine owner entering Administration). The termination of these contracts necessitated significant write-offs which have materially impacted the Group's result for the year ended 30 June 2023.
- In addition, post the reporting period, the Cook Colliery mining operations contract ceased by mutual agreement with the client and was deemed an onerous contract at 30 June 2023.
- PYBAR's under-performance against acquisition targets has resulted in significant impairment on goodwill during the financial year.

The financial impact of these events and transactions is highlighted in note 6.

The Company completed a placement of ordinary shares to M Resources on 22 May 2023 which resulted in M Resources becoming the largest shareholder of Metarock. A number of changes were made to the board and executives of the Company during the financial year, as noted throughout this Report.

Other than these items, there were no other significant changes in the state of affairs.

## 9 Environmental regulation

The Group is subject to various environmental regulations under both Commonwealth and State legislation in relation to its involvement in the operations of mines.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

## 10 Dividends - Metarock Group Limited

Dividends paid to members during the financial year were as follows:

### Ordinary shares

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Final dividend for the year ended 30 June 2022 of nil (2021 - 2.5 cents) per fully paid share | - | 2,421 |
| **Total dividends paid** | - | 2,421 |

## 11 Events subsequent to reporting date

### Assets held for sale

Post year end the Group completed the sale of major equipment which was held for sale at reporting date. The net book value of the assets sold amounted to $24,041,000 as at 30 June 2023 and are included in Assets classified as held for sale in the Consolidated Balance Sheet. The proceeds from the sale of $28,540,000 were used to repay the related debt of $19,865,000 and fund working capital requirements.

### Contractual settlements

On 18 August 2023 Mastermyne (CC) Operations Pty Ltd ceased the provision of contract services at the Cook Colliery by mutual agreement in line with the Group's turnaround strategy.

A provision of $7,728,000 was recognised at reporting date for the unavoidable costs of meeting the obligations which exceed the economic benefits expected to be received. These costs include contract costs and termination benefits. All assets were written down to their recoverable values resulting in impairment loss amounting to $3,814,000.

### Deferred consideration

On 30 August 2023, the Group executed a Second Variation Deed to the Share Purchase agreement for the acquisition of PYBAR Holdings Pty Limited to further defer the payment of the deferred consideration for the PYBAR acquisition.

Under this agreement an instalment of $2,000,000 was paid on 1 September 2023 and the remaining balance of $6,914,000 is payable in monthly instalments commencing 31 January 2024. The interest rate increased to 12.25% per annum payable monthly in arrears.

### Extension of Westpac facilities

On 31 August 2023 ,the Group executed an agreement to extend the invoice facility to 30 September 2024 and cancel the overdraft facility. The facility covenants are waived until 31 December 2023 and then applied quarterly thereafter.

### Shareholder loan

On 30 August 2023, the Group signed a term sheet for a subordinated, unsecured shareholder loan of $2,000,000 from M Mining Services Pty Ltd under the Facility Agreement which was executed in March 2023. The loan was drawn on 1 September 2023 to fund the payment of the $2,000,000 PYBAR deferred consideration instalment. The loan is repayable on 1 October 2024.

The loan is subject to interest at BBSY plus 15% per annum payable monthly unless capitalised.

### Changes to the Board of Directors

On 6 September 2023, the Group made the following changes to the Board of Directors;

- Mr Jonathan Romcke was appointed as Executive Chairman
- Mr Peter Barker, formerly an Advisor to the Board was appointed as a Non-Executive Director and Chair of the Audit and Risk Committee
- Mr Murray Smith stepped down as Acting Chair and retained his role as a Non-Executive Director and was appointed Chair of the Remuneration and Nomination Committee
- Mr Paul Rouse resigned from the Board

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

## 12 Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 13 Directors' interests

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Metarock Group Limited | |
|---|---|---|
| | Ordinary Shares | Rights over ordinary shares |
| Mr. J Romcke | Nil | Nil |
| Mr. M Smith | Nil | Nil |
| Mr. A Watts | 12,262,245 | Nil |
| Mr. P Barker | Nil | Nil |

## 14 Shares under option

### Unissued ordinary shares

At the date of this report there were no unissued ordinary shares of the Company under option. An entitlement offer is currently on foot under which new options are intended to be issued.

## 15 Insurance of officers and indemnities

### Indemnity

The Company has not made a relevant agreement, or indemnified against a liability, for any person who is or has been an auditor of the Company.

### Insurance of officers

During the financial year, the entity has paid premiums on behalf of the Company in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2023 and, since the end of the financial year, the entity has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the year ended 30 June 2024. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been Directors or executive officers of the Company.

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors' and Officers’ liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

## 16 Non-audit services

The board of Directors has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the amounts paid or payable to the auditor of the Company, Pitcher Partners, and its related practices for audit and non-audit services provided during the year are set out below.

During the year, Pitcher Partners, the Company's auditor, has performed certain other services in addition to their statutory duties.

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Audit services** | | |
| Pitcher Partners | | |
| Audit and review of financial statements | 360,045 | 372,000 |
| Audit of regulatory returns | 25,987 | 16,000 |
| **Total remuneration for audit services** | 386,032 | 388,000 |
| | | |
| **Other non-assurance services** | | |
| Pitcher Partners | | |
| Due diligence services | - | 204,319 |
| Taxation services | 92,875 | 28,750 |
| **Total remuneration for other services** | 92,875 | 233,069 |

## 17 Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report and directors' Report. Amounts in the financial report and the directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of Directors.

Mr J Romcke
Executive Chairman

Brisbane
20/09/2023

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

*p.* +61 7 3222 8444

The Directors
Metarock Group Limited
45 River Street
Mackay QLD 4740

**Auditor's Independence Declaration**

In relation to the independent audit for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of Metarock Group Limited and the entities it controlled during the year.

Pitcher Partners
PITCHER PARTNERS

J. Evans

**JASON EVANS**
Partner

Brisbane, Queensland
20 September 2023

Metarock Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Revenue from contracts with customers | 4 | 514,214 | 452,698 |
| Other income | 5 | 7,062 | 3,246 |
| Contract disbursements | | (141,976) | (122,485) |
| Personnel expenses | 6 | (334,994) | (297,368) |
| Office expenses | | (15,101) | (13,251) |
| Depreciation and amortisation expense | 6 | (35,772) | (32,834) |
| Other expenses | 6 | (5,802) | (5,341) |
| Impairment loss | 6 | (57,596) | - |
| Results from operating activities | | (69,965) | (15,335) |
| | | | |
| Finance income | | 133 | 8 |
| Finance expenses | | (9,903) | (4,030) |
| Net finance expenses | 7 | (9,770) | (4,022) |
| | | | |
| Loss before income tax | | (79,735) | (19,357) |
| | | | |
| Income tax benefit | 8 | 5,724 | 6,801 |
| Total comprehensive loss for the period | | (74,011) | (12,556) |
| | | | |
| Loss is attributable to: | | | |
| Owners of Metarock Group Limited | | (74,011) | (12,556) |
| | | (74,011) | (12,556) |
| | | | |
| Total comprehensive loss for the period is attributable to: | | | |
| Owners of Metarock Group Limited | | (74,011) | (12,556) |
| | | (74,011) | (12,556) |
| | | | |
| | | Cents | Cents |
| Earnings / (loss) per share for profit attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings per share | 20 | (49.3) | (10.2) |
| Diluted earnings per share | 20 | (49.3) | (10.2) |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

Metarock Group Limited
Consolidated balance sheet
As at 30 June 2023

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 12,902 | 5,229 |
| Trade and other receivables | 10 | 75,604 | 84,042 |
| Contract assets | 4(b) | - | 1,984 |
| Inventories | 11 | 19,017 | 21,149 |
| Current tax receivables | 8 | - | 12,299 |
| Assets classified as held for sale | 12 | 33,906 | - |
| Total current assets | | 141,429 | 124,703 |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 53,772 | 110,666 |
| Right-of-use assets | 18 | 17,568 | 19,648 |
| Intangible assets | 14 | 14,186 | 44,136 |
| Total non-current assets | | 85,526 | 174,450 |
| Total assets | | 226,955 | 299,153 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 55,230 | 69,246 |
| Contract liabilities | 4(b) | 33 | 2,051 |
| Borrowings | 23 | 40,686 | 62,981 |
| Lease liabilities | 18 | 7,144 | 6,127 |
| Employee benefit obligations | 16 | 19,211 | 23,822 |
| Provisions | 17 | 7,728 | 485 |
| Other current liabilities | 19 | 8,914 | 12,661 |
| Liabilities directly associated with assets classified as held for sale | 12 | 30,499 | - |
| Total current liabilities | | 169,445 | 177,373 |
| Non-current liabilities | | | |
| Borrowings | 23 | 15,423 | 21,027 |
| Lease liabilities | 18 | 8,675 | 11,201 |
| Deferred tax liabilities | 8(d) | - | 5,735 |
| Employee benefit obligations | 16 | 657 | 630 |
| Total non-current liabilities | | 24,755 | 38,593 |
| Total liabilities | | 194,200 | 215,966 |
| Net assets | | 32,755 | 83,187 |
| EQUITY | | | |
| Share capital | 22 | 111,180 | 87,904 |
| Other reserves | 22 | (24,237) | (23,434) |
| Retained earnings/(accumulated losses) | | (54,188) | 18,717 |
| Equity attributable to owners of Metarock Group Limited | | 32,755 | 83,187 |
| Total equity | | 32,755 | 83,187 |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

Metarock Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

| | Notes | Share capital $'000 | Retained earnings/ (accumulated losses) $'000 | Other equity $'000 | Share-based payments $'000 | Common Control Reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| | | Attributable to owners of Metarock Group Limited | | | | | |
| Balance at 1 July 2021 | | 64,295 | 33,373 | 1,153 | 598 | (24,237) | 75,182 |
| Loss for the period | | - | (12,556) | - | - | - | (12,556) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive income/(loss) for the period | | - | (12,556) | - | - | - | (12,556) |
| | | | | | | | |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Issue of ordinary shares as consideration for Wilson Mining acquisition | 26 | 1,153 | - | (1,153) | - | - | - |
| Issue of ordinary shares as consideration for PYBAR Mining acquisition | 26 | 22,281 | - | - | - | - | 22,281 |
| Payment of Dividends | 21 | - | (2,246) | - | - | - | (2,246) |
| Share-based payment transactions | 30 | - | - | - | 526 | - | 526 |
| Share options exercised | | - | 321 | - | (321) | - | - |
| Shares issued or to be issued on dividends reinvested | 21 | 175 | (175) | - | - | - | - |
| Total contributions by and distributions to owners | | 23,609 | (2,100) | (1,153) | 205 | - | 20,561 |
| | | | | | | | |
| Balance at 30 June 2022 | | 87,904 | 18,717 | - | 803 | (24,237) | 83,187 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

Metarock Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

| | Notes | Share capital $'000 | Retained earnings/ (accumulated losses) $'000 | Share based payments $'000 | Common Control Reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| | | Attributable to owners of Metarock Group Limited | | | | |
| Balance at 1 July 2022 | | 87,904 | 18,717 | 803 | (24,237) | 83,187 |
| Loss for the period | | - | (74,011) | - | - | (74,011) |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive income/(loss) for the period | | - | (74,011) | - | - | (74,011) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Share issue transaction costs - conditional placement | 22 | (1,724) | - | - | - | (1,724) |
| Issue of ordinary shares - placement | 22 | 25,000 | - | - | - | 25,000 |
| Share options exercised | | - | 830 | (830) | - | - |
| Share-based payment transactions | 30 | - | - | 303 | - | 303 |
| Transfers share options lapsed | | - | 276 | (276) | - | - |
| Total contributions by and distributions to owners | | 23,276 | 1,106 | (803) | - | 23,579 |
| Balance at 30 June 2023 | | 111,180 | (54,188) | - | (24,237) | 32,755 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 558,721 | 492,586 |
| Payments to suppliers and employees (inclusive of GST) | | (567,172) | (467,442) |
| | | (8,451) | 25,144 |
| | | | |
| Insurance recovery | | 1,471 | - |
| Interest received | | 133 | 8 |
| Interest paid | | (9,001) | (3,872) |
| Income taxes refunded/(paid) | | 12,537 | (2,293) |
| Receipts of government grants and subsidies | | 2,928 | 1,452 |
| **Net cash (outflow)/inflow from operating activities** | 9 | (383) | 20,439 |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of subsidiary, net of cash acquired | 26 | - | (11,604) |
| Payment of contingent consideration | 19 | (3,832) | (2,029) |
| Payments for property, plant and equipment | | (29,752) | (41,641) |
| Initial direct costs on right-of-use assets | | - | (33) |
| Payment of software development costs | | - | (143) |
| Proceeds from sale of property, plant and equipment | | 24,018 | 1,206 |
| **Net cash outflow from investing activities** | | (9,566) | (54,244) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | 22 | 25,000 | - |
| Share issue costs | | (1,724) | - |
| Proceeds from borrowings | | 46,260 | 41,644 |
| Repayment of borrowings | | (44,461) | (17,124) |
| Principal elements of finance lease payments | | (7,453) | (7,629) |
| Dividends paid to company's shareholders | 21 | - | (2,246) |
| **Net cash inflow from financing activities** | | 17,622 | 14,645 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 7,673 | (19,160) |
| Cash and cash equivalents at the beginning of the financial year | | 5,229 | 24,389 |
| **Cash and cash equivalents at end of year** | 9 | 12,902 | 5,229 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 Basis of preparation

The consolidated financial statements are for the Group consisting of Metarock Group Limited ('the Company') and its controlled entities (together referred to as the 'Group' and individually as 'Group entities'). The principal accounting policies adopted in the preparation of this annual financial report are set out in the following notes to the consolidated financial statements. These policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of each entity in the Group. These consolidated financial statements have been prepared under the historical cost convention. Metarock Group Limited is a for-profit entity for the purpose of preparing the consolidated financial statements. The Group is primarily involved in providing mining services, including mine operations, contracting, training and related services, to underground coal and hard rock mines and supporting industries across Australia via its core brands: Mastermyne, PYBAR, Wilson Mining and Mynesight.

