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PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts expressed in thousands of Australian Dollar ("AU\$") currency)
These statements have not been audited.

	GROUP		+/(-)	GROUP		+/(-)
	2Q 2014	2Q 2013	%	HY 2014	HY 2013	%
	AU\$'000	AU\$'000		AU\$'000	AU\$'000	
Revenue	68,020	150,935	(54.9)	145,255	306,797	(52.7)
Cost of sales	(60,232)	(135,739)	(55.6)	(158,358)	(269,844)	(41.3)
Gross (loss)/profit	7,788	15,196	(48.8)	(13,103)	36,953	(135.5)
Gross margin	11.4%	10.1%		-9.0%	12.0%	
Other operating income	2,851	881	223.7	13,256	1,463	806.2
Other operating costs	(4,422)	(5,758)	(23.2)	(10,107)	(11,580)	(12.7)
Administrative expenses	(5,764)	(5,851)	(1.5)	(12,437)	(13,096)	(5.0)
Marketing and distribution expenses	(375)	(340)	10.3	(1,097)	(818)	34.1
Share of profit of joint venture	-	435	n/a	-	1,516	n/a
(Loss)/profit from operations	78	4,563	(98.3)	(23,488)	14,438	(262.7)
Finance costs	(1,024)	(505)	102.9	(2,297)	(1,065)	115.8
(Loss)/Profit before income tax	(946)	4,058	(123.3)	(25,785)	13,373	(292.8)
Income tax benefit/(expense)	3,239	(1,306)	(347.9)	12,965	(4,294)	(401.9)
Net (loss)/profit for the period attributable to equity holders of the company	2,293	2,752	(16.7)	(12,820)	9,079	(241.2)
Net (loss)/profit %	3.4%	1.8%		-8.8%	3.0%	
(Loss)/earnings per ordinary share (cents)						
- basic	0.5	0.6		(2.7)	1.9	
- diluted	0.5	0.6		(2.6)	1.8	

(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	GROUP		GROUP	
	2Q 2014	2Q 2013	HY 2014	HY 2013
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
(Loss)/profit for the period	2,293	2,752	(12,820)	9,079
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation	976	596	1,036	(280)
Other comprehensive income/(loss) for the period	976	596	1,036	(280)
Total comprehensive (loss)/income attributable to equity holders of the company	3,270	3,348	(11,784)	8,799

(ii) NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A. PROFIT/(LOSS) FROM OPERATIONS

The following items have been included in determining the profit/(loss) before taxation

	GROUP		GROUP	
	2Q 2014	2Q 2013	HY 2014	HY 2013
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Other operating income				
Interest income	320	350	415	420
Profit on disposal of property, plant and equipment	1,603	360	11,785	402
Sundry income	926	189	1,098	647
Foreign exchange (loss) / income	2	(18)	(43)	(6)
Total other operating income	2,851	881	13,255	1,463
Amortisation and Depreciation				
Depreciation of property, plant & equipment included in cost of sales	2,477	2,922	5,451	5,923
Amortisation of intangible assets included in cost of sales	134	185	265	519
Depreciation of property, plant & equipment included in administrative expenses	247	273	522	652
Amortisation of intangible assets included in administrative expenses	802	648	1,599	648
Total Amortisation and Depreciation	3,660	4,028	7,837	7,742
Employee share and share option scheme expense	(71)	232	(20)	525
Impairment of trade receivables	20	-	56	38

B. FINANCE COSTS

	GROUP		GROUP	
	2Q 2014	2Q 2013	HY 2014	HY 2013
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Bank loans	816	351	1,764	714
Bank guarantee fees	147	38	229	123
Unwinding of earn out payable	31	65	62	116
Hedging costs	12	-	192	-
Finance leases and hire purchase	18	51	51	112
Total Finance costs	1,024	505	2,298	1,065

