METAROCK

Metarock Group Limited
and its Controlled Entities

ABN 96 142 490 579
Interim Financial Report 31 December 2022

METAROCK

Interim Financial Report 31 December 2022

Contents

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ABN: 96 142 490 579

Appendix 4D

Results for announcement to market for the period ending 31 December 2022

Name of Entity Metarock Group Limited
ABN 96 142 490 579

	31 Dec 2022 $000	31 Dec 2021 $000	Movement $000	Movement %
Revenue from Ordinary Activities	259,251	178,661	80,590	45.1%
Net profit/(loss) after tax from Ordinary Activities attributable to owners of the entity	(63,462)	(3,707)	(59,755)	
Earnings per share attributable to owners of the entity				
Basic earnings per share (cents)	(48.4)	(3.2)	(45.2)	
Diluted earnings per share (cents)	(48.4)	(3.2)	(45.2)	

Dividends

No interim dividend was declared for the period ended 31 December 2022

Net Tangible Asset Backing

	31 Dec 2022	30 Jun 2022
Net tangible assets per ordinary share ($)	0.03	0.30

Additional information supporting the Appendix 4D disclosure requirements can be found in the Interim Financial Report for the half year which contains the Director's Report and the 31 December 2022 Financial Statements and accompanying notes.

This report is based on the consolidated financial statements for the half year ended 31 December 2021, which have been reviewed by Pitcher Partners and includes reference to a Material Uncertainty related to Going Concern.

The Director's 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 2022.

1 Directors

The following persons were Directors of Metarock Group Limited during the whole of the half-year and up to the date of this report. The Directors were in office for the entire period unless otherwise stated.

Mr. C Bloomfield
Mr. A Watts
Mr. G Meena
Ms. J Whitcombe
Mr. P Rouse

Mr. A Caruso was the Managing Director from the beginning of the financial year until his resignation on 19 October 2022.

Mr. P Green was appointed Managing Director on 19 October 2022 and continues in office at the date of this report.

Company secretary

The Company Secretary is Mr. A Ritter. He was appointed to the position of Company Secretary on 7 October 2022 following the resignation of Mr. B Maff on the same date.

Chief Financial Officer

Mr. J Whiteman was appointed as the Chief Financial Officer on 28 November 2022 following the resignation of Mr B. Maff on 7 October 2022.

2 Operating and financial review

Results

Overview

During the six-month period ended 31 December 2022, Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company" of "the Group") has entered a period of consolidation following a phase of rapid growth over the preceding 12 months, during which time, the Company entered the hard rock sector through the acquisition of PYBAR and commenced two 'whole of mine' operations contracts in the coal sector. While the Company's founding coal contracting business has continued to perform strongly, several adverse events over the past 18 months have placed significant financial strain on the Company. These events include: protracted recovery work following the roof fall incident at Crinum (Sojitz) 'whole of mine' contract coupled with a dispute with the client and termination of the contract; operational losses on the Peak (Aurelia) mining services contract; and losses suffered on the Thalanga (Cromarty Resources) mining services contract as a result of the mine owner entering Administration.

Subsequent to the period end, the dispute in relation to Crinum has been settled with the client and termination of the Peak contract effective 31 March 2023 has been mutually agreed with the client.

The termination of the Crinum, Peak and Thalanga contracts has caused significant write-offs which have materially impacted the Group's results for the half-year ended 31 December 2022, which is discussed in further detail in this Report.

2 Operating and financial review (continued)

Results (continued)

Overview (continued)

As a result of the focus on consolidation of operations, an organisational review was completed during the half-year resulting in the appointment of Mr Paul Green as the new Managing Director and, separately, Mr Jeff Whiteman was appointed as Chief Financial Officer in the period. As part of the refocused strategy, the Company is implementing a plan to improve the working capital position, reduce costs and return the Company to profitability.

The Company had invested heavily in overhauling mining equipment for the Crinum contract and following termination of the latter, Metarock has prioritised the sale of this equipment to improve the Company's working capital and debt position. The sale of the first panel of equipment was completed on 23 February 2023 and negotiations are continuing for the sale of a further two panels. In addition, the Company has commenced a sales process of idle equipment in the hard rock business to further reduce debt.

Pleasingly, Metarock has continued to win new business with contract terms that reflect current market dynamics to protect against increasing input costs and the impact of labour shortages. Contracts secured during the half-year include:

- PYBAR achieved a contract extension at Eloise Copper Mine for a further four-year term;
- Mastermyne was awarded a new contract with Narrabri Coal for a two-year term (with a two-year option);
- Mastermyne achieved a contract extension with Anglo American for a further two-year term;
- PYBAR was awarded a new contract with Malabar Resources for drift construction at the Maxwell mine; and
- PYBAR was awarded a new contract with MMG Limited at the Rosebery Mine for a three-year term.

The Group has increased revenue by 45% during the half year as a result of a full six months contribution from the Cook mining contract and the PYBAR business.

Statutory Results

The below table outlines the Statutory Results for 1H FY2023 compared to the prior corresponding period.

	Statutory Results H1 FY23 $'000	Statutory Results H1 FY22 $'000	Movement $'000
Revenue & other income	261,672	180,380	81,292
EBITDA	(50,034)	8,684	(58,718)
Depreciation	(16,949)	(11,007)	(5,942)
EBITA	(66,983)	(2,323)	(64,660)
Amortisation	(2,343)	(1,147)	(1,196)
Net finance costs	(4,116)	(1,153)	(2,963)
Profit/(loss) before tax	(73,442)	(4,623)	(68,819)
Income tax (expense)/benefit	9,980	916	9,064
Net profit/(loss) after tax	(63,462)	(3,707)	(59,755)

2 Operating and financial review (continued)

Results (continued)

Overview (continued)

The result for 1H FY2023 have been significantly impacted by a number of write-offs required during the half-year, totalling $58,809,000 (refer notes 1-3 under the Normalised Results table below for further details of these write-offs). EBITDA for the 1H (before write-offs) totalled $8,775,000, which was comparable to the prior period. The EBITDA margin achieved (before write-offs) of 3.4% was significantly below expectations as a result of under performance in the PYBAR business, higher Group overheads and slower ramp up of the Cook operations contract due to labour shortages.

