



**METAROCK**  
**ANNUAL REPORT**  
- 2022 -

1

**METAROCK**  
ANNUAL  
REPORT  
2022



# CHAIRMAN'S REPORT

**DEAR  
SHAREHOLDER**

Thanks for taking the time to read our annual report. It has been a tragic period for the company with the loss of two of our people in separate incidents. We have all been significantly affected by these events and our deepest sympathies go out to all family, friends and colleagues. Subsequently, the Board commissioned an Organisational Safety Review which determined that, while there were no glaring weaknesses in our approach, we should seek to reduce complexity in the systems that govern our work. Investigations by the authorities into the incidents is ongoing and we have fully cooperated throughout. We will continue to focus on improving the capability of our organisation and our people as we strive to reduce harm in our work places.

The previous twelve months have also seen a rapid expansion of the company as we execute our long held ambitions to become a mine operator and to enter the hard rock sector. These decisions will ultimately deliver a much larger more resilient business in periods to come. However, in the short term, we have faced some significant challenges.

The incident at Crinum has delayed the production phase of that project. Work is progressing to recover the fall in the conveyor drift after a long and arduous process to design a new work method that satisfied all stakeholders. As I write this, that recovery work is now well progressed and this will complete the mine access work. Other aspects of the project such as equipment procurement and re-establishment of site infrastructure are well progressed.

Mining at our second operation, Cook Colliery, has commenced after a significant work program to establish the underground production infrastructure. Production is ramping up as new areas of that mine are established.

In September last year we announced the acquisition of PYBAR Mining Services and that deal was completed in November 2021. This business gives us a substantial footprint in the hard rock sector particularly in the eastern states of Australia. This provides long term exposure to materials with a bright future as many countries seek to decarbonise their economies. The early period of ownership of the business has delivered lower than planned results with a couple of key contracts significantly underperforming as our clients faced problems in their operations. As before when we have acquired businesses, we will address these problems and modify contract structures to better share risk with the client and improve returns to our business.

Our traditional coal contracting business continues to perform very well with its strong exposure to metallurgical coal, largely in the Bowen Basin, providing a strong basis for operations for years to come. Several important contracts have been extended during the period. The Wilson's ground consolidation business which was acquired three years ago has performed extremely well and has continued to build its revenue base with contract wins at several sites.

Along with the challenges presented by the growth of the business our leadership group has faced the difficulties of managing through the COVID pandemic and dealing with a tight labour market. As always they have approached these tasks with energy and enthusiasm and I thank them all for their amazing dedication to our company. I also thank our Board who have worked extremely hard over the period to support the leadership group as we work through this transformative phase.

**Colin Bloomfield** Chairman

MANAGING  
DIRECTOR'S REPORTDEAR  
SHAREHOLDER

FY2022 has been a challenging year with the loss of two of our people in the coal division. This has affected many within and outside the organisation and we pass on our deep sympathies to family, friends and workmates. A full safety review was commissioned by the Board and while there were no significant flaws in our safety system there were improvements which we have been implementing across our operations.

Our first mine operation at Crinum has had its challenges and impacted our FY2022 results materially. Not having access to recover the fall in the conveyor drift for more than six months post the incident has resulted in significant delays and cost to the project. The recovery of this drift is expected to be complete in November 2022. This will enable the recommencement of works on the project. Our second mine contract at Cook Colliery is progressing well, with the majority of infrastructure works complete and leading onto commencement of the production phase over the next month.

The coal contracting business has performed exceptionally over the last 12 months with extensions of contracts at Aquila (for outbye and development services and equipment supply), Moranbah North and Grosvenor mines (under the Umbrella Agreement) and Broadmeadow (for conveyor services). Our contracting division has seen exceptional results from the Wilson Mining business which continues to grow and build market share. The Mynesight RTO business continues to perform well and provides us with a competitive advantage in the current tight labour market.

The PYBAR business was acquired in November to gain exposure to a broader range of commodities. The business has had several underperforming contracts which we are in the process of realigning. Entering the Metalliferous contracting space has been a strategic goal of ours for several years now and the pipeline for this business looks strong. The diversity it will bring to us longer term across all cycles will strengthen the business significantly including exposure to emerging opportunities through 'new energy' materials.

Our safety performance this year is unacceptable, and we are implementing the findings of the external health and safety review across the business with the heightened presence of senior leaders in our operations and a focus on identifying and controlling critical risks.

We have made a significant investment of over \$40 million in underground equipment over the last 12 months to support the business and in particular our mine operations. The return on this equipment has been severely diminished during FY2022 by the delays at our Crinum operation.

WE CONTINUE ON OUR JOURNEY WITH THE LEARNING AND DEVELOPMENT OF OUR PEOPLE, WE SEE THIS INVESTMENT AS A CRITICAL SUCCESS FACTOR TO OUR OPERATIONAL CAPACITY AND RETENTION OF PERSONNEL. THE RESOURCE SHORTAGE ACROSS THE COAL AND METALLIFEROUS SECTORS HAS CREATED CHALLENGES TO THE BUSINESS AND PROVIDING PATHWAYS FOR OUR PEOPLE INCREASES CAPABILITY AS WELL AS RETENTION.

The Metarock Group reported a statutory net loss after tax of \$12.6 million for FY2022, including Crinum drift costs and other one-off costs incurred of \$15.2 million after tax. Our normalised results for the year were in line with guidance with revenue of \$452.7 million and EBITDA of \$38.6 million. Normalised NPATA for FY2022 was \$6.9 million compared to \$6.3 million in FY2021.

We started FY2022 in a very strong financial position with \$24 million in cash and nil borrowings. With the significant investment made on production equipment and the acquisition of PYBAR, along with the delayed start-up of the Crinum project, our balance sheet has been leveraged beyond our target levels at year end. Now that FY2022 is behind us the key message to shareholders for FY2023 is a year of consolidation. We will focus on strengthening and deleveraging our balance sheet, consolidating the PYBAR acquisition and returning it to historical profitability, continuing to support the outperforming Coal Contracting business and maximising production at our mine operations.

Given that the Company is undertaking a period of consolidation, Managing Director Tony Caruso will be leaving the Company after a suitable handover period. Tony has been CEO of Mastermyne and subsequently Metarock for over 15 years and he has built a considerable legacy during that time. The Group's footprint has expanded to cover most of Australia and the capability to conduct the full range of mining services in both hard rock and coal mines.

The Board of Metarock is pleased to announce that Paul Green will become the new Managing Director. Paul has been with the group for 2.5 years, most recently in the role of CEO Mastermyne. His leadership has been critical to the continued health of our business.

Our FY2022 results are disappointing in what has been a very challenging year for the business. I would like to thank the people in the organisation who have made a positive contribution across all levels from the boots on the ground to the Board, and I would also like to thank our shareholders for supporting us as we look forward to a consolidation of the combined group in FY2023 by leveraging our strong order book, national footprint and leading market position.



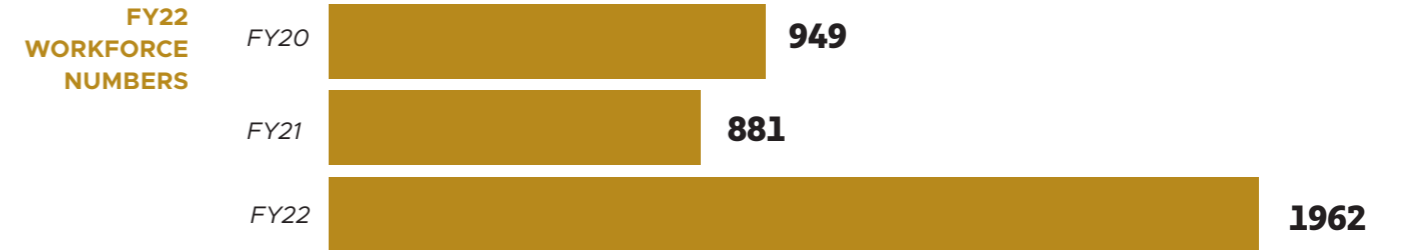
**PAUL GREEN**  
Managing Director



**ANTHONY CARUSO**  
Outgoing  
Managing Director

## THE TWO TRAGIC EVENTS HAVE HAD A DEEP AND IRREVERSIBLE IMPACT ON THE COMPANY

- > Metarock is continuing to support the families and work colleagues impacted by the tragedies
- > Company led investigations into the two fatal accidents are complete with a number of actions implemented across the Group. Our involvement with the external investigations is largely complete with these findings not released to date. The Company has worked closely with all stakeholders through this period
- > Board commissioned an organisational safety review, focusing on the Company's approach to Health and Safety Management with special emphasis on major risk management, which has now been completed
- > The review validated the good intent, commitment and energy for Health and Safety throughout the organisation with no major flaws identified
- > The review went on to call out a number of organisational strengths
- > Recommendations from the organisational safety review have been endorsed by the Board and will be unconditionally adopted
- > Our clients on both operations have been tremendously supportive and continue to work closely with the Company as we deal with these events



## ASSESSING OVER 2000 APPLICATIONS



6

METAROCK  
ANNUAL  
REPORT  
2022

# CORPORATE OVERVIEW

BOARD OF  
DIRECTORS  
FY22

**COLIN  
BLOOMFIELD**

Non-Executive Chairman

**ANTHONY  
CARUSO**

Managing Director

**ANDREW  
WATTS**

Non-Executive Director

7

METAROCK  
ANNUAL  
REPORT  
2022

**GABRIEL  
MEENA**

Non-Executive Director

**JULIE  
WHITCOMBE**

Non-Executive Director

**PAUL  
ROUSE**

Non-Executive Director



Colin's former roles during his 27 years with BHP Billiton include President Illawarra Coal (8 years), Vice President Health, Safety and Environment (Global role) and Project Director for the BHP Billiton merger integration as well as member of the deal team for the transaction. He was also an Underground Coal Mine Manager both in New South Wales and Queensland.

Tony has held a number of senior management positions in contracting services over 30+ years working across major underground mining projects in QLD and NSW.

Joining Mastermyne in 2005, under Tony's leadership the company has hit many milestones including the ASX listing in 2010.

Tony will be leaving the Company after a suitable handover period.

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

From 1996 -2005 Andrew was responsible for all aspects of Mastermyne's operations until the appointment of Tony Caruso as CEO.

Gabe is an executive with over 30 years experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Gabe has held senior operational and management roles with Bluescope Steel as General Manager Mills and Coating, Bluescope Steel China as President China Coated and BHP Collieries as General Manager of a number of coal mines. Gabe's most recent role was General Manager Operations with Patrick Terminals.

Julie is currently GM Strategy and Development for CleanCo, a Government Owned Corporation focused on the development and supply of firmed renewable energy for Queensland customers.

Prior to her current role, Julie held various leadership roles including Chief Executive Officer of RDO Australia Group, an industrial and agricultural equipment dealer, and nine years on the executive team of Senex Energy, an Australian oil and gas explorer and developer.

Paul was the founding Director of PYBAR Mining Services and was appointed to the Metarock Board (MYE:ASX) in 2021 following the acquisition of PYBAR Mining Services.

An experienced Mining Engineer, Paul has overseen the growth of PYBAR from a single small contract in 1993 to achieving his vision of being among the best underground mining contractors in Australia.

# METAROCK GROUP LIMITED AND ITS CONTROLLED ENTITIES

<b>8</b>	<b>METAROCK GROUP LIMITED AND ITS CONTROLLED ENTITIES</b>
9	CORPORATE GOVERNANCE STATEMENT
17	DIRECTORS REPORT
40	AUDITORS INDEPENDENCE DECLARATION
41	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
42	CONSOLIDATED BALANCE SHEET
43	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
44	CONSOLIDATED STATEMENT OF CASH FLOWS
45	NOTES TO THE FINANCIAL STATEMENTS
92	DIRECTORS' DECLARATION
<b>98</b>	<b>ASX ADDITIONAL INFORMATION</b>
<b>100</b>	<b>CORPORATE DIRECTORY</b>

## CORPORATE GOVERNANCE STATEMENT

The Company and its Board of Directors are committed to fulfilling their corporate governance obligations and responsibilities in the best interests of the Company and its various stakeholders.

The ASX Listing Rules require listed companies to provide a statement in their Annual Report disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations adopted by the ASX Corporate Governance Council ("Recommendations") in the reporting period. These Recommendations are guidelines, designed to improve the efficiency, quality and integrity of the Company. The Recommendations are not prescriptive, but if a company considers that a recommendation should not be followed having regard to its own circumstances, the company has the flexibility not to follow it but in its Annual Report it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement ("Statement") and the Company's suite of corporate governance documents referred to in the Statement, and other relevant information for stakeholders, are displayed on the Company's website <https://www.metarock.com.au/company-profile/corporate-governance/>. The Company has complied with the Recommendations, to the extent outlined in this Statement, throughout the year or as otherwise noted.

### 1.1 SCOPE OF RESPONSIBILITY OF BOARD

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Metarock Group's Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders. The Board's broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- oversight of the Company including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Financial Officer and Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

The Board has delegated functions, responsibilities and authorities to the Managing Director and senior executives to enable them to effectively manage the Company's day-to-day activities.

## 1.2 COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the Council's guidelines. The Board currently comprises six Directors as follows:

- Colin Bloomfield – Independent non-executive Chairman
- Andrew Watts – Non-executive Director
- Paul Rouse – Non-executive Director
- Gabriel Meena – Independent non-executive Director
- Julie Whitcombe – Independent non-executive Director
- Tony Caruso – Managing Director (replaced by Paul Green on 19 October 2022)

Details of each Director's qualifications, experience and expertise, their involvement in Board and committee meetings, and the period for which they have been in office, are set out in the Directors' Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company's annual general meeting.

The Board's view is that an independent Director is a non-executive Director who does not have a relationship affecting independence on the basis set out in the Council's guidelines. During the reporting period the Company's composition of non-executive Directors was three independent directors and two non-independent directors, meeting the council's recommendation requiring a majority of independent Directors.

The Board periodically conducts a review of the skills and experience Directors to ensure they are appropriate for the Company's activities. The results of the most recent review conducted in the last period are shown below.

Skills	Combined
<b>Governance</b>	
Risk Management Systems	High
Health and Safety	High
Financial Risk	High
<b>Operations</b>	
Underground Coal Mining	High
Underground Metalliferous Mining	High
Employee Relations	High
Contract Management	High
<b>Strategic</b>	
Strategy and Business Planning	High
Mergers and Acquisitions	Medium
Capital Markets	Low

Where appropriate, external advice is sought to supplement Board skills and experience. The Board has strengthened the underground metalliferous mining expertise within the management team, and Board members have been actively involved in tender reviews processes. With respect to the capital markets experience, the Board does use external advice to supplement the skill base on the Board.

## 1.3 BOARD CHARTER

The Board has adopted a Board Charter to give formal recognition to the matters outlined above. This Charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of "independence" for the purposes of appointment of Directors;
- a framework for annual performance review and evaluation;
- approval of criteria for monitoring and evaluating the performance of senior executives;
- approving and monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company's governing documents and Codes of Conduct;
- risk management – identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;
- establishment of Board committees: Audit & Risk Management Committee, Remuneration & Nomination Committee; and
- communications with Shareholders and the market.

These initiatives, together with other matters provided for in the Board Charter, are designed to promote good corporate governance and generally build a culture of best practice in Metarock Group's own internal practices and in its dealings with others.

## 1.4 AUDIT & RISK MANAGEMENT COMMITTEE

The Company has established this committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The committee comprises the following members:

- Julie Whitcombe (Chair)
- Gabriel Meena
- Andrew Watts
- Colin Bloomfield
- Paul Rouse

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- qualifications of committee members;
- review and approve and update internal audit and external audit plans;
- review financial reports or financial information, including such information as is to be distributed externally and where appropriate recommend these for Board approval;
- review the effectiveness of the compliance function;
- investigate any matter brought to its attention;
- obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- review and approve accounting policies;

- report to the Board and make recommendations to the Board;
- periodically meet separately with management, internal auditors and external auditors to discuss:
  - the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs;
  - issues and concerns warranting audit and risk management committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement;
- corporate risk assessment and compliance with internal controls;
- assessment of the internal audit function and financial management processes supporting external reporting;
- review of the effectiveness of the external audit function;
- review of the performance and independence of the external auditors and make suggestions to the Board;
- review any significant legal matters and corporate legal reports;
- review areas of greatest compliance risk;
- assess the adequacy of external reporting for the needs of Shareholders; and
- monitor compliance with the Company's Codes of Conduct, risk management policies and compliance function.

Meetings are held often enough to undertake the Audit & Risk Management Committee's role effectively, being at least four times each year. The committee may invite such other persons to its meetings as it deems necessary.

### 1.5 REMUNERATION & NOMINATION COMMITTEE

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executives and to oversee the remuneration framework for Directors and senior executives. The Board does not consider separate committees to cover these matters are warranted at this stage of the Company's evolution. The committee comprises the following members:

- Gabriel Meena (Chair)
- Andrew Watts
- Colin Bloomfield
- Julie Whitcombe
- Paul Rouse

Functions performed by the committee include the following:

- obtaining independent advice and making recommendations in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- reviewing the Company's recruitment, retention and termination policies;
- reviewing the Company's superannuation arrangements;
- reviewing succession plans of senior executives and Directors;
- recommending individuals for nomination as members of the Board and its committees;
- considering those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;
- monitoring the size and composition of the Board;

- development of suitable criteria (with regard to skills, qualifications and experience) for Board candidates, whose personal attributes should encompass relevant industry experience and/or sound commercial or financial background;
- identification and consideration of possible candidates, and recommendation to the Board accordingly;
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- ensuring the performance of each Director and of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board. A review has been carried out for the most recent reporting period.

The Remuneration & Nomination Committee will meet as often as necessary, but must meet at least twice a year.

### 1.6 GOOD CORPORATE GOVERNANCE COMMITMENT

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Statement, that are designed to achieve this objective. Metarock Group's suite of corporate governance documents is intended to develop good corporate governance and, generally, to build a culture of best practice both in Metarock Group's own internal practices and in its dealings with others. The following are a tangible demonstration of Metarock Group's corporate governance commitment.

#### Independent Professional Advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Metarock Group.

#### Code of Conduct

Metarock Group has developed and adopted detailed Codes of Conduct to guide Directors, Senior Executives and employees in the performance of their duties.

#### Securities Trading Policy

Metarock Group has developed and adopted a formal Securities Trading Policy to regulate dealings in securities by Directors, key management personnel and other employees, and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice. The policy includes restrictions and clearance procedures in relation to when trading can and cannot occur during stated 'closed' and 'prohibited' periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated 'trading windows'. The Board will ensure that restrictions on dealings in securities are strictly enforced.

## 2 COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

The Board has assessed the Company's current practices against the Recommendations and outlines its assessment below:

### Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described in this Statement and the Board Charter, and will continue to be refined, in accordance with the Recommendations, in light of practical experience gained in operating as a listed company.



Metarock ensures that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election, as a director. Information about a candidate standing for election or re-election as a director is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

Directors are provided with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company. The Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The processes for evaluating the performance of senior executives, the board and its committees and individual directors, are set out in the Board Charter, Audit & Risk Management Committee Charter and Remuneration & Nomination Committee Charter. All reviews have taken place in accordance with these charters. Metarock Group complies with the Recommendations in this area.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### **Principle 2 – Structure the board to add value**

The Board currently consists of six directors, including one executive Director. Profiles of each Director outlining their appointment dates, qualifications, directorships of other listed companies (including those held at any time in the 3 years immediately before the end of the financial year), experience and expertise, are set out in the Directors' Report.

Three Directors, Mr Colin Bloomfield, Mr Gabriel Meena and Julie Whitcombe, are independent (in terms of the criteria detailed in the Recommendations), giving the Board the benefit of independent and unfettered judgment. The two other non-executive Directors, Mr Andrew Watts and Mr Paul Rouse, are founders of Mastermyne and PYBAR respectively and are also substantial shareholders in the Company. Accordingly, they are not considered independent. The Managing Director is also not considered independent given the role in managing the Company.

