

**SGX/MEDIA RELEASE
For Immediate Release**

Company Registration Number 200413014R
3 Shenton Way #21-04 Shenton House,
Singapore 068805

**Singapore and Australia
20 May 2022**

Response to SGX-RegCo Query on third quarter financial results to 31 March 2022

The Board of Directors (the "**Board**") of AusGroup Limited (the "**Company**" or "**Group**") would like to respond to the query from the Singapore Exchange Regulation (the "**SGX-RegCo**") regarding the third quarter financial results to 31 March 2022 released on 12 May 2022. The Company sets out below its response to the query:

We refer to the Group's Q3 FY2022 results announced on SGXNET on 12 May 2022.

1. a) The Group recorded AU\$39.142 million in Borrowings under Current Liabilities which comprised Multi-Currency Notes ("MCNs") with the maturity date of 3 December 2022 and monthly interest paid at the rate of 7% per annum from 3 December 2020. Given the Group's cash and cash equivalents of AU\$7.471 million and negative working capital of AU\$ 1.791 million, please explain how the Group intends to finance the repayment of the MCNs as and when they fall due.

b) On 16 February 2022, in response to SGX's query on the Group's Q2 FY2022 (ended 31 December 2021) results pertaining to the Group's plans to repay or refinance its then AU\$40.6 million in MCN given the Group's then cash position of AU\$11.8 million, the Group disclosed that it is "focused on options to reduce and/or restructure its restructure debt prior to the maturity dates in 2022 and 2023 and bolster working capital to support the expansion of services to its clients. The capital management options being pursued by the Group to efficiently manage its working capital requirements and debt obligations include: non-core asset/business sales; financing secured by core assets; equity injection and debt facilities. The Group will pursue all of these options to enable the Group to repay, partly repay and/or refinance the MCN debt obligation and [the Group] will provide more information when these options reach a stage that they become disclosable events."

Please elaborate on the progress of the mentioned plans to partly repay and/or refinance the MCN debt obligation and if any of the options have become disclosable events.

Company's response to SGX-RegCo question 1)a and 1)b

Please refer to the Group's Q3 FY2022 results announced on SGXNET on 12 May 2022. Page 23 of 25 advises that "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. The capital management options being pursued by the Group to efficiently manage its working capital requirements and debt obligations include: asset/business sales: (refer to SGX Announcement on 13 April 2022); financing secured by core assets; equity injection (refer to SGX announcement on 7 March 2022) and debt facilities".

On 13 April 2022 the Group announced on SGXNET the "Entry into Non-binding Term Sheet in relation to the proposed Disposal of 100% of the issued and paid-up capital of NT Port and Marine Pty Ltd" which details the effect on the Group's financial position if this proposed transaction completes on the non-binding terms agreed. The key rationale for this transaction is detailed on page 2 of this announcement. The Group is of the view that if the Proposed Disposal completes, it is in the best interests of the Group for the following reasons:

- (a) Reduction of debt: The Proposed Disposal will enable the Company's MCNs (in principal outstanding amount of SGD40,118,976 as at the date of this announcement) to be repaid, and will remove this current liability from the Company's balance sheet. This is expected to result in a significant improvement in the Company's gearing position. For illustrative purposes, the Group had a net debt of

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- AU\$71.5m as at 30 June 2021, and if the Proposed Disposal was completed on 30 June 2021, the net debt position would have been AU\$32.3m, an improvement of AU\$39.3m comprising the principal amount of the MCNs owed as at 30 June 2021;
- (b) Reduction of interest: The Proposed Disposal will enable the Company's MCNs to be fully repaid and will remove the interest payments to noteholders. For the year ended 30 June 2021, the Company paid a total of AU\$2.8m in interest for the MCNs. The reduction of debt will remove the interest payment, which will improve the cash position and profitability of the Company; and
 - (c) Removal of a loss-making part of the Group: The Proposed Disposal will cease the requirement for the Group to fund the losses of NTPM. For the year ended 30 June 2021, NTPM generated a loss of AU\$6.4m. The removal of the loss-making part of the Group will remove the requirement to fund these losses out of profits from the rest of the Group, which will in turn improve the profitability of the Group.