C. INCOME TAX BENEFIT/(EXPENSE)

	GROUP		GROUP	
	2Q 2014	2Q 2013	HY 2014	HY 2013
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
(Loss)/profit before income tax	(946)	4,058	(25,785)	13,373
Prima facie taxation calculated at applicable rate on profit before income tax	399	(1,200)	9,038	(3,982)
Tax effect of non-assessable /(non-deductible items)	(10)	(106)	1,077	(312)
Research and development tax incentives	2,850	-	2,850	-
Total income tax benefit/(expense)	3,239	(1,306)	12,965	(4,294)
Income tax expense percentage (%)	-342.5%	32.2%	-50.3%	32.1%

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group As at 31/12/2013 AU\$'000	Group As at 30/06/2013 AU\$'000	Company As at 31/12/2013 AU\$'000	Company As at 30/06/2013 AU\$'000
CURRENT ASSETS				
Cash and cash equivalents	31,396	11,722	366	1,645
Trade receivables	87,170	160,566	-	-
Other receivables and prepayments	21,595	7,362	2,089	1,187
Inventories	2,795	1,797	-	-
Due from subsidiaries	-	-	-	24,003
Other assets	168	1,012	-	-
	<u>143,124</u>	<u>182,459</u>	<u>2,455</u>	<u>26,835</u>
Assets classified as held for sale	-	18,397	-	-
Total current assets	143,124	200,856	2,455	26,835
NON-CURRENT ASSETS				
Property, plant and equipment	65,849	75,986	-	-
Goodwill	16,636	16,421	-	-
Intangible assets	9,746	10,867	-	-
Due from subsidiaries	-	-	8,126	8,571
Other assets	-	-	62,781	37,438
Deferred income tax assets	14,267	1,661	-	-
Total non-current assets	106,498	104,935	70,907	46,009
Total assets	249,622	305,791	73,362	72,844
CURRENT LIABILITIES				
Trade payables	29,965	42,527	-	-
Other payables	36,377	41,861	828	1,947
Borrowings	813	30,010	-	-
Deferred gain	521	-	-	-
Accruals for other liabilities and charges	9,745	12,306	-	-
Current income tax liabilities	1,127	780	402	361
Total current liabilities	78,548	127,484	1,230	2,308
NON-CURRENT LIABILITIES				
Deferred income tax liabilities	2,398	2,406	-	-
Other payables	-	1,252	-	-
Deferred gain	5,729	-	-	-
Accruals for other liabilities and charges	1,552	1,449	-	-
Total non-current liabilities	9,679	5,107	-	-
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	64,309	64,309	64,309	64,309
Capital reserve	(163)	(163)	(163)	(163)
Share option reserve	1,032	1,052	1,032	1,052
Foreign currency translation reserve	4,889	3,852	6,448	5,018
Retained earnings	91,328	104,150	506	320
Total equity	161,395	173,200	72,132	70,536
Total liabilities and equity	249,622	305,791	73,362	72,844



1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Actual as at 31 December 2013		Actual as at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
AU\$'000	AU\$'000	AU\$'000	AU\$'000
813	-	30,010	-

Amount repayable after one year

Actual as at 31 December 2013		Actual as at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
AU\$'000	AU\$'000	AU\$'000	AU\$'000
-	-	-	-

As at 31 December 2013, AusGroup Limited had substantially paid down its borrowings in preparation for the refinancing of the Group's existing facilities with the banks which expired in January 2014.

The Group is currently in the process of releasing the fixed and floating charges as part of the review of options to replace these facilities. Part of the transition is that the Group has used cash to securitise current bank guarantees that are on issue until the refinancing has been completed.

Details of collateral

Mortgages and charges provided by the company to:

ANZ Fiduciary Services Pty Ltd

First registered fixed and floating charge over all the present and future undertakings, asset rights of AusGroup Limited including real and personal property, goodwill, uncalled and called but unpaid capital.

Mortgages and charges provided by subsidiary companies to:

ANZ Fiduciary Services Pty Ltd

First registered fixed and floating charges over all the present and future undertakings, asset rights of AGC Australia Pty Ltd, AGC Industries Pty Ltd, MAS Australasia Pty Ltd, Modern Access Services Singapore Pte Ltd and Seagate Structural Engineering Pty Ltd including real and personal property, goodwill, uncalled and called but unpaid capital.

