TABLE OF CONTENTS

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Amounts expressed in thousands of Australian Dollar ("AU$") currency)
These statements for first quarter ended 30 September 2021 have not been audited.

	Notes	GROUP 1Q 2022 AU$'000	GROUP 1Q 2021 AU$'000	+/(-) %
Revenue	4	60,421	43,242	39.7
Cost of sales		(54,423)	(38,934)	39.8
Gross profit		**5,998**	**4,308**	39.2
Gross margin		**9.9%**	**10.0%**	
Other operating income/(loss)	5	32	(137)	N.M.
Other operating costs		(2,507)	(1,910)	31.3
Administrative expenses	5	(1,581)	(723)	118.7
Marketing and distribution expenses		(246)	(69)	N.M.
Profit from operations		**1,696**	**1,469**	15.5
Finance costs	5	(1,403)	(946)	48.3
Profit before income tax	**5**	**293**	**523**	(44.0)
Income tax expense	6	(83)	(30)	176.7
Net profit for the period		210	493	(57.4)
Net profit %		**0.3%**	**1.1%**	

	Notes	GROUP 1Q 2022 AU$'000	GROUP 1Q 2021 AU$'000	+/(-) %
Profit for the period		210	493	(57.4)
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences		(1,545)	746	N.M.
Other comprehensive (loss)/income for the period		(1,545)	746	N.M.
Total comprehensive (loss)/income for the period		**(1,335)**	**1,239**	N.M.
Earnings per ordinary share attributable to equity holders of the Company (AU$ cents per share)				
- basic	7	0.01	0.02	(57.4)
- diluted	7	0.01	0.02	(57.4)

N.M. not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	Group As at 30/09/2021 AU$'000	Group As at 30/06/2021 AU$'000	Company As at 30/09/2021 AU$'000	Company As at 30/06/2021 AU$'000
CURRENT ASSETS					
Cash and cash equivalents		7,454	8,669	36	52
Trade receivables		60,198	55,084	-	-
Other receivables and prepayments		5,502	5,276	889	928
Inventories		2,370	2,576	-	-
Total current assets		**75,524**	**71,605**	**925**	**980**
NON-CURRENT ASSETS					
Property, plant and equipment		58,695	60,148	-	-
Goodwill		10,994	10,994	-	-
Other intangible assets		13,842	14,067	-	-
Due from subsidiaries		-	-	159	155
Investments in subsidiaries		-	-	93,191	90,604
Total non-current assets		**83,531**	**85,209**	**93,350**	**90,759**
Total assets		**159,055**	**156,814**	**94,275**	**91,739**
CURRENT LIABILITIES					
Trade payables		7,986	7,578	-	-
Other payables		25,571	23,841	940	756
Due to subsidiaries		-	-	20,379	19,034
Borrowings	9	1,071	2,071	-	-
Lease liabilities		2,714	2,771	-	-
Accruals for other liabilities and charges		4,818	4,188	-	-
Total current liabilities		**42,160**	**40,449**	**21,319**	**19,790**
NON-CURRENT LIABILITIES					
Deferred income tax liabilities		510	496	-	-
Borrowings	9	66,128	63,978	66,127	63,951
Lease liabilities		10,817	11,426	-	-
Accruals for other liabilities and charges		612	532	-	-
Total non-current liabilities		**78,067**	**76,432**	**66,127**	**63,951**
Total liabilities		**120,227**	**116,881**	**87,446**	**83,741**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	10	216,759	216,759	216,759	216,759
Capital reserve		(163)	(163)	(163)	(163)
Share-based payment reserve		5,893	5,663	5,893	5,663
Foreign currency translation reserve		17,047	18,592	26,747	26,531
Accumulated losses		(200,708)	(200,918)	(242,407)	(240,792)
Total equity		**38,828**	**39,933**	**6,829**	**7,998**
Total liabilities and equity		**159,055**	**156,814**	**94,275**	**91,739**

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	SHARE CAPITAL AU$'000	CAPITAL RESERVE AU$'000	SHARE-BASED PAYMENT RESERVE AU$'000	FOREIGN CURRENCY TRANSLATION RESERVE AU$'000	ACCUMULATED LOSSES AU$'000	TOTAL EQUITY AU$'000
1Q 2022						
Balance as at 1 July 2021	216,759	(163)	5,663	18,592	(200,918)	39,933
Profit for the period	-	-	-	-	210	210
Other comprehensive loss	-	-	-	(1,545)	-	(1,545)
Employee share and option scheme expense	-	-	230	-	-	230
Balance as at 30 September 2021	**216,759**	**(163)**	**5,893**	**17,047**	**(200,708)**	**38,828**
1Q 2021						
Balance as at 1 July 2020	216,349	(163)	5,848	15,106	(202,120)	35,020
Profit for the period	-	-	-	-	493	493
Other comprehensive income	-	-	-	746	-	746
Balance as at 30 September 2020	**216,349**	**(163)**	**5,848**	**15,852**	**(201,627)**	**36,259**