### Statement of compliance

The consolidated financial statements of the Metarock Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### New and amended standards adopted by the group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The impact of these has not yet been assessed.

### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet.

## 1 Basis of preparation (continued)

### Going concern

This 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 had net cash outflows from operating activities of $383,000 (2022 : net cash flows of $20,439,000), a net loss after tax of $74,011,000 (2022 : $12,556,000) for the year ended 30 June 2023 and the Group has a statutory net current deficiency of $28,016,000 (2022 : $52,670,000) for the year then ended.

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Net current deficiency** | | |
| Current assets | 141,429 | 124,703 |
| Current liabilities | (169,445) | (177,373) |
| | (28,016) | (52,670) |

Since late 2022, the Board has been focused on implementing a turnaround plan for the Company to improve the net current deficiency. This turnaround plan has delivered a $24,654,000 reduction in net working capital deficiency (representing a 47% decrease) at 30 June 2023 compared to prior year. The key elements of the turnaround plan include:

- 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. In addition to this, post year-end the Cook Colliery mining services operations contract ended by mutual agreement. These contracts had placed considerable strain on the cash resources of the Group due to not contributing the required financial returns for the risks of the contract, the requirement to deploy very significant capital investment for each of the projects and in the case of Crinum, significant remedial costs were incurred to repair the drift following a major roof fall incident.
- 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 hard rock equipment. The sale of coal equipment is well progressed, with proceeds of $24,018,000 prior to year-end and a further $28,540,000 from transactions which settled post year-end.
- Completion of a $25,000,000 placement in May 2023 to M Resources to improve liquidity and net debt positions.
- Part of the equipment finance facility is subject to a progressive payment arrangement under which the financiers will pay for the purchase and construction/refurbishment of mining equipment on the condition the financing is rolled into an amortising term finance arrangement upon completion of the construction/refurbishment of each asset. These facilities are classified as current at financial year-end as construction had not been completed and thus the assets had not yet rolled into the amortising term facilities, for which the term will be greater than 12 months. Much of this equipment has been the subject of the asset sale process given the equipment will no longer be deployed into contracts (which have been terminated or ceased). Approximately $19,865,000 of current finance facilities which are recorded as a current liability at 30 June 2023 have been repaid from the proceeds of asset sales which settled after year-end.
- The invoice finance and overdraft facilities was scheduled to mature on 30 September 2023. Post financial year-end an agreement has been executed to cancel the overdraft facility and extend the invoice facility to 30 September 2024. The covenants were waived until 31 December 2023 and then applied quarterly thereafter.

## 1 Basis of preparation (continued)

### Going Concern (continued)

- The Group maintains the ongoing support of its banks and has adequate borrowing capacity. During the financial year the Group has reduced its facility limits by $23.3 million from the proceeds of the capital management initiatives outlined above and lower working capital requirements due to terminated contracts. Total facilities and undrawn amounts after the amendments are outlined below:

| | Facility Limit at Year End $'000 | Undrawn $'000 |
|---|---|---|
| Bank guarantee facility | 1,780 | 473 |
| Corporate credit card facility | 970 | 925 |
| Overdraft finance facility | 6,000 | 6,000 |
| Invoice finance facility* | 42,500 | 22,927 |
| Equipment finance facility | 108,768 | 45,298 |
| Other finance facilities | 3,598 | - |
| | 163,616 | 75,623 |

* subject to a drawdown allowance of 85% of the value of qualifying invoices

- Post financial year end the Company executed a Second Variation Deed to the Share Purchase Agreement to further defer the payment of the deferred consideration for the PYBAR acquisition. Under this agreement an instalment of $2,000,000 was paid on 1 September 2023 and the remaining balance of $6,914,000 is payable in monthly instalments commencing 31 January 2024.The interest rate increased to 12.25% per annum payable monthly in arrears.

- Post financial year end the Company secured a subordinated, unsecured shareholders loan of $2,000,000 from its largest shareholder, M Mining Pty Ltd. Refer to note 33 for further details.

- Finally, in addition to the above, the Group has the ability to raise additional equity as the need arises and currently has an entitlement offer open to raise up to $3,900,000.

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 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 company be unable to, upon the expiration of their respective terms, renew (roll) its existing debt facilities, or raise additional equity (should it be needed), there would be a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

## 1 Basis of preparation (continued)

### Significant estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual result. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving significant estimates, assumptions or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Note 8(d): Recognition of deferred tax asset for carried-forward tax losses;
- Note 14: Key assumptions used in value-in-use calculations;
- Note 18: Determining the lease term;
- Note 18: Determining the incremental borrowing rate;

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the ‘rounding off’ of amounts in the consolidated financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Corporate information

The consolidated financial statements were authorised for issue by the Directors on 20/09/2023. The Directors have the power to amend and reissue the audited consolidated financial statements.

Metarock Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Riverside Plaza
45 River Street
Mackay QLD 4740

Stock exchange listings

Metarock Group Limited shares are listed on the Australian Securities Exchange (ASX).

Website address

www.metarock.com.au

## 2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- During the period, a number of contracts that were placing financial strain on the business were terminated. These include Crinum (Sojitz) mining operations contract, Peak (Aurelia) mining services contract and Thalanga (Red River) mining services contract (as a result of the mine owner entering Administration). The termination of these contracts necessitated significant write-offs which have materially impacted the Group's result for the year ended 30 June 2023.
- In addition, post the reporting period, the Cook Colliery mining operations contract ceased by mutual agreement with the client and was deemed an onerous contract at 30 June 2023.
- PYBAR's under-performance against acquisition targets has resulted in significant impairment on goodwill during the financial year.

The financial impact of these events and transactions is highlighted in note 6.

For a detailed discussion about the Group's performance and financial position please refer to our Operating and Financial Review section of the Directors' Report.

## 3 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The Directors have assessed there are two reportable segments, as detailed below, which are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources).

- Mastermyne - Coal - provides mine operations, contracting, training and related services to the underground long wall coal mining operations and industrial products and services in the coalfields and supporting coal mining industries of Queensland and New South Wales. CODM review financial performance for Mastermyne at a consolidated level and at an operating unit level. Operating units comprise Mastermyne Operations (mine operations) and Mastermyne Contracting (comprising contracting, chemicals, consumables, training and related services). The reportable segment aggregates these operating units on the basis that:
    - the services exhibit similar economic characteristics
    - the products and services are all provided to customers in the underground coal mining sector and often as a suite of services to the relevant customers
    - the products and services all operate within the Coal Mining Act regulatory environment.
- PYBAR - Hard Rock - provides mining, drilling, contracting and related services to the metalliferous underground hard rock mining industry throughout Australia. The operations of PYBAR are aggregated as one reportable segment on the basis the operating results of this segment is reviewed by the CODM at a consolidated level.

## 3 Segment information (continued)

### Segment reporting (continued)

The table below shows the segment information , adjusted to eliminate inter-segment balances, for the reportable segments for the year ended 30 June 2023.

| 2023 | Mastermyne $'000 | PYBAR $'000 | Total $'000 |
|---|---|---|---|
| Total segment revenue | 326,786 | 187,428 | 514,214 |
| **Revenue from external customers** | **326,786** | **187,428** | **514,214** |
| Segment EBITDA | (10,695) | (23,498) | (34,193) |
| Depreciation and amortisation | (10,715) | (25,057) | (35,772) |
| Net finance costs | (6,021) | (3,749) | (9,770) |
| **Net profit/(loss) before tax** | (27,431) | (52,304) | (79,735) |
| **Total segment assets** | 141,625 | 85,330 | 226,955 |
| **Total segment liabilities** | (108,377) | (85,823) | (194,200) |

| 2022 | Mastermyne $'000 | PYBAR $'000 | Total $'000 |
|---|---|---|---|
| Total segment revenue | 287,010 | 165,688 | 452,698 |
| **Revenue from external customers** | **287,010** | **165,688** | **452,698** |
| Segment EBITDA | 4,198 | 13,301 | 17,499 |
| Depreciation and amortisation | (11,889) | (20,945) | (32,834) |
| Net finance costs | (1,988) | (2,034) | (4,022) |
| **Net profit/(loss) before tax** | (9,679) | (9,678) | (19,357) |
| **Total segment assets** | 142,612 | 156,541 | 299,153 |
| **Total segment liabilities** | (104,391) | (111,575) | (215,966) |

For information regarding major customers, refer to Note 25(b). The Group operates in one geographical segment, namely Australia.

For information regarding product and service sales, refer to Note 4 Revenue from contracts with customers.

# 4 Revenue from contracts with customers

## (a) Disaggregation of revenue from contracts with customers

The Group derives revenue from contracts with customers from the transfer of goods and services over time and at a point in time as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Contracting revenue | 483,966 | 425,858 |
| Sale of goods | 7,121 | 6,501 |
| Machinery hire | 23,127 | 20,339 |
| | 514,214 | 452,698 |

## (b) Assets and liabilities related to contracts with customers

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Contract Assets** | | |
| Current contract assets relating to mine operation contracts | - | 1,984 |
| **Total contract assets** | - | 1,984 |
| | | |
| **Contract Liabilities** | | |
| Contract liability - income received in advance | (33) | (251) |
| Contract liability - expected refunds to customers | - | (1,800) |
| **Total current contract liabilities** | (33) | (2,051) |

*(i) Significant changes in contract assets and liabilities*

The decrease in contract assets is as a result of the impairment of capitalised pre-production costs following the termination of a mining contract. The decrease in the contract liabilities is a result of settlement associated with a terminated contract.

### Accounting policy

The company derives revenue from contracting, sale of goods and machinery hire. Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services.

*Consideration included in the measurement of revenue*

The consideration to be received from customers may include fixed amounts, variable amounts, or both. Where the contract includes a right to variable consideration, the Group estimates the amount of variable consideration using the most likely amount approach on a contract-by-contract basis. Variable consideration is included in the measurement of revenue only to the extent that it is highly probable, based on historical experience, that a significant reversal of the cumulative amount recognised will not occur when the uncertainty associated with the variability is subsequently resolved.

*Contracting*

Contracting revenue includes new mine development, mine operation and all mine support services such as training, roadway construction, ventilation, conveyors, longwall relocations and application of polymeric strata support. Contracting revenue is recognised over time, and dependent on the type of contract, is measured using either the input or output method.

## 4 Revenue from contracts with customers (continued)

### Accounting policy (continued)

*Contracting (continued)*

For schedule of rates contracts, where a rate is prescribed for each of the activities performed, revenue is recognised in the amount to which Metarock Group Limited has a right to invoice.

For fixed-price contracts, either the input or output method is used to recognise revenue depending on the terms of the underlying contract. Where the output method is determined to be most appropriate, revenue is recognised on the basis of direct measurement of the value of goods or services transferred to the customer. Where the input method is determined to be most appropriate, revenue is recognised on the basis of resources consumed, costs incurred or machines hours. When the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date, revenue is recognised over-time by reference to the stage of completion of the contract activity and measurement is based on the proportion of contract costs incurred up to the end of the reporting period relative to the estimated total contract costs.

Contracts can contain multiple performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a production schedule. If the services rendered by Metarock Group Limited exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

*Sale of goods*

Revenue from the sale of goods is recognised at a point in time when the Company transfers control of goods to a customer for the amount to which the Company expects to be entitled.

*Machinery hire*

Machinery hire revenue is recognised over time using the input method.

*Receivables from contracts with customers*

A receivable from a contract with a customer represents the company’s unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment. Receivables from contracts with customers include trade and other receivables and unbilled revenue at year end.

