

AUSGROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200413014R)

ENTRY INTO NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF NT PORT AND MARINE PTY LTD

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or the “**Directors**”) of AusGroup Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company and its wholly-owned subsidiary, Ezion Offshore Logistics Hub Pte Ltd (“**EOLH**”, and together with the Company, the “**Vendors**”), have on 12 April 2022 entered into a non-binding term sheet (the “**Term Sheet**”) with Adroit Capital Group Pty Ltd (the “**Purchaser**”, and together with the Vendors, the “**Parties**”) for the proposed disposal of 100% of the issued and paid-up share capital of NT Port and Marine Pty Ltd (“**NTPM**”) (the “**Sale Shares**”) to the Purchaser (the “**Proposed Disposal**”).
- 1.2. Upon completion of the Proposed Disposal (“**Completion**”), NTPM shall cease to be a subsidiary of the Company.
- 1.3. The Term Sheet (save for certain provisions relating to exclusivity and due diligence period, termination, confidentiality and governing law) is non-binding and is subject to negotiation and entry by the Parties into definitive agreements in relation to the Proposed Disposal and the Purchaser securing funding to complete the Proposed Disposal.

2. INFORMATION ON NTPM AND THE PURCHASER

NTPM

- 2.1. NTPM is a company incorporated in Australia, and is wholly-owned by EOLH, which is in turn wholly-owned by the Company. NTPM is principally engaged as a marine supply base. NTPM owns (or has the legal rights and entitlements to) and operates the Port Melville facility which is based on the Tiwi Islands in Northern Territory, Australia (the “**Facility**”).
- 2.2. The Purchaser intends to acquire the Facility by way of an acquisition of the entire issued and paid-up share capital of NTPM.

The Purchaser

- 2.3. The Purchaser is a company incorporated in Australia and controlled by Mr. Rodney Illingworth, its sole director. The Purchaser is part of an investment group in Northern Territory, Australia principally engaged in project development and financing of emerging assets primarily focusing on logistics, mine development and infrastructure.
- 2.4. As at the date of this announcement, the Purchaser (a) does not hold any shares in the Company; and (b) is not related to any of the Directors, substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Purchaser and the Directors or substantial shareholders of the Company.

3. RATIONALE FOR THE PROPOSED DISPOSAL

- 3.1. Since the acquisition of NTPM in 2014 it has continued to make losses, and it has placed a significant financial burden on the Group to fund its operational losses and the debt associated

with it when NTPM was acquired. 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 Notes (as defined below) (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 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 notes owed as at 30 June 2021;
- (b) Reduction of interest: The Proposed Disposal will enable the Company's Notes (as defined below) to be fully repaid and will remove the interest payments to Noteholders (as defined below). For the year ended 30 June 2021, the Company paid a total of AU\$2.8m in note interest. 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.

4. SALIENT TERMS OF THE TERM SHEET AND THE PROPOSED DISPOSAL

Consideration

- 4.1. Pursuant to the Term Sheet, the aggregate consideration for the sale of the Sale Shares shall be the amount of AU\$39,332,330 (equivalent to S\$40,118,977 based on the exchange rate of AU\$1.00 to S\$1.02) (the "**Total Consideration**"), comprising:
 - (a) AU\$1.00; and
 - (b) the repayment and/or assumption in full by the Purchaser of S\$40,118,976.00 in principal outstanding amount owing by the Company to noteholders ("**Noteholders**") as at the date of this announcement (the "**Principal Outstanding Amount**") under the Series 001 S\$110,000,000 7.45 per cent. Notes due 2016 (ISIN: SG6TF6000008) issued by the Company (the "**Notes**")¹.
- 4.2. The Total Consideration was arrived at after arm's length negotiations, on a willing-buyer, willing-seller basis and taking into account: (a) the Principal Outstanding Amount owing to the Company's Noteholders; (b) the ongoing monthly interest obligations required on the Company's Notes; (c) the current financial performance of NTPM which continues to be loss making and (d) the net book value of the NTPM business.
- 4.3. The Total Consideration shall be satisfied by the repayment in full by the Purchaser of the Principal Outstanding Amount of the Notes. Save for the nominal cash consideration of AU\$1.00, no cash proceeds will be received from the Proposed Disposal.