Company	SHARE CAPITAL AU$'000	CAPITAL RESERVE AU$'000	SHARE-BASED PAYMENT RESERVE AU$'000	FOREIGN CURRENCY TRANSLATION RESERVE AU$'000	ACCUMULATED LOSSES AU$'000	TOTAL EQUITY AU$'000
1Q 2022						
Balance as at 1 July 2021	216,759	(163)	5,663	26,531	(240,792)	7,998
Loss for the period	-	-	-	-	(1,615)	(1,615)
Other comprehensive income	-	-	-	216	-	216
Employee share and option scheme expense	-	-	230	-	-	230
Balance as at 30 September 2021	**216,759**	**(163)**	**5,893**	**26,747**	**(242,407)**	**6,829**
1Q 2021						
Balance as at 1 July 2020	216,349	(163)	5,848	27,564	(229,525)	20,073
Loss for the period	-	-	-	-	(887)	(887)
Other comprehensive loss	-	-	-	(259)	-	(259)
Balance as at 30 September 2020	**216,349**	**(163)**	**5,848**	**27,305**	**(230,412)**	**18,927**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP 1Q 2022 AU$'000	GROUP 1Q 2021 AU$'000
Cash flows from operating activities		
Profit after taxation	210	493
Add / (less) adjustments for:		
Depreciation of property, plant and equipment	957	1,081
Amortisation of intangible assets	250	174
Depreciation of right-of-use assets	710	575
Employee share and share option scheme expense	230	-
Net foreign exchange differences	400	(365)
Profit on disposal of property, plant and equipment	-	223
Interest income	(2)	(33)
Finance costs	1,403	946
Income tax expense	83	30
Operating cash flows before working capital changes	**4,241**	**3,124**
Changes in operating assets and liabilities		
Trade receivables and contract assets	(5,114)	(4,144)
Other receivables and prepayments	(309)	(45)
Inventories	206	384
Trade payables and other payables	408	(419)
Accruals	2,454	3,512
Cash generated from operations	**1,886**	**2,412**
Interest paid	(929)	(499)
Interest received	2	33
Income tax paid	-	(30)
Net cash generated from operating activities	**959**	**1,916**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	176
Purchase of property, plant and equipment	(187)	(196)
Purchase of other intangible assets	-	(58)
Net cash used in investing activities	**(187)**	**(78)**

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	GROUP 1Q 2022 AU$'000	GROUP 1Q 2021 AU$'000
Cash flows from financing activities		
Repayment of insurance / software funding	(1,066)	(1,137)
Proceeds from insurance / software funding	-	162
Repayment of borrowings	-	(2,000)
Payment of lease liabilities	(923)	(771)
Withhold of restricted cash	(1,762)	-
Net cash used in financing activities	**(3,751)**	**(3,746)**
Net decrease in cash and cash equivalents	**(2,979)**	**(1,908)**
Effect of exchange rate fluctuations on cash held	2	17
Net decrease increase in cash held	**(2,977)**	**(1,891)**
Cash and cash equivalents at beginning of period	7,806	21,088
Cash and cash equivalents at end of period	**4,829**	**19,197**
Cash and cash equivalents represented by		
Cash and bank balances	7,454	20,910
*Restricted cash	(2,625)	(1,713)
Total cash and cash equivalents at end of period	**4,829**	**19,197**

*The amount represents cash security held for bank guarantees issued.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

AusGroup Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and its shares are publicly traded on the Singapore Exchange. The condensed interim consolidated financial statements as at and for the three months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are:

- provide preventative and breakdown maintenance services;
- provide construction services;
- provide access services;
- provide fabrication and manufacturing services; and
- provide port and marine services.