Normalised Results

The below table outlines the Statutory Results to Normalised Results, showing the impact of the non-recurring write-offs incurred during the half-year.

	Statutory Results H1 FY23 $'000	Crinum Impact (Note 1) $'000	PYBAR Impact (Note 2) $'000	Other Impacts (Note 3) $'000	Normalised Results H1 FY23 $'000	Normalised Results H1 FY22 $'000
Revenue & other income	261,672	(6,158)	-	-	255,514	180,380
EBITDA	(50,034)	19,194	37,796	1,819	8,775	16,613
Depreciation	(16,949)	-	-	-	(16,949)	(11,007)
EBITA	(66,983)	19,194	37,796	1,819	(8,174)	5,606
Amortisation	(2,343)	-	-	-	(2,343)	(1,147)
Net finance costs	(4,116)	-	-	-	(4,116)	(1,153)
Profit/(loss) before tax	(73,442)	19,194	37,796	1,819	(14,633)	3,306
Income tax (expense)/benefit	9,980	(5,758)	(5,006)	(546)	(1,330)	(1,123)
Net profit/(loss) after tax	(63,462)	13,436	32,790	1,273	(15,963)	2,183

Notes to above table:

(1) The Crinum contract termination and subsequent settlement agreement announced on 17 February 2023 has 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 for the half-year (refer Note 5 (ii) for further details). In addition, ongoing expenses of $8,064,000 relating to the Crinum incident and subsequent recovery were also incurred during the half-year which will not be recovered (refer Note 5 (vi)).

2 Operating and financial review (continued)

Results (continued)

Overview (continued)

(2) 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 $6,059,000 during the half-year (refer Note 5 (iii)). 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 (refer Note 5 (iv). Due to the underperformance of the PYBAR operations during the last twelve months, Metarock has revised the value in use assumptions which reflected a recoverable value of less than the carrying value of the Pybar CGU. This has resulted in a write-off of capitalised goodwill and brand related costs of $24,644,000 during the half-year (refer Note 5).

(3) Other impacts during the half-year relate to legal and consulting costs associated with the Moranbah North and Crinum mine incidents (refer Note 5 (v)) and other bad debt write-offs in Falcon Mining operations (refer Note 5 (vii)).

Balance sheet and cashflow

The net assets of the Group decreased from $83,187,000 (30 June 2022) to $19,491,000 at 31 December 2022, primarily due to the balance sheet write-offs of goodwill, other intangible assets, inventory and debtors noted above.

The total assets of the Group decreased by $55,745,000 to $243,408,000 due to the write-off of unrecoverable balances following the termination of the Thalanga and Crinum contracts and recognition of an impairment loss of $24,644,000 on the goodwill and other intangible assets related to the acquisition of PYBAR.

The total liabilities of the Group increased by $7,951,000 to $223,917,000 (30 June 2022: $215,966,000) as a result of: further drawdown of equipment finance facilities (to fund overhauled equipment for the Crinum contract) which is now being prioritised for sale; and increased invoice finance balances at 31 December 2022. The balance of debt facilities drawn at 31 December 2022 was $99,036,000, an increase of $15,028,000 from 30 June 2022. In addition, the Company accrued unpaid tax liabilities of $22,482,000 during the half year to 31 December 2022 that were the subject of an ATO repayment plan (approved in January 2023). The Company intends to reduce debt levels in the short-term via the sale of Crinum assets and other Group surplus assets, which have a carrying value of $28,572,000 (reclassified to assets held for sale) at 31 December 2022.

The overall cash position at 31 December 2022 decreased to $3,616,000 (30 June 2022: $5,229,000).

2 Operating and financial review (continued)

Results (continued)

Balance sheet and cashflow (continued)

The cash flow movements were as follows:

	31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities	2,844	19,532
Cash flows from investing activities	(15,363)	(32,850)
Cash flows from financing activities	10,906	2,083
Net movement in cash	(1,613)	(11,235)
Cash at the beginning of the period	5,229	24,389
Cash at the end of the period	3,616	13,154

Net cash inflows from operating activities for the half-year ended 31 December 2022 of $2,844,000 (half-year ended 31 December 2021: inflows of $19,532,000), decreased due to the cessation of the Thalanga and Crinum contracts resulting in a write-off of $14,161,000 in debtors, unbilled revenue and pre-production costs which did not convert to cash during the half-year, increased payments to suppliers and employees due to the full year impact of the acquisition of PYBAR, and increased contract costs of the PYBAR business not recoverable from clients, partially offset by a $12,537,000 income tax refund.

Net cash outflows from investing activities for the half-year ended 31 December 2022 of $15,363,000 (half-year ended 31 December 2021: outflows of $32,850,000), decreased due to the acquisition of PYBAR in the prior period and lower capital expenditure in the current half-year.

Net cash inflows from financing activities for the half-year ended 31 December 2022 of $10,906,000 (half-year ended 31 December 2021: inflows of $2,083,000), increased due to higher net proceeds from borrowings. Offset by nil dividend paid in the half-year.

