Metarock Group Limited
and its Controlled Entities

ABN 96 142 490 579
Interim Financial Report 31 December 2023

Interim Financial Report 31 December 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

Appendix 4D

Results for announcement to market for the period ending 31 December 2023

Name of Entity Metarock Group Limited
ABN 96 142 490 579

	31 Dec 2023 $000	31 Dec 2022 $000	Movement $000	Movement %
Revenue from ordinary activities	234,428	259,251	(24,823)	(9.6%)
Net profit/(loss) after tax from ordinary activities attributable to owners of the entity	10,904	(63,462)	74,366	
Earnings/(loss) per share attributable to owners of the entity				
Basic earnings per share (cents)	3.6	(48.4)	52.0	
Diluted earnings per share (cents)	3.6	(48.4)	52.0	

Dividends

No interim dividend was declared for the period ended 31 December 2023

Net Tangible Asset Backing

	31 Dec 2023	30 Jun 2023
Net tangible assets per ordinary share ($)	0.10	0.06

Additional information supporting the Appendix 4D disclosure requirements can be found in the Interim Financial Report for the half year which contains the Directors' Report and the 31 December 2023 Financial Statements and accompanying notes.

This report is based on the consolidated financial statements for the half year ended 31 December 2023, which have been reviewed by Pitcher Partners and includes reference to a Material Uncertainty related to Going Concern.

The Directors are pleased to present their report on the Consolidated Entity consisting of Metarock Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

1 Directors

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

Mr. M Smith for the entire period.
Mr. A Watts for the entire period.

Mr. J Romcke was appointed a Director and Executive Chairman on 6 September 2023.

Mr. P Barker was appointed a Director on 6 September 2023.

Mr. J Whiteman was appointed Managing Director on 5 February 2024.

Mr. P Rouse was a Director from the beginning of the half-year until his resignation on 6 September 2023.

Chief Executive Officer

Mr. J Whiteman was appointed as Chief Executive Officer on 5 February 2024.

2 Operating and financial review

Results

Overview

During the six-month period ended 31 December 2023 (1H FY24), Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company" or "the Group") has achieved materially improved operational and financial results through the successful execution of the Group's previously reported turnaround plan, including:

- Revenue of $234,428,000;
- EBITDA[1] of $29,657,000;
- Profit before tax of $10,904,000, an improvement of $84,346,000 compared to the December 2022 half year (1H FY23);
- Total Debt[2] of $62,832,000, a reduction of $23,776,000 since 30 June 2023; and
- Fully repaid the ATO payment plan on schedule.

Non-IFRS Measurements

The Condensed Consolidated Financial Statements are prepared in accordance with Australian Accounting Standards (AAS) and are compliant with International Financial Reporting Standards (IFRS). The Group presents various non-IFRS financial information to the Board of Directors, and in this Directors Report. Non-IFRS financial information is derived from the Group's Condensed Consolidated Financial Statements. The Directors consider the Non-IFRS financial information disclosed provides useful information on the financial performance and position of the Group, however it should not be considered as a substitute for statutory measures on actual financial performance or financial position presented in accordance with IFRS.

1. EBITDA refers to Profit/(loss) before Net Finance Expenses, Income Tax Expense/Benefit, Depreciation and Amortisation. A reconciliation to Statutory Results is presented on page 4.

2. Total Debt is calculated from the consolidated statement of financial position as Current Borrowings, plus Non-current Borrowings, plus Liabilities Directly Associated With Assets Classified As Held For Sale. A reconciliation to the Statutory Statement of Financial Position is on page 7.

2 Operating and financial review (continued)

Results (continued)

Overview (continued)

The Group has achieved the following key milestones over the past two half-year periods:

- exited loss-making contracts that resulted in significant non-recurring write-offs in prior periods;
- recapitalised the balance sheet and reduced debt via equity injections of $25,761,000 (including $761,000 in 1H FY24 and $25,000,000 in the six months ended 30 June 2023) and surplus asset sales generating proceeds of $53,982,000 (including $32,018,000 in 1H FY24 and $21,964,000 in the six months ended 30 June 2023);
- restructured the board and management team;
- secured new contracts within the core Mastermyne and PYBAR contracting operations with appropriate commercial terms;
- improved operational and safety performance on existing projects across the Group; and
- extended working capital facilities with Westpac to 30 September 2024 and restructured the remaining deferred consideration payable to the vendors of the PYBAR business.

New contracts and contract extensions secured during the half year include:

- Black Rock mine - PYBAR executed a contract variation extending PYBAR's current scope of works at Glencore's Black Rock underground copper mine through to July 2024;
- Dargues mine - PYBAR executed a contract variation extending PYBAR's current scope of works at Aurelia Metals Limited's Dargues gold mine through to mine closure in late 2024;
- Savage River mine - PYBAR executed a new contract with Grange Resources Limited and commenced mobilisation for underground exploration development services valued over $20 million at the Savage River mine, Tasmania; and
- Narrabri mine - Mastermyne executed a contract for the operation of an additional development panel at the Narrabri mine in NSW for a 3 year term valued over $60 million.

During the half year, the Group ceased provision of contract services at the Cook Colliery by mutual agreement. The exit of the Cook contract in August 2023 and the Crinum contract in February 2023 enabled the Group to divest surplus assets that were intended for these contracts as well as other surplus assets, providing a cash injection of $32,018,000 during 1H FY24 and enabling a material reduction in the Group's gearing level and debt service obligations going forward. The Group incurred approximately $11,000,000 of costs in 1H FY24 from the cessation of the Cook contract. These costs were provided for in the June 2023 financial statements as an onerous contract and related accruals and provisions. However, they did have a negative impact on operating cashflow in 1H FY24.

The Group completed its scope of work at the Tahmoor Colliery in NSW during the half year and in January 2024 the contract for Broadmeadows mine concluded. The combined revenue from these contracts represented approximately 3% of Group revenue. In December 2023, the Group commenced mobilising for new work at Peabody's Centurion mine, additional to its existing strata support scope.