2. Basis of preparation

The condensed interim financial statements as at and for the three months ended 30 September 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual audited financial statements for the year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

Whilst the Company's functional currency is the Singaporean Dollar, the condensed interim financial statements are presented in Australian Dollars ("AU$") which, in the opinion of management, is the most appropriate presentation currency as the Group's principal assets and operations are in Australia and the majority of its operations are conducted in AU$.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become 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 those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

<u>Impairment of trade receivables</u>
The Group has elected to measure loss allowances for trade and other receivables including contract assets at an amount equal to lifetime ECLs ("Expected Credit Losses"). The Group considers a financial asset to be in default when the financial asset is more than 120 days past its due date. ECLs are a probability weighted estimate (based on the Group's historical experience) measured as the present value of all cash shortfalls on default financial assets taking into account both quantitative and qualitative information and analysis. Factors considered in individual assessment are payment history, past due status and term.

<u>Construction contracts</u>
For services and construction contracts the standard provides a higher threshold for recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur. In making this assessment, judgement is required to be exercised based on a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

<u>Impairment of amounts due from subsidiaries and investments in subsidiaries</u>
The Company assesses the recoverability of loans due from subsidiary undertakings as at the reporting date based on an assessment of the ability of each entity to repay the balance owing and also assesses the carrying value of investments in subsidiaries where indicators of impairment are identified. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

2.2. Use of judgements and estimates (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

Impairment of cash generating units ("CGUs")
SFRS (I) 1-36 Impairment of Assets requires the Group to test goodwill for impairment at least annually and to test other assets for impairment when evaluation of indicators specific to the Group indicates that there is a potential impairment to property, plant and equipment and other intangible assets. These indicators include significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to the expected historical or future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less costs of disposal and the value-in-use. In performing these valuations, the Group is required to make estimates and assumptions that may affect the resultant valuation of each of these categories of asset. If the CGUs are considered to be impaired, the impairment loss is recognised to an amount equal to the excess of the carrying value of the asset over its recoverable amount.

Construction contracts
The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress will be consistently applied to similar performance obligations.

Amounts due from contract customers in the balance sheet include uncertified revenue that has been recognised through the statement of comprehensive income in current and prior periods in respect of claims and variation orders on projects. In estimating the amount of uncertified revenue recognised, the Group has relied on past experience and the work of specialists namely project managers and, as required, external consultants. If the uncertified revenue increases/decreases by 5% from management's estimates, the Group's profit before income tax for the financial year will increase/decrease by approximately AU$1.3 million (30 June 2021: AU$1.3 million).

Revenue from variations in the contract work and claims is recognised in accordance with the Group's accounting policy on construction contracts.

Due to the level of uncertainty associated with the calculation of estimated total contract costs, and therefore, percentage of contract completion, it is reasonably possible that material adjustments could be required to revenue and contract margins if the eventual outcomes differ from management's assumptions which cannot be recovered from contract claims under the terms of the contract.

Where it is probable that a loss will arise on a long-term contract, the excess of total expected contract costs over total contract revenue is recognised as an expense immediately.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- Maintenance Services.
- Projects.
- Access Services.
- Fabrication & Manufacturing.
- Port & Marine Services.

4.1 Reportable segments

Q1 2022	Maintenance Services AU$'000	Projects AU$'000	Access Services AU$'000	Fabrication & Manufacturing AU$'000	Port & Marine Services AU$'000	Corporate / Unallocated AU$'000	Total AU$'000
REVENUE							
Revenue from external customers	36,126	5,484	11,380	6,479	952	-	**60,421**
RESULTS							
Adjusted EBITDA and impairment	2,242	504	950	626	(312)	(399)	**3,611**
Depreciation and amortisation	-	(1)	(629)	(428)	(658)	(201)	**(1,917)**
Interest income	-	-	-	-	-	2	**2**
Finance cost	-	-	(17)	(42)	(1,262)	(82)	**(1,403)**
Profit/(loss) before tax	**2,242**	**503**	**304**	**156**	**(2,232)**	**(680)**	**293**
30 September 2021							
ASSETS							
Reportable segment assets	**35,801**	**4,882**	**38,464**	**16,331**	**49,363**	**14,214**	**159,055**
Additions to non-current assets (other than financial assets and deferred tax)	**-**	**-**	**138**	**-**	**24**	**25**	**187**
LIABILITIES							
Reportable segment liabilities	**12,756**	**1,189**	**4,571**	**2,597**	**16,554**	**82,560**	**120,227**