There are procedures in place to allow Directors to seek, at Metarock Group's expense, independent advice concerning any aspect of Metarock Group's operations.

A Remuneration & Nomination Committee has been established with its own charter, as detailed above.

The Board is committed to a performance evaluation process, with a self-assessment evaluation being undertaken during each year.

### **Principle 3 – Promote ethical and responsible decision making**

The Board has adopted detailed Codes of Conduct to guide Directors, executives and employees in the performance of their duties.

The codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Recommendations.

The Company recognises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. Accordingly, the Board has approved a Diversity Policy which details the Company's approach to promoting a corporate culture that embraces diversity when selecting and appointing its employees and Directors.

This policy outlines measurable objectives for achieving gender diversity throughout the Company over the longer term, and progress towards achieving them has been assessed as follows:

- Female representation on the Board and in Senior Executive roles
- 3 women on formal and active succession for Senior Executive roles
- Australian Government Certification of Compliance with the Workplace Gender Equality Act
- Equal pay has been achieved in all positions regardless of gender
- Flexible working arrangements to facilitate return to work arrangements after maternity leave
- Executive and Senior Leadership participation in women mentoring programs
- 'Baby Benefit' payment for male and female employees
- Flexible working arrangements to support transition into retirement to extend working-life and retain capability

### **Principle 4 – Safeguard integrity in financial reporting**

The Audit & Risk Management Committee, with its own charter, complied with the Recommendations for the majority of the year. All the members of this committee are required to be financially literate.

### **Principle 5 – Make timely and balanced disclosure**

Metarock Group's current practice on disclosure is consistent with the Recommendations. Policies for compliance with ASX Listing Rule disclosure requirements are included in the Company's Board Charter and Continuous Disclosure Policy.

### **Principle 6 – Respect the rights of shareholders**

The Board recognises the importance of this principle and strives to communicate with Shareholders regularly and clearly, both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors are required to attend the annual general meeting and are available to answer Shareholder's questions relevant to the audit. Security holders are able to ask questions of the company or the auditors electronically as detailed in the company's notice of meeting. Security holders can also request to receive communications electronically via the Company's share registry Link Market Services.

As part of the Company's management of investor relations the Chief Executive Officer and Chief Financial Officer does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

The Company has not published a formal communications policy because it sees no need as its stated practices generally comply with the Recommendations, and it has covered a number of aspects of this principle in its Continuous Disclosure Policy, including in relation to briefings with investors and analysts.

### **Principle 7 – Recognise and manage risks**

The Company operates under an enterprise wide risk management framework summarised in the risk management policy adopted by the Board which can be found on the Company's website. The framework in place ensures the Company identifies and keeps an up-to-date understanding of areas where it may expose itself to risk and implement effective management of those risks.

Oversight of the risk management framework is undertaken by the Audit and Risk Management Committee which assists the Board in its oversight role by:

- the implementation and review of risk management and related internal control and compliance systems
- monitoring the Company's policies and procedures, ensuring compliance with the relevant laws and Company's code of conduct; and
- annual review of the risk management framework, to evaluate and continually look to improve the effectiveness of the Company's risk management and internal control processes. Such a review has been undertaken during the most recent reporting period

The Board considers that the Company does not currently have any material exposure to economic, environmental and social sustainability risks which require active management.

The Company does not have a separate internal audit function due to its relatively small size and less complex financial and organisational structures. The Board does engage a third party annually to conduct forensic testing on the Company's internal controls.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### Principle 8 – Remunerate fairly and responsibly

Remuneration of Directors and executives is fully disclosed in the Remuneration Report (contained in the Directors' Report) and any material changes with respect to key executives will be announced in accordance with continuous disclosure principles. During the reporting period the Remuneration & Nomination Committee had five non-executive Director members of which three are independent and the Chair is an independent Director.

The aggregate level of non-executive Directors' remuneration is currently set at \$500,000 approved on 17 November 2020 and any increase must be approved by shareholders. Non-executive Directors are not provided with any retirement benefits, other than statutory superannuation.

The Directors present their report together with the financial report of Metarock Group Limited ('the Company') and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2022 and the auditor's reports thereon.

#### Directors and company secretary

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

Mr. C Bloomfield  
Mr. A Watts  
Mr. G Meena  
Ms. J Whitcombe  
Mr. A Caruso

Mr P. Rouse was appointed as a Director on 10 November 2021 and continues in office at the date of this report.

#### 1 Directors

**Colin Bloomfield**  
*Independent Chairman*

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

#### Experience and other directorships

Colin brings to the Company over 30 years of mining experience in technical, operations, management and corporate roles. He is also an experienced Company Director having been in various Directorships for over twenty years.

Colin's former roles during his 27 years with BHP Billiton include President Illawarra Coal (8 years), Vice President Health, Safety and Environment (Global role) and Project Director for the BHP Billiton merger integration as well as member of the deal team for the transaction. He was also an Underground Coal Mine Manager both in New South Wales and Queensland.

Currently, Colin is also Chairman of the Flagstaff Group. He has previously been the Chairman of Destination Wollongong and a Director at the Minerals Council of Australia and Chairman of the NSW Minerals Council and Port Kembla Coal Terminal.

#### Special responsibilities

Chairman of the Board  
Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

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

Appointed: 10 March 2010

#### Experience and other directorships

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

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

#### Special responsibilities

Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

**Gabriel (Gabe) Meena**  
*Non-executive Director*

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

#### Experience and other directorships

Gabe is an executive with over 30 years experience in the steel, mining and stevedoring industry covering operations, maintenance and engineering. Gabe has held senior operational and management roles with Bluescope Steel as General Manager Mills and Coating, Bluescope Steel China as President China Coated and BHP Collieries as General Manager of a number of coal mines.

Gabe's most recent role was General Manager Operations with Patrick Terminals. Gabe has a Bachelor in Mechanical Engineering and is a graduate of the Australian Institute of Company Directors.

**1 Directors (continued)****Special responsibilities**

Member of the Audit and Risk Management Committee  
Chair of the Remuneration and Nomination Committee

Julie Whitcombe  
*Non-executive Director*

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

**Experience and other directorships**

Julie brings over 20 years of experience across financial, strategic and operational roles, with a focus throughout her career on the resources sector. Julie is currently GM Strategy and Development for CleanCo, a Government Owned Corporation focused on the development and supply of firmed renewable energy for Queensland customers. Prior to her current role, Julie held various leadership roles including Chief Executive Officer of RDO Australia Group, an industrial and agricultural equipment dealer, and nine years on the executive team of Senex Energy, an Australian oil and gas explorer and developer.

**Special responsibilities**

Chair of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

Anthony (Tony) Caruso  
*Managing Director*

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

**Experience and other directorships**

Tony was appointed CEO of Mastermyne in 2005 and Managing Director in 2008 and has overall corporate responsibility for Metarock. Tony has over 20 years experience in underground mine contracting services. Prior to joining Mastermyne, Tony was the General Manager of Allied Mining in Queensland and a consultant to the underground mining sector. He has a trade background plus a post graduate degree in Business Management and is a Fellow of the Australian Institute of Management.

**Special responsibilities**

Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

Paul Rouse  
*Non-executive Director*

Appointed: 10 November 2021

**Experience and other directorships**

Paul was the founding Director of PYBAR Holdings Pty Limited (PYBAR) and was appointed to the Metarock Board in 2021 following the acquisition of PYBAR. An experienced mining engineer, Paul has overseen the growth of PYBAR from a single small contract in 1993 to a large scale hardrock mining services provider.

**Special responsibilities**

Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

**2 Company secretary**

Brett Maff was appointed Company Secretary and Chief Financial Officer on 12 November 2018. Brett has over 20 years experience in senior financial, executive and company secretarial roles in the mining resources and mining services industries. Brett has a Bachelor of Commerce and is a Certified Practising Accountant.

**3 Meetings of directors**

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2022, and the numbers of meetings attended by each Director were:

	Board meetings		Audit Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Mr. C Bloomfield	15	15	6	6	3	3
Mr. A Watts	15	15	6	6	3	3
Mr. G Meena	15	15	6	6	3	3
Ms. J Whitcombe	15	15	6	6	3	3
Mr. A Caruso	15	15	6	6	3	3
Mr. P Rouse	10	10	3	3	1	1

A= Number of meetings attended

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

**4 Operating and financial review****Results****Overview**

Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company") is pleased to announce its results for Full Year 2022, which has seen the Company position itself as a diversified Mining Services business specialising in Underground operations.

Key highlights of the FY2022 result are:

- Delivering a diversified Mining Services business specialising in Underground operations
- Organisational Safety Review completed validates the good intent, commitment and energy for health and safety throughout the organisation in response to two fatal safety incidents during the year
- Significant financial investment in transforming the business through commodity diversification, long term operations contracts and the capability of people which will deliver in FY2023 and beyond
- Executed the Company's second Mine Operations Contract with QCoal Group, at the Cook Colliery, totalling \$280 million of Revenue over 4 years (with an option for an additional 2 years)
- Revenue of \$452.7 million, at top end of guidance and a 94.2% increase compared to FY2021
- FY2022 statutory net loss after tax of \$12.6 million (FY2021: net profit after tax of \$5.9 million) due to Crinum drift recovery expenses of \$18.6 million incurred in the current financial year.
- Statutory EBITDA for FY2022 of \$17.5 million, a 22% decrease on FY2021 due to the impact of Crinum costs.
- Normalised EBITDA margin of 8.5% and normalised EBITDA of \$38.6 million within guidance range
- Cash position at year-end of \$5.2 million, which was impacted by the Crinum recovery costs, delayed commencement of coal production at Crinum and cash consideration paid for the acquisition of PYBAR.
- Strong Order Book currently stands at \$1.9 billion, with 82% of FY2023 revenue under contract or recurring purchase order works.

During FY2022, the Group has transformed into a leading Australian diversified underground mining services group through the completion of the acquisition of PYBAR Holdings Pty Limited (PYBAR) to complement the existing coal contracting and growing coal operations businesses.

The Mastermyne and PYBAR brands have a rich history and a respected presence, which together create a highly specialised large-scale mining services group. The Group has a significantly larger addressable underground market across a broad range of commodities which also brings resilience through the mining cycles.

In addition to the PYBAR acquisition, the Mine Operations business is transforming the business despite some early setbacks. The business was expanded with the award of a second mine operations contract, a 4 year contract (with a 2 year option) with QCoal Group at the Cook Colliery in Queensland. The Mine Operations division, where Metarock operates mines in its own right on behalf of mine owners, delivers long term, recurring revenue and increases margins across the business.

## 4 Operating and financial review (continued)

Results (continued)

Overview (continued)

During the financial year, the business was deeply saddened with two fatalities occurring at its operations, the first at Crinum and the second at Moranbah North underground mines. This has had a profound impact on the business and our people and led to the commissioning of an independent organisational review of our safety systems and practices. This review is complete and validates the good intent, commitment and energy for health and safety throughout the organisation with no major flaws identified. The recommendations from the safety review have been endorsed by the Board and will be unconditionally adopted by the Group.

Financial Performance

The Group has nearly doubled its revenue in FY2022 to \$452.7 million, from \$233.1 million in FY2021, as a result of the financial investment made in transforming the business. This investment and diversification will deliver further revenue and earnings growth in FY2023 and beyond.

The Crinum incident impacted the Group results materially in FY2022 with a significant delay in the production timeline impacting expected production margins in FY2022 and the ongoing associated drift recovery costs of \$18.6 million which have been fully expensed in FY2022. The mine drift recovery and early works is nearing completion, however Metarock and the client have agreed to slow the mine commencement schedule to minimise costs under an interim arrangement for the remainder of FY23 and allow additional time to set up the operations and deliver the required mining equipment. The Company is also in discussions with various parties to bring forward approximately \$30 million of Crinum capital recovery in 1H FY2023 to reduce current debt balances and bring the gearing ratio towards target levels.

PYBAR had a difficult start to the combined Group following acquisition with material increases in input costs, especially labour, impacting margins on fixed price contracts. In addition, a major project demobilised unexpectedly around the time of the acquisition resulting in lost EBITDA of \$7 million on an annual basis. These challenges are being managed and increased scope from a number of existing clients is offsetting some of the EBITDA contract losses experienced in FY2022.

These factors have resulted in a statutory net loss after tax of \$12.6 million in FY2022 compared to a net profit after tax of \$5.9 million in FY2021.

On a normalised basis, EBITDA was \$38.6 million, within the guidance range of \$37 million to \$43 million, and the normalised EBITDA margin was 8.5%. Normalised NPATA for FY2022 was \$6.9 million compared to \$6.3 million in FY2021.

The below table outlines a reconciliation of Statutory Results to Normalised Results (adjusting for the Crinum drift recovery costs, one-off PYBAR acquisition costs and legal costs related to safety incidents incurred during FY2022).

	Statutory Results FY2022 \$'000	Crinum Impact <sup>1</sup> \$'000	One-off Costs <sup>2</sup> \$'000	Normalised Results FY2022 \$'000	Statutory Results FY2021 \$'000	Movement %
Revenue from customer contracts	452,698	-	-	452,698	233,067	94.2%
EBITDA	17,499	18,554	2,538	38,591	22,277	73.2%
Depreciation	(28,536)	-	-	(28,536)	(12,172)	134.4%
EBITA	(11,037)	18,554	2,538	10,055	10,105	(.5)%
Amortisation	(4,298)	-	-	(4,298)	(375)	1,046.1%
Net finance costs	(4,022)	-	-	(4,022)	(1,051)	282.7%
Profit/(loss) before tax	(19,357)	18,554	2,538	1,735	8,679	(80.0)%
Income tax (expense)/benefit	6,801	(5,566)	(354)	881	(2,804)	131.4%
Net profit/(loss) after tax	(12,556)	12,988	2,184	2,616	5,875	(55.5)%
NPATA <sup>3</sup>	(8,258)	12,988	2,184	6,914	6,250	10.6%

Note

1 Crinum impact has been normalised for \$18.6m drift recovery costs but has not been normalised for delayed Crinum production margin expected in FY2022

2 One-off costs include PYBAR acquisition costs and mine incident legal costs

3 NPATA is Net profit/(loss) after tax and before amortisation

## 4 Operating and financial review (continued)

Results (continued)

Overview (continued)

PYBAR Mining Services Acquisition

The PYBAR business is highly complementary with the Company's core business of underground mining and expedites our diversification strategy, giving us exposure to a broad suite of commodities with immediate scale (which would otherwise take years from a purely organic approach) and a national footprint. We have grown more confident in the PYBAR business and culture and its alignment with our broader values and direction. Through the acquisition we have increased our overall workforce with 1,100+ highly skilled hard-rock employees and we are leveraging opportunities for synergies and shared learnings. PYBAR's order book gives us a strong position in the east coast market and long-term relationships with Tier 1 clients such as Glencore (Mt Isa) and Newcrest (Cadia).

Under the Metarock Group we are confident of fully exploiting the growth potential of this business as we access the resources of a public company. PYBAR has historically had limited access to larger tier 1 contracts. Through the acquisition, clients are overcoming hesitation in dealing with a private company which is enabling access to larger, longer term contracts. The recent Malabar contract win is a major vote of confidence from customers in the new larger business. PYBAR fits well with the Company's track record of acquiring and strengthening private businesses.

PYBAR comes with a strong growth outlook as the Australian underground hard rock sector invests heavily in forward facing commodities such as copper, nickel and zinc. The sector is underpinned by unprecedented strength in the long-term global fundamentals of hard rock minerals. Initial integration is substantially complete as we now look at opportunities to combine the strong synergies inherent across both organisations.

Operational overview

During the financial year, the Group was deeply saddened by two fatal accidents at Moranbah North and Crinum mines. The two tragic events have had a deep and irreversible impact on the Company and its people. Metarock is continuing to support the families and work colleagues impacted by these tragedies.

The Company led investigations in the two fatal accidents are complete with a number of actions implemented across the Group. The Board commissioned an organisation safety review, focusing on the Company's approach to health and safety management with special emphasis on major risk management, which has now been completed. The review validated the good intent, commitment and energy for health and safety throughout the organisation with no major flaws identified and calling out a number of organisation strengths. Recommendations from the review have been endorsed by the Board and will be unconditionally adopted throughout the Group. Our clients on both of the impacted operations have been tremendously supportive and continue to work closely with the Company as we deal with the ongoing impacts of these events.

The coal contracting division has continued to see strong demand for its services underpinned by strong coal prices and Mastermyne's leading market position. Coal Contracting revenue was up 23% on PCP and margins were supported by a strong full year performance from the Wilson Mining business. The final earn out period for Wilson Mining ended at 30 June 2022 with a final payment due in September 2022. Resourcing of projects has become challenging as the financial year progressed, however the divisions turnover rates remain stable. Multiple contracts are nearing finalisation of current terms and are in the late stages of negotiations for multi-year extensions. This will underpin the revenue of the coal contracting division over the contract terms.

The coal operations division has been significantly impacted during the financial year by the Crinum mine incident. In total, \$18.6 million of drift recovery costs have been incurred and fully expensed in FY2022. The incident has delayed the commencement of mine operations and resulted in the loss of expected production margin in 2H FY2022. The drift recovery operations and other early works are nearing completion however the schedule has been slowed to minimise costs and allow additional time to set up the operations and install major fixed mine infrastructure. The Company will redeploy some labour and equipment to other margin-earning projects as a result of the delayed schedule. It is expected that first coal will be deferred until 1Q FY2024 with ramp up commencing from July 2023. The contract terms of 6 years remain unchanged for the Crinum project as does future revenue and margins commencing from the start of FY2024.

The second coal operations contract at the Cook Colliery was mobilised during the financial year and mine set up has progressed to schedule. Production equipment has been progressively arriving on site with additional labour building in line with the production ramp up schedule. It is expected the project will be at full run rate with 3 production units operating from November 2022.

The PYBAR results for FY2022 have been impacted by a number of production interruptions throughout the year and the unexpected demobilisation of a material contract shortly after the acquisition by Metarock. This project historically generated approximately \$7 million of EBITDA for PYBAR. Margins in the business were impacted by increased input costs, particularly labour, skill shortages (resulting in reduced efficiency and higher turnover) and a problematic contract which was resolved towards the end of the financial year. During the financial year, PYBAR has increased scope on a number of contracts and successfully negotiated the extension of a major contract for a further 4 years at Eloise Copper Mine. The division has also secured a new contract with Malabar Coal at the Maxwell Mine to develop two new declines commencing in Q2 FY2023.

**4 Operating and financial review (continued)**

## Results (continued)

*Operational overview (continued)*

The Group has progressed significant integration synergies within the PYBAR business which will deliver a material overhead reduction in FY2023. The Group has also installed stronger governance with the PYBAR tendering and commercial operations and refocused business development to target projects that align with the Group strategy.

The Group's record order book, which is diversified across a spread of commodities, currently stands at \$1.9 billion. Approximately 79% of forecast revenue in FY2023 is supported through the contracted order book. In addition to the contracted works, the Company forecasts a further 3% of FY2023 revenue is generated from recurring and purchase order work. Beyond FY2023, the contracted order book remains at \$1.1 billion.

The tendering pipeline currently stands at \$1.7 billion with \$0.5 billion in mine operations, \$0.8 billion in the coal contracting business and \$0.4 billion in underground hard rock projects.

*Balance Sheet and Cash Flows*

The overall cash position at 30 June 2022 represented a decrease in cash and cash equivalents of \$19.2 million against prior period (\$24.4 million at 30 June 2021), to \$5.2 million. The decrease was mainly a result of the cash payment for the acquisition of PYBAR (\$11.6 million) and significant capital investment in equipment fleet for new contracts (additional \$34.3 million in FY22 compared to FY21).