Total workforce numbers for the Group were 1,338 people at 31 December 2023, compared to 1,424 at 30 June 2023. While the Group demobilised the Cook and Tahmoor projects in 1H FY24, a number of people were redeployed from these two projects to other sites.

2 Operating and financial review (continued)

Results (continued)

Statutory Results

The below table outlines the Statutory Results and provides a reconciliation from EBITDA and EBITA[3] (non-IFRS profit measures) to Statutory Results for 1H FY24 compared to the half year ended 31 December 2022 (1H FY23).

	Statutory Results 1H FY24 $'000	Statutory Results 1H FY23 $'000	Movement $'000
Revenue	234,428	259,251	(24,823)
EBITDA	29,657	(50,034)	79,691
Depreciation	(13,180)	(16,949)	3,769
EBITA	16,477	(66,983)	83,460
Amortisation	(1,551)	(2,343)	792
Net finance costs	(4,022)	(4,116)	94
Profit/(loss) before tax	10,904	(73,442)	84,346
Income tax (expense)/benefit	-	9,980	(9,980)
Net profit/(loss) after tax	10,904	(63,462)	74,366

The improved results for 1H FY24 reflect the progress of the Group's turnaround plan during the six months ended 30 June 2023 and 1H FY24, in contrast to the prior period first half which was significantly impacted by a number of write-offs required ($50,426,000), and material non-recurring transactions incurred ($8,383,000), during 1H FY23 due to the under-performance of legacy contracts.

Revenue for 1H FY24 was $234,428,000, a decrease of $24,823,000 due to the prior period results containing revenue from legacy contracts up to the date of termination.

EBITDA for 1H FY24 totalled $29,657,000 and Normalised EBITDA totalled $25,503,000. The Normalised EBITDA margin[4] achieved of 10.9% reflects the Group's ongoing refocus on core contract mining services. Refer to the following page for a reconciliation from Statutory Results to Normalised Results.

Non-IFRS Measurements

3. EBITA refers to Profit/(loss) before Net Finance Expenses, Income Tax Expense/Benefit and Amortisation.

4. EBITDA margin refers to Profit/(loss) before Net Finance Expenses, Income Tax Expense/Benefit, Amortisation and Depreciation divided by Revenue.

2 Operating and financial review (continued)

Results (continued)

Normalised Results

The below table reconciles Statutory Results to Normalised Results for 1H FY24, adjusting solely for the impact of the non-recurring gain on sale of assets held for sale and plant and equipment (detailed in Note 5).

	Statutory Results 1H FY24 $'000	Asset Sales Impact $'000	Normalised Results 1H FY24 $'000
Revenue	234,428	-	234,428
EBITDA	29,657	4,154	25,503
Depreciation	(13,180)	-	(13,180)
EBITA	16,477	4,154	12,323
Amortisation	(1,551)	-	(1,551)
Net finance costs	(4,022)	-	(4,022)
Profit/(loss) before tax	10,904	4,154	6,750
Net profit/(loss) after tax	**10,904**	**4,154**	**6,750**

The below table reconciles Statutory Results to Normalised Results for 1H FY23, adjusting for the impact of Significant Items as detailed in the financial report for the half year ended 31 December 2022.

	Statutory Results 1H FY23 $'000	Crinum Impact $'000	PYBAR Impact $'000	Other Impacts $'000	Normalised Results 1H FY23 $'000
Revenue	259,251	(6,158)	-	-	253,093
EBITDA	(50,034)	19,194	37,796	1,819	8,775
Depreciation	(16,949)	-	-	-	(16,949)
EBITA	(66,983)	19,194	37,796	1,819	(8,174)
Amortisation	(2,343)	-	-	-	(2,343)
Net finance costs	(4,116)	-	-	-	(4,116)
Profit/(loss) before tax	(73,442)	19,194	37,796	1,819	(14,633)
Income tax (expense)/benefit	9,980	(5,758)	(5,006)	(546)	(1,330)
Net profit/(loss) after tax	**(63,462)**	**13,436**	**32,790**	**1,273**	**(15,963)**

Notes to the above table:

- Crinum impact comprises costs associated with the contract termination and subsequent settlement agreement including write-off of previously capitalised costs relating to pre-production costs and accrued revenue, debtors, plant and equipment and inventory totalling $11,130,000 and expenses of $8,064,000 in 1H FY23 relating to the Crinum incident and subsequent recovery.
- PYBAR Impact comprises inventory write-offs and PP&E impairment of $6,059,000 in 1H FY23 following the termination of the Peak and Thalanga contracts and completion of the Gwalia contract. The impact also includes intangible asset write-off of $7,093,000 relating to the Thalanga contract following the Administration of the mine owner and write-off of capitalised goodwill, brand related costs and customer contracts of $24,644,000 due to underperformance of the PYBAR operations.
- 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.