## 5 Other income

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Government grants and subsidies | 2,928 | 1,452 |
| Gain on sale of plant and equipment | 1,755 | 947 |
| Other income and Insurance proceeds | 2,379 | 847 |
| | 7,062 | 3,246 |

### Accounting policy

*Government grants*

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## 5 Other income (continued)

### Accounting policy (continued)

*Gain on sale of plant and equipment*

Gains on sale of plant and equipment are recognised at a point in time when the Company transfers control of the equipment to a customer for the amount to which the Company expects to be entitled.

*Other Income and Insurance proceeds*

Other income and insurance proceeds are recognised at a point in time when the Company has an unconditional entitlement to receipt of funds.

## 6 Expenses

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Personnel expenses** | | | |
| Wages and salaries | | 286,831 | 257,535 |
| Other associated personnel expenses | | 25,790 | 21,271 |
| Contributions to defined contribution superannuation funds | | 22,070 | 18,038 |
| Equity-settled share based payment transactions | | 303 | 524 |
| | | 334,994 | 297,368 |
| **Depreciation and amortisation** | | | |
| Depreciation | 13, 18 | 31,827 | 28,536 |
| Amortisation | 14 | 3,945 | 4,298 |
| | | 35,772 | 32,834 |
| **Other expenses** | | | |
| Insurance | | 4,806 | 3,472 |
| Expenses /(recoveries) arising from contracts with customers | | 671 | (168) |
| Loss on termination of leases | | 293 | - |
| Business development costs and other expenses | | 48 | 13 |
| Fair value increase/(decrease) in the contingent consideration liabilities | 19, 26 | (16) | 2,022 |
| Royalty expense | | - | 2 |
| | | 5,802 | 5,341 |

## 6 Expenses (continued)

Loss for the full-year includes the following items that are unusual because of their nature, size or incidence:

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Gains** | | | |
| Gain on disposal of plant and equipment | | 1,755 | - |
| **Impairment losses** | | | |
| Impairment of Crinum assets (i) | | | |
| Contract assets and accrued revenue | | (8,021) | - |
| Trade receivables | | (466) | - |
| Property, plant and equipment | | (2,414) | - |
| Inventory | | (973) | - |
| Asset held for sale | | (1,634) | - |
| Intellectual property | | (323) | - |
| Impairment of PYBAR assets (ii) | | | |
| Goodwill, brand and customer contracts | | (24,644) | - |
| Inventory | | (4,269) | - |
| Property, plant and equipment | | (1,129) | - |
| Assets held for sale | | (275) | - |
| Impairment of Thalanga assets (iii) | | | |
| Trade receivables | | (5,676) | - |
| Customer relationships | | (1,417) | - |
| Impairment of Cook assets (iv) | | | |
| Trade receivables | | (179) | - |
| Accrued revenue | | (3,635) | - |
| Impairment - Right of use assets | | (790) | - |
| Impairment of trade and other receivables subject to ongoing claim (vi) | | (1,751) | - |
| | | (57,596) | - |
| **Expenses** | | | |
| Cook onerous contract costs (iv) | | (7,728) | - |
| Impact of Crinum incident (v) | | (8,315) | (22,274) |
| Consulting and legal costs - Crinum and Moranbah North Mine incident (vii) | | (778) | (1,179) |
| Fair value adjustment to contingent consideration | | 16 | (2,022) |
| Acquisition-related costs from the business combination | | - | (1,359) |
| | | (72,646) | (26,834) |

(i) The Crinum Mine Operations contract was terminated in October 2022 following the execution of a deed of release and settlement. Assets related to the Crinum contract have been written-off to the extent that they exceeded their recoverable values as determined by the deed of settlement.

(ii) With PYBAR's under-performance and the cessation of multiple contracts, a review of their assets was undertaken during the year. As a result of the review, goodwill, brand and customer contracts were impaired by $24,644,000, inventory was impaired by $4,269,000 in recognition of its net realisable value, and a group of assets were impaired to their recoverable amount resulting in an impairment loss of $1,404,000.

(iii) The Thalanga Mining Services contract was terminated following the mine owner, Cromarty Resources Pty Ltd, being placed into administration followed by liquidation. Trade receivables amounting to $5,676,000 were deemed to be unrecoverable and written-off accordingly, and the remaining balance of customer relationships attributed to the contract on acquisition of PYBAR was impaired in full resulting in an impairment loss of $1,417,000 during the period.

(iv) In August 2023 the Cook Colliery contract ended by mutual agreement. Assets related to the Cook contract have been written down to the extent that they exceeded their recoverable values and an onerous contract provision has been raised for the net unavoidable costs to meet contractual obligations for the remainder of the contract.

## 6 Expenses (continued)

(v) Costs associated with the Crinum incident are included in contract disbursements, personnel and other expenses in the statement of comprehensive income.

(vi) During the year trade and other receivables related to an on-going claim were impaired as they are no longer deemed recoverable.

(vii) Costs, legal and related costs associated with the Crinum and Moranbah North Mine incidents are included in office expenses in the statement of comprehensive income and are presented net of insurance recoveries.

## 7 Finance income and costs

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Finance income** | | |
| Finance income | 133 | 8 |
| **Finance costs** | | |
| Finance costs paid/payable for borrowings | (8,124) | (3,088) |
| Finance costs paid/payable for lease liabilities and unwinding of discount | (936) | (784) |
| Deferred consideration: unwinding of discount/interest | (843) | (201) |
| Finance costs charged against other contractual provisions | - | 43 |
| | (9,903) | (4,030) |
| Net finance costs | (9,770) | (4,022) |

### Accounting policy

*Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

*Finance expenses*

Finance expenses comprise interest expense on borrowings, interest in respect of lease liabilities and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The increase in finance costs is as a result of significant interest on variable rate borrowings.

## 8 Income tax

### (a) Income tax expense

The major components of income tax expense are as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Current income tax benefit | - | (11,193) |
| Adjustment for prior period | 11 | 4 |
| **Total current tax benefit** | 11 | (11,189) |
| Deferred income tax relating to the origination and reversal of temporary differences | (5,735) | 4,388 |
| **Income tax benefit** | (5,724) | (6,801) |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Loss from operations before income tax expense | (79,735) | (19,357) |
| Tax at the Australian tax rate of 30.0% (2022 - 30.0%) | (23,921) | (5,807) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible impairment of intangible assets | 6,333 | - |
| Other non-deductible expenses | (545) | 1,153 |
| Non-assessable income | - | (2,151) |
| Change in recognised temporary differences | 12,398 | - |
| | (5,735) | (6,805) |
| Under/(over) provision of previous year | 11 | 4 |
| **Income tax benefit** | (5,724) | (6,801) |

### (c) Current tax assets and liabilities

The Group has no current tax liability in respect of current and prior periods. (2022: $12,299,000 tax receivable )

# 8 Income tax (continued)

## (d) Deferred tax balances

Deferred income tax assets and liabilities are attributable to the following temporary differences:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Receivables | 758 | 107 |
| Employee benefits | 6,015 | 7,386 |
| Accruals and provisions | 3,592 | 1,648 |
| Capital raising and business acquisition costs | 915 | 286 |
| Lease liabilities | 4,241 | 3,633 |
| Inventory | 197 | (1,568) |
| Tax losses - Group | 3,101 | 5,821 |
| Total deferred tax assets | 18,819 | 17,313 |
| Property, plant and equipment | (7,451) | (11,899) |
| Intangible assets | (994) | (3,804) |
| Right-of-use assets | (3,722) | (3,464) |
| Unbilled revenue | (6,652) | (3,881) |
| Total deferred tax liabilities | (18,819) | (23,048) |
| Net deferred tax assets / (liabilities) | - | (5,735) |

## 8 Income tax (continued)

### (d) Deferred tax balances (continued)

Movements in deferred tax assets and liabilities are as follows:

| Movements | Tax losses $'000 | Employee benefits $'000 | Accruals & Provisions $'000 | Capital raising and business acquisition costs $'000 | Lease liabilities $'000 | Property, plant and equipment $'000 | Receivables $'000 | Inventory $'000 | Intangible assets $'000 | Right-of-use assets $'000 | Unbilled revenue $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2021 | 5,687 | 3,637 | 489 | 23 | 2,289 | (127) | - | - | (395) | (2,221) | (1,856) | 7,526 |
| (Charged)/credited | | | | | | | | | | | | |
| - to profit or loss | 134 | 187 | 634 | 263 | (708) | (3,683) | (67) | (874) | 1,018 | 733 | (2,025) | (4,388) |
| - to current tax liability | - | - | 120 | - | - | 11 | - | 15 | - | - | - | 146 |
| Acquisition of subsidiary | - | 3,562 | 405 | - | 2,052 | (8,100) | 174 | (709) | (4,427) | (1,976) | - | (9,019) |
| **Balance at 30 June 2022** | **5,821** | **7,386** | **1,648** | **286** | **3,633** | **(11,899)** | **107** | **(1,568)** | **(3,804)** | **(3,464)** | **(3,881)** | **(5,735)** |
| Balance at 1 July 2022 | 5,821 | 7,386 | 1,648 | 286 | 3,633 | (11,899) | 107 | (1,568) | (3,804) | (3,464) | (3,881) | (5,735) |
| (Charged)/credited | | | | | | | | | | | | |
| - to profit or loss | 2,917 | (1,371) | 1,944 | 629 | 608 | 4,943 | 651 | 1,765 | 2,603 | (261) | 3,707 | 18,135 |
| - to current tax liability | (256) | - | - | - | - | - | - | - | - | - | - | (256) |
| - prior year under/over | 7,028 | - | - | - | - | (712) | - | (40) | 204 | (4) | (6,478) | (2) |
| Acquisition of subsidiary | - | - | - | - | - | 217 | - | 40 | 3 | 7 | - | 267 |
| - derecognition of tax assets | (12,409) | - | - | - | - | - | - | - | - | - | - | (12,409) |
| **Balance at 30 June 2023** | **3,101** | **6,015** | **3,592** | **915** | **4,241** | **(7,451)** | **758** | **197** | **(994)** | **(3,722)** | **(6,652)** | **-** |

## 8 Income tax (continued)

### Accounting policy

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Tax consolidation legislation*

Metarock Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

### Significant estimate: Recognition of deferred tax asset for carried forward losses

The Group has recognised deferred tax asset of $3,101,000 associated with carried forward losses to offset deferred tax liabilities.The Group has unused tax losses of $12,409,000 for which no deferred tax has been recognised. The losses can be carried forward indefinitely.

## 9 Cash and cash equivalents

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash on hand | 4 | 4 |
| Bank balances | 12,898 | 5,225 |
| **Cash and cash equivalents in the statement of financial position** | 12,902 | 5,229 |

### Accounting policy

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### Reconciliation of profit after income tax to net cash inflow from operating activities

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Loss for the period** | | (74,011) | (12,556) |
| **Adjustments for:** | | | |
| Depreciation | 13, 18 | 31,827 | 28,536 |
| Amortisation of intangible assets | 14 | 3,945 | 4,298 |
| Provision for impairment of trade debtors | | - | (168) |
| Loss on termination of leases | | 421 | - |
| Non-cash employee benefits expense - share-based payments | 30 | 303 | 526 |
| Net (gain)/loss on sale or loss of current and non-current assets | 6 | (1,755) | (947) |
| Fair value adjustment - contingent consideration | | (16) | 2,022 |
| Fair value adjustment - onerous contracts | | (445) | - |
| Net finance expense | | 9,770 | 4,022 |
| Income tax benefit | | (5,724) | (6,801) |
| Impairment losses | | 57,596 | - |
| **Change in operating assets and liabilities:** | | | |
| Decrease/(Increase) in trade and other receivables | | 368 | (3,842) |
| Increase in contract assets | | (9,672) | (697) |
| (Decrease)/increase in contract liabilities | | (2,018) | 1,839 |
| Increase in inventory | | (3,019) | (1,370) |
| (Decrease)/increase in trade and other payables | | (14,726) | 17,549 |
| (Decrease)/increase in employee benefits | | (3,400) | 598 |
| Increase/(decrease) in provisions | | 6,504 | (6,413) |
| Interest paid | | (9,001) | (3,872) |
| Interest received | | 133 | 8 |
| Income taxes refunded/(paid) | | 12,537 | (2,293) |
| **Net cash (outflow)/inflow from operating activities** | | (383) | 20,439 |

# 9 Cash and cash equivalents (continued)

## Non-cash investing and financing activities

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Acquisition of right-of-use assets | 18 | 7,681 | 4,203 |
| Rights and shares issued to employees under the Employee Performance Rights Plan for no cash consideration | | 830 | 321 |
| Dividends reinvested | 21 | - | 175 |
| | | 8,511 | 4,699 |

## Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| Net debt | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Cash and cash equivalents | 12,902 | 5,229 |
| Borrowings | (56,109) | (84,008) |
| Liabilities associated with assets held for sale | (30,499) | - |
| Lease liabilities | (15,819) | (17,328) |
| Net debt | (89,525) | (96,107) |

| | Liabilities from financing activities | | | Other assets | |
|---|---|---|---|---|---|
| | Borrowings $'000 | Leases $'000 | Sub-total $'000 | Cash/bank overdraft $'000 | Total $'000 |
| Net debt as at 1 July 2021 | - | (12,557) | (12,557) | 24,389 | 11,832 |
| Financing cash flows | (24,520) | 7,629 | (16,891) | (19,178) | (36,069) |
| New leases | - | (4,168) | (4,168) | - | (4,168) |
| Acquired in business combination | (59,488) | (8,232) | (67,720) | 18 | (67,702) |
| Interest expense | (3,088) | (784) | (3,872) | - | (3,872) |
| Interest payments (presented as operating cash flows) | 3,088 | 784 | 3,872 | - | 3,872 |
| Net debt as at 30 June 2022 | (84,008) | (17,328) | (101,336) | 5,229 | (96,107) |
| | | | | | |
| Net debt as at 1 July 2022 | (84,008) | (17,328) | (101,336) | 5,229 | (96,107) |
| Financing cash flows | (1,799) | 7,453 | 5,654 | 7,673 | 13,327 |
| Terminations | - | 1,052 | 1,052 | - | 1,052 |
| New leases | - | (6,996) | (6,996) | - | (6,996) |
| Interest expense | (6,339) | (938) | (7,277) | - | (7,277) |
| Interest payments (presented as operating cash flows) | 5,538 | 938 | 6,476 | - | 6,476 |
| Net debt as at 30 June 2023 | (86,608) | (15,819) | (102,427) | 12,902 | (89,525) |

The current year cash flow for borrowings includes cash flows associated with liabilities related to assets held for sale.