The cash flow movements were as follows:

- net cash inflows from operating activities for the full year ended 30 June 2022 of \$20.4 million (full year ended 30 June 2021: inflows of \$18.3 million), represented an increase of \$2.1 million due to higher cash flow generation from operations, offset by higher interest paid;
- net cash outflows from investing activities for the full year ended 30 June 2022 of \$54.2 million (full year ended 30 June 2021: outflows of \$8.3 million), predominantly represented by significant capital investment in equipment fleet particularly for new mine operations contracts, and the impact of acquisition payments (cash component of PYBAR acquisition of \$11.6 million and contingent consideration payment for Wilson Mining Services of \$2.0 million; and
- net cash inflows from financing activities for the full year ended 30 June 2022 of \$14.6 million (full year ended 30 June 2021: outflows of \$11.0 million), represented net proceeds from borrowings of \$24.5 million and repayment of on-going lease liabilities, offset by lower dividends during FY2022.

The net assets of the Group have increased from \$75.2 million (30 June 2021) to \$83.2 million at 30 June 2022.

The Group maintains significant headroom in its current bank facilities providing additional working capital to support future growth. At 30 June 2022, Metarock has available invoice finance facility and bank overdraft limits of \$41.2 million for working capital, and an available \$58.6 million for equipment funding. The plan to bring forward approximately \$30 million of capital recovery in 1H FY2023 will deleverage the balance sheet and bring the gearing ratio back to target levels.

*Outlook*

The Group has built a national footprint across a broad range of commodities, with increased exposure to emerging opportunities through 'new energy' materials. Exploration expenditure and metres drilled have climbed to decade highs and it is expected that Metarock's production focused business will benefit from significant future mine development activity.

The coal contracting division remains well positioned to deliver strong operating cash flow consistent with prior years. FY2023 revenue is underpinned by long term contracts and is well progressed on multi year extensions. Wilson Mining will continue to build market share whilst the coal contracting operations will maintain its dominant position with no material changes in the contractor landscape expected.

PYBAR contracting FY2023 revenue is underpinned by existing contracts and the recent Malabar Coal win supports revenue growth in FY2023. PYBAR will continue to benefit from improved tendering and commercial contract management and integration to ensure strong governance and alignment of strategy.

The coal mine division will stabilise with a slow down at Crinum mine and deferral of capital to ensure the Group is better positioned to ramp up production from July 2023. The revenue and margin contribution from the Crinum contract remains unchanged but will push out to FY2024. The Cook Colliery operation will benefit from people and equipment redeployed from the Crinum project. The plan to bring forward approximately \$30 million of capital recovery of Crinum equipment in 1H FY2023 will reduce debt levels and bring the gearing ratio of the Group back to target levels.

**5 Remuneration Report (audited)**

The Directors present the Metarock Group Limited 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

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

**(a) Principles of remuneration**

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

Name	Position
<b>Non-executive and executive Directors</b> (see pages 1 to 2 for details about each Director)	
Mr. C Bloomfield	Independent Chairman
Mr. A Watts	Non-executive Director
Mr. G Meena	Non-executive Director
Ms. J Whitcombe	Non-executive Director
Mr. A Caruso	Managing Director & Chief Executive Officer
Mr. P Rouse (from 5 November 2021)	Non-executive Director
<b>Other executives</b>	
Mr. D Sykes	General Manager Strategy and Growth (Ceased 14 November 2021) Chief Executive Officer Mastermyne Mine Operations (Appointed 15 November 2021)
Ms. V Gayton	General Manager Human Resources (Ceased 14 November 2021) Executive General Manager People (Appointed 15 November 2021)
Mr. P Green	General Manager Mining QLD (Ceased 14 November 2021) Chief Executive Officer Mastermyne Mining Services (Appointed 15 November 2021)
Mr. W Price	General Manager Mining NSW (Ceased 14 November 2021)
Mr. B Maff	Chief Financial Officer
Mr. R Bedggood	General Manager Hardrock (Ceased 30 September 2021)
Mr. N Woolrych	Chief Executive Officer Pybar (Ceased 3 June 2022)
Mr. J Glover	Chief Executive Officer Pybar (Appointed 6 June 2022)

\*Mr W Price continues in the role of General Manager Mining NSW however this role no longer meets the definition of Key Management Personnel post changes to the organisational structure effective 15 November 2021.

*Changes since the end of the reporting period*

Mr. B Burgess was appointed to the position of Executive General Manager of Assets and Engineering for the Group on 4 July 2022.

Mr. D Sykes resigned from the position of Chief Executive Officer Mastermyne Mine Operations effective 14 August 2022.

Mr. P Green was appointed to the position of Chief Executive Officer Mastermyne effective 15 August 2022.

*Remuneration policy*

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

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

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

## 5 Remuneration Report (audited) (continued)

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

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

#### Fixed remuneration

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

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

In FY2022 fixed remuneration was increased for 5 executives, with an average increase of 4.8%. This was done to apply the 0.5% increase in superannuation guarantee, broadening responsibilities of the roles and alignment within the executive team to market rates.

#### Performance linked remuneration

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

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

## 5 Remuneration Report (audited) (continued)

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

#### Short-term incentive bonus

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

Feature	Description									
Award opportunity	CEO/Managing Director: 75% of fixed remuneration Other executives: up to 50% of fixed remuneration									
Performance metrics	The STI metrics align with our strategic objectives of the Group, with specific financial and non-financial measures (normally 5 or 6) for individual performance, group performance and underlying performance of the Group.									
	A summary of the measures and weightings are set out in the table below:									
	<table border="1"> <thead> <tr> <th>KMP</th> <th>Financial</th> <th>Non-financial</th> </tr> </thead> <tbody> <tr> <td>CEO/Managing Director</td> <td>40%</td> <td>60%</td> </tr> <tr> <td>Other executives</td> <td>40%</td> <td>60%</td> </tr> </tbody> </table>	KMP	Financial	Non-financial	CEO/Managing Director	40%	60%	Other executives	40%	60%
	KMP	Financial	Non-financial							
CEO/Managing Director	40%	60%								
Other executives	40%	60%								
The financial performance objectives may vary by individual and are broadly based on profitability compared to budgeted amounts approved by the Board each year.										
	The non-financial objectives vary dependent upon position and responsibility and are aligned with the measures and targets set to achieve the strategic objectives of the Group on an annual basis.									
	At the commencement of each performance year, the Board approves the corporate performance scorecard and metrics to be measured for that year. The metrics generally have performance levels set as:									
	<ul style="list-style-type: none"> <li>• Threshold: Being the minimum level of performance deserving of reward. Achievement of the Threshold results in 50% of the STI Award Opportunity being awarded.</li> <li>• Target: Being a challenging but achievable level of performance. Achievement of the Target results in 100% of the STI Award Opportunity being awarded.</li> <li>• Stretch: Being the upper limit of possible outcomes that were planned for and a very challenging goal that is unlikely to be achieved. Achievement of the Stretch results in 150% of the STI Award Opportunity being awarded.</li> </ul>									
	At the end of the financial year, the RNC assess the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the year. Payment of individual bonuses is based on the assessment of the RNC with recommendations from the Managing Director (for employees other than the Managing Director) taking into consideration the overall performance of the individual for the period. The Managing Director's STI bonus is set by the board based on assessment of his/her performance against agreed KPIs as assessed by the RNC and recommended to the Board.									
Delivery of STI	Employees can nominate for up to 50% of their STI award to be settled in shares. When a nomination is made, performance rights are issued to the employee and vest at the end of the year in line with the achievements of their relative KPI's. Any balance not elected to be paid as shares in the Company is paid in cash at the end of the financial year. STI payments must be self funding.									
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes, including reducing down to zero, if appropriate.									

## 5 Remuneration Report (audited) (continued)

## (a) Principles of remuneration (continued)

*Long-term incentives*

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

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

Feature	Description																
Opportunity/ Allocation	CEO/Managing Director: 75% of fixed remuneration Other executives: 50% of fixed remuneration The opportunity is divided by the share price face value to determine the number of rights.																
Performance hurdle	Vesting of the rights will be subject to achievement of the vesting conditions set out below: <ul style="list-style-type: none"> <li>• Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment has ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.</li> <li>• Vesting Condition 2: Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Metarock. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Metarock, the Board at its discretion may determine that some or all of the performance rights will lapse.</li> <li>• Vesting Condition 3: If Vesting Conditions 1 and 2 are achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. These Vesting Conditions depend on Metarock's TSR percentile rank during the TSR measurement period and the Earnings per Share (EPS) performance over the measurement period: <ul style="list-style-type: none"> <li>(a) Tranche A: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX Peer Group index; and</li> <li>(b) Tranche B: 50% of the performance rights will be conditional on the Company's EPS performance.</li> </ul> </li> </ul> <p>For each tranche, the percentage of performance rights which will vest will be as specified in the table below:</p> <table border="1"> <thead> <tr> <th>TSR Rank during TSR measurement period</th> <th>Proportion of Tranche A to vest</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile of the ASX Peer Group</td> <td>0%</td> </tr> <tr> <td>50th percentile to 75th percentile of the ASX Peer Group</td> <td>50% plus 2% for each percentile above 50th percentile</td> </tr> <tr> <td>Above 75th percentile of the ASX Peer Group</td> <td>100%</td> </tr> <tr> <th>EPS Performance during measurement period</th> <th>Proportion of Tranche B to vest</th> </tr> <tr> <td>EPS growth at &lt;6%</td> <td>0%</td> </tr> <tr> <td>EPS growth between 6% and 12%</td> <td>0% to 100% pro rata</td> </tr> <tr> <td>EPS growth &gt;12%</td> <td>100%</td> </tr> </tbody> </table>	TSR Rank during TSR measurement period	Proportion of Tranche A to vest	Below 50th percentile of the ASX Peer Group	0%	50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile	Above 75th percentile of the ASX Peer Group	100%	EPS Performance during measurement period	Proportion of Tranche B to vest	EPS growth at <6%	0%	EPS growth between 6% and 12%	0% to 100% pro rata	EPS growth >12%	100%
TSR Rank during TSR measurement period	Proportion of Tranche A to vest																
Below 50th percentile of the ASX Peer Group	0%																
50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile																
Above 75th percentile of the ASX Peer Group	100%																
EPS Performance during measurement period	Proportion of Tranche B to vest																
EPS growth at <6%	0%																
EPS growth between 6% and 12%	0% to 100% pro rata																
EPS growth >12%	100%																
Exercise price	The exercise price is \$Nil.																
Forfeiture and termination	Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.																

## 5 Remuneration Report (audited) (continued)

## (a) Principles of remuneration (continued)

*Long-term incentives (continued)*

Performance Rights issued before 2020 have the following structure:

Feature	Description														
Opportunity/ Allocation	CEO/Managing Director: 40% of fixed remuneration Other executives: 20% of fixed remuneration The opportunity is divided by the share price face value to determine the number of rights.														
Performance hurdle	Vesting of the rights will be subject to achievement of the vesting conditions set out below: <ul style="list-style-type: none"> <li>• Vesting Condition 1: The main Vesting Condition is that the eligible participant must be employed within the Group on the Test Date. If employment has ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board at its absolute discretion determines otherwise.</li> <li>• Vesting Condition 2: Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Metarock. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Metarock, the Board at its discretion may determine that some or all of the performance rights will lapse.</li> <li>• Vesting Condition 3: There is an overriding Vesting Condition, requiring a minimum 8% total shareholder return (TSR) during the TSR measurement period (i.e. from the Time of Grant to the Test Date).</li> <li>• Vesting Condition 4: If Vesting Condition 3 is achieved there are two further Vesting Conditions that will each be applied independently to 50% of the performance rights. Both of these Vesting Conditions depend on Metarock's TSR percentile rank during the TSR measurement period: <ul style="list-style-type: none"> <li>(a) Tranche A: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX All Ordinaries Accumulation index; and</li> <li>(b) Tranche B: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX 200 Resources Accumulation index.</li> </ul> </li> </ul> <p>For each tranche, the percentage of performance rights which will vest will be as specified in the table below:</p> <table border="1"> <thead> <tr> <th rowspan="2">TSR Rank during TSR measurement period</th> <th colspan="2">Proportion to vest</th> </tr> <tr> <th>Tranche A</th> <th>Tranche B</th> </tr> </thead> <tbody> <tr> <td>Below 50th percentile of the ASX Peer Group or the Resources Peer Group</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group</td> <td>50% plus 2% for each percentile above 50th percentile</td> <td>50% plus 2% for each percentile above 50th percentile</td> </tr> <tr> <td>Above 75th percentile of the ASX Peer Group or the Resources Peer Group</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	TSR Rank during TSR measurement period	Proportion to vest		Tranche A	Tranche B	Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%	0%	50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group	50% plus 2% for each percentile above 50th percentile	50% plus 2% for each percentile above 50th percentile	Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%	100%
TSR Rank during TSR measurement period	Proportion to vest														
	Tranche A	Tranche B													
Below 50th percentile of the ASX Peer Group or the Resources Peer Group	0%	0%													
50th percentile to 75th percentile of the ASX Peer Group or Resources Peer Group	50% plus 2% for each percentile above 50th percentile	50% plus 2% for each percentile above 50th percentile													
Above 75th percentile of the ASX Peer Group or the Resources Peer Group	100%	100%													
Exercise price	The exercise price is \$Nil.														
Forfeiture and termination	Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.														

## 5 Remuneration Report (audited) (continued)

## (a) Principles of remuneration (continued)

*Other benefits*

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

## (b) Link between remuneration and performance

*Current financial year performance and impact on remuneration*

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

The Group's performance in 2022 was severely impacted by the two fatalities, the on-going financial impacts of the Crinum project recovery and a weaker than planned PYBAR performance since acquisition in November 2021. As a result, no Short Term Incentive was payable for the 2022 performance, and currently unlikely the current tranche of Long Term Incentives for 2019-22 will vest in October 2022. For more information on 2022 results, see page 3 of the operating and financial review.

While no bonuses were payable for the 2022 performance, Mr R Bedggood was issued a bonus for performance during the contract period of 12 January 2021 and 30 September 2021.

*Statutory performance indicators*

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

Performance indicator	2022	2021	2020	2019	2018
Profit for the year attributable to owners (\$'000)	(12,556)	5,864	11,557	10,348	5,435
Dividends payments (\$'000)	2,421	5,057	6,346	-	-
Increase/(decrease) in share price (%)	(53.0)	+23.0	(37.0)	(14.0)	+248.0
Return on capital employed from continuing operations (%)	(18.9)	13.0	24.0	18.0	17.0
Basic earnings per share (cents)	(10.2)	5.5	11.0	10.1	5.5

## 5 Remuneration Report (audited) (continued)

## (c) Contractual arrangements with executive KMPs

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

Component	CEO description	Senior executive description
Fixed remuneration (including superannuation)	\$492,530 (i)	Range between \$335,337 and \$418,887 (i)
Contract duration	Ongoing contract	Ongoing contract
Notice by the individual/company	9 months	3 months
Termination of employment (without cause)	Entitlement to pro-rata STI for the year  Unvested LTI will remain on foot subject to achievement of the performance hurdles at the original date of testing  The Board has discretion to award a greater or lower amount	
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse	

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

Different contractual terms apply to the following individuals:

- P Green was employed as a contractor through a consulting company up until 30 January 2022.
  - The contract expired on 30 June 2021. Both parties to the Professional Service Agreement acknowledge the terms of the original contract remained ongoing until an employment agreement was entered into in writing from 31 January 2022.
  - As a contractor he did not receive superannuation benefits.
  - He was not entitled to STI's or LTI's until he was appointed to the role of CEO Mastermyne Mining Services effective 15 November 2021.
  - Notice period is dependent on tenure with a minimum of 6 weeks notice required if tenure is less than 12 months, 8 weeks notice required if tenure is more than 12 months and 12 weeks notice required if tenure is more than 24 months.
- R Bedggood was employed as a contractor through a consulting company. As a contractor he did not receive superannuation benefits and he was not entitled to LTI's. Rod was entitled to STI's based on performance against financial and non-financial metrics for the contracting period of 12 January 2021 to 30 September 2021.
- B Maff was employed as a contractor through a consulting company effective 11 June 2022.
  - The Professional Service Agreement expires 31 December 2022 and both parties can extend the term by written agreement.
  - Fixed remuneration is payable as an hourly rate for services performed and business travel.
  - As a contractor he is not entitled to receive superannuation benefits, STI's or LTI's.
  - The contract may be terminated by either party by giving two weeks notice.
- J Glover has a notice period of 8 weeks where tenure is less than 12 months, otherwise the notice period is 12 weeks.



30

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Directors' report  
30 June 2022  
(continued)

## 5 Remuneration Report (audited) (continued)

### (d) Remuneration expenses for executive KMP

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

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

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

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

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

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

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

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

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

2021	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share based payments	Termination benefits	Total	Performance related
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Employee entitlements	Rights			
Executive Director									
Mr. A Caruso	500,209	353,414	15,000	75,884	27,908	126,481	-	1,098,896	43.67%
Other key management personnel									
Mr. D Sykes	363,528	183,571	-	50,375	9,866	59,100	-	666,440	36.41%
Ms. V Gayton	262,044	132,340	-	37,923	7,623	43,397	-	483,327	36.36%
Mr. P Green	363,000	-	-	-	-	-	-	363,000	-%
Mr. W Price	299,660	97,622	-	40,740	-	52,252	-	490,274	30.57%
Mr. B Maff	367,793	142,862	-	21,694	-	108,918	-	641,267	39.26%
Mr. R Bedggood	164,103	-	-	-	-	-	-	164,103	-%
Total key management personnel compensation	2,320,337	909,809	15,000	226,616	45,397	390,148	-	3,907,307	33.27%

### Notes in relation to the 2021 table of remuneration expenses for executive KMP:

\* R Bedggood was appointed as Executive General Manager Hardrock on 12 January 2021.

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

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

31

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Directors' report  
30 June 2022  
(continued)

## 5 Remuneration Report (audited) (continued)

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

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of rights that were granted and exercised during FY 2022. The number of rights and percentages vested/forfeited for each grant date are disclosed in Section (h) Equity instruments on pages 17 to 19.

2022	Total STI bonus			LTI Rights	
	Total opportunity	Awarded	Forfeited	Value granted*	Value exercised **
Mr. A Caruso	336,726	-	100	241,070	-
Mr. D Sykes	179,021	-	100	128,078	-
Ms. V Gayton	152,668	-	100	109,421	-
Mr. P Green	183,062	-	100	128,441	-
Mr. W Price	59,896	-	100	116,799	-
Mr. B Maff	180,656	-	100	126,707	-
Mr. R Bedggood	85,442	90	10	-	-
Mr. N Woolrych	111,375	-	100	159,904	-
Mr. J Glover	6,241	-	100	-	-

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

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

### (f) Services from remuneration consultants

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

\$7,500 in external fees were paid for remuneration research reports during the 2022 financial year.

### (g) Non-executive director arrangements

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

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

Board fees		\$
Chair		110,000
Other non-executive directors		66,000
Committee fees		
Audit	Chair	5,500
	Member	-
Remuneration and nomination	Chair	5,500
	Member	-

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

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

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

## 5 Remuneration Report (audited) (continued)

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

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

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

2021	Short-term employee benefits			Post-employment benefits	Total
	Board fees	Audit committee fees	Remuneration and nomination committee fees	Super-annuation	
	\$	\$	\$	\$	\$
Non-executive Directors					
Mr. C Bloomfield	100,000	-	-	9,509	109,509
Mr. A Watts	60,000	-	-	5,706	65,706
Ms. J Whitcombe	60,000	5,000	-	6,181	71,181
Mr. G Meena	60,000	-	5,000	6,181	71,181
Total non-executive directors	280,000	5,000	5,000	27,577	317,577

## (h) Equity instruments

## Rights

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

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
Tranche A						
29/11/2021	1/10/2024	1/10/2024	-	0.6664	To be determined	-
24/11/2020	1/10/2023	1/10/2023	-	0.4945	To be determined	-
21/11/2019	1/10/2022	1/10/2022	-	0.7415	To be determined	-
21/11/2018	1/10/2021	1/10/2021	-	0.8077	26th percentile	-
Tranche B						
29/11/2021	1/10/2024	1/10/2024	-	0.5827	To be determined	-
24/11/2020	1/10/2023	1/10/2023	-	0.4784	To be determined	-
21/11/2019	1/10/2022	1/10/2022	-	0.7100	To be determined	-
21/11/2018	1/10/2021	1/10/2021	-	0.7727	32nd percentile	-
Granted in relation to STI						
7/12/2021	1/10/2022	1/10/2022	-	0.7800	Not achieved	-
22/1/2021	1/10/2021	1/10/2021	-	0.7030	Performance targets met	100%

## 5 Remuneration Report (audited) (continued)

## (h) Equity instruments (continued)

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

The following table shows a reconciliation of rights held by each KMP from the beginning through to the end of FY2022. There were no vested rights as at 1 July 2021.