The Group is working closely with the counterparty and is progressing discussions to enable a successful completion on or prior to 11 June 2022 which is the end of the exclusivity period as announced on page 3 of the 13 April 2022 announcement. The Group will announce to SGX as and when there has been any material development relating to this transaction. If successfully finalised on the same terms as announced on 13 April 2022, this transaction would completely repay the MCNs debt prior to the maturity date of 3 December 2022. The Group considers this option a disclosable event and accordingly announced it on 13 April 2022.

In reference to the SGX Announcement on 7 March 2022, whereby RSM Corporate Advisory Pte Ltd have been appointed to assist the Group with the process of seeking potential strategic investor(s) to enhance and reinforce the Company's capital structure so as to better enable the Group to tap into the growing engineering and construction services demand of the mining and energy industries in Australia and the region as brought about by recent world events. This process is underway with a number of interested parties engaged under non-disclosure agreements. As of the date of this announcement there are no disclosable events relating to this option.

Whilst the Group is pursuing other financing options, as of the date of this announcement, none are at a sufficiently advanced stage that the Group considers to be a disclosable event. If these options reach an advanced stage then at that point the Group would announce the required details.

2. We draw the Group's attention to Listing Rule 1303(3c) which states that "the Exchange may at any time suspend trading of the listed securities of an issuer, including where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, including when the issuer is unable to reasonably assess its financial position and inform the market accordingly".

In this regard,

- a) Please provide the Board's assessment of the Group's ability to continue operating as a going concern, including the bases for such assessment by the Board. Please directly address concerns raised by KPMG LLP in their audit report in your explanation.***

Company's response to SGX-RegCo question

The audit report included in the Group's FY2022 Annual report raised a material uncertainty related to going concern relating to the Group's ability to finance the repayment of the MCNs when they fall due. As stated in the audit report and included in Note 2 of the Annual Report, capital management and fund-raising transactions were underway, including non-core asset/business sales, financing secured by core assets; equity injection and debt facilities. These options are all still underway and in particular as referred to in the previous answer to 1a) and 1 b) above, if successful the transactions would completely repay the MCNs debt. The directors are of the opinion that the Group is able to operate on a going concern basis for the reasons outlined above.

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- b) Please provide the Board's opinion as to why a trading suspension is not required for the Group pursuant to Listing Rule 1303(3c).**

Company's response to SGX-RegCo question

During the year to 31 March 2022, the Group has extinguished a major liability for the purchase of the accommodation units at Port Melville. The Group continues to service its current debts and is in compliance with covenant requirements under the MCNs. The Group has sufficient cash in hand to be able to meet short term obligations and to service current contracts on hand and therefore the directors are of the opinion that the Group is able to operate on a going concern basis and a trading suspension is not required.

- c) If the Board is able to justify and substantiate its view that the Group is able to operate as a going concern, please provide the Board's confirmation that all material information has been fully disclosed by the Group to enable trading to continue on an informed basis.**

Company's response to SGX-RegCo question

The Board of Directors confirm that all material information has been fully disclosed by the Group such that the Group is able to operate as a going concern and continue trading on an informed basis.

By Order of the Board

Shane Francis Kimpton
Managing Director
20 May 2022

Ends

Issued by AusGroup Limited.

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ABOUT AUSGROUP LIMITED (Bloomberg Ticker: AUSG.SP)

Main board-listed, AusGroup Limited is an energy and resources specialist providing fabrication, precision machining, construction and integrated services to natural resource development companies. The Company also provides access services for construction and maintenance contracts through MAS Australasia Pty Ltd (MAS). AusGroup has an established operations network strategically positioned throughout Australasia. For more information visit www.ausgrouppltd.com