Outlook

The Group's order book currently stands at $1.1 billion with approximately $210 million to be delivered 2HFY23. 83% of the FY2023 revenue is under contract with approximately $0.9 billion of order book revenue remaining post FY2023. The tendering pipeline currently stands at nearly $900 million with Coal Contracting contributing $456 million, Mine Operations $55 million and Hard Rock Contracting $377 million. The Company views the outlook for commodity prices to remain at attractive levels and will see mining services contractors continue to benefit from strong resource sector tailwinds. Pre-production exposed mining services (drilling, engineering, construction) are currently experiencing strong results and production exposed businesses like the Metarock Group will benefit from current development activity.

2 Operating and financial review (continued)

Results (continued)

Events occurring after balance date

- On 24 February 2023, the Group executed an agreement to extend its existing invoice financing facilities and bank overdraft facility, which were due to mature on 31 March 2023, to 30 September 2023. As part of the extension the limits of the facilities were amended as follows effective 28 February 2023:

	Limit at 31 December 2022 $'000	Limit reduction	Limit at 24 February 2023 $'000
Overdraft facility	10,000	(4,000)	6,000
Invoice finance facility	50,000	(7,500)	42,500
Total	60,000	(11,500)	48,500

- In addition to above, the Multi Option Credit Line limit, which consists of the Bank Guarantee and the Corporate Credit Card Facilities, was reduced by $250,000 to a combined limit of $2,750,000. The facility remains payable on demand. The facility extensions are subject to typical conditions precedent including finalisation of full-form documentation, which are well progressed as at the date of this report.
- On 23 February 2023 the Group completed the sale of the first panel of major equipment which was held for sale at reporting date. The net book value of the assets sold amounted to $11,392,000 as at 31 December 2022 and are disclosed as Assets classified as held for sale in the Consolidated Balance Sheet. The proceeds from the sale were used to repay $10,407,000 of related debt, with the balance used to fund working capital requirements.
- In January 2023, the directors of Metarock Group Limited decided to add further excess plant and equipment to the asset sale program. The assets are being actively marketed and the sales are expected to be completed before the end of December 2023. The net book value at 31 December 2022 for assets sold post period end amounts to $1,613,000 and is disclosed as Property, Plant and Equipment in the Consolidated Balance Sheet. Proceeds received for completed sales were used to repay $54,000 of related debt and the balance to fund working capital requirements.
- On 20 February 2023, the Group executed a deed of release and settlement with a subsidiary of Sojitz Corporation outlining the full and final settlement of all existing and potential claims in relation to the Gregory Crinum project.
- On 3 March 2023, the Group mutually agreed with the client to terminate the Peak Underground Mine Development and Stoping contract with effect from 31 March 2023.
- On 16 March 2023, the Group entered into a Subscription Agreement with M Mining Services, as trustee for the M Mining Services Trust, an affiliate of M Resources. The Subscription Agreement relates to a conditional placement of 166,666,667 shares at a subscription price of $0.15 per share. The shares will be accompanied by 51,282,051 options (1 for 3.25) with an exercise price of $0.23 per option. The placement, which will raise $25.0 million (before transaction costs) is conditional upon shareholders approval, with the Extraordinary General Meeting for the shareholder vote expected to be held in May 2023.

2 Operating and financial review (continued)

Results (continued)

- The recapitalisation plan also includes an entitlement offer of up to 26,000,000 shares at the same issue price of $0.15 per share and accompanied by up to 8,000,000 options (1 for 3.25) on the same terms as the options issued under the placement. The entitlement offer will raise up to $3.9 million (before transaction costs). In the event that all options were to be exercised, an additional $13.6 million of equity would be raised. The expiry date of the options is 31 May 2028 and the options can be exercised at any point prior to that date.
- In addition to the above equity raisings, the Group entered a $10.4 million Facilities Agreement on 16 March 2023 with M Mining Services in relation to the provision of short term loan facilities to assist in bridging any potential working capital shortfalls that may arise prior to completion of the conditional placement
- In January 2023, the Australian Taxation Office approved payment plans for GST and Pay-As-You-Go Withholding tax obligations arising from 1 September 2022 to 30 November 2022. The payment plan requires that these liabilities are paid in monthly instalments commencing January 2023 and ending December 2023.

3 Dividends

No dividend has been declared by the Directors for the period.

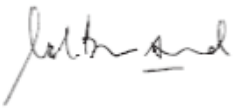
4 Auditor's independence declaration

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

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. C Bloomfield
Director

Brisbane
17 March 2023

PITCHER PARTNERS

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The Directors
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Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2022, 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
17 March 2023

Metarock Group Limited
Condensed consolidated statement of comprehensive income
For the half-year 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Revenue from contracts with customers	4(a)	259,251	178,661
Other income		2,421	1,719
Personnel expenses		(175,279)	(125,114)
Contract disbursements		(74,782)	(39,882)
Depreciation and amortisation expense		(19,292)	(12,154)
Impairment loss	5	(50,426)	-
Other expenses		(2,947)	(1,312)
Office expenses		(8,272)	(5,388)
Results from operating activities		(69,326)	(3,470)
Finance income	5	51	7
Finance expenses	5	(4,167)	(1,160)
Net finance expense		(4,116)	(1,153)
Loss before income tax		(73,442)	(4,623)
Income tax benefit	6	9,980	916
Loss for the period		(63,462)	(3,707)
Total comprehensive loss for the period		(63,462)	(3,707)
		Cents	Cents
Loss per share for profit attributable to the ordinary equity holders of the Company:			
Basic loss per share		(48.4)	(3.2)
Diluted loss per share		(48.4)	(3.2)

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

Metarock Group Limited
Condensed consolidated balance sheet
As at 31 December 2022