2022	Name	Grant Date	Balance at the start of the year		Granted as compensation	Vested		Exercised	Forfeited		Balance at the end of the year	
			Unvested			Number	%		Number	%	Vested and exercisable	Unvested
Tranche A												
	Mr. A Caruso	29/11/2021	-	192,988	-	-	-	-	-	-	-	192,988
	Mr. A Caruso	24/11/2020	211,758	-	-	-	-	-	-	-	-	211,758
	Mr. A Caruso	21/11/2019	73,947	-	-	-	-	-	-	-	-	73,947
	Mr. A Caruso	21/11/2018	58,980	-	-	-	-	-	(58,980)(100)	-	-	-
	Mr. D Sykes	29/11/2021	-	102,538	-	-	-	-	-	-	-	102,538
	Mr. D Sykes	24/11/2020	112,611	-	-	-	-	-	-	-	-	112,611
	Mr. D Sykes	21/11/2019	31,924	-	-	-	-	-	-	-	-	31,924
	Mr. D Sykes	21/11/2018	25,168	-	-	-	-	-	(25,168)(100)	-	-	-
	Ms. V Gayton	29/11/2021	-	87,601	-	-	-	-	-	-	-	87,601
	Ms. V Gayton	24/11/2020	85,243	-	-	-	-	-	-	-	-	85,243
	Ms. V Gayton	21/11/2019	24,181	-	-	-	-	-	-	-	-	24,181
	Ms. V Gayton	21/11/2018	17,591	-	-	-	-	-	(17,591)(100)	-	-	-
	Mr. W Price	29/11/2021	-	93,508	-	-	-	-	-	-	-	93,508
	Mr. W Price	24/11/2020	104,800	-	-	-	-	-	-	-	-	104,800
	Mr. W Price	21/11/2019	31,411	-	-	-	-	-	-	-	-	31,411
	Mr. W Price	21/11/2018	24,818	-	-	-	-	-	(24,818)(100)	-	-	-
	Mr. B Maff	29/11/2021	-	101,440	-	-	-	-	-	-	-	101,440
	Mr. B Maff	24/11/2020	111,754	-	-	-	-	-	-	-	-	111,754
	Mr. B Maff	21/11/2019	30,398	-	-	-	-	-	-	-	-	30,398
	Mr. N Woolrych	29/11/2021	-	128,017	-	-	-	-	(128,017)(100)	-	-	-
	Mr. P Green	29/11/2021	-	102,828	-	-	-	-	-	-	-	102,828
Tranche B												
	Mr. A Caruso	29/11/2021	-	192,988	-	-	-	-	-	-	-	192,988
	Mr. A Caruso	24/11/2020	211,758	-	-	-	-	-	-	-	-	211,758
	Mr. A Caruso	21/11/2019	73,947	-	-	-	-	-	-	-	-	73,947
	Mr. A Caruso	21/11/2018	58,980	-	-	-	-	-	(58,980) 100	-	-	-
	Mr. D Sykes	29/11/2021	-	102,538	-	-	-	-	-	-	-	102,538
	Mr. D Sykes	24/11/2020	112,611	-	-	-	-	-	-	-	-	112,611
	Mr. D Sykes	21/11/2019	31,294	-	-	-	-	-	-	-	-	31,294
	Mr. D Sykes	21/11/2018	25,168	-	-	-	-	-	(25,168) 100	-	-	-
	Ms. V Gayton	29/11/2021	-	87,601	-	-	-	-	-	-	-	87,601
	Ms. V Gayton	24/11/2020	85,243	-	-	-	-	-	-	-	-	85,243
	Ms. V Gayton	21/11/2019	24,181	-	-	-	-	-	-	-	-	24,181
	Ms. V Gayton	21/11/2018	17,591	-	-	-	-	-	(17,591) 100	-	-	-
	Mr. W Price	29/11/2021	-	93,508	-	-	-	-	-	-	-	93,508
	Mr. W Price	24/11/2020	104,800	-	-	-	-	-	-	-	-	104,800
	Mr. W Price	21/11/2019	31,411	-	-	-	-	-	-	-	-	31,411
	Mr. W Price	21/11/2018	24,818	-	-	-	-	-	(24,818) 100	-	-	-
	Mr. B Maff	29/11/2021	-	101,440	-	-	-	-	-	-	-	101,440
	Mr. B Maff	24/11/2020	111,754	-	-	-	-	-	-	-	-	111,754
	Mr. B Maff	21/11/2019	30,398	-	-	-	-	-	-	-	-	30,398
	Mr. N Woolrych	29/11/2021	-	128,017	-	-	-	-	(128,017)(100)	-	-	-
	Mr. P Green	29/11/2021	-	102,828	-	-	-	-	-	-	-	102,828
Granted as part of STI												
	Mr. B Maff	7/12/2021	-	104,407	-	-	-	-	-	-	-	104,407
	Mr. B Maff	22/01/2021	98,684	-	-	98,684	100	-	-	-	-	-

## 5 Remuneration Report (audited) (continued)

## (h) Equity instruments (continued)

## Shareholdings

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

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

\*Mr. P Rouse and his related parties acquired 1,336,475 shares on market. Additionally, 21,004,439 shares were acquired as part of the consideration of the acquisition of Pybar Holdings Pty Limited, of which 1,145,000 were subsequently transferred off market.

## (i) Individual directors and executives compensation disclosures

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

## Loans given to key management personnel

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

## Other transactions with key management personnel

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

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

## Revenue

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

## Expenses

- 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.

## 5 Remuneration Report (audited) (continued)

## Other transactions with key management personnel (continued)

- 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.
- The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payments terms.
- 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.
- The Group leases 1688 Forest Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- The Group leases 23 Huntley Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- The Group leases Units 1-6 Kenna Street in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- The Group engages JTMEC Pty Ltd, an entity owned by Paul Rouse, for the provision of labour hire services. Amounts paid are at arm's length and are due and payable under normal payment terms. JTMEC was divested by Paul Rouse effective 1 June 2022 and transactions and balances with JTMEC after this date are not treated as related party transactions or balances.

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

	2022	2021
	\$	\$
<i>Amounts recognised as revenue</i>		
i. Administration services	173,425	-
ii. Equipment hire	112,492	-
iii. Back charges	3,935	-
	<u>289,852</u>	-
<i>Amounts recognised as expense</i>		
iv. Rent of 45 River Street	207,300	194,453
v. Rent of 56A Grosvenor Drive	29,943	23,808
vi. General plumbing repairs	4,187	2,367
vii. Software and IT consulting services and software licencing	877,974	-
viii. Rent of 1688 Forest Road in Orange NSW	267,346	-
ix. Rent of 23 Huntley Road in Orange NSW	67,898	-
x. Rent of Units 1-6 Kenna St in Orange NSW	60,683	-
xi. Labour hire services	3,367,141	-
	<u>4,882,472</u>	<u>220,628</u>

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

**5 Remuneration Report (audited) (continued)***Other transactions with key management personnel (continued)**Amounts recognised as assets and liabilities*

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

	2022 \$	2021 \$
<i>Amounts recognised as receivables</i>		
i. Administration services	6,359	-
iii. Back charges	4,329	-
	<u>10,688</u>	<u>-</u>
<i>Amounts recognised as payables</i>		
vii. Software and IT consulting services and software licencing	21,932	-
	<u>21,932</u>	<u>-</u>

Additionally, a further \$2,565 is recognised in payables for amounts due to HMR Drilling Pty Ltd for services provided to Pybar Holdings Pty Limited prior to Metarock's acquisition.

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

Metarock Group Limited received more than 99% of "yes" votes on its remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This concludes the remuneration report, which has been audited.

**6 Principal activities**

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

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

**7 Significant changes in the state of affairs**

During the financial year the Group acquired 100% of the issued capital of PYBAR Holdings Pty Limited as detailed in note 24 and in our review of operations on pages 3 to 6.

In addition, the Group was awarded their second Mine Operations contract with the QCoal Group at the Cook Colliery.

The roof fall incident at Crinum mine resulted in a significant amount of recovery costs and delayed production margin which has impacted on the cash resources and debt position of the Group throughout FY2022.

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

**8 Environmental regulation**

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

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

**9 Dividends - Metarock Group Limited**

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

Ordinary shares

	2022 \$'000	2021 \$'000
Final dividend for the year ended 30 June 2021 of 2.5 cents (2020 - 4 cents) per fully paid share	2,421	4,252
Interim dividend for the year ended 30 June 2022 of nil (2021 - 0.75 cents) per fully paid share	-	805
<b>Total dividends paid</b>	<u>2,421</u>	<u>5,057</u>
Distributions to non-controlling interest	-	182

Dividends not recognised at the end of the reporting period

	2022 \$'000	2021 \$'000
In addition to the above dividends, since year end the Directors have not recommended the payment of a final dividend (2021 - 2.25 cents).	-	<u>2,417</u>

**10 Events subsequent to reporting date**

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 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.

On 26 August 2022, the Group executed an agreement to extend its current invoice financing facilities and bank overdraft facility, which were due to mature on 31 August 2022 and 31 December 2022 respectively, to 31 March 2023. The extension becomes effective from 31 August 2022.

**10 Events subsequent to reporting date (continued)**

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

**11 Likely developments**

The Group is currently in negotiations with the owner of the Crinum mine to slow the mine commencement schedule to minimise costs under an interim arrangement for the remainder of FY2023 and allow additional time to set up the operations and deliver the required mining equipment for recommencement of mining operations in July 2023. The Company is also in discussions with various parties to bring forward approximately \$30 million of Crinum capital recovery in 1H FY2023 to reduce current debt balances and bring the gearing ratio towards target levels.

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

**12 Directors' interests**

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

	Metarock Group Limited	
	Ordinary Shares	Rights over ordinary shares
Colin Bloomfield	1,117,629	-
Gabe Meena	100,000	-
Julie Whitcombe	94,000	-
Andrew Watts	12,262,245	-
Tony Caruso	2,391,555	957,386
Paul Rouse	21,195,914	-

**13 Shares under option**

Unissued ordinary shares

At the date of this report there were no unissued ordinary shares of the Company under option.

**14 Insurance of officers and indemnities**

Indemnity

The Company has agreed to indemnify the following current Directors of the Company, Colin Bloomfield, Tony Caruso, Andrew Watts, Gabe Meena, Julie Whitcombe and Paul Rouse for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position within the Company and its controlled entities, except where liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

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

Insurance of officers

During the financial year, the entity has paid premiums on behalf of the Company in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2022 and, since the end of the financial year, the entity has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the year ended 30 June 2023. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been Directors or executive officers of the Company.

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

**15 Non-audit services**

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

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

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

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

	2022 \$	2021 \$
<b>Audit services</b>		
Pitcher Partners		
Audit and review of financial statements	372,000	147,500
Audit of regulatory returns	16,000	-
<b>Total remuneration for audit services</b>	<b>388,000</b>	<b>147,500</b>
<b>Other non-assurance services</b>		
Pitcher Partners		
Due diligence services	204,319	-
Taxation services	28,750	16,500
<b>Total remuneration for other services</b>	<b>233,069</b>	<b>16,500</b>

**16 Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. The Group was not a part to any such proceedings during the year.

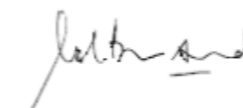
**17 Auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 25 and forms part of the Directors' report for the financial year ended 30 June 2022.

**18 Rounding of amounts**

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

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



Mr. C Bloomfield  
Director

Brisbane  
30/08/2022

40

**METAROCK**  
ANNUAL  
REPORT  
2022

The Directors  
Metarock Group Limited  
45 River Street  
Mackay QLD 4740

### Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 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 year.

*Pitcher Partners*  
PITCHER PARTNERS

*J. Evans*

**JASON EVANS**  
Partner

Brisbane, Queensland  
30 August 2022



Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

41

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Consolidated statement of comprehensive income  
For the year ended 30 June 2022

Revenue from contracts with customers	4	452,698	233,067
Other income	5	3,246	798
Contract disbursements		(122,485)	(30,440)
Personnel expenses	6	(297,368)	(172,231)
Office expenses		(13,251)	(7,134)
Depreciation and amortisation expense	6	(32,834)	(12,547)
Other expenses	6	(5,341)	(1,783)
Results from operating activities		(15,335)	9,730
Finance income		8	20
Finance expenses		(4,030)	(1,071)
Net finance expenses	7	(4,022)	(1,051)
Profit/(loss) before income tax		(19,357)	8,679
Income tax expense/(benefit)	8	6,801	(2,804)
Total comprehensive income/(loss) for the period		(12,556)	5,875
Profit/(loss) is attributable to:			
Owners of Metarock Group Limited		(12,556)	5,864
Non-controlling interests		-	11
		(12,556)	5,875
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Metarock Group Limited		(12,556)	5,864
Non-controlling interests		-	11
		(12,556)	5,875
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	18	(10.2)	5.5
Diluted earnings per share	18	(10.2)	5.4

Brisbane Sydney Newcastle Melbourne Adelaide Perth



[pitcher.com.au](http://pitcher.com.au)

Pitcher Partners is an association of independent firms.  
An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

NIGEL FISCHER MARK NICHOLSON PETER CAMENZULI	JASON EVANS KYLIE LAMPRECHT NORMAN THURECHT	BRETT HEADRICK WARWICK FACE COLE WILKINSON	SIMON CHUN JEREMY JONES TOM SPLATT	JAMES FIELD DANIEL COLWELL ROBYN COOPER	FELICITY CRIMSTON CHERYL MASON KIERAN WALLIS	MURRAY GRAHAM ANDREW ROBIN KAREN LEVINE
--	---	--	--	---	--	---

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

FINANCIAL SECTION

Metarock Group Limited (formerly Mastermyne Group Limited)  
Consolidated balance sheet  
As at 30 June 2022

ASSETS			
<b>Current assets</b>			
Cash and cash equivalents	9	5,229	24,389
Trade and other receivables	10	84,042	40,399
Contract assets	4(b)	1,984	1,242
Inventories	11	21,149	6,415
Current tax receivables	8	12,299	-
<b>Total current assets</b>		<b>124,703</b>	<b>72,445</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	110,666	22,949
Right-of-use assets	16	19,648	14,043
Intangible assets	13	44,136	12,267
Deferred tax assets	8(d)	-	7,526
<b>Total non-current assets</b>		<b>174,450</b>	<b>56,785</b>
<b>Total assets</b>		<b>299,153</b>	<b>129,230</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	69,246	24,405
Contract liabilities	4(b)	2,051	212
Borrowings	21	62,981	-
Lease liabilities	16	6,127	4,681
Current tax liabilities	8(c)	-	1,039
Employee benefit obligations	15	23,822	11,882
Provisions		485	-
Other current liabilities	17	12,661	1,944
<b>Total current liabilities</b>		<b>177,373</b>	<b>44,163</b>
<b>Non-current liabilities</b>			
Borrowings	21	21,027	-
Lease liabilities	16	11,201	7,876
Deferred tax liabilities	8(d)	5,735	-
Employee benefit obligations	15	630	98
Other non-current liabilities	17	-	1,911
<b>Total non-current liabilities</b>		<b>38,593</b>	<b>9,885</b>
<b>Total liabilities</b>		<b>215,966</b>	<b>54,048</b>
<b>Net assets</b>		<b>83,187</b>	<b>75,182</b>
<b>EQUITY</b>			
Share capital	20	87,904	64,295
Other equity	20	-	1,153
Other reserves	20	(23,434)	(23,639)
Retained earnings		18,717	33,373
<b>Equity attributable to owners of Metarock Group Limited</b>		<b>83,187</b>	<b>75,182</b>
<b>Total equity</b>		<b>83,187</b>	<b>75,182</b>

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

Metarock Group Limited (formerly Mastermyne Group Limited)  
Consolidated statement of changes in equity  
For the year ended 30 June 2022

Notes	Attributable to owners of Metarock Group Limited						Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Retained earnings \$'000	Other equity \$'000	Share-based payments \$'000	Common Control Reserve \$'000	Total \$'000		
Balance at 1 July 2020	61,003	32,212	4,033	378	(24,237)	73,389	525	73,914
Profit/(loss) for the period	-	5,864	-	-	-	5,864	11	5,875
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	<b>5,864</b>	-	-	-	<b>5,864</b>	<b>11</b>	<b>5,875</b>
<b>Transactions with owners in their capacity as owners:</b>								
Issue of ordinary shares as consideration for Wilson Mining acquisition	24	2,779	156	(2,935)	-	-	-	-
Transactions with non-controlling interests		-	(23)	-	-	(23)	(354)	(377)
Payment of Dividends	19	-	(5,057)	-	-	(5,057)	-	(5,057)
Distribution to non-controlling interest		-	-	-	-	-	(182)	(182)
Share-based payment transactions	28	-	-	441	-	441	-	441
Share options exercised		-	221	(221)	-	-	-	-
Shares issued or to be issued on dividends reinvested	19	513	-	55	-	568	-	568
<b>Total contributions by and distributions to owners</b>		<b>3,292</b>	<b>(4,703)</b>	<b>(2,880)</b>	<b>220</b>	<b>(4,071)</b>	<b>(536)</b>	<b>(4,607)</b>
<b>Balance at 30 June 2021</b>		<b>64,295</b>	<b>33,373</b>	<b>1,153</b>	<b>598</b>	<b>(24,237)</b>	<b>-</b>	<b>75,182</b>
<b>Attributable to owners of Metarock Group Limited</b>								
Notes	Share capital \$'000	Retained earnings \$'000	Other equity \$'000	Share based payments \$'000	Common Control Reserve \$'000	Total \$'000	Total equity \$'000	
Balance at 1 July 2021	64,295	33,373	1,153	598	(24,237)	75,182	75,182	
Profit/(loss) for the period	-	(12,556)	-	-	-	(12,556)	(12,556)	
Other comprehensive income	-	-	-	-	-	-	-	
<b>Total comprehensive income/(loss) for the period</b>	-	<b>(12,556)</b>	-	-	-	<b>(12,556)</b>	<b>(12,556)</b>	
<b>Transactions with owners in their capacity as owners:</b>								
Issue of ordinary shares as consideration for Wilson Mining acquisition	24	1,153	-	(1,153)	-	-	-	
Payment of Dividends	19	-	(2,246)	-	-	(2,246)	(2,246)	
Share-based payment transactions	28	-	-	-	526	526	526	
Share options exercised		-	321	-	(321)	-	-	
Shares issued or to be issued on dividends reinvested	19	175	(175)	-	-	-	-	
Issue of ordinary shares as consideration for PYBAR Mining acquisition	24	22,281	-	-	-	22,281	22,281	
<b>Total contributions by and distributions to owners</b>		<b>23,609</b>	<b>(2,100)</b>	<b>(1,153)</b>	<b>205</b>	<b>20,561</b>	<b>20,561</b>	
<b>Balance at 30 June 2022</b>		<b>87,904</b>	<b>18,717</b>	<b>-</b>	<b>803</b>	<b>(24,237)</b>	<b>83,187</b>	<b>83,187</b>

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

Cash flows from operating activities		
Receipts from customers (inclusive of GST)	492,586	264,379
Payments to suppliers and employees (inclusive of GST)	(467,442)	(242,811)
	25,144	21,568
Interest received	8	20
Interest paid	(3,872)	(1,071)
Income taxes paid	(2,293)	(3,005)
Receipts of government grants and subsidies	1,452	777
<b>Net cash inflow from operating activities</b>	<b>9 20,439</b>	<b>18,289</b>
Cash flows from investing activities		
Payment for acquisition of subsidiary, net of cash acquired	24 (11,604)	-
Payment of contingent consideration	17 (2,029)	-
Payments for property, plant and equipment	(41,641)	(7,286)
Initial direct costs on right-of-use assets	(33)	(295)
Payment of software development costs	(143)	(421)
Proceeds from sale of property, plant and equipment	1,206	88
Payment for purchase of non-controlling interest	-	(377)
<b>Net cash (outflow) from investing activities</b>	<b>(54,244)</b>	<b>(8,291)</b>
Cash flows from financing activities		
Proceeds from borrowings	41,644	-
Repayment of borrowings	(17,124)	-
Principal elements of finance lease payments	(7,629)	(6,297)
Dividends paid to company's shareholders	19 (2,246)	(4,489)
Dividends paid to non-controlling interests in subsidiaries	-	(182)
<b>Net cash inflow (outflow) from financing activities</b>	<b>14,645</b>	<b>(10,968)</b>
Net (decrease) in cash and cash equivalents	(19,160)	(970)
Cash and cash equivalents at the beginning of the financial year	24,389	25,359
<b>Cash and cash equivalents at end of year</b>	<b>9 5,229</b>	<b>24,389</b>

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

## 1 Basis of preparation

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

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

### Statement of compliance

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

### New and amended standards adopted by the group

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (see note 24).

