

Securities Investors Association (Singapore)  
7 Maxwell Road #05-03  
MND Building Annexe B  
Singapore 069111

21 October 2021

Dear Mr Gerald,

RESPONSE TO SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

The Board of Directors of AusGroup Limited (the “Company” or “AusGroup”) refers to its annual report for the financial year ended 30 June 2021, which was announced on 28 September 2021 (the “FY2021 AR”) and wishes to provide the following additional information in response to the queries raised by the SIAS on 12 October 2021

**Q1 (i) Would management continue the good practice of announcing the group’s order book routinely in its regular results announcements on SGXNet? What is the breakdown of the order book by operating segments and by delivery deadlines/completion dates?**

#### **AusGroup response**

The Company announced the order book position in its announcements on 22 March 2021, 12 May 2021 and 25 August 2021 and as such has established a practice of announcing its order book position and will continue to do so on a periodic basis. The breakdown by operating sectors is generally 80% Maintenance and 20% Projects with delivery deadlines primarily over the next one to three years.

**Q1 (ii) How much visibility does AGC have on the services required by Chevron? Does AGC have the requisite manpower and technical expertise in-house to fulfill its obligations to Chevron? Does the group have the financial resources (working capital) to support this contract win? How does management ensure that this will be cash-flow generative for AGC and thus strengthen the financial position of the group?**

#### **AusGroup response**

The Company has provided services to Chevron for over six years and therefore has the proven capability, expertise and working capital to perform this work as these factors were the critical selection criteria that Chevron assessed before awarding the Company a 10-year

contract. The Company works with Chevron to plan activities and can have between 12 to 24 months visibility on certain works to be performed under the contract. The contract is a rates-based contract and so long as the Company controls its costs, which is primarily labour costs, then this contract will be cash flow positive for the Company. The Company has a track record with this customer in being cash flow positive.

**Q1 (iii) Can management provide shareholders with greater clarity on the projected impact of the Barossa project? When does management expect to formalise the various revenue streams with different parties (fuel supply, woodchips and pine log sales etc)?**

#### **AusGroup response**

The Barossa project is an offshore gas and light condensate project being developed by the Barossa Joint Venture led by Santos. The project will provide a new source of gas to the existing Darwin LNG export facility, being a backfill to the existing Bayu Undan offshore field which is approaching exhaustion. The project development requires the drilling of sub-sea wells, FPSO facility and installation of sub-sea pipelines and Port Melville can support the contractors performing this work. The Company continues to pursue these potential users of the facility which are currently expected to commence in FY2023.

The Company has provided port services to export woodchips for 5 years and will continue to provide these services under contract. The forestry operator has diversified its customer base over the years and has the capability to harvest pine logs and or woodchips for export depending on their customer requirements. The Company has a long-term fuel supply contract with the forestry operator (please note that this project is not related to the Barossa project).

**Q2 (i) Has the board evaluated the group's financial position and determined the optimal capital structure to support its business?**

#### **AusGroup response**

The Board continually reviews the capital structure and has made improvements over a number of years to reduce the debt level of the Company to a more sustainable level with net debt reducing by AU\$135m from FY2016. This work continues, including, but not limited to, raising of both debt and equity capital in the short to medium term.

**Q 2 (ii) Has management estimated its cost of capital? Has it explored other cheaper sources of financing?**

#### **AusGroup response**

As part of the Company's year-end audit process the Company calculates its cost of capital. As at 30 June 2021, the estimated cost of capital was 9%. Management continues to explore a variety of alternative sources of finance to manage and reduce its overall funding costs to the Company.

**Q2 (iii) Has the board/management considered doing a rights issue or approach any strategic partners for an equity injection in the near term?**

**AusGroup response**

The Company has, as part of its capital management programme, previously undertaken a rights issue and placement in FY19. In FY21 the Company repaid all of its banking loans. Management continues to monitor and consider various financial market options to raise debt and equity, including, but not limited to, undertaking a rights issue and/or procuring an equity injection by a strategic investor.

**Q3. (i) What roles did the directors (especially the independent directors) play, if any, in the company's communications with shareholders and the market? (ii) Do the directors vet and approve the announcements made by the company? (iii) Will the board be examining how the company conducts its communications with shareholders and be reviewing how the company can be more balanced in its communications, especially in the disclosure of negative developments?**

**AusGroup response**

All announcements are drafted by management of the Company and then sent to all directors for review and approval prior to release on SGXNet. In particular, the independent directors ensure that announcements include sufficient information in accordance with continuous disclosure obligations so as stakeholders can make an informed judgement. Going forward, the directors will ensure that the announcement titles reflect the contents of the announcements accurately.

Your sincerely,

Mr Wu Yu Liang  
For and on behalf of the Board of AusGroup Limited