	Notes	31 December 2022 $'000	30 June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	3,616	5,229
Trade and other receivables		75,577	84,042
Contract assets	4(b)	-	1,984
Inventories		19,773	21,149
Current tax receivables		-	12,299
		98,966	124,703
Assets classified as held for sale	9	28,572	-
Total current assets		127,538	124,703
Non-current assets			
Property, plant and equipment	8	75,897	110,666
Right-of-use assets		19,606	19,648
Intangible assets	10	16,111	44,136
Deferred tax assets	6	4,256	-
Total non-current assets		115,870	174,450
Total assets		243,408	299,153
LIABILITIES			
Current liabilities			
Trade and other payables		75,264	69,246
Contract liabilities	4(b)	1,875	2,051
Borrowings	11	55,792	62,981
Lease liabilities		5,994	6,127
Employee benefit obligations		20,816	23,822
Provisions		70	485
Other current liabilities		8,988	12,661
		168,799	177,373
Liabilities directly associated with assets classified as held for sale	9	22,672	-
Total current liabilities		191,471	177,373
Non-current liabilities			
Borrowings	11	20,572	21,027
Lease liabilities		11,177	11,201
Deferred tax liabilities	6	-	5,735
Employee benefit obligations		697	630
Total non-current liabilities		32,446	38,593

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

Metarock Group Limited
Condensed consolidated balance sheet
As at 31 December 2022
(continued)

	Notes	31 December 2022 $'000	30 June 2022 $'000
Total liabilities		223,917	215,966
Net assets		19,491	83,187
EQUITY			
Share capital		87,904	87,904
Other reserves		(23,942)	(23,434)
Retained earnings/ (accumulated losses)		(44,471)	18,717
Total equity		19,491	83,187

The above condensed consolidated balance sheet 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 2022

	Notes	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 $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2021		64,295	33,373	1,153	598	(24,237)	75,182	-	75,182
Loss for the half-year		-	(3,707)	-	-	-	(3,707)	-	(3,707)
Total comprehensive loss for the half-year		-	(3,707)	-	-	-	(3,707)	-	(3,707)
Transactions with owners in their capacity as owners:									
Issue of ordinary shares as consideration for Wilson Mining acquisition		1,153	-	(1,153)	-	-	-	-	-
Issue of ordinary shares as consideration for PYBAR Mining acquisition		22,281	-	-	-	-	22,281	-	22,281
Dividends provided for or paid		-	(2,246)	-	-	-	(2,246)	-	(2,246)
Shares issued or to be issued on dividends reinvested		175	(175)	-	-	-	-	-	-
Share-based payment transactions		-	-	-	216	-	216	-	216
Share options exercised/lapsed		-	321	-	(321)	-	-	-	-
		23,609	(2,100)	(1,153)	(105)	-	20,251	-	20,251
Balance at 31 December 2021		87,904	27,566	-	493	(24,237)	91,726	-	91,726

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 changes in equity
For the half-year 31 December 2022
(continued)

	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 $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2022	87,904	18,717	-	803	(24,237)	83,187	-	83,187
Loss for the half-year	-	(63,462)	-	-	-	(63,462)	-	(63,462)
Total comprehensive loss for the half-year	-	(63,462)	-	-	-	(63,462)	-	(63,462)
Transactions with owners in their capacity as owners:								
Share-based payment transactions	-	-	-	(234)	-	(234)	-	(234)
Share options exercised/lapsed	-	274	-	(274)	-	-	-	-
	-	274	-	(508)	-	(234)	-	(234)
Balance at 31 December 2022	87,904	(44,471)	-	295	(24,237)	19,491	-	19,491

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

METAROCK

Metarock Group Limited
Condensed consolidated statement of cash flows
For the half-year 31 December 2022

	Notes	Half-year 31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		280,421	207,521
Payments to suppliers and employees (inclusive of GST)		(288,587)	(184,424)
		(8,166)	23,097
Insurance recovery		301	-
Interest received		51	7
Interest paid		(3,409)	(1,101)
Income taxes refunded/paid	6	12,537	(2,471)
Receipts of government grants and subsidies	5	1,530	-
Net cash inflow from operating activities	7	2,844	19,532
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	12	-	(11,732)
Payments for property, plant and equipment	8	(13,585)	(19,006)
Proceeds from sale of property, plant and equipment		2,054	60
Payments for internally generated intangible assets	10	-	(143)
Payment of contingent consideration		(3,832)	(2,029)
Net cash outflow from investing activities		(15,363)	(32,850)
Cash flows from financing activities			
Proceeds from borrowings		36,395	12,410
Repayment of borrowings		(21,951)	(4,549)
Dividends paid to company's shareholders		-	(2,246)
Lease payments		(3,538)	(3,532)
Net cash inflow from financing activities		10,906	2,083
Net (decrease) in cash and cash equivalents		(1,613)	(11,235)
Cash and cash equivalents at the beginning of the financial year		5,229	24,389
Cash and cash equivalents at end of the half-year		3,616	13,154

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 2022 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 2022 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:

- Note 6: Derecognition of deferred tax assets; and
- Note 10: Key assumptions used in value-in-use calculations.

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.

Significant accounting policies

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 2022.

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.

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.

Although the Group generated positive net cash flows from operating activities of $2,844,000 for the half-year ended 31 December 2022 (2021: $19,532,000), a net loss after tax of $63,462,000 was incurred for the period (2021: net loss after tax of $3,707,000) and the Group has a net current deficiency of $63,933,000 for the period then ended (30 June 2022: $52,670,000).