Q1 2021	Maintenance Services AU$'000	Projects AU$'000	Access Services AU$'000	Fabrication & Manufacturing AU$'000	Port & Marine Services AU$'000	Corporate / Unallocated AU$'000	Total AU$'000
REVENUE							
Revenue from external customers	26,304	5,138	4,716	6,256	828	-	**43,242**
RESULTS							
Adjusted EBITDA and impairment	1,543	917	(391)	779	(544)	1,150	**3,454**
Depreciation and amortisation	-	(1)	(562)	(420)	(639)	(208)	**(1,830)**
Interest income	-	-	-	-	-	33	**33**
Finance cost	-	-	(1)	(56)	(789)	(100)	**(946)**
Impairment losses	-	-	(188)	-	-	-	**(188)**
Profit/(loss) before tax	**1,543**	**916**	**(1,142)**	**303**	**(1,972)**	**875**	**523**
30 June 2021							
ASSETS							
Reportable segment assets	**32,990**	**2,966**	**37,271**	**17,074**	**50,134**	**16,379**	**156,814**
Additions to non-current assets (other than financial assets and deferred tax)	**-**	**-**	**2,702**	**136**	**385**	**2,051**	**5,274**
LIABILITIES							
Reportable segment liabilities	**9,262**	**650**	**4,605**	**3,703**	**17,014**	**81,647**	**116,881**

4.2 Disaggregation of revenue

1Q 2022	Maintenance Services AU$'000	Projects AU$'000	Access Services AU$'000	Fabrication AU$'000	Port & Marine Services AU$'000	Total AU$'000
Types of goods or service:						
Contract revenue	36,126	5,484	9,192	6,479	-	57,281
Sale of goods	-	-	5	-	-	5
Hire revenues	-	-	2,183	-	-	2,183
Port & Marine services	-	-	-	-	952	952
Total revenue	36,126	5,484	11,380	6,479	952	60,421
Timing of revenue recognition:						
Over time	36,126	5,484	11,375	6,479	269	59,733
At a point in time	-	-	5	-	683	688
Total revenue	36,126	5,484	11,380	6,479	952	60,421
Geographical information:						
Australia	36,126	5,484	10,523	6,479	952	59,564
Singapore	-	-	366	-	-	366
Thailand	-	-	491	-	-	491
Total revenue	36,126	5,484	11,380	6,479	952	60,421

1Q 2021	Maintenance Services AU$'000	Projects AU$'000	Access Services AU$'000	Fabrication AU$'000	Port & Marine Services AU$'000	Total AU$'000
Types of goods or service:						
Contract revenue	26,305	5,138	3,497	6,256	-	41,196
Sale of goods	-	-	10	-	-	10
Hire revenues	-	-	1,208	-	-	1,208
Port & Marine services	-	-	-	-	828	828
Total revenue	26,305	5,138	4,715	6,256	828	43,242
Timing of revenue recognition:						
Over time	26,305	5,138	4,705	6,256	-	42,404
At a point in time	-	-	10	-	828	838
Total revenue	26,305	5,138	4,715	6,256	828	43,242
Geographical information:						
Australia	26,305	5,138	4,431	6,256	828	42,958
Singapore	-	-	153	-	-	153
Thailand	-	-	131	-	-	131
Total revenue	26,305	5,138	4,715	6,256	828	43,242

5. Profit before taxation

5.1 Significant items

	GROUP		+/(-)
	1Q 2022	1Q 2021	%
	AU$'000	AU$'000	
Other operating income			
Interest income	2	33	(93.9)
Loss on sale of property, plant and equipment	-	(223)	N.M.
Other income	42	57	(26.3)
Foreign exchange loss	(12)	(4)	N.M.
Total other operating income/(loss)	**32**	**(137)**	(123.4)
Amortisation and depreciation			
Depreciation of property, plant & equipment included in cost of sales	771	819	(5.9)
Depreciation of right-of-use assets included in cost of sales	304	190	60.0
Amortisation of intangible assets included in cost of sales	77	53	45.3
Depreciation of property, plant & equipment included in administrative expenses	187	262	(28.6)
Depreciation of right-of-use assets included in administrative expenses	405	385	5.2
Amortisation of intangible assets included in administrative expenses	173	121	43.0
Total amortisation and depreciation	**1,917**	**1,830**	4.8
Employee share and share option scheme expense	230	-	N.M.
Federal Government subsidy for Covid-19 relief			
Subsidy included in cost of sales	-	2,058	N.M.
Subsidy included in administrative expenses	-	612	N.M.
Total Federal Government subsidy for Covid-19 relief	-	2,670	N.M.
Finance costs			
Note interest	770	679	13.4
Bank and other interest	60	77	(22.1)
Shareholder loan interest	127	128	(0.8)
Bank fees	11	5	N.M.
Bank guarantee fees	31	22	40.9
Lease-related interest expenses	247	250	(1.2)
Foreign exchange loss/(gain) on shareholder loan	157	(215)	N.M.
Total finance costs	**1,403**	**946**	48.3

5.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

6. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	GROUP		
	1Q 2022	1Q 2021	
	AU$'000	AU$'000	
Current income tax expense	(53)	-	N.M.
Current withholding tax expense	(30)	(30)	N.M.
Total income tax expense	**(83)**	**(30)**	N.M.