## 10 Trade and other receivables

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| Trade and other receivables *(i)* | 50,911 | 48,333 |
| Unbilled revenue *(ii)* | 22,233 | 32,833 |
| Loss allowance *(iii)* | (1,027) | (356) |
| | 72,117 | 80,810 |
| Prepayments | 3,487 | 3,232 |
| | 75,604 | 84,042 |

### Accounting policy

Loans and receivables are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period of maturity. We establish an allowance for expected credit losses for loans and receivables using the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and unbilled revenue have been assessed separately based on the days past due. The unbilled revenue represents receivables from contracts with customers for which the Company has an unconditional right to consideration arising from the transfer of goods or services to the customer (i.e. only the passage of time is required before payment of the consideration is due) and have similar risk characteristics as the trade receivables for the same types of contracts. The expected loss rates are based on the historical credit losses experienced over the previous ten years. We adjust historical loss rates to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

*(i) Trade and other receivables*

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

*(ii) Unbilled revenue*

Unbilled revenue represents receivables from contracts with customers for which the Company has an unconditional right to consideration arising from the transfer of goods or services from the customer, but has not been invoiced at balance date. They are generally converted to trade receivables within 30 days and then due for settlement as outlined above and are therefore all classified as current. The Group holds unbilled revenue with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any loss allowance.

The decrease in unbilled revenue is a result of the termination of contracts at Crinum, Peak and Thalanga mining operations during the year.

*(iii) Allowance for expected credit losses*

Expected credit losses are included in profit or loss within other expenses.

The increase in the allowance for credit loss is as a result of the impact of the review of the expected loss assumptions during the year. This was based on considering the historical loss rate on the different ageing categories of the trade receivables and applying the rates to the balance per category at 30 June 2023.

## 11 Inventories

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Raw materials | 7,111 | 4,125 |
| Finished goods | 11,906 | 17,024 |
| | 19,017 | 21,149 |

Inventories recognised as an expense in cost of goods sold during the year ended 30 June 2023 amounted to $8,688,000 (2022: $5,934,000).

### Accounting policy

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 12 Assets classified as held for sale

### (a) Assets and liabilities classified as held for sale

In November 2022 a decision was made to sell excess plant and equipment. A group of assets were reclassified from property, plant equipment to assets held for sale and additional assets were added to the category during the year. The proceeds from the sale of assets are disclosed in the Statement of Cashflow under investing activities.

An impairment loss of $1,909,000 was recognised on the assets held for sale. The assets are being actively marketed and sales are expected to be completed by the end of December 2023.

The assets held for sale and the liabilities directly associated with the assets classified as held for sale are disclosed below:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Assets classified as held for sale** | | |
| Property, plant and equipment | 33,906 | - |

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Liabilities directly associated with assets classified as held for sale** | | |
| Borrowings | 30,499 | - |

### Accounting policy

Assets held for sale are measured at the lower of carrying amount and fair value less cost to sell at the time of reclassification and subsequently assessed for impairment at each reporting date. The fair value of the assets is determined using the current prices of similar assets in the market adjusted for some differences where necessary.

## 13 Property, plant and equipment

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Plant and equipment** | | |
| Gross value | 119,939 | 177,483 |
| Accumulated depreciation and impairment | (68,867) | (72,114) |
| | 51,072 | 105,369 |
| **Motor vehicles** | | |
| Gross value | 4,056 | 4,535 |
| Accumulated depreciation | (2,425) | (1,768) |
| | 1,631 | 2,767 |
| **Leasehold improvements** | | |
| Gross value | 1,050 | 1,176 |
| Accumulated depreciation and impairment | (519) | (408) |
| | 531 | 768 |
| **Computer equipment** | | |
| Gross value | 2,210 | 3,739 |
| Accumulated depreciation | (1,672) | (1,977) |
| | 538 | 1,762 |
| | 53,772 | 110,666 |

### Reconciliation of carrying amounts

| | Note | Plant and equipment $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2022** | | | | | | |
| Opening net book amount | | 21,736 | 330 | 17 | 866 | 22,949 |
| Acquisition of subsidiary | | 64,346 | 3,287 | 940 | 228 | 68,801 |
| Additions | | 40,208 | 323 | 62 | 1,048 | 41,641 |
| Disposals | | (157) | (53) | (40) | (7) | (257) |
| Depreciation charge | | (20,077) | (1,093) | (211) | (373) | (21,754) |
| Depreciation charged to other contractual provisions | | (687) | (27) | - | - | (714) |
| **Closing net book amount** | | 105,369 | 2,767 | 768 | 1,762 | 110,666 |

## 13 Property, plant and equipment (continued)

### Reconciliation of carrying amounts (continued)

| | Note | Plant and equipment $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2023** | | | | | | |
| Opening net book amount | | 105,369 | 2,767 | 768 | 1,762 | 110,666 |
| Additions | | 29,122 | 466 | 38 | 126 | 29,752 |
| Transfer to Assets classified as held for sale | | (51,398) | - | - | - | (51,398) |
| Disposals | | (4,734) | (291) | (29) | (1,028) | (6,082) |
| Depreciation charge | | (23,744) | (1,311) | (246) | (322) | (25,623) |
| Impairment loss | | (3,543) | - | - | - | (3,543) |
| **Closing net book amount** | | 51,072 | 1,631 | 531 | 538 | 53,772 |

### Accounting policy

Property,plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" or "other expenses" in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised in profit or loss on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation rates which reflect the estimated useful lives for the current period are as follows:

- Plant and equipment 7.50 - 50.00%
- Motor vehicles 12.50 - 33.33%
- Computer equipment 20.00 - 50.00%
- Leasehold improvements 7.50 - 15.00%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The cost of improvements to, or in, leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements to the Group, whichever is shorter.

## 14 Intangible assets

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Goodwill** | | |
| Gross value | 31,435 | 31,056 |
| Accumulated impairment | (21,111) | - |
| | 10,324 | 31,056 |
| **Software** | | |
| Gross value | 1,118 | 1,119 |
| Accumulated amortisation | (449) | (254) |
| | 669 | 865 |
| **Intellectual property** | | |
| Gross value | 321 | 719 |
| Accumulated amortisation | (321) | (339) |
| | - | 380 |
| **Customer relationships** | | |
| Gross value | 9,770 | 11,753 |
| Accumulated amortisation and impairment | (7,357) | (3,959) |
| | 2,413 | 7,794 |
| **Exclusive distribution rights** | | |
| Gross value | 991 | 991 |
| Accumulated amortisation | (211) | (156) |
| | 780 | 835 |
| **Brand** | | |
| Gross value | 3,435 | 3,435 |
| Accumulated amortisation and impairment | (3,435) | (229) |
| | - | 3,206 |
| | 14,186 | 44,136 |

### Reconciliation of carrying amounts

| | Note | Goodwill $'000 | Software $'000 | Intellectual property $'000 | Customer relationships $'000 | Exclusive distribution rights $'000 | Brand $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2022** | | | | | | | | |
| Opening net book amount | | 10,324 | 166 | 483 | 404 | 890 | - | 12,267 |
| Acquisition of subsidiary | | 20,732 | 694 | - | 11,163 | - | 3,435 | 36,024 |
| Additions - internal development | | - | 143 | - | - | - | - | 143 |
| Amortisation charge | | - | (138) | (103) | (3,773) | (55) | (229) | (4,298) |
| **Closing net book amount** | | 31,056 | 865 | 380 | 7,794 | 835 | 3,206 | 44,136 |

## 14 Intangible assets (continued)

### Reconciliation of carrying amounts (continued)

| | | Goodwill $'000 | Software $'000 | Intellectual Property $'000 | Customer relationships $'000 | Exclusive distribution rights $'000 | Brand $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2023** | | | | | | | | |
| Opening net book amount | | 31,056 | 865 | 380 | 7,794 | 835 | 3,206 | 44,136 |
| Acquisition of subsidiary | 26 | 379 | - | - | - | - | - | 379 |
| Amortisation charge | | - | (196) | (57) | (3,466) | (55) | (171) | (3,945) |
| Impairment loss | | (21,111) | - | (323) | (1,915) | - | (3,035) | (26,384) |
| **Closing net book amount** | | 10,324 | 669 | - | 2,413 | 780 | - | 14,186 |

### Accounting policy

*Intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of the finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, consistent with managements assessment of operating segments (note 3).

*Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Significant costs associated with software are deferred and amortised using the diminishing value method over the estimated useful lives of the respective assets, generally 2 to 5 years.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Directly attributable costs that are capitalised as part of the software include employee costs.

Capitalised development costs are recognised as intangible assets and amortised on a straight-line basis over the period of expected benefit, being their finite life, generally 2 to 5 years.

## 14 Intangible assets (continued)

### Accounting policy (continued)

*Intellectual property*

Separately acquired intellectual property is shown at historical cost. Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method over the estimated useful lives of the respective assets, generally 8 to 10 years.

*Customer contracts and relationships*

The customer relationships are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the relationships over their estimated useful lives. The customer relationships were acquired as part of a business combination in prior year.Amortisation is calculated using the straight line method over the estimated useful lives of the respective assets, generally two to seven years. We test customer relationship assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and we write its value down when impaired.

*Exclusive distribution rights*

The exclusive distribution rights were acquired as part of a business combination in prior years. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based over the life of the underlying agreement, currently 18 years.

*Brand*

Brand is recognised at fair value at the date of acquisition and subsequently amortised on a straight-line basis over a period of 10 years. Brand assets were acquired as part of a business combination in prior year.

### Impairment testing

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

An impairment loss of $24,644,000 was recognised against goodwill, brand and customer relationships in the Pybar CGU (30 June 2022: Nil). A further writedown of $1,740,000 was recognised against customer relationships and intellectual property following the termination of contracts during the year.

### Significant estimate: Key assumptions used in value-in-use calculations

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each CGU is as follows:

## 14 Intangible assets (continued)

### Significant estimate: Key assumptions used in value-in-use calculations (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Mastermyne Mining | **6,429** | 6,429 |
| Wilson Mining | **3,895** | 3,895 |
| PYBAR | **-** | 20,732 |
| | **10,324** | 31,056 |

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions.

*Mastermyne Mining*

The Mastermyne Mining calculations use cash flow projections based on financial budgets approved by management for 2024, with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 3.5% (2022: 3.5%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2022: 2.5%).

A 17.97% before-tax discount rate was applied to cash flow projections (2022: 12.41%). The discount rate was estimated based the Group's weighted average cost of capital, an industry average beta, risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 4.00%, a market risk premium of 6.00% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

*Impact of possible changes in key assumptions*

No reasonable change in any of the key assumptions would result in an impairment.

*Wilson Mining*

The Wilson Mining calculations use cash flow projections based on financial budgets approved by management for 2024, with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 3.5% (2022: 3.5%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2022: 2.5%).

A 17.28% before-tax discount rate was applied to cash flow projections (2022: 15.75%). The discount rate was estimated based on: a gearing ratio of 25% - 35% taking into account the current capital structure of the Group and companies considered comparable to the Wilson Mining CGU; an industry average beta, risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 4.00%, a market risk premium of 6.00% and a calculated cost of debt based on the current 10-year corporate bond yields of companies considered comparable to the Group.