1 Basis of preparation (continued)

Going concern (continued)

Net current deficiency	$'000
Current assets	127,538
Current liabilities	(191,471)
	(63,933)

The Board is working to improve the deficiency with the following:

- Enhancing profitability through a measured cost-out program and termination of the Peak Underground Mine Development and Stoping contract by mutual agreement with the client with effect from 31 March 2023.
- Entering into a payment plan with the Australian Taxation Office for GST and Pay-As-You-Go Withholding tax obligations arising from 1 September 2022 to 30 November 2022. The payment plan was approved in January 2023 and requires that these liabilities are paid in monthly instalments commencing January 2023 and ending December 2023.
- Divestment of idle equipment originally intended for Crinum and idle Pybar equipment with proceeds being applied to debt reduction and working capital. The sale of the first panel of major Crinum equipment completed in February 2023 as detailed in Note 15 Events occurring after the reporting period.
- On 16 March 2023, the Group entered into a Subscription Agreement with M Mining Services, as trustee for the M Mining Services Trust, an affiliate of M Resources. The Subscription Agreement relates to a conditional placement of 166,666,667 shares at a subscription price of $0.15 per share. The shares will be accompanied by 51,282,051 options (1 for 3.25) with an exercise price of $0.23 per option. The placement, which will raise $25.0 million (before transaction costs) is conditional upon shareholders approval, with the Extraordinary General Meeting for the shareholder vote expected to be held in May 2023.
- The invoice finance and overdraft facilities were scheduled to mature on 31 March 2023. Post period end, the Group executed an agreement to extend the facilities to 30 September 2023 with a reduction to the invoice facilities of $7,500,000 and overdraft of $4,000,000 effective from 28 February 2023. The facility extensions are subject to typical conditions precedent including finalisation of full-form documentation, which are well progressed as at the date of this report.
- The recapitalisation plan also includes an entitlement offer of up to 26,000,000 shares at the same issue price of $0.15 per share and accompanied by up to 8,000,000 options (1 for 3.25) on the same terms as the options issued under the placement. The entitlement offer will raise up to $3.9 million (before transaction costs). In the event that all options were to be exercised, an additional $13.6 million of equity would be raised. The expiry date of the options is 31 May 2028 and the options can be exercised at any point prior to that date.
- In addition to the above equity raisings, the Group entered a $10.4 million Facilities Agreement on 16 March 2023 with M Mining Services in relation to the provision of short term loan facilities to assist in bridging any potential working capital shortfalls that may arise prior to completion of the conditional placement.
- The Group is actively engaged in discussions with its lenders in relation to the optimal structure for its working capital facilities beyond 30 September 2023 with a good level of confidence in relation to securing ongoing facilities on commercially acceptable terms. Refer to note 11 Borrowings for details of existing facilities.

1 Basis of preparation (continued)

Going concern (continued)

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 raising additional capital.

Should the Directors not be able to manage these inherent uncertainties and successfully raise additional equity or negotiate an extension of working capital facilities for the period beyond 30 September 2023, 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.

Corporate information

The interim financial report was authorised for issue by the Board of Directors on 17 March 2023.

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 2022:

- During the period, a number of contracts were terminated that were placing financial strain on the business. 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 has necessitated significant write-offs which have materially impacted the Group's result for the half-year ended 31 December 2022.
- PYBAR's continued underperformance against acquisition targets has resulted in significant impairment on goodwill during the period.

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
  - 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.

(b) Segment information provided to the strategic steering committee

The table below shows the segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2022:

Half-year 2022	Mastermyne $'000	PYBAR $'000	Total $'000
Segment revenue	156,307	102,944	259,251
Revenue from external customers	156,307	102,944	259,251
Segment EBITDA	(13,150)	(36,884)	(50,034)
Depreciation and amortisation	(5,111)	(14,181)	(19,292)
Net finance costs	(2,381)	(1,735)	(4,116)
Reportable Segment profit/(loss) before income tax	(20,642)	(52,800)	(73,442)
Total segment assets			
31 December 2022	156,646	86,762	243,408
Total segment liabilities			
31 December 2022	134,221	89,696	223,917

4 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Half-year	
	31 December 2022 $'000	31 December 2021 $'000
Contracting revenue	242,537	167,309
Sale of goods	3,274	3,516
Machinery hire	13,440	7,836
	259,251	178,661

(b) Assets and liabilities related to contracts with customers

	31 December 2022 $'000	30 June 2022 $'000
Contract assets relating to contracting revenue	-	1,984
Total contract assets	-	1,984
Contract liability - expected refunds to customers	(1,610)	(1,800)
Contract liability - income received in advance	(265)	(251)
Total contract liabilities	(1,875)	(2,051)

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 2022 $'000	31 December 2021 $'000
Gains			
Government grants and subsidies (i)		1,530	-
Gain on disposal of plant and equipment		-	855
		1,530	855
Impairment losses			
Impairment of goodwill, brand and customer relationships	10	(24,644)	-
Impairment of Crinum assets (ii)			
Contract assets and accrued revenue		(8,021)	-
Trade receivables		(464)	-
Property, plant and equipment	8	(1,672)	-
Inventory		(973)	-
Impairment of PYBAR assets (iii)			
Inventory		(4,269)	-
Property, plant and equipment	8	(1,790)	-
Impairment of Thalanga assets (iv)			
Trade receivables		(5,676)	-
Customer relationships	10	(1,417)	-
Impairment of trade receivables subject to ongoing claim (v)		(1,500)	-
		(50,426)	-
Expenses			
Acquisition-related costs from the business combination		-	(1,133)
Impact of Crinum incident (vi)		(8,064)	(6,796)
Consulting and legal fees relate to the Crinum and Moranbah North Mine incident (vii)		(319)	(396)
Fair value adjustment to contingent consideration		-	(172)
		(8,383)	(8,497)

5 Profit and loss information (continued)

Material profit or loss items (continued)

(i) Government grants and subsidies

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

(ii) 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.

(iii) Impairment of PYBAR assets

With PYBAR's continued underperformance and the cessation of multiple contracts, a review of their assets was undertaken during the period. As a result of the review, 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 $1,790,000.