First registered real property mortgage by AGC Australia Pty Ltd over the commercial properties located at 15 Beach Street, Kwinana WA 6167 and by Seagate Structural Engineering Pty Ltd over the property located at Lots 17 and 18 Gap Ridge Industrial Estate Karratha WA.

Fixed and floating charge over all of the present and future undertakings, asset rights of AusGroup Singapore Pte Ltd including real and personal property, goodwill, uncalled and called but unpaid capital.

Deed of mortgage of contractual rights and fixed charge over the Karara Mining Limited receivables.

These mortgages and charges are the subject of a Deed of Termination and Release that has been agreed between the Group and its existing Banks but which is subject to approval and execution.



St Georges Bank

A first fixed charge over certain vehicles on hire purchases provided by the bank.

Banking covenants

During the quarter, the Group has resolved all breaches under its banking facility agreements and is currently finalising the termination and release from these facilities.

As announced previously, the senior secured debt has been substantially been repaid and the Group has provided cash security for the bank guarantees currently issued.

1(c) A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	GROUP 2Q 2014 AU\$'000	GROUP 2Q 2013 AU\$'000	GROUP HY 2014 AU\$'000	GROUP HY 2013 AU\$'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(946)	4,058	(25,785)	13,373
Add / (less) adjustments for:				
Depreciation of property, plant and equipment	2,725	3,195	5,973	6,575
Amortisation of intangible assets	936	833	1,864	1,167
Employee share and share option scheme expense	(71)	232	(20)	525
Impairment loss on trade receivables	37	-	56	38
Profit on disposal of property, plant and equipment	(1,603)	(360)	(11,785)	(402)
Interest income	(320)	(350)	(415)	(420)
Finance costs	1,024	505	2,297	1,065
Operating cash flows before working capital changes	1,782	8,113	(27,815)	21,921
Changes in operating assets and liabilities				
<i>Changes in operating assets and liabilities, net of effects from acquisition of business</i>				
Trade receivables	9,758	10,290	73,397	21,665
Other receivables and prepayments	(7,474)	(1,627)	(10,218)	(2,905)
Inventories	(619)	(595)	(998)	(1,244)
Trade payables	(2,733)	5,126	(12,562)	5,768
Accruals and other payables	(10,367)	(16,543)	(9,195)	(21,307)
Cash generated from operations	(9,654)	4,764	12,609	23,898
Interest paid	(993)	(440)	(2,236)	(949)
Interest received	320	350	415	420
Income tax paid	50	(8,955)	26	(11,230)
Net cash (used in)/generated from operating activities	(10,276)	(4,281)	10,814	12,139
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	37,474	767	41,611	855
Purchase of property, plant and equipment	(237)	(1,686)	(1,230)	(3,503)
Net cash outflow on acquisition of business	(1,303)	-	-	-
Decrease/(Increase) in interest in joint venture	160	(1,148)	844	(1,899)
Purchase of intangible assets	27	(1,819)	(743)	(1,894)
Net cash generated from /(used in) investing activities	36,122	(3,886)	40,482	(6,441)



FINANCIAL STATEMENTS AND DIVIDEND
ANNOUNCEMENT FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2013

Company Registration No. 200413014R
(Incorporated in The Republic of Singapore)

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1(c) Consolidated Statement of Cash Flows (continued)	GROUP 2Q 2014 AU\$'000	GROUP 2Q 2013 AU\$'000	GROUP HY 2014 AU\$'000	GROUP HY 2013 AU\$'000
Cash flows from financing activities				
Dividends paid	-	(3,771)	-	(3,771)
Purchase of treasury shares	-	(1,701)	-	(1,701)
Repayment of finance leases	(921)	(418)	(921)	(991)
Repayment of borrowings	(20,307)	-	(28,276)	-
Net cash used in financing activities	(21,228)	(5,890)	(29,197)	(6,463)
Net increase in cash and cash equivalents	4,617	(14,057)	22,099	(765)
Effect of exchange rate changes	817	(42)	545	(937)
Movement in cash and cash equivalents for the period	5,434	(14,099)	22,644	(1,702)
Cash and cash equivalents at beginning of period	25,962	45,217	8,752	32,820
Cash and cash equivalents at end of period	31,396	31,118	31,396	31,118
Cash and cash equivalents represented by				
Cash and bank balances	31,396	31,118	31,396	31,118
Total cash and cash equivalents at end of period	31,396	31,118	31,396	31,118