*Impact of possible changes in key assumptions*

No reasonable change in any of the key assumptions would result in an impairment.

## 14 Intangible assets (continued)

*PYBAR*

The PYBAR calculations use cash flow projections based on financial budgets approved by management for 2024 ,with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 3.5% (2022: 3.5%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2022: 2.5%).

A 17.4% before-tax discount rate was applied to cash flow projections (2022: 14.36%). The discount rate was estimated based on: a gearing ratio of 45% taking into account the current capital structure of the Group and companies considered comparable to the Group; an industry average beta; risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 4% (2022: 3.48%); a market risk premium of 6% (2022: 4.79%); and a calculated cost of debt based on the current 10-year corporate bond yields of companies considered comparable to the Group.

At reporting half - year period ended 31 December 2022 an impairment assessment was conducted resulting in an impairment loss of $24,644,000 being recognised. A pre - tax discount rate of 17.36% was applied to the cash flow projections.The discount rate was estimated based on a risk free rate consistent with an Australian government 10 - year treasury bond with a minimum yield used of 3.74%, a market risk premium of 6% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

## 15 Trade and other payables

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade and other payables | 11,257 | 33,826 |
| Sundry creditors and accruals | 43,973 | 35,420 |
| | 55,230 | 69,246 |

### Accounting policy

*Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables also include liabilities for contractual claims when the Group has a present legal obligation as a result of past events, it is probable that an outflow will be required to settle the obligation and the amount has been reliably estimated. In these circumstances the liability is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

*Wages and salaries*

Liabilities for wages and salaries, including non-monetary benefits, to be settled wholly within 12 months of the reporting date are recognised in sundry creditors and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled including on-costs, such as superannuation, workers compensation insurance and payroll tax.

*Bonus plans*

We recognise a liability for employee benefits in the form of bonus plans in sundry creditors and accruals when we have a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. We measure liabilities for bonus plans at the amounts expected to be paid when they are settled; settlement occurs within 12 months.

## 16 Employee benefit obligations

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Current $'000 | Non-current $'000 | Total $'000 | Current $'000 | Non-current $'000 | Total $'000 |
| Liability for annual leave | 15,521 | - | 15,521 | 18,541 | - | 18,541 |
| Liability for vesting sick leave | 2,206 | 70 | 2,276 | 3,419 | 68 | 3,487 |
| Liability for long service leave | 1,484 | 587 | 2,071 | 1,862 | 562 | 2,424 |
| **Total employee benefit obligations** | 19,211 | 657 | 19,868 | 23,822 | 630 | 24,452 |

### Accounting policy

*Annual leave and vesting sick leave*

Liabilities for annual leave and vesting sick leave to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

The Group has liabilities for vesting period of service sick leave (vesting only where a minimum service period is met) that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

*Long service leave*

The Group has liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

*Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 17 Provisions

| | 2023 Total $'000 | 2022 Total $'000 |
|---|---|---|
| Onerous Contract Provision | 7,728 | 485 |

*Cook Onerous contract*

At reporting date a provision of $7,728,000 was recognised for the unavoidable costs of fulfilling the Cook Contract obligations which exceed the economic benefits expected to be received. These costs are expected to be incurred in the next financial year.

*Accounting policy*

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. Before a separate provision for an onerous contract is established,the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

## 18 Leases

This note provides information for leases where the Group is a lessee. The Group does not have any leases where it is a lessor.

*(i) Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 7,302 | 9,004 |
| Equipment | 8,488 | 9,261 |
| Vehicles | 1,778 | 1,383 |
| | 17,568 | 19,648 |

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current | 7,144 | 6,127 |
| Non-current | 8,675 | 11,201 |
| | 15,819 | 17,328 |

Additions to the right-of-use assets during the 2023 financial year were $7,681,000 (2022: $4,203,000)

*(ii) Amounts recognised in the statement of profit or loss*

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Depreciation charge of right-of-use assets** | | | |
| Buildings | | 1,474 | 1,515 |
| Equipment | | 3,815 | 4,644 |
| Vehicles | | 915 | 623 |
| | | 6,204 | 6,782 |

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Interest expense (included in finance cost) | 7 | 936 | 784 |
| Expense relating to short-term leases (included in contract disbursements and office expenses) | | 14,076 | 8,224 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | | 125 | 60 |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | | 202 | 92 |

Total cash outflow for leases in 2023 was $22,792,000 (2022: $19,104,000).

### Accounting policy

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described below.

## 18 Leases (continued)

### Accounting policy (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

*Short-term and low value leases*

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## 18 Leases (continued)

### Accounting policy (continued)

*Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### Significant estimate: Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

### Significant estimate: Determining the incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## 19 Other liabilities

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| Contingent consideration *(refer to note 26)* | - | 3,848 |
| Deferred consideration *(refer to note 26)* | 8,914 | 8,813 |
| | 8,914 | 12,661 |

### Significant estimate: Contingent and deferred consideration

### Contingent consideration

The contingent consideration arrangement required the Group to pay the former owners 50% of the EBITDA of Wilson Mining for three years from 2020 to 2022, up to a maximum undiscounted amount of $10 million plus 25% of the EBITDA for the three years from 2020 to 2022 in excess of $20 million with no maximum amount payable. There is no minimum amount payable.

During the period a final payment of $3,832,000 was made under this arrangement in relation to Wilson Mining's 2022 EBITDA.

## 19 Other liabilities (continued)

### Deferred consideration

The deferred consideration relates to a share purchase agreement variation for the acquisition of PYBAR Holdings Limited which was executed on 29 August 2022. Under the arrangement the settlement of the deferred consideration of $8,914,000 was deferred to 1 September 2023. As part of this arrangement interest is payable monthly in arrears at a rate of 10% per annum. Refer to note 33 for post year end changes to the arrangement.

### Accounting policy

The contingent and deferred consideration is measured at fair value.The fair value of the contingent and deferred consideration is estimated by calculating the present value of the expected future cash flow.

## 20 Earnings per share

### Basic earnings per share

| | 2023 Cents | 2022 Cents |
|---|---|---|
| Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company | (49.3) | (10.20) |

### Diluted earnings per share

| | 2023 Cents | 2022 Cents |
|---|---|---|
| Diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company | (49.3) | (10.2) |

### Reconciliations of earnings used in calculating earnings per share

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Earnings used in the calculation of basic and diluted earnings per share | (74,011) | (12,556) |

### Weighted average number of shares used as the denominator

| | 2023 Number | 2022 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 150,140,749 | 123,003,262 |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | 150,140,749 | 123,003,262 |

* Performance rights have been excluded from the calculation of diluted earnings per share for 2023 and 2022 as they are anti-dilutive.

### Accounting policy

The Group presents basic and diluted earnings per share data for its ordinary shares.

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares including performance rights.

## 21 Dividends

### Ordinary shares

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Final dividends provided for or paid during the financial year ended 30 June 2022 of nil cents (2021 - 2.5 cents) per fully paid share | - | 2,421 |
| **Total dividends paid** | - | 2,421 |
| Dividends paid in cash or satisfied by the issue of shares | | |
| Dividends paid in cash | - | 2,246 |
| Dividends reinvested | - | 175 |
| **Total dividends paid** | - | 2,421 |

### Franked dividends

| | Company 2023 $'000 | 2022 $'000 |
|---|---|---|
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2022 - 30.0%) | 10,026 | 22,581 |

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity, Metarock Group Limited, if distributable profits of subsidiaries were paid as dividends.

## 22 Equity

### Share capital

| | 2023 Shares | 2022 Shares | 2023 $'000 | 2022 $'000 |
|---|---|---|---|---|
| Ordinary shares | | | | |
| Fully paid | 300,991,221 | 130,992,547 | 112,904 | 87,904 |
| Share issue costs | - | - | (1,724) | - |
| Total share capital | 300,991,221 | 130,992,547 | 111,180 | 87,904 |

*Movements in ordinary shares:*

| Details | Notes | Number of shares (thousands) | Total $'000 |
|---|---|---|---|
| Opening balance 1 July 2021 | | 106,208 | 64,295 |
| Employee share scheme issues | 30 | 183 | - |
| Dividend reinvestment plan issues | | 186 | 175 |
| Acquisition of subsidiary | 26 | 23,209 | 22,281 |
| Dividend reinvestment (Wilson Mining) | | 1,207 | 1,153 |
| Balance 30 June 2022 | | 130,993 | 87,904 |
| Employee share scheme issues | | 3,332 | - |
| Conditional placement | | 166,667 | 25,000 |
| Share issue costs | | - | (1,724) |
| Balance 30 June 2023 | | 300,992 | 111,180 |

### Ordinary shares

The Company does not have authorised capital or par value in respect of issued shares. All issued shares are fully paid. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

On 22 May 2023 the Company completed an equity placement where 166,666,667 fully paid ordinary shares issued to M Mining Services Pty Ltd as trustee for M Mining Services Trust (M Resources) at an exercise price of $0.15 per share. The placement also included an arrangement where M Resources is entitled to 51,282,051 options with an price of $0.23 and expiring 31 May 2028. The issue of these options has been deferred to 2 October 2023.

The Company incurred share issue costs of $1,724,000 associated with completion of the placement.

### Performance rights

On 22 May 2023 the Company issued placement shares upon completion of an Equity Placement. This constituted a change in control in terms of the Performance Rights Plan. The board determined the 3,332,007 performance rights which were outstanding as of that date had fully vested.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total capital. The Board also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 22 Equity (continued)

### Share capital (continued)

### Capital management (continued)

#### Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at

- the daily volume weighted average market price of all shares sold in the ordinary course of trading on the ASX automated trading system during the five day trading period immediately following the record date in respect of the relevant dividend
- less any discount of up to 10% determined by the Board from time to time with notice of the discount given prior to the relevant record date.

### Reserves

*(i) Other equity*

The other equity reserve represents the shares to be issued to the vendors of Wilson Mining Services Pty Ltd as part of the consideration paid for the acquisition of the business.

*(ii) Share-based payments reserve*

The share-based payments reserve represents the grant date fair value of equity instruments granted to senior managers or key management personnel of the Company. Refer to (note 30) for further details.

*(iii) Common control reserve*

As a result of combinations of entities under common control, an equity account was created called the common control reserve. The balance of this account represents the excess of the fair value of Metarock Group Limited securities as at 7 May 2010 over the initial carrying value of Metarock Group Limited as at the date of Metarock Group Limited became the new parent entity of the Group.

## 23 Borrowings

| | 2023 Current $'000 | 2023 Non-current $'000 | 2023 Total $'000 | 2022 Current $'000 | 2022 Non-current $'000 | 2022 Total $'000 |
|---|---|---|---|---|---|---|
| *Secured* | | | | | | |
| Invoice finance facility | 19,573 | - | 19,573 | 18,770 | - | 18,770 |
| Equipment finance facilities | 17,548 | 15,423 | 32,971 | 42,115 | 20,996 | 63,111 |
| **Total secured borrowings** | 37,121 | 15,423 | 52,544 | 60,885 | 20,996 | 81,881 |
| *Unsecured* | | | | | | |
| Other loans | 3,565 | - | 3,565 | 2,096 | 31 | 2,127 |
| **Total unsecured borrowings** | 3,565 | - | 3,565 | 2,096 | 31 | 2,127 |
| **Total borrowings** | 40,686 | 15,423 | 56,109 | 62,981 | 21,027 | 84,008 |

### (a) Secured liabilities and assets pledged as security

The invoice finance facilities are secured over the transferred trade receivables of the Group and the equipment finance facilities are secured over the equipment subject to the finance arrangement.

The borrowings facilities, excluding other loans, are also secured over all present and after-acquired property and a negative pledge that imposes certain covenants on the Group. At financial year-end, the negative pledge states that (subject to certain exceptions) the Group will not provide any other security over its assets, and will ensure that specified financial ratios are met, including ratios for gearing, debt service coverage and capital adequacy.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Notes | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **Current** | | | |
| Transferred trade receivables | | 19,573 | 18,770 |
| *Floating charge* | | | |
| Trade receivables | 10 | 30,857 | 29,097 |
| Inventory | 11 | 19,017 | 21,149 |
| **Total current assets pledged as security** | | 69,447 | 69,016 |
| **Non-current** | | | |
| *First mortgage* | | | |
| Plant and equipment | | 60,246 | 70,630 |
| *Floating charge* | | | |
| Plant and equipment | 13 | 27,432 | 40,036 |
| **Total non-current assets pledged as security** | | 87,678 | 110,666 |
| **Total assets pledged as security** | | 157,125 | 179,682 |

Restrictions and covenants imposed under leasing agreements over right-of-use assets are disclosed in note 18.

### (b) Compliance with loan covenants

Loan covenants were waived throughout the reporting period. Refer to note 33 for post year end changes to the covenants.

