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Company Registration Number 200413014R
15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316

Singapore and Australia
27 September 2018

Disclaimer of opinion by Auditor of the Financial Statements for the year ended 30 June 2018

Pursuant to Rule 704(5) of the Listing Manual, the Board of Directors of AusGroup Limited (the "**Company**") together with its subsidiaries (the “**Group**”) wishes to announce that the independent auditor of the Company, KPMG LLP, has issued a disclaimer of opinion in their Independent Auditor's Report dated 26 September 2018 for the financial statements of the Company and the Group for the financial year ended 30 June 2018.

Please refer to the copy of the aforementioned Auditor’s Report (Appendix 1), together with an extract of the relevant notes to the Financial Statements (Appendix 2) for further information.

By Order of the Board
AusGroup Limited

Eng Chiaw Koon
Managing Director
27 September 2018

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.agc-ausgroup.com**

Appendix 1 - Independent Auditors' report to the members of AusGroup Limited

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of AusGroup Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 38 to 102.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

(a) The Group's non-current assets at 30 June 2018 include property, plant and equipment of AU$45.2 million (2017: AU$43.4 million) and intangible asset of AU$32.1 million (2017: AU$31.7 million) attributable to the Port and Marine cash-generating unit ("CGU"). As disclosed in note 24 to the financial statements, the Company has estimated the recoverable amount of the Port and Marine CGU based on a fair value less cost of disposal method. We were unable to obtain sufficient appropriate audit evidence regarding the key assumptions applied to arrive at the recoverable amount of the Port and Marine CGU. Consequently, we were unable to determine whether any adjustments were necessary in respect of the accompanying consolidated balance sheet of the Group as at 30 June 2018, and the consolidated statement of comprehensive income and consolidated statement of changes in equity for the year ended 30 June 2018.

(b) Arising from above, we were also unable to determine whether any adjustment to the carrying amount of the investments in subsidiaries shown in the Company's balance sheet was necessary. Of the Company's non-current assets of AU$140.4 million as at 30 June 2018 (2017: AU$178.0 million), AU$30.9 million (2017: AU$29.1 million) relates to investments in subsidiaries and AU$50.9 million (2017: AU$52.6 million) pertains to receivables owing from subsidiaries which comprise the Group's Port and Marine CGU.

We considered the impact of the above items to be material and pervasive to the overall financial statements of the Group.

The financial statements for the year ended 30 June 2017 also included a disclaimer of opinion, with the same basis as described above for the year ended 30 June 2018, which is in relation to the recoverable amount of the Port and Marine CGU.

We also draw attention to Notes 2(a) and 17 of the financial statements which disclose conditions that indicate the existence of material uncertainties surrounding the continuing use of the going concern assumption in the preparation of the financial statements. These material uncertainties relate to (i) the extension of maturity date of the Multi Currency Notes ("Notes") (amounting to AU$73.4 million as at 30 June 2018) from October 2018 to October 2022 and (ii) the completion of subscription of the share placement and rights issue. On (i), the Company has received the agreement of the Noteholders' Steering Committee to the revised terms of the Notes, but the restructuring of the terms is subject to Noteholders' approval. The extension of maturity date is also conditional upon a partial redemption of the Notes, to be funded by a share placement and rights issue. On (ii), the Company has executed a subscription agreement for the share placement, but certain conditions have not yet been fulfilled as of the date of this report.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs'), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Independent Auditors' report to the members of AusGroup Limited (continued)

Report on the audit of the financial statements (continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the '*Basis for disclaimer of opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chiang Yong Torng.

KPMG LLP
Public Accountants and Chartered Accountants

Singapore, 26 September 2018

Appendix 2 - Extracts from the financial statements for the year ended 30 June 2018

2 Summary of significant accounting policies (extract)

(a) *Basis of preparation (extract)*

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due.