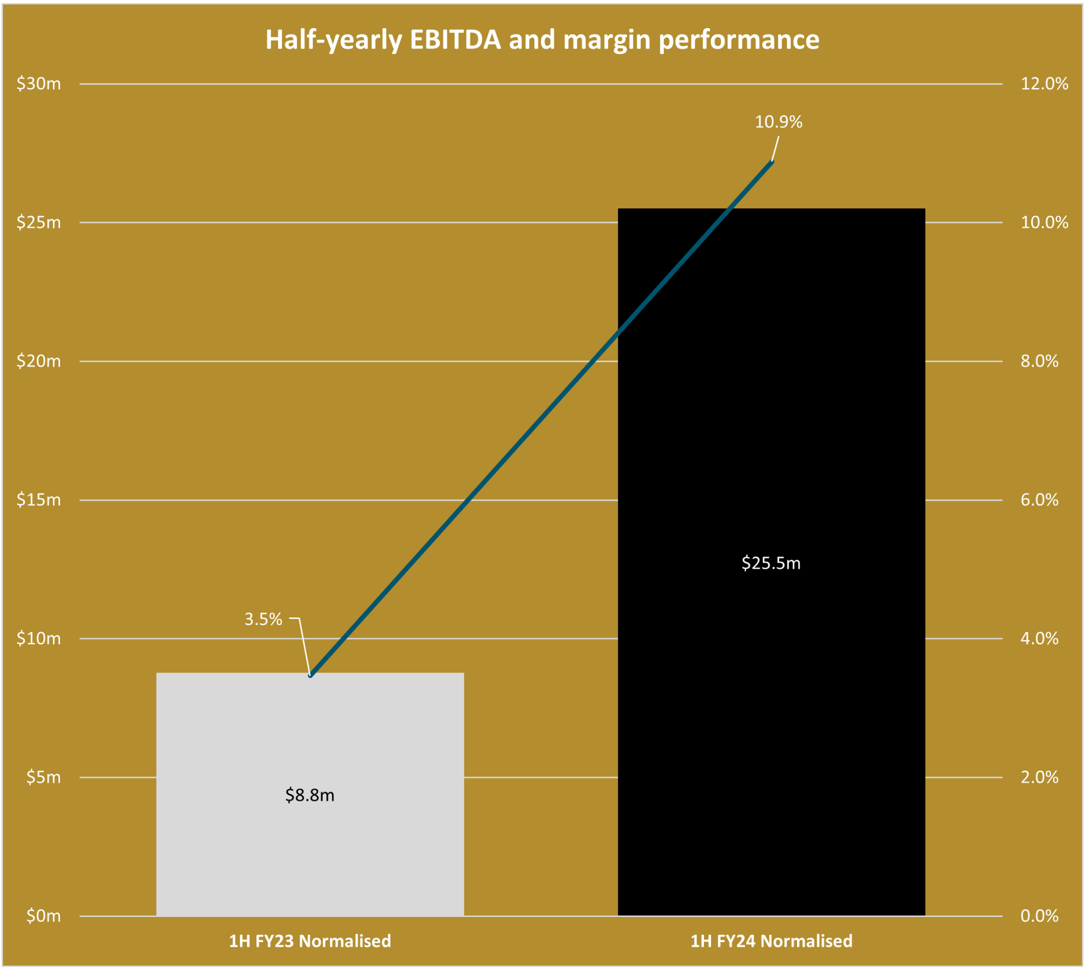
2 Operating and financial review (continued)

Results (continued)

Normalised Results (continued)

1H FY24 Statutory Results versus Prior Period Normalised Results

The Group has now achieved improved EBITDA results since the low point experienced in the 1H of FY23. The chart below shows the Normalised EBITDA for 1H FY24 compared to the Normalised EBITDA for 1H FY23 as well as EBITDA margin. Normalised EBITDA for 1H FY24 was $25,503,000, almost three times the Normalised EBITDA derived in 1H FY23 due to improved operating and safety results at existing operations as well as contribution from new contracts secured during the current half.



Balance sheet and cashflow

The net assets of the Group increased from $32,755,000 (30 June 2023) to $44,495,000 at 31 December 2023, primarily due to profit from core operations, non-recurring profit on sale of plant and equipment ($4,154,000) including assets classified as held for sale and completion of the entitlement offer ($761,000).

The total assets of the Group decreased by $40,673,000 to $186,282,000 (30 June 2023: $226,955,000) due primarily to the sale of plant and equipment and assets classified as held for sale ($27,935,000) and depreciation and amortisation of non-current assets during the current half.

2 Operating and financial review (continued)

Results (continued)

Balance sheet and cashflow (continued)

The total liabilities of the Group decreased by $52,413,000 to $141,787,000 (30 June 2023: $194,200,000) as a result of: repayment of liabilities associated with assets classified as held for sale; scheduled monthly repayments of equipment finance facilities and other liabilities, and a reduction in trade payables, employee benefits and other provisions as a consequence of concluding the ATO payment plan and satisfying outstanding liabilities associated with the Cook contract.

The balance of Total Debt[5] facilities drawn at 31 December 2023 was $62,832,000 (including invoice finance of $30,018,000), a decrease of $23,776,000 from 30 June 2023. The table below shows the decrease in Total Debt balances from 30 June 2023 to 31 December 2023.

The table below reconciles Total Debt to the balances disclosed in the Consolidated Statement of Financial Position.

Debt balances	31 December 2023 $'000	30 June 2023 $'000
Equipment finance	27,265	32,971
Invoice finance (i)	30,018	19,573
Shareholder loan	2,308	-
Other loans	399	3,565
Total borrowings	59,990	56,109
Liabilities directly associated with assets classified as held for sale	2,842	30,499
Total Debt	62,832	86,608

(i) The invoice finance balance fluctuates daily based on the value of qualifying invoices and debtor receipts.

In addition, the Company has a liability of $6,864,000 outstanding at 31 December 2023 (30 June 2023: $8,914,000) representing the remaining deferred consideration payable to the PYBAR vendors in monthly instalments from January 2024 to July 2024.

During the half year, the Group was successful in extending its invoice finance facility until 30 September 2024. The combined facility limit at the date of extension was $40,000,000 with a draw down allowance of 80% of approved debtors, stepping down to $37,500,000 and 75% from 1 January 2024. The Group is well progressed in discussions with several prospective lenders in relation to the refinance of this facility in order to provide longer tenor and greater flexibility to support the working capital requirements of the business into the longer term.

Non-IFRS Measurements

5. Total Debt refers to current borrowings, non-current borrowings and liabilities directly associated with assets classified as held for sale.

2 Operating and financial review (continued)

Results (continued)

Balance sheet and cashflow (continued)

The overall cash position at 31 December 2023 decreased to $3,309,000 (30 June 2023: $12,902,000), with the movements as follows:

	31 December 2023 $'000	31 December 2022 $'000
Cash flows from operating activities	(9,155)	2,844
Cash flows from investing activities	26,669	(15,363)
Cash flows from financing activities	(27,107)	10,906
Net movement in cash	(9,593)	(1,613)
Cash at the beginning of the period	12,902	5,229
Cash at the end of the period	3,309	3,616

Net cash outflows from operating activities for 1H FY24 of $9,155,000 reflected a $11,999,000 movement compared to cash inflows of $2,844,000 for 1H FY23. This movement arose due to the non-recurring costs incurred on the cessation of the Cook contract combined with the monthly repayments under the ATO payment plan (which was eliminated in December 2023), partially offset by improved operating performance and profitability across the Group's ongoing project portfolio. In addition, timing differences in working capital investment at the period end adversely impacted cash flows from operating activities.