¹ The Notes are secured, on a shared first ranking basis, against all property and assets of NTPM on a fixed and floating basis and 100% of the shares of EOLH pursuant to a share charge. In the event of a sale of the Sale Shares, the Company is required to redeem all of the Notes at its outstanding redemption amount and additional premium (if any), together with interest accrued on the Notes up to and excluding the date fixed for redemption in accordance with the terms and conditions of the Notes.

Conditions precedent

- 4.4. The Proposed Disposal will be subject to and conditional upon, amongst others, the following (the “**Conditions**”):
- (a) entry into a share sale agreement and such other definitive agreement(s) as may be required for the Proposed Disposal (and all transactions contemplated in connection therewith) (the “**Definitive Agreements**”);
 - (b) the Purchaser entering into funding agreements for the Total Consideration;
 - (c) repayment in full by the Purchaser to, and the release of all security interests held by, the Noteholders in respect of the Notes;
 - (d) the approval of the shareholders of the Company (“**Shareholders**”) having been obtained at an extraordinary general meeting (“**EGM**”) for the purposes of the Proposed Disposal pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”);
 - (e) approval having been obtained from the lessors of NTPM in respect of the land on which the Facility is located, and any other lessor leasing property to NTPM as required; and
 - (f) all other third-party consents as may be contractually required in relation to the Facility.

Exclusivity Fee and Due Diligence Period

- 4.5. In consideration of the Vendors’ agreement to not (and procure that NTPM does not) make or entertain any offer, or enter into any transaction or agreement, which will or might reasonably preclude or materially impede the Proposed Disposal during the Due Diligence Period (as defined below), the Purchaser shall, within one (1) day from the date of the Term Sheet, pay to the Company an exclusivity fee of AU\$50,000 (excluding goods and services tax) (the “**Exclusivity Fee**”). For the avoidance of doubt, the Exclusivity Fee (and Exclusivity Extension Fee (as defined below), if applicable) is non-refundable and may be retained by the Vendors regardless of whether the Proposed Disposal proceeds.
- 4.6. The “**Due Diligence Period**” means the period beginning on the date of the Term Sheet and ending on the earlier of: (a) 60 days later; and (b) the date on which the Purchaser notifies the Vendors in writing that it is unable to proceed with the Proposed Disposal in accordance with the Term Sheet (the “**Purchaser Withdrawal Date**”). Subject to prior written notice and the payment by the Purchaser of a non-refundable AU\$100,000 (excluding goods and services tax) (the “**Exclusivity Extension Fee**”) to the Vendors, the Due Diligence Period may be extended by the Purchaser for an additional period of 30 days.
- 4.7. The Purchaser shall promptly inform the Vendors by notice in writing of its intention to proceed with the Proposed Disposal (“**Notice to Proceed**”), which notice shall be accompanied by an executed financing agreement in relation to a financing facility obtained by the Purchaser (or such other evidence to the satisfaction of the Vendors) for the purposes of funding the Total Consideration (“**Financing Agreement**”).
- 4.8. As at the date of this announcement, the Company has received the Exclusivity Fee from the Purchaser.

Entry into Definitive Agreements

- 4.9. Within 30 days from the date on which the Notice to Proceed is received by the Vendors (the “**Initial Negotiation Period**”):
- (a) the Parties shall negotiate in good faith and enter into the Definition Agreements; and
 - (b) the Purchaser shall complete its due diligence and execute the Financing Agreement.

Termination

4.10. The Term Sheet shall terminate automatically on the earlier of:

- (a) the Parties' mutual agreement in writing to terminate;
- (b) the Purchaser Withdrawal Date;
- (c) the Purchaser notifying the Vendors that it has elected to terminate negotiations; or
- (d) the expiry of the Due Diligence Period (as may be extended in accordance with paragraph 4.6, unless a Notice to Proceed has been delivered to the Vendors, in which case the Term Sheet shall immediately terminate in the event the share sale agreement is not entered into during the Initial Negotiation Period (or such longer period as may be agreed by the Parties in writing)).