(iv) Impairment of Thalanga assets

The Thalanga Mining Services contract was terminated following the mine owner, Cromarty Resources Pty Ltd, being placed into administration followed by liquidation. Trade debtors in the amount of $5,675,000 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.

(v) Impairment of trade receivables subject to ongoing claim

During the period trade receivables related to an on-going claim described in Note 14 were impaired as they are no longer deemed recoverable.

(vi) Impact of Crinum incident

Costs associated with the Crinum incident are included in contract disbursements and personnel expenses in the statement of comprehensive income.

(vii) Consulting and legal fees related to the Crinum and Moranbah North Mine incidents

Consulting, 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.

5 Profit and loss information (continued)

Finance income and costs

	Half-year 31 December 2022 $'000	31 December 2021 $'000
Finance income		
Finance income	51	7
Finance costs		
Finance costs paid/payable for lease liabilities	(419)	(434)
Finance costs paid/payable for borrowings	(3,350)	(668)
Deferred consideration: unwinding of discount	(398)	(58)
	(4,167)	(1,160)
Net finance costs	(4,116)	(1,153)

6 Income tax expense

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

	Half-year 31 December 2022 $'000	31 December 2021 $'000
Profit/(loss) from operations before income tax expense	(73,442)	(4,623)
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	(22,033)	(1,387)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Transaction costs	-	340
Goodwill impairment	6,334	-
Other non-deductible expenses	(93)	127
Under/(over) provision of previous year	(9)	4
Derecognition of deferred tax asset for transferred tax losses	5,821	-
Income tax expense/(benefit)	(9,980)	(916)

(b) Deferred tax balances

	31 December 2022 $'000	30 June 2022 $'000
Tax losses - Group	13,643	-
Tax losses - Transferred	-	5,821
Employee benefits	6,500	7,386
Accruals	1,532	1,648
Capital raising	336	286
Lease liabilities	4,303	3,633
Receivables	660	107
Total deferred tax assets	26,974	18,881
Unbilled revenue	(6,604)	(3,881)
Property, plant and equipment	(10,457)	(11,899)
Intangible assets	(1,452)	(3,804)
Right-of-use assets	(4,109)	(3,464)
Inventory	(96)	(1,568)
Total deferred tax liabilities	(22,718)	(24,616)
Net deferred tax assets / (liabilities)	4,256	(5,735)

7 Cash and cash equivalents

	31 December 2022 $'000	30 June 2022 $'000
Cash on hand	4	4
Bank balances	3,612	5,225
Cash and cash equivalents	3,616	5,229

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

	31 December 2022 $'000	31 December 2021 $'000
Loss for the period	(63,462)	(3,707)
Adjustment for		
Depreciation	16,949	11,007
Amortisation of intangible assets	2,343	1,147
Impairment of property, plant and equipment	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	(188)
Fair value adjustment - contingent consideration	(15)	172
Fair value adjustment - onerous contracts	(415)	-
Net (gain)/loss on early termination of leases	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	261	(854)
Non-cash employee benefits expense - share-based payments	(234)	216
Net finance expense	4,116	1,152
Income tax expense	(9,980)	(916)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	481	14,014
(Increase)/decrease in contract assets	(5,987)	(3,547)
Increase/(decrease) in contract liabilities	(176)	(46)
(Increase) in inventories	(3,776)	(2,400)
Increase/(decrease) in trade and other payables	5,300	5,740
Increase/(decrease) in employee benefits	(2,939)	1,307
Interest paid	(3,409)	(1,101)
Interest received	51	7
Income taxes refunded/paid	12,537	(2,471)
Net cash inflow (outflow) from operating activities	2,844	19,532

7 Cash and cash equivalents (continued)

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

Non-cash investing and financing activities

	31 December 2022 $'000	31 December 2021 $'000
Acquisition of right-of-use assets	3,307	2,060

8 Property, plant and equipment

	31 December 2022 $'000	30 June 2022 $'000
Plant and equipment		
Gross value	156,799	177,483
Accumulated depreciation and impairment	(84,531)	(72,114)
	72,268	105,369
Motor vehicles		
Gross value	4,691	4,535
Accumulated depreciation	(2,380)	(1,768)
	2,311	2,767
Leasehold improvements		
Gross value	1,141	1,176
Accumulated depreciation and impairment	(523)	(408)
	618	768
Computer equipment		
Gross value	2,845	3,739
Accumulated depreciation	(2,145)	(1,977)
	700	1,762
	75,897	110,666

8 Property, plant and equipment (continued)

Reconciliation of carrying amounts

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Computer equipment $'000	Total $'000
Period ended 31 December 2022					
Opening net book amount	105,369	2,767	768	1,762	110,666
Additions	12,986	466	30	103	13,585
Assets classified as held for sale (Note 9)	(28,572)	-	-	-	(28,572)
Disposals	(1,141)	(155)	(22)	(997)	(2,315)
Write-off of Crinum assets	(1,672)	-	-	-	(1,672)
Depreciation charge	(12,947)	(767)	(123)	(168)	(14,005)
Impairment loss (i)	(1,755)	-	(35)	-	(1,790)
Closing net book amount	72,268	2,311	618	700	75,897

(i) Following the cessation of multiple contracts, a group of assets was impaired to their recoverable amount resulting in an impairment loss of $1,790,000 being recognised during the period.

9 Assets classified as held for sale

(a) Assets and liabilities classified as held for sale

In November 2022, the directors of Metarock Group Limited decided to sell excess plant and equipment. A group of assets were reclassified as held for sale as at 31 December 2022. The assets are being actively marketed and the sales are expected to be completed before the end of December 2023.