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

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

### Net current deficiency

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

Although the Group generated positive net cash flows from operating activities of \$20,439,000 for the year ended 30 June 2022, a net loss after tax of \$12,556,000 was incurred for the period and the Group has a statutory net current deficiency of \$52,670,000 for the period then ended.

Net current deficiency	\$'000
Current assets	124,703
Current liabilities	(177,373)
	<u>(52,670)</u>



## 1 Basis of preparation (continued)

### Net current deficiency (continued)

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

- The Group has executed two long-term mining services agreements for Mine Operations projects (Cook and Crinum), which have significant upfront capital spend requirements to prepare equipment for full operational capacity. The capital investment will be recovered over the life of the contract, in addition to operational revenue and profits. The serious incident which occurred at the Crinum project during the financial year has caused delays to the mining production and capital recovery timelines resulting in a negative impact to profitability and operating cash flows during the financial year. However, these two contracts are expected to deliver substantial increases in revenue and profitability for FY2023 onwards.
- Metarock and the client at Crinum have agreed to slow the mine commencement schedule, to minimise costs, under an interim arrangement for the remainder of FY2023 and allow additional time to set up the operations and deliver the required mining equipment. The Group is also in discussions with various parties to bring forward approximately \$30 million of Crinum capital recovery in 1H FY2023 to reduce current debt balances and bring the gearing ratio towards target levels.
- The equipment funding loans are subject to a progressive payment arrangement under which the financiers will pay for the purchase and construction/refurbishment of mining equipment on the condition the financing is rolled into an amortising term finance arrangement upon completion of the construction/refurbishment of each asset. These facilities are classified as current at financial year-end as construction had not been completed and thus the assets had not yet rolled into the amortising term facilities, for which the term will be greater than 12 months.
- The invoice finance and overdraft facilities were scheduled to mature on 31 August 2022 and 31 December 2022 respectively. Post financial year-end, an agreement has been executed to extend the facilities to 31 March 2023 following which the Group plans to further extend these facilities or refinance to alternate working capital facilities offered by the lender. The extension takes effect from 31 August 2022.
- The Group maintains the ongoing support of its bank and has significant borrowing capacity. During the financial year the Group obtained approval for additional equipment finance facilities totalling \$45,000,000 with an intended term of 4 years, and a further \$10,000,000 working capital overdraft facility which matures in Dec-22. Total facilities and undrawn amounts after the amendments are outlined below:

	Facility Limit at Year End \$'000	Available \$'000
Bank guarantee facility	1,500	308
Corporate credit card facility	1,500	1,448
Overdraft finance facility	10,000	10,000
Invoice finance facility	50,000	31,230
Equipment finance facility	121,760	58,649
Other finance facilities	2,127	-
	<u>186,887</u>	<u>101,635</u>

- Post financial year-end the Company has confirmed the value of the working capital adjustment to deferred consideration for the acquisition of PYBAR Holdings Pty Limited. In addition to confirming the value of the adjustment, the Company has also executed an agreement to defer the payment of the deferred consideration to 1 September 2023. As a result of the deferral, interest will accrue at a rate of 10% per annum and is payable monthly in arrears with payments commencing 1 October 2022.
- Finally, in addition to the above, the Group has the ability to raise additional equity as the need arises.

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

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

## 1 Basis of preparation (continued)

### Significant estimates and judgements

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

- Note 8(d): Recognition of deferred tax asset for carried-forward tax losses;
- Note 13: Key assumptions used in value-in-use calculations;
- Note 16: Determining the lease term;
- Note 16: Determining the incremental borrowing rate;
- Note 24: Measurement of the fair value of intangible assets acquired in a business combination;
- Note 24: Measurement of contingent consideration;
- Note 28: Measurement of share-based payments.

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

### Goods and Services Tax (GST)

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

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

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

### Rounding of amounts

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

### Corporate information

The consolidated financial statements were authorised for issue by the Directors on 30/08/2022. The Directors have the power to amend and reissue the consolidated financial statements.

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

Riverside Plaza  
45 River Street  
Mackay QLD 4740

### Stock exchange listings

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

### Website address

www.metarock.com.au

## 2 Significant changes in the current reporting period

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

- During the period, the Group has acquired 100% of the issued capital of PYBAR Holdings Pty Limited as detailed in note 24.
- The Group executed their second Mine Operations contract with the QCoal Group at Cook Colliery
- The roof fall incident at Crinum mine resulted in a significant amount of recovery costs and delayed production margin which has impacted on the cash resources and debt position of the Group throughout FY2022.

For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 3 to 6.

## 3 Segment information

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

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

In the 2021 reporting period, the Directors assessed reportable segments and determined that all operating segments meet the criteria for aggregation into a single reportable segment as the CODM reviewed results, assessed performance and allocated resources at a Group level, and the operating segments have similar economic characteristics and customers.

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

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

## 3 Segment information (continued)

Segment reporting (continued)

The table below shows the segment information provided to the Board of Directors, adjusted to eliminate inter-segment balances, for the reportable segments for the year ended 30 June 2022. There were no inter-segment transactions for the year ended 30 June 2022.

Full year 2022	Mastermyne \$'000	PYBAR \$'000	Total \$'000
Total segment revenue	287,010	165,688	452,698
Revenue from external customers	287,010	165,688	452,698
Segment EBITDA	4,198	13,301	17,499
Depreciation and amortisation	(11,889)	(20,945)	(32,834)
Net finance costs	(1,988)	(2,034)	(4,022)
Net profit/(loss) before tax	(9,679)	(9,678)	(19,357)
Total segment assets 30 June 2022	142,612	156,541	299,153
Total segment liabilities 30 June 2022	(104,391)	(111,575)	(215,966)

As the financial information for 2021 reported to the CODM is the consolidated results of the Group, the segment results for the year ended 30 June 2021 are shown throughout these financial statements and are not duplicated here.

For information regarding major customers, refer to Note 23(b). The Group operates in one geographical segment, namely Australia.

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

## 4 Revenue from contracts with customers

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

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

	2022 \$'000	2021 \$'000
Contracting revenue	425,858	213,877
Sale of goods	6,501	4,719
Machinery hire	20,339	14,471
	452,698	233,067

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

	2022 \$'000	2021 \$'000
Contract Assets		
Current contract assets relating to mine operation contracts	1,984	1,242
Total contract assets	1,984	1,242
Contract Liabilities		
Contract liability - income received in advance	(251)	(212)
Contract liability - expected refunds to customers	(1,800)	-
Total current contract liabilities	(2,051)	(212)

50

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

#### 4 Revenue from contracts with customers (continued)

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

(i) Significant changes in contract assets and liabilities

The increase in contract assets at the end of the year represents additional capitalised pre-production costs to fulfil a mine operations contract.

The contract liability for expected refunds to customers reflects cash advances from customers for existing contracts which are required to be refunded.

(j) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term contracts:

	2022 \$'000	2021 \$'000
Aggregate amount of the contract price allocated to long-term mine operation contracts that are partially or fully unsatisfied as at 30 June	634,116	656,978

The remaining contract price will be recognised over time over the remaining term of the underlying contract using the input or output method depending on the type of goods or services and relevant performance obligation.

Accounting policy

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

Consideration included in the measurement of revenue

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

Contracting

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

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

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

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

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

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

51

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

#### 4 Revenue from contracts with customers (continued)

Accounting policy (continued)

Sale of goods

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

Machinery hire

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

Receivables from contracts with customers

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

#### 5 Other income

	2022 \$'000	2021 \$'000
Government grants and subsidies	1,452	777
Gain on sale of plant and equipment	947	-
Administration Income	847	21
	<u>3,246</u>	<u>798</u>

Accounting policy

Government grants

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

Gain on sale of plant and equipment

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

Administration Income

Administration income is recognised at a point in time when the Company has an unconditional entitlement to receipt of funds.

## 6 Expenses

	Notes	2022 \$'000	2021 \$'000
<b>Personnel expenses</b>			
Wages and salaries		257,535	151,598
Other associated personnel expenses		21,271	10,990
Contributions to defined contribution superannuation funds		18,038	9,202
Equity-settled share based payment transactions		524	441
		<u>297,368</u>	<u>172,231</u>
<b>Depreciation and amortisation</b>			
Depreciation	12, 16	28,536	12,172
Amortisation	13	4,298	375
		<u>32,834</u>	<u>12,547</u>
<b>Other expenses</b>			
Insurance		3,472	1,560
Fair Value Increase in Contingent Consideration Liabilities	17, 24	2,022	-
Business development costs		13	139
Impairment losses/(recoveries) arising from contracts with customers		(168)	46
Loss on sale of property, plant and equipment		-	23
Royalty expense		2	15
		<u>5,341</u>	<u>1,783</u>

Loss (2021: profit) for the full-year includes the following items that are unusual because of their nature, size or incidence:

	2022 \$'000	2021 \$'000
<b>Expenses</b>		
Acquisition-related costs from the business combination (i)	(1,359)	-
Impact of Crinum incident (ii)	(22,274)	-
Consulting and legal fees in relation to the Crinum incident and Moranbah North Mine incident (iii)	(1,179)	-
Fair value adjustment to contingent consideration (iv)	(2,022)	-

- (i) Acquisition-related costs for the acquisition of PYBAR are included in office expenses in the statement of comprehensive income.
- (ii) Costs associated with the Crinum incident are included in contract disbursements and personnel expenses in the statement of comprehensive income.
- (iii) Consulting, legal and related costs associated with the Moranbah North Mine incident and Crinum incident are included in office expenses in the statement of comprehensive income.
- (iv) The fair value increase in the contingent consideration in relation to the acquisition of Wilson Mining is included in other expenses in the statement of comprehensive income.

## 7 Finance income and costs

	30 June 2022 \$'000	30 June 2021 \$'000
Finance income	8	20
Finance costs		
Finance costs paid/payable for borrowings	(3,088)	(387)
Finance costs paid/payable for lease liabilities and unwinding of discount	(784)	(684)
Deferred consideration: unwinding of discount	(201)	-
Finance costs charged against other contractual provisions	43	-
	<u>(4,030)</u>	<u>(1,071)</u>
<b>Net finance costs</b>	<u>(4,022)</u>	<u>(1,051)</u>

## Accounting policy

## Interest income

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

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

## Finance expenses

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

## 8 Income tax

## (a) Income tax expense

The major components of income tax expense are as follows:

	2022 \$'000	2021 \$'000
Current income tax expense/(benefit)	(11,193)	2,515
Adjustment for prior period	4	(2)
<b>Total current tax expense/(benefit)</b>	<u>(11,189)</u>	<u>2,513</u>
Deferred income tax relating to the origination and reversal of temporary differences	4,388	291
<b>Income tax expense/(benefit)</b>	<u>(6,801)</u>	<u>2,804</u>

## 8 Income tax (continued)

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

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

	2022 \$'000	2021 \$'000
Profit/(loss) from operations before income tax expense	(19,357)	8,679
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	(5,807)	2,604
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-deductible expenses	1,153	202
Non-assessable income	(2,151)	-
	<u>(6,805)</u>	<u>2,806</u>
Under/(over) provision of previous year	4	(2)
Income tax expense/(benefit)	<u>(6,801)</u>	<u>2,804</u>

## (c) Current tax assets and liabilities

The current tax asset for the Group of \$12,299,000 (2021: \$1,039,000 tax liability) represents the amount of income taxes receivable (2021: payable), in respect of current and prior periods.

## (d) Deferred tax balances

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

	2022 \$'000	2021 \$'000
Receivables	107	-
Tax losses	5,821	5,687
Employee benefits	7,386	3,637
Accruals	1,648	489
Capital raising and business acquisition costs	286	23
Lease liabilities	3,633	2,289
Total deferred tax assets	<u>18,881</u>	<u>12,125</u>
Property, plant and equipment	(11,899)	(127)
Intangible assets	(3,804)	(395)
Right-of-use assets	(3,464)	(2,221)
Unbilled revenue	(3,881)	(1,856)
Inventory	(1,568)	-
Total deferred tax liabilities	<u>(24,616)</u>	<u>(4,599)</u>
Net deferred tax assets / (liabilities)	<u>(5,735)</u>	<u>7,526</u>

## 8 Income tax (continued)

## (d) Deferred tax balances (continued)

Movements in deferred tax assets and liabilities are as follows:

Movements	Tax losses \$'000	Employee benefits \$'000	Accruals \$'000	Capital raising and business acquisition costs \$'000	Lease liabilities \$'000	Property, plant and equipment \$'000	Receivables \$'000	Inventory \$'000	Intangible assets \$'000	Right-of-use assets \$'000	Unbilled revenue \$'000	Total \$'000
Balance at 1 July 2020	6,289	3,097	385	44	3,040	251	(87)	-	(468)	(2,997)	(1,675)	7,879
(Charged)/credited												
- to profit or loss	(549)	540	104	(21)	(751)	(381)	99	-	73	776	(181)	(291)
- to current tax liability	(53)	-	-	-	-	3	(12)	-	-	-	-	(62)
Balance at 30 June 2021	<u>5,687</u>	<u>3,637</u>	<u>489</u>	<u>23</u>	<u>2,289</u>	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>(395)</u>	<u>(2,221)</u>	<u>(1,856)</u>	<u>7,526</u>
Balance at 1 July 2021	5,687	3,637	489	23	2,289	(127)	-	-	(395)	(2,221)	(1,856)	7,526
(Charged)/credited												
- to profit or loss	134	187	634	263	(708)	(3,683)	(67)	(874)	1,018	733	(2,025)	(4,388)
- to current tax liability	-	-	120	-	-	11	-	15	-	-	-	146
Acquisition of subsidiary	-	3,562	405	-	2,052	(8,100)	174	(709)	(4,427)	(1,976)	-	(9,019)
Balance at 30 June 2022	<u>5,821</u>	<u>7,386</u>	<u>1,648</u>	<u>286</u>	<u>3,633</u>	<u>(11,899)</u>	<u>107</u>	<u>(1,568)</u>	<u>(3,804)</u>	<u>(3,464)</u>	<u>(3,881)</u>	<u>(5,735)</u>

## 8 Income tax (continued)

### Accounting policy

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

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

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

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

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

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

### Tax consolidation legislation

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

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

The deferred tax assets include an amount of \$5,821,000, which relate to revenue losses totalling \$19,403,000 (2021: \$18,956,000) which are available to be offset against future taxable income. These losses arose within Diversified Mining Services Pty Ltd and Wilson Mining Services Pty Ltd prior to the acquisition by the Group. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The losses can be carried forward indefinitely and have no expiry date.

## 9 Cash and cash equivalents

	2022 \$'000	2021 \$'000
Current assets		
Cash on hand	4	-
Bank balances	5,225	24,389
<b>Cash and cash equivalents in the statement of financial position</b>	<b>5,229</b>	<b>24,389</b>

### Accounting policy

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

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

	Notes	2022 \$'000	2021 \$'000
(Loss)/profit for the period		(12,556)	5,875
Adjustments for:			
Depreciation	12, 16	28,536	12,172
Amortisation of intangible assets	13	4,298	375
Provision for impairment of trade debtors		(168)	46
Non-cash employee benefits expense - share-based payments	28	526	441
Net (gain)/loss on sale or loss of non-current assets	6	(947)	23
Fair value adjustment - contingent consideration		2,022	-
Net finance expense		4,022	1,051
Income tax expense		(6,801)	2,804
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(3,842)	8,647
(Increase)/decrease in contract assets		(697)	(1,242)
Increase/(decrease) in contract liabilities		1,839	212
(Increase) in inventories		(1,370)	(153)
Increase/(decrease) in trade and other payables		17,549	(9,731)
Increase/(decrease) in employee benefits		598	1,825
Increase/(decrease) in provisions		(6,413)	-
Interest paid		(3,872)	(1,071)
Interest received		8	20
Income taxes paid		(2,293)	(3,005)
<b>Net cash inflow from operating activities</b>		<b>20,439</b>	<b>18,289</b>

### Non-cash investing and financing activities

	Notes	2022 \$'000	2021 \$'000
Acquisition of right-of-use assets	16	4,203	4,812
Rights and shares issued to employees under the Employee Performance Rights Plan for no cash consideration		321	221
Dividends reinvested	19	175	513
Dividends on unissued shares to be issued as additional ordinary shares	19, 24	-	55
		<b>4,699</b>	<b>5,601</b>

## 9 Cash and cash equivalents (continued)

## Net debt reconciliation

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

	2022 \$'000	2021 \$'000
Net debt		
Cash and cash equivalents (note 9)	5,229	24,389
Borrowings (note 21)	(84,008)	-
Lease liabilities (note 16)	(17,328)	(12,557)
Net debt	(96,107)	11,832

	Liabilities from financing activities			Other assets	
	Borrowings \$'000	Leases \$'000	Sub-total \$'000	Cash/bank overdraft \$'000	Total \$'000
Net debt as at 1 July 2020	-	(14,042)	(14,042)	25,359	11,317
Financing cash flows	-	6,297	6,297	(970)	5,327
New leases	-	(4,812)	(4,812)	-	(4,812)
Interest expense	-	(684)	(684)	-	(684)
Interest payments (presented as operating cash flows)	-	684	684	-	684
Net debt as at 30 June 2021	-	(12,557)	(12,557)	24,389	11,832
Net debt as at 1 July 2021	-	(12,557)	(12,557)	24,389	11,832
Financing cash flows	(24,520)	7,629	(16,891)	(19,178)	(36,069)
New leases	-	(4,168)	(4,168)	-	(4,168)
Acquired in business combination	(59,488)	(8,232)	(67,720)	18	(67,702)
Interest expense	(3,088)	(784)	(3,872)	-	(3,872)
Interest payments (presented as operating cash flows)	3,088	784	3,872	-	3,872
Net debt as at 30 June 2022	(84,008)	(17,328)	(101,336)	5,229	(96,107)

## 10 Trade and other receivables

	2022 \$'000	2021 \$'000
Current		
Trade and other receivables (i)	48,333	32,515
Unbilled revenue (ii)	32,833	6,207
Loss allowance (iii)	(356)	-
	80,810	38,722
Prepayments	3,232	1,677
	84,042	40,399

## Accounting policy

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

## 10 Trade and other receivables (continued)

## Accounting policy (continued)

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

## (i) Trade and other receivables

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

Trade and other receivables include amounts for insurance reimbursements if the Group is virtually certain that some or all of a contractual claim will be reimbursed. The expense and reimbursement are presented on a net basis in the profit and loss.