Net cash inflows from investing activities for 1H FY24 of $26,669,000 (1H FY23: outflows of $15,363,000), increased by $42,032,000 due to proceeds from the sale of assets held for resale ($32,018,000) and lower capital expenditure of $10,289,000 in the current half-year.

Net cash outflows from financing activities for 1H FY24 of $27,107,000 (1H FY23: inflows of $10,906,000), reflected the repayments to financiers from the sale of surplus assets and reduced levels of capital expenditure as a result of ceasing the Cook and Crinum projects.

Outlook

The Group's order book currently stands at $466 million of which approximately $172 million is planned to be delivered in 2H FY24. The opportunity pipeline has grown significantly since 1H FY23, currently standing at approximately $4.0 billion, as a result of the Group's refocus on core operations, timing of contract renewals and an uptick in activity in the Group's target markets. The pipeline is split between the business segments as follows: Mastermyne $2.2 billion; and PYBAR $1.8 billion.

2 Operating and financial review (continued)

Results (continued)

Outlook (continued)

The Company maintains a positive view on the demand for its services into the longer term based on:

- Continued positive outlook for commodity prices in its core sectors (metallurgical and thermal coal; gold; and copper);
- The industry's drive for innovation to deliver improvements in safety performance, coupled with, production and cost efficiencies, and to address challenges such as the scarcity of experienced people in the underground sector; and
- Ongoing transition of ownership of existing mines and approved mining leases from the global majors, which tend to be predominantly owner-operators and long term holders of reserves, to smaller players who are motivated to expedite the development of such opportunities.

Events occurring after balance date

- Effective 1 January 2024, the combined Westpac invoice finance facility limit of $40,000,000 reduced to $37,500,000 and the draw down allowance changed from 80% to 75% of approved debtors. The facility limit and draw down allowance both step down further at 1 April 2024 to $35,000,000 and 70% respectively and again at 1 July 2024 to $32,500,000 and 65% respectively.

3 Dividends

No dividend has been declared by the Directors for the period (2022: Nil).

4 Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

5 Rounding of amounts

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

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

Mr. J Romcke
Executive Chairman

Brisbane
28 February 2024

PITCHER PARTNERS

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
Level 1, Riverside Plaza
45 River Street
MACKAY QLD 4740

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 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 period.

Pitcher Partners
PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
28 February 2024

Metarock Group Limited
Condensed consolidated statement of comprehensive income
For the half-year 31 December 2023

	Notes	31 December 2023 $'000	31 December 2022 $'000
Revenue from contracts with customers	4(a)	234,428	259,251
Other income		4,883	2,421
Personnel expenses		(146,473)	(175,279)
Contract disbursements		(55,065)	(74,782)
Depreciation and amortisation expense		(14,731)	(19,292)
Impairment loss	5	(862)	(50,426)
Other expenses		(1,311)	(2,947)
Office expenses		(5,943)	(8,272)
Results from operating activities		14,926	(69,326)
Finance income	5	77	51
Finance expenses	5	(4,099)	(4,167)
Net finance expense		(4,022)	(4,116)
Profit/(loss) before income tax		10,904	(73,442)
Income tax benefit	6	-	9,980
Profit/(loss) for the period		10,904	(63,462)
Total comprehensive income/(loss) for the period		10,904	(63,462)
		Cents	Cents
Earning/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share		3.6	(48.4)
Diluted profit/(loss) per share		3.6	(48.4)

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

Metarock Group Limited
Condensed consolidated statement of financial position
As at 31 December 2023

	Notes	31 December 2023 $'000	30 June 2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	3,309	12,902
Trade and other receivables		82,208	75,604
Inventories		21,456	19,017
Assets classified as held for sale	8	4,284	33,906
Total current assets		111,257	141,429
Non-current assets			
Receivables		88	-
Property, plant and equipment	9	47,928	53,772
Right-of-use assets		14,374	17,568
Intangible assets	10	12,635	14,186
Total non-current assets		75,025	85,526
Total assets		186,282	226,955
LIABILITIES			
Current liabilities			
Trade and other payables		41,880	55,230
Contract liabilities	4(b)	21	33
Borrowings	11	49,711	40,686
Lease liabilities		5,615	7,144
Employee benefit obligations		16,757	19,211
Provisions	12	472	7,728
Other current liabilities		6,864	8,914
Liabilities directly associated with assets classified as held for sale	8	2,842	30,499
Total current liabilities		124,162	169,445
Non-current liabilities			
Borrowings	11	10,279	15,423
Lease liabilities		6,694	8,675
Employee benefit obligations		652	657
Total non-current liabilities		17,625	24,755
Total liabilities		141,787	194,200
Net assets		44,495	32,755
EQUITY			
Share capital	13	111,941	111,180
Other equity		62	-
Other reserves		(24,224)	(24,237)
Accumulated losses		(43,284)	(54,188)
Total equity		44,495	32,755

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Metarock Group Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2023

	Attributable to owners of Metarock Group Limited					
	Share capital $'000	Retained earnings/ (Accumulated losses) $'000	Other equity $'000	Share-based payments $'000	Common Control Reserve $'000	Total equity $'000
Balance at 1 July 2022	87,904	18,717	-	803	(24,237)	83,187
Loss for the half-year	-	(63,462)	-	-	-	(63,462)
Total comprehensive loss for the half-year	-	(63,462)	-	-	-	(63,462)
Transactions with owners in their capacity as owners:						
Share-based payment transactions	-	-	-	(234)	-	(234)
Share options exercised/lapsed	-	274	-	(274)	-	-
	-	274	-	(508)	-	(234)
Balance at 31 December 2022	87,904	(44,471)	-	295	(24,237)	19,491