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 and no impairment loss was recognised. 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 2022 $'000	30 June 2022 $'000
Assets classified as held for sale		
Property, plant and equipment	28,572	-

	31 December 2022 $'000	30 June 2022 $'000
Liabilities directly associated with assets classified as held for sale		
Borrowings	22,672	-

10 Intangible assets

	31 December 2022 $'000	30 June 2022 $'000
Goodwill		
Gross value	31,435	31,056
Accumulated amortisation and impairment	(21,111)	-
	10,324	31,056
Software		
Gross value	1,119	1,119
Accumulated amortisation	(366)	(254)
	753	865
Intellectual property		
Gross value	719	719
Accumulated amortisation	(390)	(339)
	329	380
Customer relationships		
Gross value	9,770	11,753
Accumulated amortisation and impairment	(5,872)	(3,959)
	3,898	7,794
Exclusive distribution rights		
Gross value	991	991
Accumulated amortisation	(184)	(156)
	807	835
Brand		
Gross value	3,435	3,435
Accumulated amortisation and impairment	(3,435)	(229)
	-	3,206
	16,111	44,136

10 Intangible assets (continued)

Reconciliation of carrying amounts

	Goodwill $'000	Software $'000	Intellectual property $'000	Customer relationships $'000	Exclusive distribution rights $'000	Brand $'000	Total $'000
Period ended 31 December 2022							
Opening net book amount	31,056	865	380	7,794	835	3,206	44,136
Acquisition of subsidiary - measurement period adjustment (Note 12)	379	-	-	-	-	-	379
Amortisation charge	-	(112)	(51)	(1,981)	(28)	(171)	(2,343)
Impairment loss	(21,111)	-	-	(1,915)	-	(3,035)	(26,061)
Closing net book amount	10,324	753	329	3,898	807	-	16,111

	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

10 Intangible assets (continued)

(a) Goodwill impairment

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 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 or CGU's). 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).

(b) 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 prior to impairment is as follows:

	31 December 2022 $'000	30 June 2022 $'000
Mastermyne Mining	6,429	6,429
Wilson Mining	3,895	3,895
PYBAR	-	20,732
	10,324	31,056

At each reporting date, the Group conducts an assessment for any indicators of impairment on each CGU. For the 31 December 2022 and 30 June 2022 reporting periods, the recoverable amount of the 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 forecasts approved by management for 2023 and 2024 adjusted to account for the impact of available for sale assets as at period end. Cash flows beyond the 2024 financial year have been extrapolated using an average growth rate of 3.5% (30 June 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% (30 June 2022: 2.5%).

10 Intangible assets (continued)

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

Mastermyne Mining (continued)

A pre-tax discount rate of 16.56% was applied to cash flow projections (30 June 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 3.74% (30 June 2022: 3.48%), a market risk premium of 6.00% (30 June 2022: 4.79%) and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

No impairment loss was recognised.

Impact of possible changes in key assumptions

The recoverable amount of this CGU would equal its carrying amount if the following key assumptions were changed:

- Pre-tax discount rate increasing from 16.57% to 19.26%; or
- Reduction in forecast cash flow growth to 1.76% post FY24 and in the terminal growth period from 3.5% and 2.5% respectively.

PYBAR

The PYBAR calculations use cash flow projections based on financial forecasts approved by management for 2023 and 2024 . The cash flows for 2025 are reduced by 2.5% to reflect the decrease attributable to the end of a one-off contract. Beyond the 2025 financial year, cash flows are extrapolated using an average growth rate of 3.5% (30 June 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% (30 June 2022: 2.5%).

A pre-tax discount rate of 17.36% (30 June 2022: 14.36%) was applied to cash flow projections. The discount rate was estimated based on: a gearing ratio of 45% (30 June 2022: 35-40%) 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 3.74% (30 June 2022: 3.48%); a market risk premium of 6% (30 June 2022: 4.79%); and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

An impairment loss of $24,644,000 has been recognised during the period.

11 Borrowings

	31 December 2022 $'000	30 June 2022 $'000
Current		
Invoice finance facility	24,741	18,770
Equipment finance facilities	30,923	42,115
Other loans	128	2,096
	55,792	62,981
Non-current		
Equipment finance facilities	20,572	20,996
Other loans	-	31
	20,572	21,027

Finance arrangements

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

	31 December 2022		30 June 2022	
	Facility Limit $'000	Undrawn Amount $'000	Facility Limit $'000	Undrawn Amount $'000
31 December 2022				
Overdraft Facility *(i)*	10,000	9,999	10,000	10,000
Invoice Finance Facility *(ii)*	50,000	25,259	50,000	31,230
Equipment Finance Facilities *(iii)*	120,974	46,808	121,760	58,649
Other Finance Facilities	128	-	2,127	-
Bank Guarantee Facility	1,500	308	1,500	308
Corporate Credit Card Facility	1,500	1,479	1,500	1,448
Total	184,102	83,853	186,887	101,635

(i) Overdraft facility

The overdraft facility is held with Westpac and is subject to a variable interest rate. The facility is scheduled to mature 31 March 2023. Refer to note 15 for details of extensions received subsequent to period end.

(ii) Invoice finance facility

The Group has two invoice finance facilities held with Westpac, each of the facilities have a $25,000,000 limit. The facilities have a draw down allowance of 85% 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 31 March 2023. Refer to note 15 for details of extensions received subsequent to period end.

11 Borrowings (continued)

(ii) Invoice finance facility (continued)

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

(iii) Equipment finance facility

The Group has equipment finance facilities with various financiers.

Equipment facilities with a combined Australian-dollar denominated limit of $45,000,000 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. These equipment finance facilities are carried at amortised cost.

The progressive payment arrangement is subject to a variable rate of interest which is accrued and/or paid monthly in arrears. This facility is classified as a current liability as no assets funded under this arrangement had converted to a term finance arrangement as at period end. The term finance facilities are amortising facilities, repayable monthly in arrears and are subject to a fixed rate of interest. The term and interest rate applicable to the term finance facilities are determined at the commencement of each term finance arrangement.