7. Earnings per ordinary share

	GROUP	GROUP
	1Q 2022	1Q 2021
	AU$'000	AU$'000
Profit attributable to owners of the Company	210	493
Weighted average number of ordinary shares in issue		
- Basic ('000)	3,063,230	3,062,614
- Diluted ('000)	3,063,230	3,063,230
Earnings per ordinary share (AU cents)		
- Basic	0.01	0.02
- Diluted	0.01	0.02

Basic earnings per share is calculated by dividing the consolidated profit after tax attributable to the equity holders of the Company by the weighted average of the number of shares outstanding during the period.

For the purposes of calculating diluted earnings per share, the weighted average number of shares on issue has been adjusted as if all dilutive share options and share awards were exercised. The number of shares that could have been issued upon the exercise of all dilutive shares is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the profit after taxation.

8. Net Asset Value

	GROUP	GROUP
	1Q 2022	1Q 2021
	AU$'000	AU$'000
Net assets	38,828	39,933
Net asset value per ordinary share based on issued share capital at the end of the respective periods (AU cents)	1.3	1.3

Net asset value per ordinary share is calculated by dividing the net assets attributable to the entity holders of the Company by the number of issued shares as at 30 September 2021 of 3,063,230,431 ordinary shares (30 June 2021: 3,063,230,431).

9. Borrowings

	30/09/2021		30/06/2021	
	AU$'000	AU$'000	AU$'000	AU$'000
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	1,071	-	2,071	-
Amount repayable after one year	40,464	25,664	39,309	24,669

Borrowings Summary

	30/09/2021	30/06/2021
	AU$'000	AU$'000
Multi Currency Notes	40,464	39,282
DBS Term Loan - AUD	-	-
Shareholder Loan	25,664	24,669
Insurance / software funding	1,071	2,098
Total borrowings	67,199	66,049

(a) Loan facilities

Multi Currency Notes ("Notes")

The Notes (AU$40.5m) are a non-current liability and are secured. The increase in the liability is due to exchange rate fluctuations as the debt is denominated in Singapore dollar.

The maturity date of the Notes is 3 December 2022 and interest is paid monthly at a rate of 7% per annum from 3 December 2020.

DBS Bank Ltd facilities

DBS also provides bank guarantee facilities to the Group to support performance bonds and financial guarantees provided to the Group's clients. As at 30 September 2021, AU$0.8m was drawn under this facility.

Loan from related party (shareholder loan)

The repayment date of the loan from Ezion Holdings Limited ("Ezion") is not until after 31 October 2023 hence the loans are classified as a non-current liability. At 30 September 2021 the amount owing on the loan was AU$25.7m (30 June 2021: AU$24.7m) and is unsecured. The increase in liability is due to the adverse foreign exchange rate movement between the US dollar and the Australian dollar (as the loan is denominated in United States dollar) offset by the capitalisation of interest expenses during the period. The interest rate applicable to this loan is 2% per annum.

9. Borrowings (continued)

Surety bond facility from Vero

The Group holds a AU$32.5m Surety bond facility with Vero to ensure the Group maintains its bonding capacity for bid bonds, performance bonds and financial guarantees. At 30 September 2021, AU$3.6m was drawn under this facility.

(b) Security pledged and financial covenants

Multi Currency Notes (“Notes”)

Notes are secured, on a shared first ranking basis, against all property and assets of NT Port and Marine Pty Ltd on a fixed and floating basis and 100% of the shares of Ezion Offshore Logistics Hub Pte. Ltd (“EOLH”) pursuant to a share charge.

In accordance with the Noteholder vote in favour of the Consent Solicitation Exercise ("CSE") on 19 October 2018, the Group renegotiated the terms of the Notes and added two financial covenants being:

(i) the ratio of its Consolidated Secured Debt to its Consolidated Total Assets shall not at any time exceed 0.75:1; and

(ii) The ratio of its Consolidated earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") to its Consolidated Interest Expense in respect of any Test Period shall not be less than 1.75:1 for that Test Period (the Debt Service Ratio).

The financial covenants on the Multi Currency notes are tested half-yearly at the December and June periods. As at 30 September 2021, the Group has complied with the financial covenants on its Multi Currency notes.