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

For personal use only

Metarock Group Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2023
(continued)

	Attributable to owners of Metarock Group Limited					
	Share capital $'000	Accumulated losses $'000	Other equity $'000	Share-based payments $'000	Common Control Reserve $'000	Total equity $'000
Balance at 1 July 2023	111,180	(54,188)	-	-	(24,237)	32,755
Profit for the half-year	-	10,904	-	-	-	10,904
Total comprehensive income for the half-year	-	10,904	-	-	-	10,904
Transactions with owners in their capacity as owners:						
Issue of ordinary shares - placement	761	-	-	-	-	761
Share-based payment transactions	-	-	-	13	-	13
Unissued shares	-	-	62	-	-	62
	761	-	62	13	-	836
Balance at 31 December 2023	111,941	(43,284)	62	13	(24,237)	44,495

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

Metarock Group Limited
Condensed consolidated statement of cash flows
For the half-year 31 December 2023

	Notes	Half-year 31 December 2023 $'000	31 December 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		250,710	280,421
Payments to suppliers and employees (inclusive of GST)		(256,462)	(288,587)
		(5,752)	(8,166)
Insurance recovery		93	301
Interest received		77	51
Interest paid		(3,842)	(3,409)
Income taxes refunded/(paid)		-	12,537
Receipts of government grants and subsidies	5	269	1,530
Net cash (outflow)/inflow from operating activities	7	(9,155)	2,844
Cash flows from investing activities			
Payments for property, plant and equipment	9	(3,299)	(13,585)
Proceeds from sale of property, plant and equipment		32,018	2,054
Payment of deferred/contingent consideration		(2,050)	(3,832)
Net cash inflow/(outflow) from investing activities		26,669	(15,363)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	13	761	-
Proceeds from borrowings		13,125	36,395
Repayment of borrowings		(37,156)	(21,951)
Lease payments		(3,837)	(3,538)
Net cash (outflow)/inflow from financing activities		(27,107)	10,906
Net (decrease) in cash and cash equivalents		(9,593)	(1,613)
Cash and cash equivalents at the beginning of the financial year		12,902	5,229
Cash and cash equivalents at end of the half-year		3,309	3,616

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

1 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim report has been prepared 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').

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Metarock Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report is presented in Australian dollars, which is the Company's functional currency and the functional currency of each entity in the Group. The interim financial report has been prepared under the historical cost convention. Metarock Group Limited is a for-profit entity for the purposes of preparing the interim report. 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.

Significant estimates and judgements

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The areas involving significant estimates, assumptions or judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next financial period are:

- Recognition of deferred tax asset for carried-forward tax losses;
- Key assumptions used in value-in-use calculations to determine recoverable amount of cash generating units;
- Determining the lease term; and
- Determining the incremental borrowing rate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Material accounting policy information

The accounting policies applied in this condensed consolidated interim financial report are the same as those applied in the Group's consolidated financial report for the year ended 30 June 2023.

A number of amended standards became applicable in the current reporting period but did not have an impact on the interim financial statements of the Group.

1 Basis of preparation (continued)

Going concern

This condensed consolidated interim 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 incurred net cash outflow from operating activities of $9,155,000 for the half-year ended 31 December 2023 (2022: net cash inflow of $2,844,000), and a net profit after tax of $10,904,000 was derived for the period (2022: net loss after tax of $63,462,000) and the Group has a net current deficiency of $12,905,000 for the period then ended (30 June 2023: $28,016,000).

Net current deficiency	31 December 2023 $'000	30 June 2023 $'000
Current assets	111,257	141,429
Current liabilities	(124,162)	(169,445)
	(12,905)	(28,016)

Since late 2022, the Board has been focused on implementing a turnaround plan for the Group to improve the net current deficiency. This turnaround plan has delivered a $51,028,000 reduction (representing an 80% decrease) in the net current deficiency at 31 December 2023 compared to 31 December 2022. The Group's turnaround plan is well progressed as evidenced in the strong recovery in profit for the period and reduction in borrowings achieved through improved operating cashflow and sale of surplus idle assets. The latter has enabled a reduction in borrowing facility limits of $47,434,000 in the period, in addition to fully repaying the ATO payment plan on schedule.

The Company maintains a positive outlook having exited all legacy loss-making contracts, reduced gearing and secured new contracts within Mastermyne's and PYBAR 's core contract mining services. Further, the Group currently has an order book of $466 million and has built an opportunity pipeline of $4.0 billion in recent months.

The Group maintains the ongoing support of its banks and has adequate borrowing capacity to continue to operate (as set out in Note 11). The Group's working capital facilities have been extended to 30 September 2024 and the Group is advanced in discussions with several prospective lenders in relation to a refinance or extension of these facilities to provide longer tenor and flexibility.

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 achieving a refinance or extension of its working capital facilities before they expire on 30 September 2024.

Should the Company be unable to refinance or extend its existing working capital facilities, there would be a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Rounding of amounts

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

1 Basis of preparation (continued)

Corporate information

The interim financial report was authorised for issue by the Board of Directors on 28 February 2024.

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

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 six months to 31 December 2023:

- Mastermyne (CC) Operations Pty Ltd ceased the provision of contract services at the Cook Colliery by mutual agreement in August 2023;
- Surplus assets with a book value of $27,935,000, of which $26,576,000 were disclosed as assets held for sale at 30 June 2023, were sold with proceeds from sale of $32,018,000 used to repay related debt and fund working capital requirements (refer to Note 5).

The financial impact of these events and transactions is highlighted in Note 5.