## 23 Borrowings (continued)

### (c) Fair value

The fair values of borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

### (d) Risk exposures

Further details on the finance facilities and details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 25.

## 24 Commitments

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Property, plant and equipment | 1,077 | 22,513 |
| Intangible assets | - | 10 |

## 25 Financial risk management

The Group's business activities can expose us to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Board, together with management, seeks to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. Risk management is identified in the Group's various corporate governance policies and will continue to be kept under regular review. Review takes place at both the Audit and Risk Management Committee level, with meetings at least four times a year, and at the Board level.

All of the Group's financial assets except cash and cash equivalents are within the loans and receivables category, and our financial liabilities are all within the financial liabilities recorded at amortised cost category.

### (a) Market risk

*(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Australian dollar. From time to time we make purchases from suppliers who require the currency of settlement to be a foreign currency. At 30 June 2023 and 2022 the Group's exposure to foreign currency risk was immaterial.

*(ii) Price risk*

The Group's exposure to market price risk arising from the uncertainty of the future value of equity investments is not material.

*(iii) Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from lease liabilities and borrowings. These are obtained at fixed rates and expose the Group to fair value risk with the exception of short term borrowings which are subject to variable interest rates.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

## 25 Financial risk management (continued)

### (a) Market risk (continued)

*(iii) Cash flow and fair value interest rate risk (continued)*

| | 2023 $'000 | % of total borrowings | 2022 $'000 | % of total borrowings |
|---|---|---|---|---|
| **Borrowings and liabilities associated with assets held for sale** | | | | |
| Variable rate borrowings | (44,975) | 51.9% | (33,470) | 39.8% |
| Fixed rate borrowings - repricing or maturity dates: | | | | |
| Less than 1 year | (26,196) | 30.3% | (11,915) | 14.2% |
| 1 – 5 years | (15,437) | 17.8% | (38,624) | 46.0% |
| | (86,608) | 100.0% | (84,009) | 100.0% |

*Sensitivity*

Profit or loss is sensitive to higher/lower interest expense on variable rate borrowings as a result of changes in interest rates.

| | After-tax profit Higher/(lower) 2023 $'000 | 2022 $'000 | Equity Higher/(lower) 2023 $'000 | 2022 $'000 |
|---|---|---|---|---|
| +1% (100 basis points) (2022 +1%) * | (606) | (158) | (606) | (158) |
| -1% (100 basis points) (2022 -1%) * | 606 | 158 | 606 | 158 |

* Holding all other variables constant

An analysis by maturities is provided in note( c) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The majority of the Group's customers are large multinational mining companies with strong payment track records and credit history. There is no formal credit policy in place, however, each customer is assessed individually for creditworthiness before the Group's standard payment and delivery terms and conditions (30 days) are offered. The Group operates under signed contracts, purchase orders and forward purchase agreements which all have agreed payment terms included.

The aged receivables are reviewed on a weekly basis by senior management and overdue amounts followed up with customers for payment. The Group does not require collateral in respect of trade and other receivables.

The Group has two significant customers representing more than 10% of the carrying amount of trade receivables at 30 June 2023 ( 2022: Three customers) . The total of the receivables from these customers is $21,330,000 (2022: $30,043,000). The breakdown of each customer is as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Customer 1 | 16,482 | 17,375 |
| Customer 2 | 4,848 | 7,515 |
| Customer 3 | - | 5,153 |
| **Total** | 21,330 | 30,043 |

In the current and comparative period, the Group's cash and cash equivalents are held with AA-Rated Australian Banks.

## 25 Financial risk management (continued)

### (b) Credit risk (continued)

*Trade receivables and unbilled revenue*

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and unbilled revenue.

To measure the expected credit losses, trade receivables and unbilled revenue have been grouped based on shared credit risk characteristics and the days past due. The unbilled revenue represents the Company's unconditional right to consideration arising from the transfer of goods and services to the customer (i.e. only the passage of time is required before payment of the consideration is due), and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled revenue.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 or 1 July 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance recognised as at 30 June 2023 is $1,027,000 (2022: $356,000).

A reconciliation of the allowances for trade receivables as at 30 June to the opening loss allowances is as follows:

| | Trade receivables 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Opening loss allowance as at 1 July** | 356 | - |
| Increase in loan loss allowance recognised in profit or loss during the year | 8,496 | - |
| Increase in loss allowance from business combination | - | 580 |
| Receivables written off during the year as uncollectible | (7,825) | (56) |
| Unused amount reversed | - | (168) |
| **Closing loss allowance at 30 June** | 1,027 | 356 |

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group's approach to managing liquidity is to ensure, as far as possible, that it will maintain sufficient liquidity levels to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

## 25 Financial risk management (continued)

### (c) Liquidity risk (continued)

(continued)

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | Note | 30 June 2023 Facility Limit $'000 | 30 June 2023 Undrawn Amount $'000 | 30 June 2022 Facility Limit $'000 | 30 June 2022 Undrawn Amount $'000 |
|---|---|---|---|---|---|
| **Secured** | | | | | |
| Equipment finance facility (i) | | 108,768 | 45,298 | 121,760 | 58,649 |
| Invoice finance facility (ii) | | 42,500 | 22,927 | 50,000 | 31,230 |
| Overdraft finance facility (iii) | | 6,000 | 6,000 | 10,000 | 10,000 |
| Bank guarantee facility | | 1,780 | 473 | 1,500 | 308 |
| Corporate credit card facility | | 970 | 925 | 1,500 | 1,448 |
| **Total secured facilities** | | 160,018 | 75,623 | 184,760 | 101,635 |
| **Unsecured** | | | | | |
| Other finance facilities | | 3,598 | - | 2,127 | - |
| **Total facilities** | | 163,616 | 75,623 | 186,887 | 101,635 |

(i) *Equipment finance facility*
Term facilities comprise multiple agreements with various financiers.

The facilities are fixed rate, Australian dollar denominated loans which are carried at amortised cost and repayable monthly in arrears over a term of up to five years. The specific term and interest rate varies by agreement and is set at the outset of each advance.

The equipment facilities relate to Australian dollar denominated equipment finance facilities held with two financiers which are carried at amortised cost. The equipment finance facilities are subject to progressive payment arrangements under which the financiers will pay for the purchase and construction/refurbishment of mining equipment on the condition the financing is rolled into an amortising term finance arrangement upon completion of the construction/refurbishment of each asset.

The progressive payment arrangement is subject to a variable rate of interest which is accrued and/or paid monthly in arrears. This facility is repayable on demand until it is rolled into an amortising term facility. The interest rate is fixed upon rolling into an amortising term facility. The term and interest rate are determined at the commencement of each term finance arrangement.

*(ii) Invoice finance facility*

There are two invoice finance facilities held with Westpac with a combined limit of $42,500,000. The facilities have a draw down allowance of up to 85% of approved debtors and are due to mature 30 September 2023. Interest is charged at a variable rate. Refer to note 33 for post year end changes to the arrangement.

*(iii) Overdraft facility*

The overdraft is held with Westpac and is subject to a variable rate of interest. The facility is scheduled to mature 30 September 2023. Refer to note 33 for post year end changes to the arrangement.

*(i) Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

## 25 Financial risk management (continued)

### (c) Liquidity risk (continued)

*(i) Maturities of financial liabilities (continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

| Contractual maturities of financial liabilities<br>30 June 2023 | Notes | Weighted average interest rate | Less than 6 months $'000 | 6 - 12 months $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Trade payables | 15 | -% | 55,230 | - | - | - | - | 55,230 | 55,230 |
| Deferred consideration | 19 | 10.00% | 9,137 | - | - | - | - | 9,137 | 8,914 |
| Borrowings and liabilities associated with assets held for sale | 23 | 5.81% | 63,310 | 9,109 | 11,202 | 5,436 | - | 89,057 | 86,608 |
| Lease liabilities | 18 | 5.34% | 4,162 | 3,781 | 3,375 | 3,547 | 3,128 | 17,993 | 15,819 |
| **Total non-derivatives** | | | **131,839** | **12,890** | **14,577** | **8,983** | **3,128** | **171,417** | **166,571** |

| 30 June 2022 | Notes | Weighted average interest rate | Less than 6 months $'000 | 6 - 12 months $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Trade payables | 15 | -% | 69,247 | - | - | - | - | 69,247 | 69,247 |
| Contingent and deferred consideration | 19 | 2.44% | 12,762 | - | - | - | - | 12,762 | 12,661 |
| Borrowings | 23 | 3.84% | 54,049 | 10,295 | 15,379 | 6,432 | - | 86,156 | 84,008 |
| Lease liabilities | 18 | 4.64% | 3,833 | 3,084 | 4,094 | 3,719 | 5,277 | 20,007 | 17,328 |
| **Total non-derivatives** | | | **139,891** | **13,379** | **19,473** | **10,151** | **5,277** | **188,172** | **183,244** |

*Fair value of financial instruments*

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 26 Business combination

### Current year

*(i) AIM Acquisition*
On 1 December 2022 Mynesight Pty Ltd acquired 100% of the shares of Australian Institute of Mining Pty Ltd for $60. The Company is a Registered Training Organisation. There were no asset and liabilities transferred at the date of acquisition.

### Prior year

On 31 October 2021 Metarock acquired 100% of the ordinary shares of PYBAR Holdings Pty Limited, a provider of mining, drilling, contracting and related services to the metalliferous underground hard rock mining industry throughout Australia, for consideration of $42,515,000. The acquisition immediately diversified the Groups operations, providing exposure to the hard rock sector including commodities such as copper, gold and zinc.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | $'000 |
|---|---|
| Purchase consideration | |
| Cash paid | 11,622 |
| Ordinary shares issued | 22,281 |
| Deferred cash consideration | 8,612 |
| Total purchase consideration | 42,515 |

In December 2022 the purchase price accounting was finalised. The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 18 |
| Trade and other receivables | 39,670 |
| Inventories | 13,454 |
| Plant and equipment | 68,801 |
| Right-of-use assets | 8,232 |
| Brand | 3,435 |
| Customer relationships and contracts | 11,163 |
| Software | 694 |
| Trade payables and other payable | (28,063) |
| Employee benefit obligations | (11,874) |
| Borrowings | (58,772) |
| Other contractual provisions | (7,655) |
| Lease liabilities | (8,232) |
| Bank overdraft | (716) |
| Deferred tax liability | (8,751) |
| **Net identifiable assets acquired** | **21,404** |
| | |
| Add: goodwill | 21,111 |
| **Net assets acquired** | **42,515** |

## 26 Business combination (continued)

*(i) Provisional values adjustments*
During finalisation of the acquisition values the fair value of the following assets and liabilities were revised.

| | Provisional Values 2022 $'000 | Measurement Period Adjustments $'000 | Final fair values 2023 $'000 |
|---|---|---|---|
| Inventory | 13,364 | 90 | 13,454 |
| Payables | (27,326) | (737) | (28,063) |
| Deferred tax liabilities | (9,019) | 268 | (8,751) |
| Goodwill | 20,732 | 379 | 21,111 |

The fair value of the remaining assets and liabilities remain unchanged.

*(ii) Deferred consideration*

On 29 August 2022, the Group executed a variation to the Share Purchase Agreement for the acquisition of PYBAR Holdings Pty Limited to confirm the final gross deferred consideration payment as being $8,914,000 and to defer payment of this consideration to 1 September 2023. As part of this arrangement, interest is payable monthly in arrears at a rate of 10% per annum with payments commencing October 2022.

Refer to note 33 for post year end variation to the Share Purchase Agreement.

*(iii) Wilson Acquisition*

During the year the Group made final payments amounting to $3,832,000 for the contingent consideration related to the acquisition of Wilson Mining Services Pty Ltd. The cash outflow is disclosed under investing activities in the Statement of Cash flows.

### Accounting policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Consideration for an acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the company. Consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## 26 Business combination (continued)

### Measurement of fair values

Property plant and equipment were valued using the market comparison technique and cost technique. The valuation model considers market prices for similar items for which a secondary market exists and takes into account the physical condition of the asset. For assets where there was a lack of definitive market evidence, the depreciated replacement cost approach was taken. Depreciated replacement cost reflects adjustments for physical deterioration.

Intangible assets

- Customer contracts and relationships were valued using the multi-period excess earnings method. This method considers the present value of net cash flows expected to be generated by the customer contracts and relationships.
- Brand was valued using the relief-from-royalty method. This method is based on the present value of the estimated royalty payments that would be paid over the expected useful life of the brand if the brand were licenced from an independent third party.