DBS Bank Ltd facilities

The Group has complied with the financial covenants on its DBS Bank Ltd facilities.

10. Share capital

	30-Sep-21	30-Jun-21
	Number of shares	Number of shares
Number of issued shares		
Opening balance	3,063,230,431	3,048,230,431
Shares issued through employee share schemes	-	15,000,000
Closing balance	3,063,230,431	3,063,230,431

	30-Sep-21	30-Jun-21
	AU$'000	AU$'000
Ordinary shares issued and fully paid		
Opening balance	216,759	216,349
Shares issued through employee share schemes	-	410
Closing balance	216,759	216,759

As at 30 September 2021 there were no outstanding options (30 June 2021: Nil) for unissued ordinary shares under the employee share option scheme.

As at 30 September 2021 there were 72,000,000 outstanding rights (30 June 2021: 72,000,000) that may potentially be converted to shares under the employee share scheme.

As at 30 September 2021 and 30 June 2021 respectively there were no treasury shares held by the Company.

11. Other contingent liabilities

The Group has the normal contractor's liability related to project activity. Potential liability may arise from claims, dispute and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest.

12. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The condensed consolidated statement of financial position of AusGroup Limited and its subsidiaries as at 30 September 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three months period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

A Review of Income Statement

1Q FY2022 v 1Q FY2021

Revenue for the first quarter of FY2022 increased by 39.7% to AU$60.4m (1Q FY2021: AU$43.2m) and cost of sales for the first quarter increased by 39.8% to AU$54.4m (1Q FY2021: AU$38.9m), reflecting the recovery from the effects of the impact of COVID-19 to a more normal activity level.

Gross profit increased to AU$6.0m for the first quarter (1Q FY2021: AU$4.3m), with the gross profit margin of 9.9%, mainly resulting from increased operating efficiencies across all business sectors in the current period as the effect of COVID-19 was largely removed.

Other operating income has increased to AU$0.03m (1Q FY2021: loss of AU$0.1m).

Other operating costs increased by 31.3% to AU$2.5m (1Q FY2021: AU$1.9m) and administrative expenses increased by AU$0.9m to AU$1.6m (1Q FY2021: AU$0.7m) which was in line with the level of operating activity considering the impact of the Covid-19 subsidy in 1Q FY21 of AU$0.6m.

Marketing and distribution expenses have increased to AU$0.2m (1Q FY2020: AU$0.1m) due to increased new work tender activity in the quarter.

Finance costs have increased 48.3% to AU$1.4m (1Q FY2021: AU$0.9m) mainly due to the adverse effect of foreign exchange rate movement between the US dollar and the Australian dollar in relation to the USD shareholder loan which resulted in a loss on exchange of AU$0.2m (1Q FY2021: gain of AU$0.2m).

For details of income tax, please refer to Section E, note 6.

Net profit for the quarter after tax from operations is AU$0.2m (1Q FY2021: AU$0.5m).

2. Review of performance of the Group (continued)

B <u>Review of Balance Sheet</u>

Assets

Cash and bank balances decreased by AU$1.2m to AU$7.5m at 30 September 2021 (30 June 2021: AU$8.7m) due to timing delays on the receipt of project payments as a result of late invoicing on major contract and repayment of bank borrowings and insurance/software funding during the year.

Trade receivables balance increased by AU$5.1m since 30 June 2021 to AU$60.2m at 30 September 2021 as the recovery from the pandemic continues to increase amounts due from customers as work programmes increase after the impact of Covid-19.

Inventories decreased by AU$0.2m since 30 June 2021, with the majority of inventory now related to marine fuel for sale by the NT Port and Marine business. The decrease was due to the sale of fuel during the period.

Non-current assets have decreased AU$1.7m since 30 June 2021 to AU$83.5m mainly due to the depreciation and amortisation on property, plant and equipment.

Liabilities

The trade payables balance increased by AU$0.4m since 30 June 2021 to AU$8.0m at 30 September 2021 in line with the increase in work activities since the comparable quarter.

Other payables increased by AU$1.7m since 30 June 2021 to AU$25.6m mainly due to timing of payments for payroll and GST related statutory obligations in the period.

Current accruals for other liabilities mainly consisted of accruals for annual leave, rostered day off, sick leave and current long service leave. The current accrual balance increased by AU$0.6m from 30 June 2021 which aligns with the increase of operating activities level in the period. Non-current accruals comprised long-term long service leave balance.