3 Segment and revenue information

(a) Description of segments

Metarock Group Limited is an Australian diversified mining services group which derives revenue from mine operations, contracting, training and related services in Australia. The Group's operating segments, as detailed below, 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. This reportable segment aggregates Mastermyne Operations (mine operations) and Mastermyne Contracting (comprising contracting, chemicals, consumables, training and related services) 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; and
    - 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 and revenue information (continued)

(b) Segment information

The table below shows the segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2023:

Half-year 2023	Mastermyne $'000	PYBAR $'000	Total $'000
Segment revenue	146,959	87,469	234,428
Revenue from customers	**146,959**	**87,469**	**234,428**
Segment EBITDA	18,092	11,565	29,657
Depreciation and amortisation	(4,555)	(10,176)	(14,731)
Net finance costs	(2,470)	(1,552)	(4,022)
Reportable Segment profit/(loss) before income tax	**11,067**	**(163)**	**10,904**
Total segment assets			
31 December 2023	110,498	75,784	186,282
Total segment liabilities			
31 December 2023	67,260	74,527	141,787

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:

	Half-year 31 December 2023 $'000	31 December 2022 $'000
Contract mining services	221,831	242,537
Sale of goods	3,563	3,274
Machinery hire	9,034	13,440
	234,428	259,251

(b) Assets and liabilities related to contracts with customers

	31 December 2023 $'000	30 June 2023 $'000
Contract liability - income received in advance	21	33
Total contract liabilities	21	33

5 Profit and loss information

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

Material profit or loss items

	Notes	Half-year 31 December 2023 $'000	31 December 2022 $'000
Gains			
Government grants and subsidies (i)		269	1,530
Gain on disposal of plant and equipment (ii)	8	4,154	-
		4,423	1,530
Impairment losses			
Impairment of goodwill, brand and customer relationships		-	(24,644)
Impairment of Crinum assets (iii)			
Contract assets and accrued revenue		-	(8,021)
Trade receivables		-	(464)
Property, plant and equipment	9	(90)	(1,672)
Inventory		-	(973)
Impairment of PYBAR assets			
Inventory		-	(4,269)
Property, plant and equipment		-	(1,790)
Impairment of Thalanga assets			
Trade receivables		-	(5,676)
Customer relationships		-	(1,417)
Impairment of property, plant and equipment (iv)	9	(772)	-
Impairment of trade receivables subject to ongoing claim		-	(1,500)
		(862)	(50,426)
Expenses			
Impact of Crinum incident		-	(8,064)
Consulting and legal fees relate to the Crinum and Moranbah North Mine incident		-	(319)
Onerous contract expense relating to Cook (v)		(237)	-
		(237)	(8,383)

(i) Government grants and subsidies

Income from government grants and subsidies are included in other income in the statement of comprehensive income.

5 Profit and loss information (continued)

Material profit or loss items (continued)

(ii) Gain on disposal of plant and equipment

The Group completed the sale of major equipment which was held for sale at 30 June 2023. Surplus assets with a book value of $27,935,000 were sold with proceeds from sale of $32,018,000 used to repay related debt and fund working capital requirements. Gains on disposal of plant and equipment are included in other income in the statement of comprehensive income.

(iii) Impairment of Crinum assets

The Crinum Mine Operations contract was terminated in October 2022 with a deed of release and settlement finalised subsequent to period end. 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. The remaining equipment was reassessed during the period and written down to recoverable value.

(iv) Impairment of Property, Plant and Equipment

Following a management review of equipment the written down value of an idle asset was determined to exceed its recoverable value and an impairment was recognised accordingly.

(v) Onerous contract expense relating to Cook

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.

Finance income and costs

	Half-year	
	31 December 2023 $'000	31 December 2022 $'000
Finance income		
Finance income	73	51
Finance income - sublease	4	-
	77	51
Finance costs		
Finance costs paid/payable for lease liabilities	(424)	(419)
Finance costs paid/payable for borrowings	(3,243)	(3,350)
Deferred consideration: unwinding of discount	(432)	(398)
	(4,099)	(4,167)
Net finance costs	(4,022)	(4,116)

6 Income tax expense

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

	Half-year	
	31 December 2023 $'000	31 December 2022 $'000
Profit/(loss) from operations before income tax expense	10,904	(73,442)
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	3,271	(22,033)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	-	6,334
Other non-deductible expenses	20	(93)
Under/(over) provision of previous year	-	(9)
Derecognition of deferred tax asset for transferred tax losses	-	5,821
	3,291	(9,980)
Previously unrecognised tax losses used to reduce deferred tax expense (refer note)	(2,428)	-
Previously unrecognised tax losses now recouped to reduce current tax expense	(863)	-
Income tax expense/(benefit)	-	(9,980)

(b) Deferred tax balances

	31 December 2023 $'000	30 June 2023 $'000
Tax losses - Group	5,529	3,101
Employee benefits	5,284	6,015
Accruals	1,503	3,592
Capital raising	863	915
Lease liabilities	3,454	4,241
Receivables	156	758
Inventory	206	197
Total deferred tax assets	16,995	18,819
Unbilled revenue	(6,911)	(6,652)
Property, plant and equipment	(6,548)	(7,451)
Intangible assets	(549)	(994)
Right-of-use assets	(2,987)	(3,722)
Total deferred tax liabilities	(16,995)	(18,819)
Net deferred tax assets / (liabilities)	-	-

7 Cash and cash equivalents

	31 December 2023 $'000	30 June 2023 $'000
Cash on hand	4	4
Bank balances	3,305	12,898
Cash and cash equivalents	3,309	12,902

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

	31 December 2023 $'000	31 December 2022 $'000
Profit/(loss) for the period	10,904	(63,462)
Adjustment for		
Depreciation	13,180	16,949
Amortisation of intangible assets	1,551	2,343
Impairment of property, plant and equipment	862	3,462
Impairment of goodwill and other intangibles	-	26,061
Impairment and write-off of trade debtors	-	7,640
Provision for expected credit losses	-	344
Fair value adjustment - contingent consideration	-	(15)
Net (gain)/loss on early termination of leases	31	429
Write-off of pre-production costs and accrued revenue	-	8,021
Impairment of inventory	-	4,269
Write-off of inventory	-	973
Net (gain)/loss on sale or loss of current and non-current assets	(4,154)	261
Non-cash employee benefits expense - share-based payments	75	(234)
Net finance expense	4,022	4,116
Income tax expense	-	(9,980)
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	(6,422)	481
(Increase)/decrease in contract assets	-	(5,987)
(Decrease)/increase in contract liabilities	(12)	(176)
(Increase)/decrease in inventory	(2,439)	(3,776)
(Decrease)/increase in trade and other payables	(13,944)	5,300
(Decrease)/increase in employee benefits	(2,460)	(2,939)
Increase/(decrease) in provisions	(6,584)	(415)
Interest paid	(3,842)	(3,409)
Interest received	77	51
Income taxes refunded/(paid)	-	12,537
Net cash inflow (outflow) from operating activities	(9,155)	2,844