1(d)(i) A statement (for the issuer and group) showing either

(i) all changes in equity, or

(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	SHARE CAPITAL	TREASURY RESERVE	CAPITAL RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	AU\$'000	AU\$ '000	AU\$ '000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Group							
HY 2014							
Balance as at 1 July 2013	64,309	-	(163)	1,052	3,852	104,150	173,200
Total comprehensive income/(loss) for the period ended 30 September 2013	-	-	-	-	60	(15,115)	(15,055)
Share based payment reserve	-	-	-	51	-	-	51
Balance as at 30 September 2013	64,309	-	(163)	1,103	3,912	89,035	158,196
Total comprehensive income for the period ended 31 December 2013	-	-	-	-	977	2,293	3,270
Share based payment reserve	-	-	-	(71)	-	-	(71)
Balance as at 31 December 2013	64,309	-	(163)	1,032	4,889	91,328	161,395
HY 2013							
Balance as at 1 July 2012	64,170	-	-	3,337	(2,159)	98,602	163,950
Total comprehensive income for the period ended 30 September 2012	-	-	-	-	(876)	6,327	5,451
Share based payment reserve	-	-	-	293	-	-	293
Balance as at 30 September 2012	64,170	-	-	3,630	(3,035)	104,929	169,694
Total comprehensive income for the period ended 31 December 2012	-	-	-	-	596	2,752	3,348
Purchase of treasury shares	-	(1,701)	-	-	-	-	(1,701)
Transfer of treasury shares	-	1,701	(163)	(1,538)	-	-	-
Share based payment reserve	-	-	-	232	-	-	232
Dividends	-	-	-	-	-	(3,771)	(3,771)
Balance as at 31 December 2012	64,170	-	(163)	2,324	(2,439)	103,910	167,802

1(d)(i) A statement (for the issuer and group) of all changes in equity (continued)

	SHARE CAPITAL	TREASURY RESERVE	CAPITAL RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Company							
HY 2014							
Balance as at 1 July 2013	64,309	-	(163)	1,052	5,018	320	70,536
Total comprehensive income for the period ended 30 September 2013	-	-	-	-	30	472	502
Share based payment reserve	-	-	-	51	-	-	51
Balance as at 30 September 2013	64,309	-	(163)	1,103	5,048	792	71,089
Total comprehensive (loss)/income for the period to 31 December 2013	-	-	-	-	1,400	(286)	1,114
Share based payment reserve	-	-	-	(71)	-	-	(71)
Balance as at 31 December 2013	64,309	-	(163)	1,032	6,448	506	72,132
HY 2013							
Balance as at 1 July 2012	64,170	-	-	3,337	(1,631)	2,051	67,927
Total comprehensive income for the period ended 30 September 2012	-	-	-	-	(861)	29	(832)
Share based payment reserve	-	-	-	293	-	-	293
Balance as at 30 September 2012	64,170	-	-	3,630	(2,492)	2,080	67,388
Total comprehensive income for the period to 31 December 2012	-	-	-	-	14	2,235	2,249
Purchase of treasury shares	-	(1,701)	-	-	-	-	(1,701)
Transfer of treasury shares	-	1,701	(163)	(1,538)	-	-	-
Share based payment reserve	-	-	-	232	-	-	232
Dividends	-	-	-	-	-	(3,771)	(3,771)
Balance as at 31 December 2012	64,170	-	(163)	2,324	(2,478)	544	64,397

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	31 December 2013	30 September 2013
Number of issued shares		
Opening balance	480,856,136	480,856,136
Ordinary shares converted from employee share rights	1,320,339	-
Closing balance	482,176,475	480,856,136

As at 31 December 2013 there were outstanding options for 2,008,000 (31 December 2012: 5,009,000) unissued ordinary shares under the employee share option scheme. All of these options have vested but have not yet been exercised.