## (ii) Unbilled revenue

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

The increase in unbilled revenue at year-end is attributed to the acquisition of PYBAR and the ramp up of Mastermyne's mine operations which are typically converted to trade receivables monthly in arrears while the balance of Mastermyne's operations are typically converted to trade receivables weekly in arrears.

## (iii) Allowance for expected credit losses

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

## 11 Inventories

	2022 \$'000	2021 \$'000
Raw materials	4,125	2,567
Finished goods	17,024	3,848
	21,149	6,415

Inventories recognised as expense in cost of goods sold during the year ended 30 June 2022 amounted to \$5,934,000 (2021: \$4,566,000).

## Accounting policy

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

60

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 12 Property, plant and equipment

	2022 \$'000	2021 \$'000
<b>Plant and equipment</b>		
Gross value	177,483	73,318
Accumulated depreciation	(72,114)	(51,582)
	<u>105,369</u>	<u>21,736</u>
<b>Motor vehicles</b>		
Gross value	4,535	987
Accumulated depreciation	(1,768)	(657)
	<u>2,767</u>	<u>330</u>
<b>Leasehold improvements</b>		
Gross value	1,176	214
Accumulated depreciation	(408)	(197)
	<u>768</u>	<u>17</u>
<b>Computer equipment</b>		
Gross value	3,739	2,481
Accumulated depreciation	(1,977)	(1,615)
	<u>1,762</u>	<u>866</u>
	<u>110,666</u>	<u>22,949</u>

### Reconciliation of carrying amounts

Note	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 30 June 2021</b>					
Opening net book amount	21,248	466	33	674	22,421
Additions	6,856	-	-	430	7,286
Disposals	(91)	(20)	-	-	(111)
Depreciation charge	(6,277)	(116)	(16)	(238)	(6,647)
Closing net book amount	<u>21,736</u>	<u>330</u>	<u>17</u>	<u>866</u>	<u>22,949</u>
<b>Year ended 30 June 2022</b>					
Opening net book amount	21,736	330	17	866	22,949
Acquisition of subsidiary	64,346	3,287	940	228	68,801
Additions	40,208	323	62	1,048	41,641
Disposals	(157)	(53)	(40)	(7)	(257)
Depreciation charge	(20,077)	(1,093)	(211)	(373)	(21,754)
Depreciation charged to other contractual provisions	(687)	(27)	-	-	(714)
Closing net book amount	<u>105,369</u>	<u>2,767</u>	<u>768</u>	<u>1,762</u>	<u>110,666</u>

61

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 12 Property, plant and equipment (continued)

### Accounting policy

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

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

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

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

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

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

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

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

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



## 13 Intangible assets

	2022 \$'000	2021 \$'000
<b>Goodwill</b>		
Gross value	31,056	10,324
	<u>31,056</u>	<u>10,324</u>
<b>Software</b>		
Gross value	1,119	432
Accumulated amortisation	(254)	(266)
	<u>865</u>	<u>166</u>
<b>Intellectual property</b>		
Gross value	719	1,870
Accumulated amortisation	(339)	(1,387)
	<u>380</u>	<u>483</u>
<b>Customer relationships</b>		
Gross value	11,753	590
Accumulated amortisation	(3,959)	(186)
	<u>7,794</u>	<u>404</u>
<b>Exclusive distribution rights</b>		
Gross value	991	991
Accumulated amortisation	(156)	(101)
	<u>835</u>	<u>890</u>
<b>Brand</b>		
Gross value	3,435	-
Accumulated amortisation and impairment	(229)	-
	<u>3,206</u>	<u>-</u>
	<u>44,136</u>	<u>12,267</u>

## Reconciliation of carrying amounts

	Goodwill \$'000	Software \$'000	Intellectual property \$'000	Customer relationships \$'000	Exclusive distribution rights \$'000	Brand \$'000	Total \$'000
Year ended 30 June 2021							
Opening net book amount	10,324	339	107	506	945	-	12,221
Additions - internal development	-	-	421	-	-	-	421
Amortisation charge	-	(173)	(45)	(102)	(55)	-	(375)
Closing net book amount	<u>10,324</u>	<u>166</u>	<u>483</u>	<u>404</u>	<u>890</u>	<u>-</u>	<u>12,267</u>

Note

## 13 Intangible assets (continued)

## Reconciliation of carrying amounts (continued)

	Goodwill \$'000	Software \$'000	Intellectual Property \$'000	Customer relationships \$'000	Exclusive distribution rights \$'000	Brand \$'000	Total \$'000
Year ended 30 June 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	<u>31,056</u>	<u>865</u>	<u>380</u>	<u>7,794</u>	<u>835</u>	<u>3,206</u>	<u>44,136</u>

## Accounting policy

## Intangible assets

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

## Goodwill

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

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

## Software

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

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

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

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

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

## Intellectual property

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

### 13 Intangible assets (continued)

Accounting policy (continued)

#### Customer contracts and relationships

The customer relationships were acquired as part of a business combination (see note 24 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the relationships over their estimated useful lives. Amortisation is calculated using the straight line method over the estimated useful lives of the respective assets, generally two to seven years. We test customer relationship assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and we write its value down when impaired.

#### Exclusive distribution rights

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

#### Brand

Brand assets were acquired as part of a business combination (see note 24 for details). Brand is recognised at fair value at the date of acquisition and subsequently amortised on a straight-line basis over a period of 10 years.

#### Impairment testing

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

No impairment was identified at 30 June 2022 or 30 June 2021.

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

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

	2022 \$'000	2021 \$'000
Mastermyne Mining	6,429	6,429
Wilson Mining	3,895	3,895
PYBAR	20,732	-
	<u>31,056</u>	<u>10,324</u>

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions.

#### Mastermyne Mining

The Mastermyne Mining calculations use cash flow projections based on financial budgets approved by management for 2023 and forecasts for 2024, with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 3.5% (2021: 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% (2021: 2.5%).

A 12.41% before-tax discount rate was applied to cash flow projections (2021: 12.87%). 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 2.00%, a market risk premium of 6.00% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

### 13 Intangible assets (continued)

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

#### Mastermyne Mining (continued)

##### Impact of possible changes in key assumptions

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

#### Wilson Mining

The Wilson Mining calculations use cash flow projections based on financial budgets approved by management for 2023 and forecasts for 2024, with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 3.5% (2021: 4.0%) to cover a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2.5% (2021: 2.5%).

A 15.75% before-tax discount rate was applied to cash flow projections (2021: 13.42%). The discount rate was estimated based on: a gearing ratio of 17.5% - 20.0% taking into account the current capital structure of the Group and companies considered comparable to the Wilson Mining CGU; an industry average beta, risk-free rate consistent with an Australian government 10-year treasury bond with a minimum yield used of 3.48%, a market risk premium of 4.79% and a calculated cost of debt based on the current 10-year corporate bond yields of companies considered comparable to the Group.

##### Impact of possible changes in key assumptions

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

#### PYBAR

The PYBAR calculations use cash flow projections based on financial budgets approved by management for 2023 and forecasts for 2024, with cash flows beyond the 2024 financial year extrapolated using an average growth rate of 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%.

A 14.36% before-tax discount rate was applied to cash flow projections. The discount rate was estimated based on: a gearing ratio of 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 3.48%; a market risk premium of 4.79%; and a calculated cost of debt based on the current 10-year corporate bond yields of companies considered comparable to the Group.

##### Impact of possible changes in key assumptions

The recoverable amount of this CGU would equal its carrying amount if the following key assumptions were changed: Pre-tax discount rate increasing from 14.36% to 18.93%; reduction in forecast cash flows of 11.8%.

### 14 Trade and other payables

	2022 \$'000	2021 \$'000
<b>Current liabilities</b>		
Trade and other payables	33,826	5,509
Sundry creditors and accruals	35,420	18,896
	<u>69,246</u>	<u>24,405</u>

#### Accounting policy

##### Trade and other payables

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

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

## 14 Trade and other payables (continued)

Accounting policy (continued)

### Wages and salaries

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

### Bonus plans

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

## 15 Employee benefit obligations

	2022			2021		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Liability for annual leave	18,541	-	18,541	7,826	-	7,826
Liability for vesting sick leave	3,419	68	3,487	3,477	-	3,477
Liability for long service leave	1,862	562	2,424	579	98	677
<b>Total employee benefit obligations</b>	<b>23,822</b>	<b>630</b>	<b>24,452</b>	<b>11,882</b>	<b>98</b>	<b>11,980</b>

Accounting policy

### Annual leave and vesting sick leave

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

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

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

### Long service leave

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

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

## 15 Employee benefit obligations (continued)

Accounting policy (continued)

### Termination benefits

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

There were no obligations for termination benefits recognised at financial year end in 2022 (2021: nil).

## 16 Leases

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

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 \$'000	2021 \$'000
<b>Right-of-use assets</b>		
Buildings	9,004	3,539
Equipment	9,261	9,774
Vehicles	1,383	730
	<b>19,648</b>	<b>14,043</b>
<b>Lease liabilities</b>		
Current	6,127	4,681
Non-current	11,201	7,876
	<b>17,328</b>	<b>12,557</b>

Additions to the right-of-use assets during the 2022 financial year were \$12,435,000, including \$8,232,000 acquired as part of the acquisition of PYBAR Holdings Pty Limited.

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

	Notes	2022 \$'000	2021 \$'000
<b>Depreciation charge of right-of-use assets</b>			
Buildings		1,515	1,014
Equipment		4,644	3,998
Vehicles		623	513
		<b>6,782</b>	<b>5,525</b>
Interest expense (included in finance cost)	7	784	684
Expense relating to short-term leases (included in contract disbursements and office expenses)		8,224	6,645
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		60	41
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		92	89
Total cash outflow for leases in 2022 was \$19,104,000 (2021: \$13,756,000).			

## 16 Leases (continued)

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

### Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

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

### Short-term and low value leases

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

### Extension and termination options

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

## 16 Leases (continued)

Significant estimate: Determining the lease term

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

The following factors are normally the most relevant:

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

Significant estimate: Determining the incremental borrowing rate

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

## 17 Other liabilities

	2022 \$'000	2021 \$'000
<b>Current</b>		
Contingent consideration (refer to note 24)	3,848	1,944
Deferred consideration (refer to note 24)	8,813	-
	<u>12,661</u>	<u>1,944</u>
<b>Non-current</b>		
Contingent consideration	-	<u>1,911</u>

Significant estimate: Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners 50% of the EBITDA of Wilson Mining for three years from 2020 to 2022, up to a maximum undiscounted amount of \$10,000,000 plus 25% of the EBITDA for the three years from 2020 to 2022 in excess of \$20,000,000 with no maximum amount payable. There is no minimum amount payable.

During the period \$2,029,000 was paid out under this arrangement in relation to Wilson Mining's 2021 EBITDA achievement.

The fair value of the current contingent consideration of \$3,848,000 is based on the actual EBITDA in Wilson Mining for FY2022, the final contingent consideration period. A fair value adjustment of \$2,022,000 was recognised in the profit and loss.

The fair value of the contingent consideration liability increased due to improved performance of Wilson Mining compared to the initial forecast.

### Accounting policy

Contingent consideration is payable as part of the consideration for the Wilsons Mining acquisition (refer to Note 24). Obligations falling due more than 12 months after the end of the reporting period are recognised as non-current liabilities and discounted to present value.

70

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 18 Earnings per share

Basic earnings per share

	2022 Cents	2021 Cents
Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(10.2)	5.5
Diluted earnings per share		
	2022 Cents	2021 Cents
Diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(10.2)	5.4
Reconciliations of earnings used in calculating earnings per share		
	2022 \$'000	2021 \$'000
Earnings used in the calculation of basic and diluted earnings per share	(12,556)	5,864

Weighted average number of shares used as the denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	123,003,262	107,023,819
Adjustments for calculation of diluted earnings per share:		
Performance rights outstanding*	-	1,631,128
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	123,003,262	108,654,947

\* Performance rights outstanding at 30 June 2022 (2,875,193) have been excluded from the calculation of diluted earnings per share for 2022 as they are anti-dilutive.

Accounting policy

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

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

*Diluted earnings per share*

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

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

71

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 19 Dividends

Ordinary shares

	2022 \$'000	2021 \$'000
Final dividends provided for or paid during the financial year ended 30 June 2021 of 2.5 cents (2020 - 4 cents) per fully paid share	2,421	4,252
Interim dividends provided for or paid during the financial year ended 30 June 2022 of nil (2021 - 0.75 cents) per fully paid share	-	805
<b>Total dividends paid</b>	<b>2,421</b>	<b>5,057</b>
Dividends paid in cash or satisfied by the issue of shares		
Dividends paid in cash	2,246	4,489
Dividends reinvested	175	513
Dividends payable on unissued shares	-	55
<b>Total dividends paid</b>	<b>2,421</b>	<b>5,057</b>

Total distributions to non-controlling interest

- 182

Dividends include amounts on shares to be issued as consideration for the Wilson Mining Services Pty Ltd acquisition during the year. These dividends were issued as additional ordinary shares in the current period. Refer to Note 20 and 24 for more information.

Dividends not recognised at the end of the reporting period

	2022 \$'000	2021 \$'000
The Directors have not recommended the payment of a final dividend (2021 - 2.25 cents per ordinary share).	-	2,417

Franked dividends

	Company 2022 \$'000	2021 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021 - 30.0%)	22,581	20,153

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

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

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

## 20 Equity

## Share capital

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares				
Fully paid	130,992,547	106,207,161	87,904	64,295
<b>Total share capital</b>	<b>130,992,547</b>	<b>106,207,161</b>	<b>87,904</b>	<b>64,295</b>

## Movements in ordinary shares:

Details	Notes	Number of shares (thousands)	Total \$'000
Opening balance 1 July 2020		102,283	61,003
Employee share scheme issues	28	428	-
Dividend reinvestment plan issues		610	513
Acquisition of subsidiary	24	2,887	2,779
<b>Balance 30 June 2021</b>		<b>106,208</b>	<b>64,295</b>
Employee share scheme issues		183	-
Dividend reinvestment plan issues		186	175
Acquisition of subsidiary	24	23,209	22,281
Dividend reinvestment (Wilson Mining)		1,207	1,153
<b>Balance 30 June 2022</b>		<b>130,993</b>	<b>87,904</b>

## Ordinary shares

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

## Performance rights

Information relating to the Employee Performance Rights Plan, including details of rights issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 28.

## Capital management

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

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

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

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

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

## 20 Equity (continued)

## Dividend reinvestment plan

## Reserves

## (i) Other equity

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

## (ii) Share-based payments reserve

The share-based payments reserve represents the grant date fair value of equity instruments granted to senior managers or key management personnel of the Company (note 28).

## (iii) Common control reserve

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

## 21 Borrowings

	2022 Current \$'000	2022 Non- current \$'000	Total \$'000	2021 Current \$'000	2021 Non- current \$'000	Total \$'000
<i>Secured</i>						
Invoice finance facility	18,770	-	18,770	-	-	-
Equipment finance facilities	42,115	20,996	63,111	-	-	-
<b>Total secured borrowings</b>	<b>60,885</b>	<b>20,996</b>	<b>81,881</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Unsecured</i>						
Other loans	2,096	31	2,127	-	-	-
<b>Total unsecured borrowings</b>	<b>2,096</b>	<b>31</b>	<b>2,127</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total borrowings</b>	<b>62,981</b>	<b>21,027</b>	<b>84,008</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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

## 21 Borrowings (continued)

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

	Notes	2022 \$'000	2021 \$'000
<b>Current</b>			
Transferred trade receivables		18,770	-
<i>Floating charge</i>			
Trade receivables	10	29,097	32,148
Inventory	11	21,149	6,415
<b>Total current assets pledged as security</b>		<b>69,016</b>	<b>38,563</b>
<b>Non-current</b>			
<i>First mortgage</i>			
Plant and equipment	12	70,630	-
<i>Floating charge</i>			
Plant and equipment	12	40,036	22,949
<b>Total non-current assets pledged as security</b>		<b>110,666</b>	<b>22,949</b>
<b>Total assets pledged as security</b>		<b>179,682</b>	<b>61,512</b>

Restrictions and covenants imposed under leasing agreements over right-of-use assets are disclosed in note 16.

### (b) Compliance with loan covenants

Upon acquisition of PYBAR Holdings Pty Limited, additional covenants were implemented at a Group level in addition to those existing covenants for Mastermyne and PYBAR. The Group complied with the loan covenants throughout the reporting period.

### (c) Fair value

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

### (d) Risk exposures

Further details on the finance facilities and details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 23.

## 22 Commitments

### (a) Capital commitments

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

	2022 \$'000	2021 \$'000
Property, plant and equipment	22,513	-
Intangible assets	10	-

## 23 Financial risk management

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

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

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Australian dollar. From time to time we make purchases from suppliers who require the currency of settlement to be a foreign currency. At 30 June 2022 and 2021 our exposure to foreign currency risk was immaterial.

#### (ii) Price risk

The Group is not exposed to equity securities or commodity price risks.

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

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

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

	2022 \$'000	% of total borrowings	2021 \$'000	% of total borrowings
Variable rate borrowings	(33,470)	39.8%	-	-%
Fixed rate borrowings - repricing or maturity dates:				
Less than 1 year	(11,915)	14.2%	-	-%
1 - 5 years	(38,624)	46.0%	-	-%
	<b>(84,009)</b>	<b>100.0%</b>	<b>-</b>	<b>-%</b>

### Sensitivity

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

	After-tax profit Higher/(lower) 2022 \$'000	2021 \$'000	Equity Higher/(lower) 2022 \$'000	2021 \$'000
+1% (100 basis points) (2021 +1%)*	(158)	-	(158)	-
-1% (100 basis points) (2021 -1%)*	158	-	158	-

\* Holding all other variables constant

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

## 23 Financial risk management (continued)

## (b) Credit risk

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

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

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

The Group has three (2021: one) significant customers representing more than 10% of the carrying amount of trade receivables at 30 June 2022. The total of the receivables from these customers is \$30,043,000 (2021: \$23,173,000). The breakdown of each customer is as follows:

	\$'000	\$'000
Customer 1	17,375	23,173
Customer 2	7,515	-
Customer 3	5,153	-
<b>Total</b>	<u>30,043</u>	<u>23,173</u>

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

*Trade receivables and unbilled revenue*

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2022 or 1 July 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance recognised as at 30 June 2022 is \$356,000. No loss allowance was recognised at 30 June 2021.

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

	Trade receivables 2022 \$'000	2021 \$'000
Increase in loss allowance from business combination	580	-
Receivables written off during the year as uncollectible	(56)	-
Unused amount reversed	(168)	-
<b>Closing loss allowance at 30 June</b>	<u>356</u>	<u>-</u>

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

## (c) Liquidity risk

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

## 23 Financial risk management (continued)

## (c) Liquidity risk (continued)

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

	30 June 2022		30 June 2021	
	Facility Limit \$'000	Undrawn Amount \$'000	Facility Limit \$'000	Undrawn Amount \$'000
<b>Secured</b>				
Corporate credit card facility	1,500	1,448	500	481
Bank guarantee facility	1,500	308	500	443
Overdraft finance facility (i)	10,000	10,000	-	-
Invoice finance facility (ii)	50,000	31,230	20,000	20,000
Equipment finance facility (iii)	121,760	58,649	10,000	10,000
<b>Total secured facilities</b>	<u>184,760</u>	<u>101,635</u>	<u>31,000</u>	<u>30,924</u>
<b>Unsecured</b>				
Other finance facilities	2,127	-	-	-
<b>Total facilities</b>	<u>186,887</u>	<u>101,635</u>	<u>31,000</u>	<u>30,924</u>

*(i) Overdraft facility*

An overdraft facility with a limit of \$1,500,000 was acquired as part of the PYBAR Holdings Pty Limited business combination described in note 24. This facility was closed during the financial year.