7 Cash and cash equivalents (continued)

	31 December 2023 $'000	31 December 2022 $'000
Acquisition of right-of-use assets	245	3,307

8 Assets classified as held for sale

(a) Assets and liabilities classified as held for sale

Assets held for sale at 30 June 2023 with a book value of $26,576,000 were sold during the half year period and a further $3,055,000 was transferred to property, plant and equipment as the assets were returned to operation for new contracts. The remaining assets held for sale at 31 December 2023 are being actively marketed and the sales are expected to be completed before the end of December 2024.

The assets held for sale were measured at lower of carrying amount and fair value less cost to sell at the time of the reclassification. The fair value of the assets was determined using the current prices of similar assets in the market adjusted for some differences where necessary.

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

	31 December 2023 $'000	30 June 2023 $'000
Assets classified as held for sale		
Property, plant and equipment	4,284	33,906

	31 December 2023 $'000	30 June 2023 $'000
Liabilities directly associated with assets classified as held for sale		
Borrowings	2,842	30,499

9 Property, plant and equipment

	31 December 2023 $'000	30 June 2023 $'000
Plant and equipment		
Gross value	111,718	119,939
Accumulated depreciation and impairment	(65,764)	(68,867)
	45,954	51,072
Motor vehicles		
Gross value	3,748	4,056
Accumulated depreciation and impairment	(2,685)	(2,425)
	1,063	1,631
Leasehold improvements		
Gross value	1,050	1,050
Accumulated depreciation and impairment	(636)	(519)
	414	531
Computer equipment		
Gross value	2,283	2,210
Accumulated depreciation and impairment	(1,786)	(1,672)
	497	538
	47,928	53,772

Reconciliation of carrying amounts

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Computer equipment $'000	Total $'000
Period ended 31 December 2023					
Opening net book amount	51,072	1,631	531	538	53,772
Additions	3,226	-	-	73	3,299
Net transfers from assets held for sale (Note 8)	3,055	-	-	-	3,055
Disposals	(1,103)	(86)	-	-	(1,189)
Depreciation charge	(9,434)	(482)	(117)	(114)	(10,147)
Impairment loss (Note 5)	(862)	-	-	-	(862)
Closing net book amount	45,954	1,063	414	497	47,928

10 Intangible assets

	31 December 2023 $'000	30 June 2023 $'000
Goodwill		
Gross value	31,435	31,435
Accumulated impairment	(21,111)	(21,111)
	10,324	10,324
Software		
Gross value	1,118	1,118
Accumulated amortisation	(532)	(449)
	586	669
Intellectual property		
Gross value	321	321
Accumulated amortisation	(321)	(321)
	-	-
Customer relationships		
Gross value	9,770	9,770
Accumulated amortisation and impairment	(8,797)	(7,357)
	973	2,413
Exclusive distribution rights		
Gross value	991	991
Accumulated amortisation	(239)	(211)
	752	780
Brand		
Gross value	3,435	3,435
Accumulated amortisation and impairment	(3,435)	(3,435)
	-	-
	12,635	14,186

10 Intangible assets (continued)

Reconciliation of carrying amounts

	Goodwill $'000	Software $'000	Customer relationships $'000	Exclusive distribution rights $'000	Total $'000
Period ended 31 December 2023					
Opening net book amount	10,324	669	2,413	780	14,186
Amortisation charge	-	(83)	(1,440)	(28)	(1,551)
Closing net book amount	10,324	586	973	752	12,635

11 Borrowings

	31 December 2023 $'000	30 June 2023 $'000
Current - Secured		
Invoice finance facility	30,018	19,573
Equipment finance facilities	16,986	17,548
	47,004	37,121
Current - Unsecured		
Shareholder loan (note 14)	2,308	-
Other loans	399	3,565
	2,707	3,565
Current - Total	49,711	40,686
Non-current - Secured		
Equipment finance facilities	10,279	15,423
	10,279	15,423

11 Borrowings (continued)

Finance arrangements

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

	31 December 2023		30 June 2023	
	Facility Limit $'000	Undrawn Amount $'000	Facility Limit $'000	Undrawn Amount $'000
31 December 2023				
Overdraft Facility *(i)*	-	-	6,000	6,000
Invoice Finance Facility *(ii)*	40,000	9,982	42,500	22,927
Equipment Finance Facilities *(iii)*	70,725	40,618	108,768	45,298
Other Finance Facilities	2,707	-	3,598	-
Bank Guarantee Facility	1,780	347	1,780	473
Corporate Credit Card Facility	970	953	970	925
Total	116,182	51,900	163,616	75,623

(i) Overdraft facility

On 31 August 2023, the overdraft facility was cancelled.

(ii) Invoice finance facility

The Group has two invoice finance facilities held with Westpac with a combined limit of $40,000,000. The facilities have a draw down allowance of 80% of approved debtors. The undrawn amount has been determined as the difference between the facility limit and the drawn balance. Given the inherent nature of invoice finance facilities, the amount available to draw on a given day varies with the value of qualifying invoices. The facilities are due to mature on 30 September 2024.

The facilities are subject to a variable rate of interest and are Australian dollar denominated.

Refer to Note 16 for details of variations to facility limit subsequent to period end.

(iii) Equipment finance facility

The Group has equipment finance facilities with various financiers.

An Australian dollar denominated equipment finance facility, with a balance of $2,080,000 at 31 December 2023, is subject to a variable rate of interest and scheduled to mature on 31 March 2024.