Total borrowings increased overall by AU$1.2m since 30 June 2021 to AU$67.2m due to the adverse foreign currency rate movement of the Australian dollar against US dollar and Singapore dollar which resulted in higher outstanding balances in both the shareholder loan and the Multi Currency Notes.

As at 30 September 2021, the Group was in a net current asset position of AU$33.4m and net assets were AU$38.8m. The Group has sufficient cash resources and banking facilities available to meet the financing needs of its operations.

2. Review of performance of the Group (continued)

C <u>Review of Statement of Cash Flows</u>

<u>1Q FY2022 v 1Q FY2021</u>

Operating activities of the Group has generated a net cash inflow of AU$1.0m for 1Q FY2022, a decrease from the corresponding quarter in FY2021 (net cash inflow of AU$1.9m). The decrease was mainly due to working capital requirements to support the growing revenue base.

Net cash outflows of AU$0.2m incurred from investing activities in 1Q FY2022 was due to the purchases of property, plant and equipment.

Net cash used in financing activities was AU$3.8m in 1Q FY2022, reflecting the net outflow of insurance funding of AU$1.1m, withholding of restricted cash of AU$1.8m to support bank guarantees and repayments of lease liabilities of AU$0.9m.

As a result of the above activities, the Group recorded a decrease in cash and cash equivalents of AU$14.4m to AU$4.8m at 30 September 2021 compared to the comparative quarter (1Q FY2021 – AU$19.2m).

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

4. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (pursuant to SGX rulebook – Appendix 7.2 Financial statements and dividend announcement (3A) :—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

The Group's auditors qualified their audit opinion for the year ended 30 June 2021 as they were unable to determine whether any adjustments were necessary in respect of the Group's opening carrying amounts of property, plant and equipment and intangible asset related to the Port and Marine CGU as at 1 July 2020 together with the opening balance of accumulated losses as at 1 July 2020. For further details, refer to AusGroup Limited's Annual Report for FY2021, page 29 (announced on the SGX on 28 September 2021) and to the Announcement pursuant to Rule 704(5) of the Listing Manual –Qualified Opinion by Auditor of the Financial Statements for Year Ended 30 June 2021, where the Company's Auditor have disclosed their Report on the audit of the financial statements and have included their Qualified Opinion and the Basis for the Qualified Opinion.

The area of the business highlighted in the Qualified Opinion relates to the opening balances of the NT Port and Marine section of the Group at 1 July 2020, however the auditors have not qualified their opinion on the closing carrying value of property, plant and equipment and intangible asset related to the Port and Marine CGU at 30 June 2021 (refer to AusGroup Limited's Annual Report for FY2021, page 30). The Group cannot resolve the audit issue on 1 July 2020 but has resolved the issues on 30 June 2021. The Group engaged an external professional valuer to assess the recoverable amount of the Port and Marine CGU at 30 June 2021 based on the value in use method resulting in no additional impairment nor reversal of previously recognised impairment loss being necessary.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

The outstanding audit issue was resolved on 30 June 2021.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Background Information

AusGroup offers a range of integrated service solutions to the energy, mining and industrial sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS and NT Port and Marine, we provide maintenance, construction, access services, commissioning & handover and port & marine services. With over 30 years of experience, we are committed to partnering with our clients to build, maintain and upgrade some of the region's most challenging projects.

Our Capabilities

Maintenance Services
Our maintenance services range from breakdown maintenance to shutdowns and sustaining capital works. Through our in-house capability, we can provide any combination of skills, trades or disciplines on a long or short term basis for shutdowns and campaign maintenance. Our maintenance services include: mechanical; electrical; industrial coatings; insulation and specialist welding.

Construction
AusGroup provides focused and specialised construction capabilities including structural, mechanical, piping and installation solutions. We are able to self-perform almost all construction trades, offering efficient interface management and productivity optimisation.

Our construction expertise combines multidisciplinary construction knowledge and a first class health and safety record, to enhance project execution.

Access Services (referred to as MAS)
Our access services include scaffolding, scaffold engineering and design, rope access, labour supply, scaffolding, stock control, logistics and transportation.

Fabrication
We provide manufacturing, fabrication and testing of specialist structural, piping and modularisation packages. Our fabrication facilities are strategically located within Perth's high wide load corridor in Kwinana. With an in-house capacity to fabricate up to 30,000 tonnes of steel products per annum, we have manufactured, tested and commissioned some of Western Australia's largest fabricated steel structures.