5. USE OF PROCEEDS

As stated in paragraph 4.3, the Total Consideration is satisfied by the repayment in full by the Purchaser of the Principal Outstanding Amount of the Notes and therefore, save for the nominal cash consideration of AU\$1.00, no cash proceeds will be received from the Proposed Disposal.

6. RULE 1006 FIGURES FOR THE PROPOSED DISPOSAL

6.1. Based on the unaudited financial results of the Group for the second quarter and six months ended 31 December 2021 ("2Q2022") (being the latest announced consolidated accounts of the Group), the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases of computation	Relative figure for the Proposed Disposal
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	83.2% ⁽¹⁾
(b)	Net loss ⁽²⁾ attributable to the assets disposed of, compared with the Group's net profit.	-1078.8% ⁽³⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽⁴⁾ .	59.3% ⁽⁵⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A. ⁽⁶⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	N.A. ⁽⁷⁾

Notes:

- (1) Computed based on the net asset value of the Sale Shares amounting to approximately AU\$32.6 million as at 31 December 2021, compared to the net asset value of the Group of approximately AU\$39.2 million as at 31 December 2021.
- (2) Means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Computed based on the net losses before tax attributable to the Sale Shares amounting to approximately AU\$4.5 million for 2Q2022, compared to the net profit before tax of the Group of approximately AU\$0.4 million for 2Q2022.
- (4) Based on the market capitalisation of the Company of AU\$66.3 million (based on the exchange rate of AU\$1.00 to SGD\$1.02), which is computed based on 3,073,230,431 ordinary shares in the capital of the Company (excluding treasury shares) (the “**Shares**”) in issue at the date of this announcement and the weighted average price of S\$0.022, as at 11 April 2022, being the last full market day prior to the execution of the Term Sheet.
- (5) Computed based on the Total Consideration totalling AU\$39.3 million as at the date of this announcement.
- (6) Not applicable as no equity securities will be issued by the Company in relation to the Proposed Disposal.
- (7) Not applicable as the Proposed Disposal are not of mineral, oil or gas assets by a mineral, oil and gas company.

6.2. Approvals for Proposed Disposal

Rule 1007(1) of the Listing Manual states, *inter alia*, that if any of the relative figures computed pursuant to Rule 1006 involves a negative figure, Chapter 10 (specifically Practice Note 10.1) may still be applicable to the transaction in accordance with the applicable circumstances. As the Proposed Disposal does not fall within all the situations in paragraphs 4.3 and 4.4 of Practice Note 10.1, pursuant to paragraph 4.6 of Practice Note 10.1, Rule 1014 of the Listing Manual shall apply to the transaction.

Rule 1014 of the Listing Manual states, *inter alia*, that where any of the relative figures as computed on the bases set out in Rule 1006 exceeds, 20%, the transaction would be classified as a major transaction and shareholders’ approval will be required to be sought.

Accordingly, the Company will be seeking Shareholders’ approval for the Proposed Disposal.

7. FINANCIAL INFORMATION

Book value and net tangible asset value

- 7.1. Based on the unaudited financial results of the Group for 2Q2022, the book value of the Sale Shares is AU\$32.6m and net tangible asset value of the Sale Shares is AU\$20.4m.

Excess of the Total Consideration over the book value

- 7.2. The excess of the Total Consideration over the book value of the Sale Shares as at 2Q2022 is AU\$6.7m.

Gain on disposal

- 7.3. The Group expects to recognise a net gain on disposal of approximately AU\$6.7m from the Proposed Disposal as at 2Q2022.

8. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

- 8.1. The *pro forma* financial effects of the Proposed Disposal on the Company's share capital and the Group's net tangible assets ("NTA") per Share and earnings per Share (the "EPS") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Disposal.

The *pro forma* financial effects have been prepared based on the latest audited financial results of the Group for the financial year ended 30 June 2021 ("FY2021"), on the following bases and assumptions:

- (a) the Proposed Disposal had been completed on 30 June 2021 for the purpose of illustrating the financial effects on the NTA;
- (b) the Proposed Disposal had been completed on 1 July 2020 for the purpose of illustrating the financial effects on the EPS;
- (c) the issued and paid up share capital of the Company as at 30 June 2021 comprising 3,063,230,431 Shares; and
- (d) no other costs or expenses are assumed to be incurred for the purpose of illustrating the financial effects of the Proposed Disposal.