The remaining 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.

12 Provisions

	31 December 2023 $'000	30 June 2023 $'000
Onerous Contract Provision	472	7,728

Cook Onerous Contract

At reporting date a provision of $472,000 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 by the end of the financial year.

13 Equity

Ordinary Shares

On 28 September 2023 the Company successfully completed an entitlement offer. The entitlement offer allowed eligible shareholders in the Company the opportunity to subscribe for 1 new share for every 5.2 existing shares held in Metarock as at 17 May 2023 at the offer price of $0.15 per new share.

On 2 October 2023, 5,075,465 ordinary fully paid shares were issued.

(i) Movements in ordinary shares:

Details	Number of shares (thousands)	Total $'000
Opening balance 1 July 2023	300,992	111,180
Conditional placement	5,075	761
Balance as at 31 December 2023	306,067	111,941

Unissued Shares

On 14 November 2023 the proposed issue of ordinary shares to Non-Executive Directors were approved at the 2023 Annual General Meeting. The Company granted 153,095 ordinary shares to each of the three Non-Executive Directors at $0.135 per share.

Performance Rights

On 14 November 2023 the proposed issue of performance rights to Mr. J Romcke was approved at the 2023 Annual General Meeting. The Company granted 4,514,868 performance rights on 14 November 2023. The performance rights will vest on 6 September 2025 subject to the vesting conditions being met.

14 Related party 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.

Paul Rouse ceased to be a director on 6 September 2023. Transactions with Paul Rouse and his related entities comprise those amounts derived/incurred from 1 July 2023 to 6 September 2023.

Key management personnel and director transactions

The following transactions occurred with related parties:

	Half-year	
	31 December 2023 $	31 December 2022 $
Sales of goods and services		
Administration services (i)	15,000	41,000
Purchases of goods and services		
Rent of 45 River St (ii)	162,151	134,583
Rent of 56A Grosvenor Drive (iii)	15,340	14,820
General plumbing repairs	-	4,554
Software and IT consulting services and software licencing (iv)	369,703	543,815
Rent of premises in Orange NSW (v)	137,245	409,199
Interest on deferred consideration (vi)	148,567	297,134

	31 December 2023 $	30 June 2023 $
Amounts recognised as payables		
Rent of 45 River St (ii)	24,785	-

(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 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.

(iii) 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.

14 Related party transactions (continued)

Key management personnel and director transactions (continued)

(iv) 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.

(v) The Group leases the following premises in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse: 1688 Forest Road; 23 Huntley Road. Amounts paid are at arm's length and are due and payable under normal payment terms.

(vi) The Group incurred interest costs at a rate of 10%, increasing to 12.25% from September 2023, on the deferred consideration following the execution of an agreement to defer payment. Interest is payable monthly in arrears and monthly principal payments are required commencing January 2024 and ending with the final payment in July 2024.

Other related parties

The following transactions occurred with related parties:

	Half-year	
	31 December 2023 $	31 December 2022 $
Sales of goods and services		
Equipment hire income (i)	396,429	-
Loans from related parties		
Borrowing costs on shareholder loan (ii)	307,692	-

	31 December 2023 $	30 June 2023 $
Amounts recognised as receivables		
Equipment hire income (i)	107,143	-
Amounts recognised as borrowings		
Shareholder loan (ii)	2,307,692	-

(i) The Group has entered into Equipment Hire Agreement with M Mining Pty Ltd. M Mining Pty Ltd is a subsidiary of M Mining Services Pty Ltd, a substantial shareholder of the Group. The amounts received are at arm's length and are subject to normal payment terms.

14 Related party transactions (continued)

Other related parties (continued)

(ii) 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. If on the date on which the loan is repaid in full, the aggregate of all fees and interest accrued and/or paid by the Group under the Facility Agreement is less than the Minimum Earn amount of $1,000,000 the Group must pay to M Mining Services Pty Ltd an amount equal to the Minimum Earn Amount.

M Mining Services Pty Ltd is a substantial shareholder of the Group and the terms and conditions of the loan was on an arm's length basis.

15 Contingencies

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.

The Office of the Work Health and Safety Prosecutor has laid a charge and served a summons on Mastermyne Contracting Services Pty Ltd after the RSHQ investigation into the tragic incident at the Moranbah North Mine in March 2022 which fatally injured an experienced Mastermyne employee. Because the Court will now consider the charge, it is not appropriate for the Company to make further public comments about the incident until the conclusion of legal proceedings. The maximum financial penalty which may be awarded against the Company is approximately $2,000,000. No amount has been reflected in this regard in the statement of financial position due to the matter’s contingent status, combined with potential mitigation through the Company’s insurance program.

Contingent assets

In connection with the Falcon Mining Pty Ltd claim noted above, during the financial year ended 30 June 2023, trade and other receivables of $1,751,000 were impaired in full as the customer has exercised a contractual right to off-set the receivable against their damages. The Company is currently preparing for legal proceedings to pursue recovery of the customer receivable from insurers under the terms of the policies held. The legal counsel's advice on the matter is that it is probable the judgment will be favourable. At 31 December 2023 the Company has not recognised a contingent asset associated with the potential insurance claim as receipt of the amount is dependent on the outcome of court proceedings.

16 Events occurring after the reporting period

Variations to Westpac facility limit

Effective 1 January 2024, the combined limit of $40,000,000 reduces to $37,500,000 and a draw down allowance changes from 80% to 75% of approved debtors. The facility limits and draw down allowance rate both step down further at 1 April 2024 to $35,000,000 and 70% respectively and at 1 July 2024 to $32,500,000 and 65% respectively.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 2 to 33 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Metarock Group Limited will be able to pay its debts as and when they become due and payable.

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

Mr. J Romcke
Executive Chairman

Brisbane
28 February 2024

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

For personal use only

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Metarock Group Limited, the 'Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 annual 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 review report.

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 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 conclusion is not modified in respect of his matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners
PITCHER PARTNERS

J. Evans
JASON EVANS
Partner

Brisbane, Queensland
28 February 2024

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