A \$10,000,000 overdraft facility with a maturity date of 31 December 2022 was approved during the financial year. The facility has a variable rate, is Australian-dollar denominated and is repayable on demand.

On 26 August 2022, the Group executed an agreement, which takes effect from 31 August 2022, to extend its current overdraft facility to 31 March 2023.

*(ii) Invoice finance facility*

An invoice finance facility with a draw down allowance of 85% of approved debtors was acquired as part of the PYBAR Holdings Pty Limited business combination described in note 24. At financial year-end this facility had a \$25,000,000 limit. In addition, the Group has a further invoice facility with a limit of \$25,000,000 and draw down allowance of 85% of approved debtors. The facilities are scheduled to mature on 31 August 2022, are subject to a variable rate of interest and are Australian dollar denominated.

On 26 August 2022, the Group executed an agreement, which takes effect from 31 August 2022, to extend its current invoice financing facilities to 31 March 2023.

*(iii) Equipment finance facility*

Multiple facilities, with a combined limit of \$76,760,000 at 30 June 2022, were acquired as part of the PYBAR Holdings Pty Limited business combination described in note 24. These 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.

In addition, the Group has a further combined limit of \$45,000,000 in Australian-dollar denominated equipment finance facilities which are carried at amortised cost. The equipment finance facilities are subject to progressive payment arrangements under which the financiers will pay for the purchase and construction/refurbishment of mining equipment on the condition the financing is rolled into an amortising term finance arrangement upon completion of the construction/refurbishment of each asset.

The progressive payment arrangement is subject to a variable rate of interest which is accrued and/or paid monthly in arrears. This facility is classified as a current liability as no assets funded under this arrangement had converted to a term finance arrangement as at financial year-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.



## 23 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities	Notes	Weighted average interest rate	Contractual maturities					Total contractual cash flows \$'000	Carrying Amount \$'000
			Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000		
<b>30 June 2022</b>									
Trade payables	14	-%	69,247	-	-	-	-	69,247	69,247
Contingent and deferred consideration	17, 24	2.44%	12,762	-	-	-	-	12,762	12,661
Borrowings	21	3.84%	54,049	10,295	15,379	6,432	-	86,156	84,008
Lease liabilities	16	4.64%	3,833	3,084	4,094	3,719	5,277	20,007	17,328
<b>Total non-derivatives</b>			<b>139,891</b>	<b>13,379</b>	<b>19,473</b>	<b>10,151</b>	<b>5,277</b>	<b>188,172</b>	<b>183,244</b>
<b>30 June 2021</b>									
Trade payables	14	-%	24,405	-	-	-	-	24,405	24,405
Contingent and deferred consideration	17	-%	1,944	-	1,911	-	-	3,855	3,855
Lease liabilities	16	4.69%	2,589	2,576	4,237	2,984	1,267	13,653	12,557
<b>Total non-derivatives</b>			<b>28,938</b>	<b>2,576</b>	<b>6,148</b>	<b>2,984</b>	<b>1,267</b>	<b>41,913</b>	<b>40,817</b>

Fair value of financial instruments

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

## 24 Business combination

Prior year

On 30 August 2019, Metarock Group Limited acquired 100% of the ordinary shares of Wilson Mining Services Pty Ltd ("WM"). Details of the business combination were disclosed in Note 23 of the Group's annual financial report for the year ended 30 June 2020.

Significant estimate: Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners of WM 50% of the EBITDA of WM for three years from 2020 to 2022, up to a maximum undiscounted amount of \$10,000,000 plus 25% of the EBITDA for the three years from 2020 to 2022 in excess of \$20,000,000 with no maximum amount payable. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of \$3,848,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 4% and assumed probability-adjusted annual EBITDA in WM of nil to \$5,040,000. The discount rate has been calculated with regard to the projection and credit risks associated with the liability.

Unissued shares to vendor

During the period 1,106,600 shares were issued to the Vendors of Wilson Mining Services Pty Ltd in final settlement of the \$1,077,000 outstanding purchase consideration to be settled with the issue of shares. While unissued, the shares retained their rights and any dividends paid were settled as additional shares to the vendors calculated on a 5 day volume weighted average price prior to record date. An additional 100,394 shares were issued in settlement of the outstanding dividends which the Vendors were entitled to while the shares remained unissued.

## 24 Business combination (continued)

Current year

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

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

	\$'000
Purchase consideration:	
Cash paid	11,622
Ordinary shares issued	22,281
Deferred cash consideration	8,612
<b>Total purchase consideration</b>	<b>42,515</b>
The provisional fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair value \$'000
Cash and cash equivalents	18
Trade and other receivables	39,670
Inventories	13,364
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	(27,326)
Employee benefit obligations	(11,874)
Borrowings	(58,772)
Bank overdraft	(716)
Other contractual provisions	(7,655)
Lease liabilities	(8,232)
Deferred tax liability	(9,019)
<b>Net identifiable assets acquired</b>	<b>21,783</b>
Add: goodwill	20,732
<b>Net assets acquired</b>	<b>42,515</b>

The assets acquired and liabilities assumed in the above business combination have been accounted for on a provisional basis at year-end.

The goodwill is attributable to the large assembled workforce and anticipated future revenue and profit growth through leverage of PYBAR's current underground hard rock market share. It has been allocated to the PYBAR segment. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired brand \$3,435,000 and customer relationships and contracts of \$11,163,000 are not deductible for tax purposes. Deferred tax liabilities of \$4,379,000 has been provided in relation to these fair value adjustments.

(i) Acquisition-related costs

Acquisition-related costs of \$1,359,000 are included in office expenses in the statement of comprehensive income.

80

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 24 Business combination (continued)

Current year (continued)

### (ii) Deferred consideration

The deferred consideration arrangement requires the Group to pay the former owners of PYBAR Holdings Pty Limited \$11,750,000 twelve months from completion date (in November 2022) adjusted by \$2,964,000 for working capital. The deferred consideration is not contingent on future events with the exception of the working capital adjustment. The fair value of the deferred consideration was discounted to present value based on a discount rate of 3.5%.

### (iii) Acquired receivables

The fair value of trade and other receivables is \$39,635,000 and includes trade receivables with a fair value of \$15,196,000. The gross contractual amount for trade receivables due is \$15,776,000, of which \$580,000 has been provided for in accordance with accounting standards.

### (iv) Revenue and profit contribution

The acquired business contributed revenues of \$165,688,000 and net loss before tax of \$9,678,000 to the Group for the period from 1 November 2021 to 30 June 2022. If the acquisition had occurred on 1 July 2021:

- PYBAR revenue and loss before tax from continuing operations for the financial year ended 30 June 2022 would have been \$254,910,000 and \$11,763,000 respectively
- consolidated revenue and consolidated loss before tax from continuing operations for Metarock Group for the financial year ended 30 June 2022 would have been \$541,919,000 and \$21,441,000 respectively.

### (v) Other contractual provisions acquired

During the 2022 financial year, the Group charged \$7,170,000 from other contractual provisions to the statement of comprehensive income, of which \$714,000 related to depreciation of plant and equipment (see note 12).

### Accounting policy

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

81

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 24 Business combination (continued)

Measurement of fair values

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

Intangible assets

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

## 25 Related parties

Wholly-owned group

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

Name of entity	Country of incorporation	Equity holding (ordinary shares)	
		2022 %	2021 %
Mastermyne Pty Ltd	Australia	100	100
Mastermyne Engineering Pty Ltd	Australia	100	100
Mastermyne Underground Pty Ltd	Australia	100	100
Mastermyne Underground NSW Pty Ltd	Australia	-	100
Myne Start Pty Ltd	Australia	100	100
MyneSight Pty Ltd	Australia	100	100
Mastermyne Contracting Services Pty Ltd	Australia	100	100
Ausscaffold Pty Ltd	Australia	100	100
Diversified Mining Services Pty Ltd	Australia	100	100
Falcon Mining Pty Ltd	Australia	100	100
Wilson Mining Services Pty Ltd	Australia	100	100
Mastermyne Crinum Operations Pty Ltd	Australia	100	100
Metarock Pty Ltd	Australia	100	100
Mastermyne (CC) Operations Pty Ltd	Australia	100	-
Pybar Holdings Pty Limited	Australia	100	-
Pybar Mining Services Pty Ltd	Australia	100	-

### Principles of consolidation and equity accounting

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

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

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

## 25 Related parties (continued)

### Parent entity financial information

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

	2022 \$'000	2021 \$'000
<b>Results of parent entity</b>		
Loss for the year	(4,314,000)	(3,668,000)
<b>Total comprehensive loss for the year</b>	<u>(4,314,000)</u>	<u>(3,668,000)</u>
<b>Financial position of parent entity at year-end</b>		
Current assets	14,940,000	1,823,000
Non-current assets	97,470,000	66,043,000
<b>Total assets</b>	<u>112,410,000</u>	<u>67,866,000</u>
Current liabilities	32,502,000	7,701,000
Non-current liabilities	11,919,000	8,598,000
<b>Total liabilities</b>	<u>44,421,000</u>	<u>16,299,000</u>
<b>Total equity of the parent entity at year-end</b>		
Share capital	87,904,000	64,295,000
Other equity	-	1,153,000
Retained earnings	(20,718,000)	(14,479,000)
Reserves	803,000	598,000
<b>Total equity</b>	<u>67,989,000</u>	<u>51,567,000</u>

### Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 26.

### Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021. For information about guarantees given by the parent entity, please see above.

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

There were no parent entity capital commitments as at 30 June 2022 or 30 June 2021.

## 26 Deed of cross guarantee

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

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

The subsidiaries subject to the deed are as follows:

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

**26 Deed of cross guarantee (continued)**

Consolidated balance sheet

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Metarock Group Limited, they also represent the 'extended closed group'.

Set out below is a consolidated balance sheet as at 30 June 2022 of the closed group consisting of Metarock Group Limited.

	2022 \$'000	2021 \$'000
<b>Current assets</b>		
Cash and cash equivalents	5,229	24,389
Trade and other receivables	84,042	40,399
Contract assets	1,984	1,242
Inventories	21,149	6,415
Current tax receivable	12,299	-
<b>Total current assets</b>	<b>124,703</b>	<b>72,445</b>
<b>Non-current assets</b>		
Property, plant and equipment	110,666	22,949
Right-of-use assets	19,648	14,043
Intangible assets	44,136	12,267
Deferred tax assets	-	7,526
<b>Total non-current assets</b>	<b>174,450</b>	<b>56,785</b>
<b>Total assets</b>	<b>299,153</b>	<b>129,230</b>
<b>Current liabilities</b>		
Trade and other payables	69,246	24,405
Contract liabilities	2,051	212
Borrowings	62,981	-
Lease liabilities	6,127	4,681
Current tax liabilities	-	1,039
Provisions	485	-
Employee benefits	23,822	11,882
Other current liabilities	12,661	1,944
<b>Total current liabilities</b>	<b>177,373</b>	<b>44,163</b>
<b>Non-current liabilities</b>		
Borrowings	21,027	-
Lease liabilities	11,201	7,876
Deferred tax liabilities	5,735	-
Employee benefits	630	98
Other non-current liabilities	-	1,911
<b>Total non-current liabilities</b>	<b>38,593</b>	<b>9,885</b>
<b>Total liabilities</b>	<b>215,966</b>	<b>54,048</b>
<b>Net assets</b>	<b>83,187</b>	<b>75,182</b>
<b>Equity</b>		
Contributed equity	87,904	64,295
Reserves	(23,434)	(22,486)
Retained earnings	18,717	33,373
<b>Total equity</b>	<b>83,187</b>	<b>75,182</b>

**26 Deed of cross guarantee (continued)**

Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings

	2022 \$'000	2021 \$'000
<i>Consolidated statement of comprehensive income</i>		
Revenue from contracts with customers	452,698	228,189
Other income	3,246	524
Contract disbursements	(122,560)	(30,621)
Personnel expenses	(297,457)	(167,849)
Office expenses	(13,087)	(6,647)
Depreciation and amortisation expense	(32,834)	(12,163)
Other expenses	(5,341)	(1,771)
<b>Results from operating activities</b>	<b>(15,335)</b>	<b>9,662</b>
Finance income	8	19
Finance expense	(4,030)	(1,049)
<b>Net finance expense</b>	<b>(4,022)</b>	<b>(1,030)</b>
(Loss)/profit before income tax	(19,357)	8,632
Income tax expense	6,801	(2,790)
<b>(Loss)/profit for the period</b>	<b>(12,556)</b>	<b>5,842</b>
Total comprehensive income for the period	(12,556)	5,842

**27 Key management personnel**

Key management personnel compensation is set out below.

	2022 \$	2021 \$
Short-term employee benefits	2,956,282	3,485,408
Post-employment benefits	192,196	254,194
Long-term benefits	11,364	95,136
Share-based payments	470,474	390,147
	<b>3,630,316</b>	<b>4,224,885</b>

**Individual directors and executives compensation**

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

**Key management personnel and director transactions**

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

**27 Key management personnel (continued)**

Key management personnel and director transactions (continued)

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

The following transactions occurred with related parties:

	2022 \$	2021 \$
<i>Amounts recognised as revenue</i>		
i. Administration services	173,425	-
ii. Equipment hire	112,492	-
iii. Back charges	3,935	-
	<u>289,852</u>	<u>-</u>
<i>Amounts recognised as expense</i>		
iv. Rent of 45 River Street	207,300	194,453
v. Rent of 56A Grosvenor Drive	29,943	23,808
vi. General plumbing repairs	4,187	2,367
vii. Software and IT consulting services and software licencing	877,974	-
viii. Rent of 1688 Forest Road in Orange NSW	267,346	-
ix. Rent of 23 Huntley Road in Orange NSW	67,898	-
x. Rent of Units 1-6 Kenna St in Orange NSW	60,683	-
xi. Labour hire services	3,367,141	-
	<u>4,882,472</u>	<u>220,628</u>

*Revenue*

- i. The Group provides administration services to Digital Terrain Pty Ltd and HMR Drilling Services Pty Limited as part of a transitional services arrangement. These entities are owned by Paul Rouse or his close family members. Amounts received are at arm's length and are due and receivable under normal payment terms.
- ii. The Group provides equipment to JTMEC Pty Ltd an entity owned by Paul Rouse, for the provision of labour hire services. Amounts paid are at arm's length and are due and payable under normal payment terms. JTMEC was divested by Paul Rouse effective 1 June 2022 and transactions and balances with JTMEC after this date are not treated as related party transactions or balances.
- iii. The Group incurred costs that related to Diversified Minerals Pty Ltd, a company owned by Paul Rouse. These expenses were recharged at cost to Diversified Minerals Pty Ltd.

*Expenses*

- iv. The Group rents the premises at 45 River Street, Mackay which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
- v. The Group rents the premises at 56A Grosvenor Drive, Moranbah which is owned by Andrew Watts through his company, Watty Pty Ltd. Amounts paid for rent are at arm's length and are due and payable under normal payment terms.
- vi. The Group paid Treatwater & Plumbing Pty Ltd, which is owned by Anthony Caruso, fees for general plumbing services during the year. Fees paid are at arm's length and due and payable under normal payments terms.
- vii. The Group obtains software and IT consulting services and licences production planning and activity recording software from Digital Terrain Pty Ltd, an entity owned by a close family member of Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- viii. The Group leases 1688 Forest Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- ix. The Group leases 23 Huntley Road in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- x. The Group leases Units 1-6 Kenna Street in Orange (NSW) from Rovest Holdings Pty Ltd as Trustee for March Pines Super Fund, an entity owned by Paul Rouse. Amounts paid are at arm's length and are due and payable under normal payment terms.
- xi. The Group engages JTMEC Pty Ltd, an entity owned by Paul Rouse, for the provision of labour hire services. Amounts paid are at arm's length and are due and payable under normal payment terms. JTMEC was divested by Paul Rouse effective 1 June 2022 and transactions and balances with JTMEC after this date are not treated as related party transactions or balances.

**27 Key management personnel (continued)**

## Shareholdings

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

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

Shareholdings of Mr. P Rouse and his related parties relate to shares issued for consideration as part of the acquisition of PYBAR Holdings Pty Limited which is discussed in the Remuneration report further on pages 7 to 21

**28 Share-based payments**

## Employee Performance Rights Plan

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

In accordance with the plan, employees holding vested options are entitled to purchase shares in the Company at a set exercise price based on volume weighted average price in the two months preceding the offer.

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

	2022 Average exercise price per right	Number of rights	2021 Average exercise price per right	Number of rights
As at 1 July	-	2,076,686	-	1,078,612
Granted during the year	-	1,884,642	-	1,439,850
Exercised during the year *	-	(182,962)	-	(427,989)
Forfeited during the year	-	(257,671)	-	(13,787)
As at 30 June	<u>-</u>	<u>3,520,695</u>	<u>-</u>	<u>2,076,686</u>

- \* The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2022 was \$1.01 (2021: \$0.78).

No rights expired during the periods covered by the above tables.

## 28 Share-based payments (continued)

Employee Performance Rights Plan (continued)

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

Grant date	Vesting/Expiry date	Exercise price	Vesting conditions	Performance Rights 30 June 2022	Performance Rights 30 June 2021
07 December 2021	1/10/2022	0.00	STI conditions	266,785	-
29 November 2021	1/10/2024	0.00	1, 2, 3(a)	808,930	-
29 November 2021	1/10/2024	0.00	1, 2, 3(a)	808,930	-
22 January 2021	1/10/2021	0.00	STI conditions	-	187,519
24 November 2020	1/10/2023	0.00	1, 2, 3(b)	626,166	626,166
24 November 2020	1/10/2023	0.00	1, 2, 3(b)	626,166	626,166
21 November 2019	1/10/2022	0.00	1, 2, 3, 4(a)	191,861	191,861
21 November 2019	1/10/2022	0.00	1, 2, 3, 4(a)	191,861	191,861
21 November 2018	1/10/2021	0.00	1, 2, 3, 4(a)	-	126,557
21 November 2018	1/10/2021	0.00	1, 2, 3, 4(b)	-	126,557
Total				3,520,699	2,076,687

Weighted average remaining contractual life of rights outstanding at end of period (years) 1.53 1.65

Vesting of the rights will be subject to achievement of the vesting conditions set out below and the eligible participant being employed at the vesting date:

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

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

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

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

## 28 Share-based payments (continued)

Employee Performance Rights Plan (continued)

*Performance rights issued before 2020 as long-term incentives*

- **Vesting Condition 1:** The main vesting condition is that the eligible participant must be employed within the Group on the Test Date. If employment is ceased with the Group prior to the Test Date, the performance rights will lapse unless the Board, at its absolute discretion, determines otherwise.
- **Vesting Condition 2:** Vesting is also conditional on the continuation of good conduct and the execution of duties in the best interests of Metarock. If it is deemed the eligible participant has acted fraudulently or dishonestly, or is in breach of obligations to Metarock, the Board, at its absolute discretion, may determine that some or all of the performance rights will lapse.
- **Vesting Condition 3:** There is an overriding vesting condition requiring a minimum 8% total shareholder return (TSR) during the TSR measurement period (i.e. from the Time of Grant to the Test Date).
- **Vesting Condition 4:** If vesting condition 3 is achieved, there are two further vesting conditions that will each be applied independently to 50% of the performance rights. Both of these vesting conditions depend on Metarock's TSR percentile rank during the TSR measurement period:
  - Tranche A: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX All Ordinaries Accumulation index.
  - Tranche B: 50% of the performance rights will be conditional on the Company's TSR rank relative to companies in the ASX 200 Resource Accumulation index.