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 Business combination

(a) Current period

(i) AIM Acquisition

On 1 December 2022 Mynesight Pty Ltd acquired 100% of the shares of Australia Institute of Mining Pty Ltd for $60.

The Company is a Registered Training Organisation.There were no asset and liabilities at the date of acquisition.

(b) Prior period

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:

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

12 Business combination (continued)

(b) Prior period (continued)

Purchase price accounting has been finalised. The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	Final 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
	42,515

(i) Provisional values adjustments

During finalisation of the acquisition values the fair value of following assets and liabilities was revised.

	Provisional Values 30 June 2022 $'000	Measurement Period Adjustments $'000	Final fair values 31 December 2022 $'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 remained 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 the arrangement, interest is payable monthly in arrears at a rate of 10% per annum with payments commencing 1 October 2022.

12 Business combination (continued)

(b) Prior period (continued)

(iii) Wilson Acquisition

During the reporting period 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.

13 Related party transactions

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

- Nucanopi Pty Limited as trustee of 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 of the ALAR Family Trust, related parties of Paul Rouse.

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

Refer to Note 12 Business combination for further details.

14 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.

During the period, trade receivables due from the customer with a value of $1,500,000 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 on Contingent Assets 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 judgment will be favourable. The contingent asset related to the insurance payout has not been recognised at 31 December 2022 as receipt of the amount is dependent on the outcome of the court proceedings.

15 Events occurring after the reporting period

Extension of Westpac facilities

On 24 February 2023, the Group executed an agreement to extend its existing invoice financing facilities and bank overdraft facility, which were due to mature on 31 March 2023, to 30 September 2023. As part of the extension the limits of the facilities were amended as follows effective 28 February 2023:

	Limit at 31 December 2022 $'000	Limit reduction	Limit at 24 February 2023 $'000
Overdraft facility	10,000	(4,000)	6,000
Invoice finance facility	50,000	(7,500)	42,500
Total	60,000	(11,500)	48,500

In addition to above, the Multi Option Credit Line limit, which consists of the Bank Guarantee and the Corporate Credit Card Facilities, was reduced by $250,000 to a combined limit of $2,750,000. The facility remains payable on demand.

The facility extensions are subject to typical conditions precedent including finalisation of full-form documentation, which are well progressed as at the date of this report.

Assets held for sale

On 23 February 2023 the Group completed the sale of the first panel of major equipment which was held for sale at reporting date. The net book value of the assets sold amounted to $11,392,000 as at 31 December 2022 and are disclosed as Assets classified as held for sale in the Consolidated Balance Sheet. The proceeds from the sale were used to repay $10,407,000 of related debt, with the balance used to fund working capital requirements.

In January 2023, the directors of Metarock Group Limited decided to add further excess plant and equipment to the asset sale program. The assets are being actively marketed and the sales are expected to be completed before the end of December 2023. The net book value at 31 December 2022 for assets sold post period end amounts to $1,613,000 and is disclosed as Property, Plant and Equipment in the Consolidated Balance Sheet. Proceeds received for completed sales were used to repay $54,000 of related debt and the balance to fund working capital requirements.

Contractual settlements

On 17 February 2023, the Group executed a deed of release and settlement with a subsidiary of Sojitz Corporation outlining the full and final settlement of all existing and potential claims in relation to the Gregory Crinum project.

On 3 March 2023, the Group mutually agreed with the client to terminate the Peak Underground Mine Development and Stoping contract with effect from 31 March 2023.

15 Events occurring after the reporting period (continued)

Recapitalisation

On 16 March 2023, the Group entered into a Subscription Agreement with M Mining Services, as trustee for the M Mining Services Trust, an affiliate of M Resources. The Subscription Agreement relates to a conditional placement of 166,666,667 shares at a subscription price of $0.15 per share. The shares will be accompanied by 51,282,051 options (1 for 3.25) with an exercise price of $0.23 per option. The placement, which will raise $25.0 million (before transaction costs) is conditional upon shareholders approval, with the Extraordinary General Meeting for the shareholder vote expected to be held in May 2023.

The recapitalisation plan also includes an entitlement offer of up to 26,000,000 shares at the same issue price of $0.15 per share and accompanied by up to 8,000,000 options (1 for 3.25) on the same terms as the options issued under the placement. The entitlement offer will raise up to $3.9 million (before transaction costs). In the event that all options were to be exercised, an additional $13.6 million of equity would be raised. The expiry date of the options is 31 May 2028 and the options can be exercised at any point prior to that date.

In addition to the above equity raisings, the Group entered a $10.4 million Facilities Agreement on 16 March 2023 with M Mining Services in relation to the provision of short term loan facilities to assist in bridging any potential working capital shortfalls that may arise prior to completion of the conditional placement.

Other events

In January 2023, the Australian Taxation Office approved payment plans for GST and Pay-As-You-Go Withholding tax obligations arising from 1 September 2022 to 30 November 2022. The payment plan requires that these liabilities are paid in monthly instalments commencing January 2023 and ending December 2023. The payment plan also requires that all obligations arising from 1 December 2022 are lodged and paid on time. Interest is being charged at the Australian Taxation Office's General Interest Charge rate.

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 periods.

In the Directors' opinion:

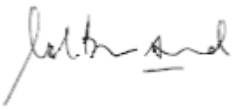
(a) the financial statements and notes set out on pages 1 to 37 are in accordance with the *Corporations Act 2001*, including:

  (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 31 December 2022 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.

Brisbane
17 March 2023



Mr. C Bloomfield
Director

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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 consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies 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 2022 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.

PITCHER PARTNERS

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 2022 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
17 March 2023

METAROCK

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