As at 31 December 2013 there were 2,763,884 (31 December 2012: 13,035,000) outstanding share rights. The remaining rights may in future potentially be converted to shares under the employee share right scheme.

As at 31 December 2013 and 31 December 2012 respectively there was no treasury shares held by the company.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	31 December 2013	30 June 2013
Number of issued shares	482,176,475	480,856,136

As announced on 22 January 2014, the Group completed the Placement of 96.1 million new ordinary shares in the capital of the Company, thereby increasing the issued share capital of the Company from S\$81,424,693.68 divided into 482,176,475 ordinary shares to S\$97,469,493.68 divided into 578,276,475 ordinary shares. The Placement Shares were listed on the Main Board of the Singapore Exchange Securities Trading Limited on 23 January 2014 and provided Net Proceeds of S\$15,657,950.

The Proposed Placement was undertaken to raise funds for the Group's additional working capital requirements. The enlarged capital base following completion of the Proposed Placement has strengthened the Group's financial position. The Group has used the Net Proceeds for the Group's general working capital purposes. As at 11 February 2014, 50% of the funds have been disbursed to creditors with the remaining 50% being held for future collateralisation of bonding requirements.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial information for the current reporting period compared with the last audited financial statements as at 30 June 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

None.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	GROUP 2Q 2014 AU\$'000	GROUP 2Q 2013 AU\$'000	GROUP 6M 2014 AU\$'000	GROUP 6M 2013 AU\$'000
(Loss)/profit after taxation	2,293	2,752	(12,820)	9,079
Weighted average number of ordinary shares in issue applicable to earnings ('000)	481,025	480,306	481,025	480,306
Fully diluted number of ordinary shares ('000)	484,094	495,153	484,094	495,153
(Loss)/earnings per ordinary share (AU cents)				
- Basic	0.5	0.6	(2.7)	1.9
- Diluted	0.5	0.6	(2.6)	1.8

Basic earnings per share is calculated by dividing the consolidated profit / (loss) 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 (loss)/profit after tax.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year

	GROUP		COMPANY	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Net assets	161,395	173,200	72,132	67,927
Net asset value per ordinary share based on issued share capital at the end of the respective periods (AU cents)	33.5	36.0	15.0	14.7

Net asset value per ordinary share is calculated based on 482,176,475 ordinary shares as at 31 December 2013 (30 June 2013: 480,856,136 ordinary shares).

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

A Income Statement

(i) Revenue

Revenue for the second quarter of FY2014 decreased by 54.9% to AU\$68.0 million (2Q FY2013: AU\$150.9 million).

Revenue for the first half of 2014 decreased by 52.7% to AU\$145.3 million (HY2013: AU\$306.8 million).

This is mainly a result of a reduction in revenue across all divisions caused by the downturn in mining services and the late in award of new contracts, as well as the move in focus from project delivery to maintenance contracts, which did not present the opportunities of the previous year. This however had been anticipated as part of the recent strategic review.

(ii) **Cost of sales and Gross (loss)/profit**

Cost of sales

The cost of sales for the second quarter of FY2014 decreased by 55.6% to AU\$60.2 million (2Q FY2013: AU\$135.7 million).

The cost of sales for the first half of FY2014 decreased by 41.3% to AU\$158.4 million (HY2013: AU\$269.8 million).

The decrease is in line with the decrease in revenue when adjusted for additional costs being identified and accrued in terms of loss making contracts.

Gross profit

Gross margins increased from 10.1% during the second quarter of FY2013 to 11.4% during the second quarter of FY2014.

Gross margins decreased from 12.0% during the first half of FY2013 to -9.0% during the first half of FY2014. This half year was negatively affected by the reduced margins resulting from the downturn in activity and recognition of additional costs to complete for projects that was identified during the last quarter.