## 27 Related parties

### Wholly-owned group

The consolidated financial statements include the financial statements of Metarock Group Limited (being the ultimate parent entity) and the subsidiaries listed in the following table:

| Name of entity | Country of incorporation | Equity holding (ordinary shares) 2023 % | 2022 % |
|---|---|---|---|
| Mastermyne Pty Ltd | Australia | 100 | 100 |
| Mastermyne Engineering Pty Ltd | Australia | 100 | 100 |
| Mastermyne Underground Pty Ltd | Australia | 100 | 100 |
| Mastermyne Underground NNSW Pty Ltd | Australia | 100 | 100 |
| Myne Start Pty Ltd | Australia | 100 | 100 |
| MyneSight Pty Ltd | Australia | 100 | 100 |
| Mastermyne Contracting Services Pty Ltd | Australia | 100 | 100 |
| Ausscaffold Pty Ltd | Australia | 100 | 100 |
| Diversified Mining Services Pty Ltd | Australia | 100 | 100 |
| Falcon Mining Pty Ltd | Australia | 100 | 100 |
| Wilson Mining Services Pty Ltd | Australia | 100 | 100 |
| Mastermyne Crinum Operations Pty Ltd | Australia | 100 | 100 |
| Metarock Pty Ltd | Australia | 100 | 100 |
| Mastermyne (CC) Operations Pty Ltd | Australia | 100 | 100 |
| Pybar Holdings Pty Limited | Australia | 100 | 100 |
| Pybar Mining Services Pty Ltd | Australia | 100 | 100 |
| Australian Institute of Mining Pty Ltd | Australia | 100 | - |

On 1 December 2022 Mynesight Pty Ltd, a subsidiary of Metarock Group Limited, acquired 100% of the shares of the Australian Institute of Mining Pty Ltd for $60 from:

· Nucanopi Pty Limited as trustee for the Rouse Family Trust, an entity owned by Paul Rouse

· Brencon Pty Ltd as trustee for the Brendan Rouse Family Trust and ALAR Investments (NSW) Pty Ltd as trustee for the ALAR Family Trust

The transaction was at arm's length and has been paid in full.

Refer to Note 26 Business combination for further details.

### Principles of consolidation and equity accounting

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

## 27 Related parties (continued)

### Parent entity financial information

Summarised financial information for the parent entity, Metarock Group Limited is as follows:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Results of parent entity** | | |
| Loss for the year | (57,707) | (4,314) |
| **Total comprehensive loss for the year** | **(57,707)** | **(4,314)** |
| | | |
| **Financial position of parent entity at year-end** | | |
| Current assets | 3,558 | 14,940 |
| Non-current assets | 93,285 | 97,470 |
| **Total assets** | **96,843** | **112,410** |
| Current liabilities | 59,465 | 32,502 |
| Non-current liabilities | 4,623 | 11,919 |
| **Total liabilities** | **64,088** | **44,421** |
| **Total equity of the parent entity at year-end** | | |
| Share capital | 111,180 | 87,904 |
| Accumulated losses | (78,425) | (20,718) |
| Reserves | - | 803 |
| **Total equity** | **32,755** | **67,989** |

*Guarantees entered into by the parent entity*

The parent entity has entered into a Deed of Cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 28.

*Contingent liabilities of the parent entity*

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022. For information about guarantees given by the parent entity, please see above.

*Contractual commitments for the acquisition of property, plant or equipment*

There were no parent entity capital commitments as at 30 June 2023 or 30 June 2022.

## 28 Deed of cross guarantee

Metarock Group Limited and the wholly-owned subsidiaries listed below are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' Report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001* . If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full.

The Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss & Other Comprehensive Income for the closed group is the same as the Group's Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss & Other Comprehensive Income

The subsidiaries subject to the deed are as follows:

- Mastermyne Pty Ltd
- Mastermyne Engineering Pty Ltd
- Mastermyne Underground Pty Ltd
- Mastermyne Underground NNSW Pty Ltd
- Myne Start Pty Ltd
- MyneSight Pty Ltd
- Mastermyne Contracting Services Pty Ltd
- Ausscaffold Pty Ltd
- Diversified Mining Services Pty Ltd
- Falcon Mining Pty Ltd
- Wilson Mining Services Pty Ltd
- Mastermyne Crinum Operations Pty Ltd
- Metarock Pty Ltd
- Mastermyne (CC) Operations Pty Ltd
- Pybar Holdings Pty Limited
- Pybar Mining Services Pty Ltd

## 29 Key management personnel

Key management personnel compensation is set out below.

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Short-term employee benefits | 2,871,837 | 2,956,282 |
| Post-employment benefits | 185,537 | 192,196 |
| Termination benefits | 451,034 | - |
| Long-term benefits | 65,411 | 11,364 |
| Share-based payments | 108,633 | 470,474 |
| | 3,682,452 | 3,630,316 |

### Individual directors and executives compensation

Information regarding individual directors and executives compensation and some equity instruments disclosures, as required by Corporations Regulations 2M.3.03, is provided in the remuneration report section of the directors' report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

## 29 Key management personnel (continued)

### Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management persons and their related entities on an arm's length basis.

The following transactions occurred with related parties:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| *Amounts recognised as revenue* | | |
| i. Administration services | 70,905 | 173,425 |
| ii. Equipment hire | - | 112,492 |
| iii. Back charges | - | 3,935 |
| | 70,905 | 289,852 |
| *Amounts recognised as expense* | | |
| iv. Rent of 45 River Street | 263,420 | 207,300 |
| v. Rent of 56A Grosvenor Drive | 29,986 | 29,943 |
| vi. General plumbing repairs | 4,554 | 4,187 |
| vii. Software and IT consulting services and software licencing | 1,063,405 | 877,974 |
| viii. Rent of 1688 Forest Road in Orange NSW | 425,442 | 267,346 |
| ix. Rent of 23 Huntley Road in Orange NSW | 113,709 | 67,898 |
| x. Rent of Units 1-6 Kenna St in Orange NSW | 54,691 | 60,683 |
| xi. Labour hire services | - | 3,367,141 |
| xii. Borrowing costs on related party loan | 234,000 | - |
| xiii. Interest on contingent consideration | 742,830 | - |
| | 2,932,037 | 4,882,472 |

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| *Amounts recognised as receivables* | | |
| i. Administration services | 6,325 | 6,359 |
| iii. Back charges | 4,329 | 4,329 |
| vii. Software and IT consulting services and software licencing | 6,909 | - |
| | 17,563 | 10,688 |
| *Amounts recognised as payables* | | |
| i. Administrative services | 2,565 | - |
| vii. Software and IT consulting services and software licencing | 97,364 | 21,932 |
| Rent of 1688 Forecast Road, 23 Huntley Road and Units 1-6 Kenna St in Orange NSW* | 37,545 | - |
| | 137,474 | 21,932 |

*Relates to amounts recognised as payables associated with (viii),(ix) and (x)

## 29 Key management personnel (continued)

### Key management personnel and director transactions (continued)

*Revenue*

i. The Group provides administration services to Digital Terrain Pty Ltd and HMR Drilling Services Pty Limited as part of a transitional services arrangement. These entities are owned by Paul Rouse or his close family members. Amounts received are at arm's length and are due and receivable under normal payment terms.

ii. The Group did not provide any equipment hire services to related parties during the year. In prior year the transactions related to transactions with JTMEC which ceased to be a related party effective 1 June 2022.

iii. The Group incurred costs that related to Diversified Minerals Pty Ltd, a company owned by Paul Rouse. These expenses were recharged at cost to Diversified Minerals Pty Ltd.

*Expenses*

iv. The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

v. The Group rents the premises at 56A Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.

vi. The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payments terms.

vii. The Group receives software and IT consulting services and licences production planning and activity recording software from Digital Terrain Pty Ltd, an entity owned by a close family member of Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

viii. The Group leases 1688 Forest Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

ix. The Group leases 23 Huntley Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

x. The Group leases Units 1-6 Kenna Street in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.

xi. The Group did not provide any labour hire services to related parties during the year.In prior year the transactions related to transactions with JTMEC which ceased to be a related party effective 1 June 2022.

xii. The Group incurred establishment fees on the loan facility agreement with M Mining Resources which was entered into on 16 March 2023. The facility was available for period up to 30 April 2023 and was not utilised.

xiii. The Group incurred interest costs at a rate of 10% per annum on the deferred contingent consideration following the execution of an agreement to defer the payment of the deferred consideration to 1 September 2023. The interest is payable monthly in arrears. Refer to note 33 for post year end changes to the arrangement.

## 29 Key management personnel (continued)

### Shareholdings

The movements during the reporting period in the number of ordinary shares in Metarock Group Limited held directly, indirectly or beneficially by each key management person including their related parties, is as follows:

| 2023<br>Name | Note | Balance at the start of year | Received during the year on exercise of rights | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr. C Bloomfield | (i) | 1,117,629 | - | (1,117,629) | - |
| Mr. A Watts | | 12,262,245 | - | - | 12,262,245 |
| Mr. G Meena | (i) | 100,000 | - | (100,000) | - |
| Ms. J Whitcombe | (i) | 94,000 | - | (94,000) | - |
| Mr. M Smith | (ii) | - | - | - | - |
| Mr. P Rouse | | 21,195,914 | - | - | 21,195,914 |
| Mr. A Caruso | (iii) | 2,391,555 | - | (2,391,555) | - |
| Mr. D Sykes | (iv) | 284,811 | - | (284,811) | - |
| Ms. V Gayton | (v) | 159,278 | - | (159,278) | - |
| Mr. B Maff | (vi) | 187,708 | - | (187,708) | - |
| Mr. W Price | (vii) | 11,173 | 808,337 | - | 819,510 |
| Mr. N Woolrych | | 115,000 | - | (115,000) | |
| Mr. P Green | (viii) | - | 1,264,999 | (1,264,999) | - |
| Mr. J Whiteman | (ix) | | 571,796 | 55,484 | 627,280 |
| Mr. J Glover | | | 490,346 | | 490,346 |

(i) Retired 22 May 2023
(ii) Appointed 22 May 2023
(iii) Resigned 19 October 2022
(iv) Resigned 12 April 2023
(v) Resigned 17 March 2023
(vi) Resigned 7 October 2022
(vii) Appointed 20 June 2023
(viii) Appointed 19 November 2022 and resigned 20 June 2023
(ix) Appointed CFO 7 October 2022 and then Interim CEO 23 June 2023. Other changes relates to on market share purchases made during the year.

| 2022<br>Name | Note | Balance at the start of year | Received during the year on exercise of rights | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr. C Bloomfield | | 1,117,629 | - | - | 1,117,629 |
| Mr. A Watts | | 12,262,245 | - | - | 12,262,245 |
| Mr. G Meena | | 100,000 | - | - | 100,000 |
| Ms. J Whitcombe | | 94,000 | - | - | 94,000 |
| Mr. P Rouse | (i) | - | - | 21,195,914 | 21,195,914 |
| Mr. A Caruso | | 2,391,555 | - | - | 2,391,555 |
| Mr. D Sykes | | 284,811 | - | - | 284,811 |
| Ms. V Gayton | | 159,278 | - | - | 159,278 |
| Mr. B Maff | | 89,024 | - | 98,684 | 187,708 |
| Mr. W Price | | 11,173 | - | - | 11,173 |
| Mr. N Woolrych | | - | - | 115,000 | 115,000 |

(i) Shareholdings of Mr.P Rouse and his related parties relate to shares issued for consideration as part of the acquisition of PYBAR Holdings Pty Limited.

## 30 Share-based payments

### Employee Performance Rights Plan

The establishment of the Employee Performance Right Plan was approved by shareholders at the 2015 Annual General Meeting. The plan is designed to provide long-term incentives for senior managers and above (including executive Directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Rights or options are granted under the plan for no consideration and carry no dividend or voting right.

In accordance with the plan, employees holding vested options are entitled to receive shares in the Company for no consideration.

Set out below are summaries of rights granted under the plan:

| | 2023 Average exercise price per right | Number of rights | 2022 Average exercise price per right | Number of rights |
|---|---|---|---|---|
| As at 1 July | - | 3,520,695 | - | 2,076,686 |
| Granted during the year | - | 2,729,732 | - | 1,884,642 |
| Exercised during the year * | - | (3,332,007) | - | (182,962) |
| Forfeited during the year | - | (2,267,916) | - | (257,671) |
| Lapsed during the year | - | (650,504) | - | - |
| As at 30 June | - | - | - | 3,520,695 |

- The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2023 was $0.15 (2022: $1.01).The weighted average price is based on volume weighted average price in the two months preceding the exercise date.
- On 22 May 2023 the Group issued placement shares upon completion of an Equity Placement. This constituted a change in control in terms of the Performance Rights Plan. The board determined the 3,332,007 performance rights which were outstanding as of that date had fully vested.