8.2. Share capital

No Shares will be issued pursuant to the Proposed Disposal.

8.3. NTA per Share

Assuming that the Proposed Disposal was completed on 30 June 2021, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Company (AU\$)	15,597,000 ⁽¹⁾	33,440,000 ⁽²⁾
Number of issued ordinary shares in the capital of the Company ⁽³⁾	3,063,230,431	3,063,230,431
NTA per Share (AU cents)	0.51	1.09

Notes:

- (1) Based on the total Group assets of AU\$156.8m less total Group liabilities of AU\$116.9m, intangible assets of AU\$14.1m, goodwill of AU\$11.0m and the intangible right of use assets of AU\$13.5m, plus the right of use lease liabilities of AU\$14.2m resulting in NTA of AU\$15.5m at 30 June 2021.
- (2) Based on the total Group NTA of AU\$15.5m at 30 June 2021, less the total net tangible liabilities of NTPM comprising assets of NTPM of AU\$50.1m less the total liabilities of NTPM of AU\$17.0m less the intangible assets of NTPM of AU\$12.2m less the repayment of the borrowings of AU\$39.3m less the intangible right of use assets of AU\$9.6m, plus the right of use lease liabilities of AU\$10.1m resulting in a net tangible liabilities of NTPM of AU\$17.9m resulting in NTA of AU\$33.4m post the Proposed Disposal.
- (3) Based on the Group's annual report for FY2021.

8.4. EPS

Assuming that the Proposed Disposal was completed on 1 July 2020, the pro forma financial effects on the Group's EPS would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit after tax (AU\$)	1,202,000 ⁽¹⁾	14,856,000 ⁽²⁾
Weighted average number of issued shares ⁽³⁾	3,062,613,993	3,062,613,993
EPS (AU cents)	0.04	0.49

Notes:

- (1) Net profit after tax is calculated based on the net profit for FY2021 attributable to shareholders.
- (2) Based on the net profit after tax for the Group as at 30 June 2021 of AU\$1.2m, plus the loss in FY2021 for NTPM of AU\$6.4m, plus the gain on disposal of AU\$7.2m which is based on the book value of NTPM as at 1 July 2020 of approximately AU\$32.1m, and the Total Consideration of approximately AU\$39.3m.
- (3) Based on the Group's annual report for FY2021.

9. EXTRAORDINARY GENERAL MEETING TO BE CONVENED

The Company will convene an EGM in due course to seek the approval from its Shareholders for the Proposed Disposal. A Circular containing, *inter alia*, further details on the Proposed Disposal and together with a notice of EGM to be held, will be issued to the Shareholders in due course to seek approval for the Proposed Disposal.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, controlling shareholders or their associates have any interest, direct or indirect, in the Proposed Disposal (other than through their respective interests arising by way of their directorships and/or shareholdings in the Company).

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal and accordingly, no service contracts in relation thereto will be entered into by the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

- 12.1. Copies of the Term Sheet will be available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 3 Shenton Way #21-04 Shenton House Singapore 068805.
- 12.2. Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at info@ausgrouppltd.com prior to making any visits to arrange for a suitable time slot for the inspection.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14. FURTHER ANNOUNCEMENTS

The Company will make the appropriate announcements as and when there are material developments on the Proposed Disposal.

15. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Disposal remain subject to, amongst others, the Purchaser's due diligence and the negotiation and execution of the definitive agreement(s) relating to the Proposed Disposal and the Purchaser entering into funding agreements for the Total Consideration. There is no certainty or assurance that the definitive agreement(s) relating to the Proposed Disposal will be entered into, or that the terms and conditions of such definitive agreement(s) will not differ from those set out in the Term Sheet, or that the Proposed Disposal will be undertaken at all. Shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their Shares or securities of the Company.

BY ORDER OF THE BOARD

Shane Francis Kimpton
Managing Director
13 April 2022