(iii) **Other operating income**

Other operating income for the second quarter of FY2014 increased to AU\$2.9 million (2Q FY2013: AU\$0.9 million).

Other operating income for the first half of FY2014 increased to AU\$13.3 million (HY2013: AU\$1.5 million).

The increase is mainly due to a profit realized on the sale of Singapore property of AU\$8.6 million as well as profits on the sale of fixed assets and scaffolding of AU\$3.1 million.

(iv) **Other operating costs, Administrative expenses and Marketing expenses**

Other operating costs

Other operating costs for the second quarter of FY2014 decreased by 23.2% to AU\$4.4 million (2Q FY2013: AU\$5.8 million). The decrease is in line with the reduction in overheads required as a result of lower activity levels and the Group's restructuring and cost-saving initiatives.

Other operating costs for the first half of FY2014 decreased by 12.7% to AU\$10.1 million (HY2013: AU\$11.6 million). The decrease was due to the reasons stated above.

Administrative expenses

Administration expenses for the second quarter of FY2014 decreased by 1.5% to AU\$5.8 million (2Q FY2013: AU\$5.9 million). The decrease is due to saving on staff costs offset by higher amortization charges relating to the Group's new ERP systems.

Administration expenses for the first half of FY2014 decreased by 5.0% to AU\$12.4 million (HY2013: AU\$13.1 million). The decrease is mainly due to the reason stated above. Once-off staff termination costs of \$0.7 million is included in this half.

Marketing and distribution expenses

Marketing and distribution expenses for the second quarter of FY2014 increased by 10.3% to AU\$0.4 million (2Q FY2013: AU\$0.3 million).

Marketing and distribution expenses for the first half of FY2014 increased by 34.1% to AU\$1.1 million (HY2013: AU\$0.8 million).

(v) Share of profit of joint venture

AGC Industries Pty Ltd ("AGCI"), a wholly owned subsidiary of the Group, entered into a contractual agreement with Kiewit Australia ("Kiewit") to form a joint venture known as the Kiewit and AGC Industries ("KAGC") JV during the 2012 financial year (refer 2 November 2011 announcement). AGCI has a 25% interest in the KAGC JV. KAGC JV entered into a joint venture arrangement with AMEC Minproc known as the Cloudbreak Enhancement Project Team ("CEPT") JV with regards to the Cloudbreak construction project. The joint venture contract has now been completed. Hence, no share of profit of joint venture has been recognized for the second quarter 2014 (2Q FY2013: AU\$0.4 million).

There were no joint ventures in operation in the first half of FY2014 (HY2013: AU\$1.5 million).

(vi) Finance costs

Finance costs for the second quarter of FY2014 increased to AU\$1.0 million (2Q FY2013: AU\$0.5 million). This increase is mainly attributable to higher borrowings and costs incurred as a consequence of breaches during the previous quarter.

Finance costs for the first half of FY2014 increased to AU\$2.3 million (HY2013: AU\$1.1 million). The increase is mainly due to the reason stated above.

(vii) Income tax expense

Please refer to Section 1(a)(ii)C.

(viii) (Loss)/Profit after tax

The profit after tax for the second quarter of FY2014 was AU\$2.3 million (2Q FY2013: AU\$2.8 million) whilst for the first half of FY2014 it was a loss of AU\$12.8 million (HY2013: AU\$9.1 million). The profit for the second quarter of FY2014 is mainly due to research and development tax incentives of AU\$2.8 million and cost savings in operating and administration expenses. This should be read in conjunction with notes 8 A (i) to (vi) above.

B Balance Sheet

(i) Shareholders' Equity

Total shareholders' equity at 31 December 2013 amounted to AU\$161.4 million, a decrease of 6.8% over the previous year (FY2013: AU\$173.2 million). This was mainly due to the loss for the period of AU\$12.8 million.

(ii) **Non-current Assets**

Total non-current assets amounted to AU\$106.5 million at 31 December 2013, representing a 1.5% increase over the previous year (FY2013: AU\$104.9 million). The increase is mainly attributable to the recognition of deferred tax assets arising from the tax losses.