Performance rights outstanding at the end of the year have the following expiry dates and exercise prices:

| Grant date | Vesting/Expiry date | Exercise price | Vesting conditions | Performance Rights 30 June 2023 | Performance Rights 30 June 2022 |
|---|---|---|---|---|---|
| 07 December 2021 | 1/10/2022 | 0.00 | STI conditions | - | 266,785 |
| 29 November 2021 | 1/10/2024 | 0.00 | 1, 2, 3(a) | - | 808,930 |
| 29 November 2021 | 1/10/2024 | 0.00 | 1, 2, 3(a) | - | 808,930 |
| 24 November 2020 | 1/10/2023 | 0.00 | 1, 2, 3(b) | - | 626,166 |
| 24 November 2020 | 1/10/2023 | 0.00 | 1, 2, 3(b) | - | 626,166 |
| 21 November 2019 | 1/10/2022 | 0.00 | 1, 2, 3, 4(a) | - | 191,861 |
| 21 November 2019 | 1/10/2022 | 0.00 | 1, 2, 3, 4(a) | - | 191,861 |
| Total | | | | - | 3,520,699 |

| | 2023 | 2022 |
|---|---|---|
| Weighted average remaining contractual life of rights outstanding at end of period (years) | Nil | 1.53 |

## 30 Share-based payments (continued)

### Employee Performance Rights Plan (continued)

*Vesting of performance rights due to change in control*
The performance rights which were outstanding as of the date of change in control vested in full without consideration of the vesting conditions set out at grant date.

Before the application of the change of control provisions of the plan the vesting of the rights was subject to achievement of the vesting conditions set out below and the eligible participant being employed at the vesting date:

*Performance rights issued in 2020 or thereafter as long-term incentives*

- **Vesting Condition 1**: The main vesting condition is that the eligible participant must be employed within the Group on the Test Date. If employment is ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board, at its absolute discretion, determines otherwise.
- **Vesting Condition 2**: Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Metarock. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Metarock, the Board, at its absolute discretion, may determine that some or all of the performance rights will lapse.
- **Vesting Condition 3**: If Vesting Conditions 1 and 2 are achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. These Vesting Conditions depend on Metarock's TSR percentile rank during the TSR measurement period and the Earnings per Share (EPS) performance over the measurement period:

    (a) **Tranche A**: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX Peer Group index; and

    (b) **Tranche B**: 50% of the performance rights will be conditional on the Company's EPS performance.

For each tranche, the percentage of performance rights which will vest will be as specified in the table below:

| Tranche A | | Tranche B | |
|---|---|---|---|
| TSR Rank during the measurement period | Proportion to vest | EPS Performance during measurement period | Proportion to vest |
| Below 50th percentile of the ASX Peer Group | 0% | EPS growth at <6% | 0% |
| 50th percentile to 75th percentile of the ASX Peer Group | 50% plus 2% for each percentile above 50th percentile | EPS growth between 6% and 12% | 0% to 100% pro rata |
| Above 75th percentile of the ASX Peer Group | 100% | EPS growth between >12% | 100% |

*Performance rights issued as short-term incentives*
Employees can nominate for up to 50% of their STI award to be settled in shares annually. When a nomination is made, performance rights are issued to the employee and vest at the end of the year in line with the achievements of their relative KPI's. The STI metrics align with the strategic objectives of the Group, with specific financial and non-financial measures (normally 5 or 6) for individual performance, Group performance and underlying performance of the Group.

## 30 Share-based payments (continued)

### Employee Performance Rights Plan (continued)

### Significant estimate: Measurement of share based payments

*Performance rights issued as long-term incentives*

The assessed fair value at grant date of rights granted during the year ended 30 June 2023 as long-term incentives are shown in the table below. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, volatility of the underlying share, the expected dividend yield, the risk-free interest for the term of the right and the correlations and volatilities of the peer group companies.

The expected price volatility is based on the historic volatility (based on the term of the options) of the Group compared to the S&P ASX 200 Resources Index.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| | 2023 Tranche 1 | 2023 Tranche 2 |
|---|---|---|
| Fair value at grant date Tranche A | 0.2010 | 0.1220 |
| Fair value at grant date Tranche B | 0.2605 | 0.1600 |
| Share price | 0.2650 | 0.1600 |
| Exercise price | $nil | $nil |
| Expected volatility (weighted average volatility) | 61.08% | 65.77% |
| Option life (expected weighted average life) | 2.9 years | 2.9 years |
| Expected dividends | 0 | 0 |
| Risk-free interest rate (based on government bonds) | 3.5% | 3.2% |

*Performance rights issued as short-term incentives*

### Accounting policy

The grant-date fair value of share-based payment awards granted to employees is recognised within "personnel expense" within the statement of comprehensive income, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Performance rights are recognised within the share based payment reserve in equity. When options lapse or are forfeited they are transferred from the share based payment reserve to retained earnings.

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Equity-settled share based payment transactions | 303 | 526 |

## 31 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Metarock Group Limited, its related practices and non-related audit firms:

### Pitcher Partners Australia

*(i) Audit and other assurance services*

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Audit and review of financial statements | 360,045 | 372,000 |
| Other assurance services | | |
| Audit of regulatory returns | 25,987 | 16,000 |
| **Total remuneration for audit and other assurance services** | 386,032 | 388,000 |

*(ii) Other non-assurance services*

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Due diligence services | - | 204,319 |
| Taxation services | 92,875 | 28,750 |
| **Total remuneration for other services** | 92,875 | 233,069 |
| Total auditors' remuneration | 478,907 | 621,069 |

## 32 Contingent liabilities

### Contingent liabilities

*Claims*

A claim for damages was lodged against Falcon Mining Pty Ltd in 2021 in relation to an event that occurred at a customer site in May 2020. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a significant liability will arise.

During the year, trade and other receivables due from the customer with a value of $1,751,000 were impaired in full as the customer has exercised a contractual right to off-set the receivable against their damages. As a result, management has concluded the debt is no longer recoverable. The Company is pursuing recovery of the debt through insurance proceedings. Refer to discussion below for more information.

### Contingent assets

The Company is currently preparing for legal proceeding to pursue payout of the customer receivable from their insurers under the terms of the policies held. The legal counsel's advice on the matter is that it is probable the judgement will be favourable. The contingent asset related to the insurance payout has not been recognised as at 30 June 2023 as receipt of the amount is dependent on the outcome of the court proceedings.

## 33 Events occurring after the reporting period

### Assets held for sale

Post year end the Group completed the sale of major equipment which was held for sale at reporting date. The net book value of the assets sold amounted to $24,041,000 as at 30 June 2023 and is included in Assets classified as held for sale in the Consolidated Balance Sheet. The proceeds from the sale of $28,540,000 were used to repay the related debt of $19,865,000 and fund working capital requirements.

### Contractual settlements

On 18 August 2023 Mastermyne (CC) Operations Pty Ltd ceased the provision of contract services at the Cook Colliery by mutual agreement in line with the Group 's turnaround strategy.

A provision of $7,728,000 was recognised at reporting date for the unavoidable costs of meeting the obligations which exceed the economic benefits expected to be received. These costs include contract costs and termination benefits. All assets were written down to their recoverable values resulting in an impairment loss amounting to $3,814,000.

### Deferred consideration

On 30 August 2023, the Group executed a Second Variation Deed to the Share Purchase agreement for the acquisition of PYBAR Holdings Pty Limited to further defer the payment of the deferred consideration for the PYBAR acquisition.

Under this agreement an instalment of $2,000,000 was paid on 1 September 2023 and the remaining balance of $6,914,000 is payable in monthly instalments commencing 31 January 2024 . The interest rate increased to 12.25% per annum payable monthly in arrears.

### Extension of Westpac facilities

On 31 August 2023, the Group executed an agreement to extend the invoice finance facility to 30 September 2024 and cancel the overdraft facility. The covenants are waived until 31 December 2023 and then applied quarterly thereafter.

### Shareholder loan

On 30 August 2023, the Group signed a term sheet for a subordinated,unsecured shareholders loan of $2,000,000 from M Mining Services Pty Ltd under the Facility Agreement which was executed in March 2023. The loan was drawn on 1 September 2023 to fund the payment of the $2,000,000 PYBAR deferred consideration instalment. The loan is repayable on 1 October 2024.

The loan is subject to interest at BBSY plus 15% per annum payable monthly unless capitalised.

### Changes to the Board of Directors

On 6 September 2023, the Group made the following changes to the Board of Directors;

- Mr Jonathan Romcke was appointed as Executive Chairman
- Mr Peter Barker , formerly an Advisor to the Board, was appointed as a Non-Executive Director and Chair of the Audit and Risk Committee
- Mr Murray Smith stepped down as Acting Chair. He retained his role as a Non-Executive Director and was appointed Chair of the Remuneration and Nomination Committee
- Mr Paul Rouse resigned from the Board

### Other events

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

In the opinion of the directors of Metarock Group Limited (the 'Company'):

(a) the consolidated financial statements and notes set out on pages 30 to 90 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 28 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28.

The Directors have been given the declaration by the Interim Chief Executive Officer (CEO) and Chief Financial Officer (CFO) required by section 295A of the *Corporations Act 2001*.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Mr J Romcke

Brisbane
20/09/2023

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

*p.* +61 7 3222 8444

**Independent Auditor's Report to the Members of Metarock Group Limited**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Metarock Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated balance sheet as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to note 1 in the financial report, which describes events and/or conditions which indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of goodwill and separately identifiable intangible assets ($14.186 million)**<br>*(Refer to note 14)* | |
| The consolidated balance sheet as at 30 June 2023 includes goodwill and separately identifiable intangible assets valued at $10.324 million and $3.862 million respectively<br>which relates to the consolidation of subsidiaries acquired in the current and previous years.<br><br>The carrying amount of goodwill and the other intangible assets is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows, key estimates and significant judgements such as the annual growth rates, discount rate and terminal value growth rate.<br><br>Goodwill and separately identifiable intangible assets are a key audit matter as the value of the intangible assets are material and the evaluation of the recoverable amount of these assets requires significant judgement in determining the key estimates to support the value-in-use calculations. | Our procedures included amongst others:<br>• Understanding and evaluating the design and implementation of management's processes and controls over the assessment of goodwill;<br>• Assessing management's determination of the Group's cash generating units ('CGUs') based on our understanding of the nature of the Group's business and the identifiable groups of cash generating assets;<br>• Comparing the cash flow forecasts used in the value-in-use calculations to Board approved budgets for the 2024 financial year and the Group's historic actual performance;<br>• Assessing the significant judgements and key estimates used for the impairment assessment, in particular, the annual growth rates, discount rate and terminal value growth rate;<br>• Checking the mathematical accuracy of the impairment testing model and agreeing relevant data to the latest budgets;<br>• Performing a sensitivity analysis of management's value-in-use calculation; and<br>• Assessing the adequacy of the Group's disclosures in respect of impairment testing of goodwill and separately identifiable intangible assets. |
| **Recoverability of deferred tax assets on tax losses ($3.101 million)**<br>*(Refer to note 8)* | |
| At 30 June 2023, the Group's consolidated balance sheet included net deferred tax balances of $nil of which includes a deferred tax asset of $3.101 million related to unused tax losses. The recognition of deferred tax assets is dependent upon an assessment that it is probable the Group will generate sufficient future taxable income to utilise them.<br><br>The unused tax losses were recognised as part of business combinations and are to be utilised based on available fractions. It is due to the significant judgement and assumptions involved in assessing the Group's ability to generate future taxable income that we focused on this area as a key audit matter. | Our procedures included amongst others:<br>• Obtaining and testing the Group's calculation of its current and deferred tax balances for the year ended 30 June 2023;<br>• Challenging and evaluating the reasonableness of key judgements and assumptions used in the Group's forecast of taxable income including assessing their consistency with the Board approved budget for the year ending 30 June 2024 and cash flow assumptions;<br>• Assessing the historical accuracy of the Group's budgeting and forecasting and considered implications for our assessment of key assumptions used in the Group's current forecast of taxable income;<br>• Assessing the availability of tax losses to the Group under the current Australian tax legislation including those acquired as part of business combinations; and<br>• Engaging our taxation experts in the completion of these procedures and in making our assessments of the available fraction calculations and application of the available fraction method. |

| **Carrying value and classification of assets held for sale ($33.906 million)** *(Refer to note 12)* | |
|---|---|
| The consolidated balance sheet as at 30 June 2023 had classified $33.906 million of certain excess plant and equipment as assets held for sale.<br><br>The assessment of the recoverable amount of the excess assets held for sale requires management to exercise judgement. A market-based approach has been used, reflecting the value which could be expected to be realised through sales executed in the period up to 30 June 2023 and up to the date of the financial report. | Our audit procedures included amongst others:<br>• Understanding the process management undertakes to evaluate the recoverability of assets held for sale;<br>• Evaluating and challenging management's determination of the carrying value through comparing actual market sale prices of similar plant and equipment sold in the period up to 30 June 2023 and up to the date of the financial statements; and<br>• Assessing the adequacy of the related disclosures in the financial report. |

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 24 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Metarock Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners
PITCHER PARTNERS

J. Evans

**JASON EVANS**
Partner

Brisbane, Queensland
20 September 2023

METAROCK

**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