

**SGX/MEDIA RELEASE
For Immediate Release**

Company Registration Number 200413014R
438B Alexandra Road #05-08/10 Alexandra Technopark,
Singapore 119968

Singapore and Australia
23 February 2021

Response to SGX Queries on Q2 FY2021 Financial Statements

The Board of Directors (the "**Board**") of AusGroup Limited (the "**Company**" or "**Group**") would like to respond to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") regarding the Q2 FY2021 Financial Statements. The Company sets out below its response to the query.

We refer to the Company's financial statements for the second quarter ended 31 December 2020 announced on 10 February 2021.

Question 1

We noted a loss on disposal of property, plant & equipment ("PPE") of AU\$ 223,000 incurred in Q1 of FY2021. Please disclose a description, carrying value and sale price of the PPE that was sold for a loss and explain the rationale for selling at a loss

Company's response

The loss on disposal of PPE of AU\$223,305, incurred in Q1 FY2021 relates primarily to the disposal of scaffolding assets that were beyond economical repair and had to be scrapped with no disposal proceeds received. The table below details the breakdown of the profit / (loss) by asset type in Q1 FY2021:

PPE categories	Carrying Value	Disposal price	Profit / (Loss) on disposal
Motor vehicles	0	4,091	4,091
Miscellaneous fixed assets	0	10,000	10,000
Scaffolding	124,225	168,187	43,962
Scaffolding beyond economical repair	281,358	0	(281,358)
	405,583	182,278	(223,305)

Question 2

Please explain the significant increase the amortisation of intangible assets included in administrative expenses. In your explanation, please disclose how the allocation of amortisation of intangible assets between cost of sales and administrative expense amounting to \$101k and \$145k respectively is determined.

Company's response to question 2

- (i) The increase in the amortisation of intangible assets included in administrative expenses is due the inclusion in H1 FY2021 of the amortisation of a new Timesheet Management System.
- (ii) The allocation of amortisation of intangible assets between cost of sales and administrative expense is based on whether the cost is directly or indirectly related to operating activities. If it is directly related to operating activities, it is included in cost of sales and if it is indirectly related to operating activities it is included in administrative expenses.
 - a. The amortisation for the right to use NTPM port assets at Port Melville is directly related to the operating activities of the port, hence, the cost of \$101k is allocated to cost of sales. Amortisation of computer software is considered as general administrative expenses hence the cost of \$145k is allocated to administrative expenses.

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Question 3

Please clarify whether the Group's auditors have qualified their opinion for the year ended 30 June 2020 or issued a disclaimer of opinion.

Company's response to question 3

The Company refers to AusGroup Limited's Annual Report for FY2020, page 31 (announced on the SGX on 25 September 2020) and to the Announcement pursuant to Rule 704(5) and Rule 704(6) of the Listing Manual – Disclaimer of Opinion by Auditor of the Financial Statements for Year Ended 30 June 2020 and Material Adjustments to the Unaudited Results for Year Ended 30 June 2020, where the Company's Auditor have disclosed their Report on the audit of the financial statement and have included their Disclaimer of opinion and the Basis for the disclaimer of opinion (announced on the SGX on 25 September 2020).

Question 4

We further note that the opinion issued by the auditors are on the basis (i) that they were unable to obtain sufficient and appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the Group's Port and Marine CGU, and (ii) that the Group did not receive a response that the exclusion of the adverse financial effects of COVID-19 are considered extraordinary and should be excluded from the calculation of the Debt Service Ratio covenant relating to the Multi Currency Notes ("MCN").

- (i) In relation to the valuation of the Group's Port and Marine CGU assets, please explain how the Group is working towards being able to justify their valuations of the recoverable amount.***
- (ii) In relation to the MCN, please provide an update on whether the Group has received confirmation on the Debt Service Ratio covenant.***

Company's response to question 4

- (i)** The Company refers the reader to the Q2 FY2021 Financial Statements, page 15, item 9, where an update on the efforts taken to resolve each outstanding audit issue in relation to the latest financial statements that 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)), has been included.
- (ii)** The Group has not been contacted by the MCN Trustees to date. However, the Group has issued a compliance certificate to the MCN Trustees in respect of the Debt Service Ratio covenant for the six-month reporting period to 31 December 2020.

By Order of the Board

Shane Francis Kimpton
Managing Director
23 February 2021

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.ausgroupltd.com