(iii) **Current Assets**

Total current assets amounted to AU\$143.1 million at 31 December 2013, representing a 28.7% decrease compared with the previous year (FY2013: AU\$200.9 million). The decrease is due to the de-recognition of assets classified as held for sale (has been sold in 1st quarter with cash flows shortly after the end of the quarter) and lower trade receivables.

Trade receivables are split as follows:

	31/12/2013 AU\$'000	30/06/2013 AU\$'000
Trade receivables		
- Trade receivables	34,041	112,497
Construction contracts		
- Due from customers	53,129	48,069
	87,170	160,566

(iv) **Current Liabilities**

Total current liabilities amounted to AU\$78.5 million, representing a 38.4% decrease over the previous year (FY2013: AU\$127.5 million). The decrease is mainly due to the repayment of senior secured debt and lower trade payables, other payables and provision.

Trade payables are split as follows:

	31/12/2013 AU\$'000	30/06/2013 AU\$'000
Trade payables		
- Trade payables	28,929	33,835
Construction contracts		
- Due to customers	1,036	8,692
	29,965	42,527

(v) **Non-current Liabilities**

Total non-current liabilities has increased by 89.5% to AU\$9.7 million (FY2013: AU\$5.1 million). The increase is attributable to the recognition of a deferred gain arising from the sale of the Singapore property.

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

Not applicable.

10. **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

The Group provides maintenance, manufacturing and construction services to the LNG oil and gas and mineral resources and industrial markets. The Group's growth is directly linked to activities around new project developments and project expansions as well as the provision of maintenance services to clients in these sectors.

The Group has extensive exposure to the Western Australian natural resources sector, including oil and gas, LNG, iron ore and other mineral commodities. It has also established a base in Queensland, targeting industrial maintenance, LNG and coal seam gas opportunities. In South East Asia, the Group provides services to the upstream and downstream oil and gas sectors, continuing to focus on subsea manufacturing for the upstream sector as well as fabrication and manufacturing and temporary access (scaffolding) services. Furthermore, there will be a number of opportunities in the near future for the provision of integrated services, including scaffolding and insulation, to the oil and gas, petrochemical and industrial sectors.

Significant Trends & Competitive Conditions

As anticipated last quarter, the slowdown in the minerals mining sector has seen revenues softening into the future as compared to previous years. While we expect that trend will continue, the next 12-24 months will see increased opportunities arising from LNG construction projects which should offer some balance.

The Group continues to see significant interest coming from the mining and LNG customers for the provision of maintenance services as the market transition from Capex to Opex spend. The Group strategy is to focus on expanding its maintenance offering which provide long term recurring revenue. This restructuring will also result in a lower cost based to provide improved profit margin quality.

In line with the current market conditions the Group is restructuring that will result in a lower cost base so as to ensure an improvement in margin quality to remain competitive while continuing to expand its maintenance services offering.

Karara Mining Limited ("KML") update

The action in the Supreme Court of Western Australia by the Company's wholly-owned subsidiary, AGC Industries Pty Ltd ("AGC") and KML remains on foot.

A Strategic Conference was held 20 December 2013 but was adjourned to enable the parties to confer further as to the particulars for planned discovery. This conference has been scheduled for re-commencement on 11 March 2014.

Overall

The Group has work in hand to the value of AU\$ 216 million as at 31 December 2013 and AU\$ 226 million as of 11 February 2014.

The Group expects, from time to time, delays in the finalising of variations around certain types of construction projects under our contractual entitlements. This will create a degree of variability in the Group results from quarter to quarter. The Group's accounting policy is to recognise costs as they are incurred, which may not match revenue from variations, as these have to be negotiated and agreed with clients.

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.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(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.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.



13. IPT Mandate

No mandate has been obtained from shareholders for Interested Person Transactions.

14. Negative Assurance pursuant to Rule 705 (5) of the Listing Manual.

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Dr Chew Kia Ngee
Chairman

Stuart Maxwell Kenny
Managing Director and Chief Executive Officer

11 February 2014