Port and Marine Services (referred to as NT Port and Marine)
We offer logistics and marine transportation support services to the oil and gas industry, general marine and defence sectors through our NT Port and Marine business. With locations at Port Melville and East Arm Supply Base located in the Northern Territory, we can provide marine and land fuel, areas for laydown and storage, berthage and accommodation facilities.

Significant Trends & Competitive Conditions

COVID-19 Pandemic

The effects of the pandemic that initially manifested in 1Q FY2020 has continued albeit, there are now more significant indications of a return to more normalised operations in 1Q FY2022. The impact of future infection rates in Australia combined with the pace of the vaccination programme is uncertain and may have an impact on operations over the coming months which we continually monitor.

The major trends that are relevant to the industry and the Group:

- Major new LNG construction projects are now completed and these have moved into the production phase, where maintenance services will be required to maintain safe and reliable operations for the next 40+ years, providing long term and sustainable demand for the Group's service offering.
- Significant investment in the Resources sector, particularly in the Iron Ore and Gold industries, is continuing and the Group is well placed to provide the sector with fabrication services, modularised solutions, SMP, construction, commissioning and integrated asset maintenance services.
- Increasing activity in all sectors related to new energy sources which encompasses hydrogen, lithium and nickel etc. Significant investment projects being announced by major international companies to support decarbonisation. Refer to SGX announcement dated 27 October 2021.
- Increased tender activity in 1Q FY2021 as Client work programmes that were suspended during the early days of the pandemic have now been re-initiated.
- The use of technology, productivity and innovative solutions across all aspects of the project(s) life cycle is key to adding value to customers and underpinning long term relationships and delivering predictable outcomes on plan.
- Increased demand for skilled labour is putting upward pressure on wage rates.
- Focus on core strengths, capabilities and efficiency improvements will underpin the profit generation from the Group's service offering.
- The sporadic closure of the State of Territory boarders in Australia is a barrier for the migration within and to Australia which is leading to a cap on available labor.
- The recent improving oil price after the shock of COVID-19 is likely to support capital investment expansions in the LNG sector.
- Increasing investment by the Australian Federal Government (AU$747.0m) in military bases in the Northern Territory of Australia may result in an increase in activity for the NT Port and Marine business.

General

The main priority for the Group in the short term is to focus on our core strengths of providing multi-disciplinary services of mechanical, scaffolding, insulation and fabrication services in addition to increasing the NT Port and Marine operations as this business migrates from a commercialisation phase to providing core services in the fuel sale and storage market and the woodchip market.

At 30 September 2021 the only debt due to be repaid in 1 QFY2022 is AU$1.1m of insurance funding. Accordingly, the short-term focus on the Group's cashflow to meet short term debts has been addressed as the Group has re-scheduled the majority of its borrowings to longer term (non-current) tenures. The Group is focused on options to reduce and/or restructure debt prior to the maturity dates in 2022 and 2023 and bolster working capital to support the expansion of services to its clients.

Whilst the impact of the COVID-19 pandemic led to delay in awards of new contracts, the forward pipeline is increasing and work activity across all sectors is increasing with more requests from clients to focus on the full range of both critical and non-critical core work programmes that were delayed due to the COVID-19 virus. This return to more normal activity levels is expected to underpin the business objectives in the short term and into 2Q FY2022 and 3Q FY2022, with core projects expected to grow in scale and complexity to provide further opportunities for organic growth in the energy and process sectors.

6. Dividend information

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

None due to the working capital requirements of the Group.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?
None.

(c) Date payable
Not applicable.

(d) Books closure date
Not applicable.

7. Interested person transactions

There were no IPT transactions for the period.

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the three-month period ended 30 September 2021 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Wu Yu Liang
Non-Executive Chairman

Shane Francis Kimpton
CEO and Managing Director

12 November 2021

This release contains certain statements that are not statements of historical fact, i.e. forward looking statements. Readers can identify some of these statements by forward looking terms such as "expect", 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', 'could', or similar words. However, you should note that these words are not the exclusive means of identifying forward looking statements. Forward looking statements are made based on current expectations, projections and assumptions about future events. Although AusGroup believes these expectations, projections and assumptions are reasonable at the time of making them, these forward looking statements are subject to risks (known and unknown), uncertainties and certain assumptions about AusGroup, its business operations, and the environment it operates in. Actual future performance, outcomes and results may therefore differ materially from those expressed in the forward looking statements. Representative examples of these risk factors include (without limitation) general industry and economic conditions, availability of suitably skilled workers, interest rate movements, cost of capital and capital availability, competition from other companies, shifts in customer demands, changes in operating expenses , including employee wages, benefits and training and government and public policy changes. Readers are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.