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

Tranche A		Tranche B	
TSR Rank during the measurement period	Proportion to vest	TSR Rank during the measurement period	Proportion to vest
Below 50th percentile of the ASX Peer Group	0%	Below 50th percentile of the Resource Peer Group	0%
50th percentile to 75th percentile of the ASX Peer Group	50% plus 2% for each percentile above 50th percentile	50th percentile to 75th percentile of the Resource Peer Group	50% plus 2% for each percentile above 50th percentile
Above 75th percentile of the ASX Peer Group	100%	Above 75th percentile of the Resource Peer Group	100%

*Performance rights issued as short-term incentives*

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

Significant estimate: Measurement of share based payments

*Performance rights issued as long-term incentives*

The assessed fair value at grant date of rights granted during the year ended 30 June 2022 as long-term incentives was \$0.67 per right for Tranche A and \$0.58 per right for Tranche B (2021: \$0.49 and \$0.48 respectively). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, volatility of the underlying share, the expected dividend yield, the risk-free interest for the term of the right and the correlations and volatilities of the peer group companies.

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

90

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 28 Share-based payments (continued)

Employee Performance Rights Plan (continued)

Significant estimate: Measurement of share based payments (continued)

*Performance rights issued as long-term incentives (continued)*

The model inputs for rights outstanding at year end are set out below:

	2022	2021	2020	2019
Fair value at grant date Tranche A	\$0.6664	\$0.4945	\$0.7415	\$0.8077
Fair value at grant date Tranche B	\$0.5827	\$0.4784	\$0.7100	\$0.7727
Share price	\$0.38	\$0.77	\$1.14	\$1.19
Exercise price	\$nil	\$nil	\$nil	\$nil
Expected volatility (weighted average volatility)	58.0%	60.0%	60.0%	75.0%
Option life (expected weighted average life)	2.9 years	2.9 years	2.9 years	2.9 years
Expected dividends	3.10%	5.20%	1.9%	5.81%
Risk-free interest rate (based on government bonds)	0.27%	0.11%	0.66%	2.12%

*Performance rights issued as short-term incentives*

The assessed fair value at grant date of rights granted during the year ended 30 June 2022 as short-term incentives was \$0.66 (2021: \$0.46 to \$0.70). Given the rights are issued with a \$nil exercise price, and the vesting conditions are non-market, the fair value at grant date is determined using the share price on the day the rights were issued (\$0.78) and applying a probability factor representative of the relevant employee's likelihood of achieving their KPI's during the year.

Accounting policy

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

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

Expenses arising from share-based payment transactions

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

	2022	2021
	\$	\$
Equity-settled share based payment transactions	526	441

91

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Notes to the consolidated financial statements  
30 June 2022  
(continued)

## 29 Remuneration of auditors

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

Pitcher Partners Australia

(i) Audit and other assurance services

	2022	2021
	\$	\$
Audit and review of financial statements	372,000	147,500
Other assurance services		
Audit of regulatory returns	16,000	-
<b>Total remuneration for audit and other assurance services</b>	<b>388,000</b>	<b>147,500</b>

(ii) Other non-assurance services

Due diligence services	204,319	-
Taxation services	28,750	16,500
<b>Total remuneration for other services</b>	<b>233,069</b>	<b>16,500</b>

Total auditors' remuneration

621,069 164,000

## 30 Contingent liabilities

Contingent liabilities

Claims

A claim for damages was lodged against Falcon Mining Pty Ltd in 2022 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.

## 31 Events occurring after the reporting period

(a) Other events

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 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.

On 26 August 2022, the Group executed an agreement to extend its current invoice financing facilities and bank overdraft facility, which were due to mature on 31 August 2022 and 31 December 2022 respectively, to 31 March 2023. The extension takes effect from 31 August 2022.

Apart from the matter discussed above in Note 19, no further matters or circumstances have occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

# 92

**METAROCK**  
ANNUAL  
REPORT  
2022

Metarock Group Limited (formerly Mastermyne Group Limited)  
Directors' declaration  
30 June 2022

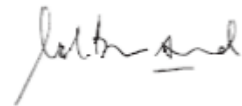
In the opinion of the directors of Metarock Group Limited (the 'Company'):

- (a) the consolidated financial statements and notes set out on pages 26 to 77 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 26 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26.

The Directors have been given the declarations by the chief executive officer CEO and chief financial officer CFO required by section 295A of the *Corporations Act 2001*.

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

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



Mr. C Bloomfield  
Director

Brisbane  
30/08/2022

# 93

**METAROCK**  
ANNUAL  
REPORT  
2022



Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Metarock Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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

#### Material Uncertainty Related to Going Concern

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

#### Key Audit Matters

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

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.  
An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.  
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



[pitcher.com.au](http://pitcher.com.au)

NIGEL FISCHER MARK NICHOLSON PETER CAMENZULI	JASON EVANS KYLIE LAMPRECHT NORMAN THURECHT	BRETT HEADRICK WARWICK FACE COLE WILKINSON	SIMON CHUN JEREMY JONES TOM SPLATT	JAMES FIELD DANIEL COLWELL ROBYN COOPER	FELICITY CRIMSTON CHERYL MASON KIERAN WALLIS	MURRAY GRAHAM ANDREW ROBIN KAREN LEVINE
--	---	--	--	---	--	---



Key Audit Matter	How our audit addressed the key audit matter
<b>Acquisition of PYBAR Holdings Pty Ltd and controlled entities</b> (Refer to note 24)	

During the year the Group acquired PYBAR Holdings Pty Ltd and controlled entities ("PYBAR") for gross purchase consideration of \$42.515 million. This was considered a significant purchase for the Group.

Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as customer contracts and relationships and brand name.

It is due to the size of the acquisition, the complexity and the estimation process involved in accounting for it that this is a key area of audit focus.

Our procedures included amongst others:

- Understanding and evaluating the design and implementation of management's processes and controls over the acquisition;
- Reading the sale and purchase agreement to understand key terms and conditions;
- Evaluate the assumptions and methodology used in management's valuation models, such as forecast revenues, operating costs and contributory assets, used to determine the value of PYBAR's customer contracts and relationships and brand name to the Group;
- We used our Corporate Finance valuation specialists to compare these valuation assumptions with external benchmarks (for example discount rates) and to consider the assumptions based on our knowledge of the Group and its industries;
- Comparing the Group's fair value adjustments at 30 June 2022 to the previously reported values at 31 December 2021, and performing testing on fair value adjustments to confirm that they related to new information obtained about facts and circumstances that existed on acquisition date, therefore were eligible for recognition; and
- Assessing the adequacy of the Group's disclosures in respect of business acquisitions.

<b>Impairment of goodwill and separately identifiable intangible assets (\$44.136 million)</b> (Refer to note 13)	
--	--

The consolidated statement of financial position as at 30 June 2022 includes goodwill and separately identifiable intangible assets valued at \$31.056 million and \$13.080 million respectively which relates to the consolidation of subsidiaries acquired in the current and previous years.

The carrying amount of goodwill and the other intangible assets is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows, key estimates and significant judgements such as the annual growth rates, discount rate and terminal value growth rate.

Goodwill and separately identifiable intangible assets is a key audit matter as the value of the intangible assets is material and the evaluation of the recoverable amount of these assets requires significant judgement in determining the key estimates to support the value-in-use calculations.

Our procedures included amongst others:

- Understanding and evaluating the design and implementation of management's processes and controls over the assessment of goodwill;
- Assessing management's determination of the Group's cash generating units ('CGUs') based on our understanding of the nature of the Group's business and the identifiable groups of cash generating assets;
- Comparing the cash flow forecasts used in the value-in-use calculations to Board approved budgets for the 2023 financial year and the Group's historic actual performance;
- Assessing the significant judgements and key estimates used for the impairment assessment, in particular, the annual growth rates, discount rate and terminal value growth rate;
- Checking the mathematical accuracy of the impairment testing model and agreeing relevant data to the latest budgets;
- Performing a sensitivity analysis of management's value-in-use calculation; and
- Assessing the adequacy of the Group's disclosures in respect of impairment testing of goodwill and separately identifiable intangible assets.

<b>Recoverability of deferred tax assets on tax losses (\$5.821 million)</b> (Refer to note 8)	
---	--

At 30 June 2022, the Group's consolidated statement of financial position included net deferred tax liabilities of \$5.735 million of which is offset by a deferred tax asset of \$5.821 million related to unused tax losses. The recognition of deferred tax assets is dependent upon an assessment that it is probable the Group will generate sufficient future taxable income to utilise them.

The unused tax losses were recognised as part of business combinations and are to be utilised based on available fractions. It is due to the significant judgement and assumptions involved in assessing the Group's ability to generate future taxable income that we focused on this area as a key audit matter.

Our procedures included amongst others:

- Obtaining and testing the Group's calculation of its current and deferred tax balances for the year ended 30 June 2022;
- Challenging and evaluating the reasonableness of key judgements and assumptions used in the Group's forecast of taxable income including assessing their consistency with the Board approved budget for the year ending 30 June 2023 and cash flow assumptions;
- Assessing the historical accuracy of the Group's budgeting and forecasting and considered implications for our assessment of key assumptions used in the Group's current forecast of taxable income
- Assessing the availability of tax losses to the Group under the current Australian tax legislation including those acquired as part of business combinations; and
- Engaging our taxation experts in the completion of these procedures and in making our assessments of the available fraction calculations and application of the available fraction method.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

#### Responsibilities of the Directors for the Financial Report

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

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

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

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

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

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

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

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

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

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 21 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Metarock Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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

*Pitcher Partners*  
PITCHER PARTNERS

*J. Evans*  
**JASON EVANS**  
Partner

Brisbane, Queensland  
30 August 2022

ASX ADDITIONAL  
INFORMATION

Additional information required by the Australian Stock Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 15 September 2022.

STOCK  
EXCHANGE  
QUOTATION

Ordinary shares in Metarock Group Limited are quoted on the ASX under the code "MYE".

CLASS OF  
SECURITIES

The Company has the following securities on issue:

ASX QUOTED:  
130,992,547

Ordinary shares, each fully paid, held by 1,933 shareholders.

UNQUOTED:  
3,520,696

Performance rights, having differing exercise prices, hurdles, vesting periods and terms, with latest expiry 1 October 2024, held by six employees.

VOTING  
RIGHTS

The voting rights attaching to ordinary shares are set out in rule 37 of the Company's constitution and are summarised as follows:

- > A holder of ordinary shares in the company shall be entitled to be present at any shareholder's meeting, and to vote in respect of those shares held.
- > Shareholders entitled to attend and vote at shareholder meetings may appoint a proxy in accordance with the Corporations Act.
- > At any shareholder meeting, every shareholder present in person or by proxy or by attorney or, in the case of a body corporate, a representative appointed pursuant to the Corporations Act, shall be entitled:

a. on a show of hands, one vote only; and

b. on a poll, one vote for each ordinary share held.

RESTRICTED  
SECURITIES

There are 23,209,235 ordinary shares that are restricted until 5 November 2022 and are held by 26 shareholders

ON-MARKET  
BUY-BACKS

There is no current on-market buy-back of any securities.

DISTRIBUTION  
OF SECURITY  
HOLDERS

Distribution of shares and the number of holders by size of holding are:

15 Sep 2022				
Range	Securities	%	No. of holders	%
100,001 and Over	106,173,824	81.05	139	7.19
10,001 to 100,000	20,725,546	15.82	628	32.49
5,001 to 10,000	2,426,411	1.85	315	16.30
1,001 to 5,000	1,512,099	1.15	561	29.02
1 to 1,000	154,667	0.12	290	15.00
<b>Total</b>	<b>130,992,547</b>	<b>100.00</b>	<b>1,933</b>	<b>100.00</b>

There are 373 shareholders holding a total of 251,279 shares with less than a marketable parcel.

TWENTY  
LARGEST  
SECURITY  
HOLDERS

Security: MYE.ASX (Metarock Group Limited) as at 15 September 2022

Rank	Name	15 Sep 2022	IC %
1	NUCANOPI PTY. LIMITED	13,237,186	10.11
2	MR KENNETH RUDY KAMON	10,864,436	8.29
3	WATTY PTY LTD	9,108,396	6.95
4	DARREN WILLIAM HAMBLIN	7,631,898	5.83
5	BRENCON PTY LTD	6,622,253	5.06
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,131,566	3.92
7	CARM NQ PTY LTD	2,397,032	1.83
8	ALAR INVESTMENTS (NSW) PTY LTD	2,204,886	1.68
9	ANTHONY SALVATORE CARUSO	2,135,013	1.63
10	MAY DOWNS PTY LTD	2,000,000	1.53
11	MOAT INVESTMENTS PTY LTD	1,915,000	1.46
12	HORRIE PTY LTD	1,379,579	1.05
13	ROVEST HOLDINGS PTY LTD	1,336,475	1.02
14	BNP PARIBAS NOMINEES PTY LTD	1,258,867	0.96
15	INVIA CUSTODIAN PTY LIMITED	1,198,009	0.91
16	ANTHONY CHARLES ZAHRA	1,159,810	0.89
17	C & D BLOOMFIELD PTY LTD	1,100,000	0.84
18	MR ALAN JAMES LAWRENCE & MS JANINE EVELYN LAWRENCE	1,067,633	0.82
19	WAVET FUND NO 2 PTY LTD	1,050,000	0.80
20	PAKASOLUTO PTY LIMITED	1,013,739	0.77
	<b>Total</b>	<b>73,811,778</b>	<b>56.35</b>
	<b>Balance of register</b>	<b>57,180,769</b>	<b>43.65</b>
	<b>Grand total</b>	<b>130,992,547</b>	<b>100.00</b>

SUBSTANTIAL  
HOLDERS

The following substantial shareholders have been disclosed in substantial holding notices given to the company as at 15 September 2022:

Substantial Shareholders (>5%)	Number of Shares
Paul Rouse	14,573,661
Andrew Watts	12,262,245
Kenneth Kamon	10,864,436
Darren Hamblin	9,631,898
Brendan Rouse	7,958,728

100

METAROCK  
ANNUAL  
REPORT  
2022

# CORPORATE DIRECTORY

## METAROCK GROUP LIMITED

### ABN 96 142 490 579

Metarock Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

### DIRECTORS

#### Colin Bloomfield

Non-executive Chairman

#### Paul Green

Managing Director

#### Andrew Watts

Non-executive Director

#### Gabriel (Gabe) Meena

Non-executive Director

#### Julie Whitcombe

Non-executive Director

#### Paul Rouse

Non-executive Director

### COMPANY SECRETARY

Andrew Ritter

### REGISTERED AND HEAD OFFICE

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

**P:** +61 (7) 4963 0400

**F:** +61 (7) 4944 0822

### E-CONTACTS

communication@metarock.com.au

[www.metarock.com.au](http://www.metarock.com.au)

### POSTAL ADDRESS

PO Box 1671  
Mackay QLD 4740  
AUSTRALIA

## MASTERMYNE OFFICES

### Mastermyne Head Offices

Level 1, Riverside Plaza  
45 River Street  
Mackay QLD 4740  
AUSTRALIA

**P:** +61 (7) 4963 0400

**F:** +61 (7) 4944 0822

### Rockhampton QLD (Consumables)

42 Monier Road  
Parkhurst QLD 4702  
AUSTRALIA

**P:** +61 (7) 4920 0800

**F:** +61 (7) 4920 0899

### Brisbane, QLD

Level 11, 145 Eagle Street  
Brisbane QLD 4000  
AUSTRALIA

**P:** 61 (7) 4963 0400

**F:** +61 (7) 4944 0822

## WILSON MINING

16 Metro Court  
Gateshead NSW 2290  
AUSTRALIA

**P:** +61 (2) 4904 8222

**F:** +61 (7) 4904 8200

## PYBAR

### Head Office

1668 – 1670 Forest Rd,  
Orange NSW 2800  
AUSTRALIA

### Sydney

Level 10/56 Pitt St,  
Sydney NSW 2000  
AUSTRALIA

## SHARE REGISTRY

LINK Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000  
AUSTRALIA

**P:** +61 (2) 8280 7457

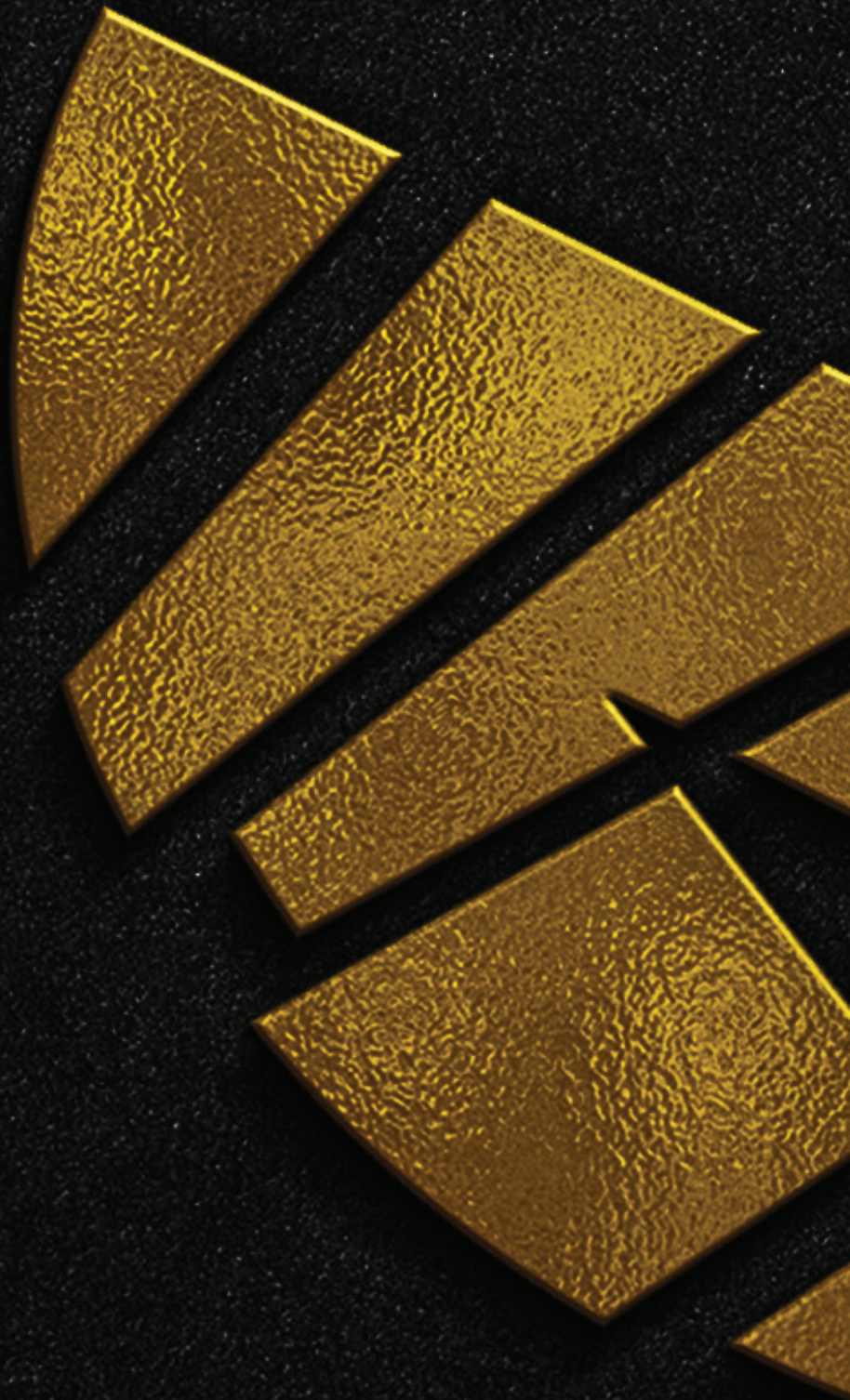
## INDEPENDENT AUDITORS

Pitcher Partners  
Level 38, 345 Queen Street  
Brisbane QLD 4000  
AUSTRALIA

## STOCK EXCHANGE LISTING

Metarock Group Limited  
is listed on the Australian  
Securities Exchange.

ASX CODE MYE



# METAROCK

**Metarock Group Limited:**

Level 1 Riverside Plaza,

45 River Street, Mackay QLD 4740

Phone: (07) 4963 0400 Fax: (07) 4944 0822

[www.metarock.com.au](http://www.metarock.com.au)