The Group recognised a net profit after tax of AU$13.5 million for the year ended 30 June 2018 and as at that date, total assets exceed total liabilities by AU$41.7 million. During FY2018, the Group had breached certain covenants on its major debt facilities. The Group had, however received quarterly waivers for these breaches from its principal banker throughout FY 2018 (refer to note 17(b) for details).

In September 2018, the Company entered into an agreement with the Company's major shareholder, Ezion Holdings Limited, to extend the term of its current shareholder loan by 5 years to October 2023, and at a reduced coupon rate.

Cash flow forecasts

As part of the assessment of the going concern assumption applied in the preparation of the financial statements, management has prepared the Group’s cash flow forecasts from 1 July 2018 to 31 December 2019, including sensitivities. These forecasts represent management’s best estimate of revenues and costs in the coming periods and include cash inflows from: secured and unsecured contracts from existing and new clients. Whilst these forecasts contain some uncertainties relating to future contracts, management remains confident that sufficient contracts will be secured to generate the Group’s positive cash flows.

These cash flow may, however, not be sufficient to support the repayment of the Multi Currency Notes ("Notes") facility (refer to note 17(b) for details of the Notes), which are due on 20 October 2018 and, therefore, the Group has also assessed the proposed restructuring (including extension of maturity date) of the Notes based on on-going discussions undertaken with the Noteholders and the Noteholders’ Steering Committee.

Management has assessed the various options (as described in the following paragraphs) available in order to ensure that sufficient cash flow is in place to enable the Group to meet its obligations as and when they fall due.

Management's plans to address these uncertainties

(i) Re-negotiation of debt facilities and debt reduction

The Company is nearing finalisation of the extension of the maturity date for the Notes, from October 2018 to October 2022 at a reduced interest rate. Whilst the Company has received the agreement of the Noteholders’ Steering Committee to the revised terms of the Notes, the proposal to restructure the terms of the Notes is subject to Noteholders’ approval. The extension of maturity date is also conditional upon a partial redemption of the Notes of AU$21.0 million, to be funded by a Share Placement (refer below).

The Group is in discussions with its principal banker (DBS) to extend the term of the outstanding loan which is due for repayment on 21 September 2018, by at least another 12 months.

The completion of the above refinancing transactions and debt reduction programme will significantly extend the repayment terms for the Group’s borrowings at reduced interest servicing levels and thus improving the Group’s financial stability and strength.

2 Summary of significant accounting policies (extract, continued)

(a) *Basis of preparation (extract, continued)*

(ii) Share Placement and Rights Issue

On 29 March 2018, the Group announced the placement of 1,050,000,000 shares at AU$0.0345 per share (S$0.035) to raise AU$36.3 million (S$36.8 million). The funds raised will be used to retire debt (AU$21.0 million) and provide working capital to the Company. In addition, the Company announced a proposed rights issue of one (1) rights share for every two (2) existing shares which may raise up to AU$26.0 million (S$26.3 million).

The Share Placement is subject to a number of conditions, including but not limited to:

- Ezion Holdings Limited giving an undertaking, in writing, to vote in favour of the Rights Issue;
- the successful restructuring of the Notes;
- the Company's receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Rights Shares; and
- Ezion Holdings Limited entering into an agreement with the Company to extend the term of its existing loan to the Company by a minimum of five years.

AusGroup continues to focus on options available to reduce debt and bolster working capital to support the expansion of services to its clients.

Preparation of the financial report on a going concern basis

Until the matters outlined above have been approved by the shareholders and Noteholders respectively and the share placement and rights issue is complete, there is some uncertainty that may cast doubt on the Group's ability to continue as a going concern; and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. After assessing the above factors and the agreement of the Noteholders' Steering Committee to the revised terms of the Notes, the directors consider that the Group continues to be able to meet its obligations as and when they fall due. Such assessment is premised on the following:

- the generation of positive cashflow from the Group from 1 July 2018 to 31 December 2019, including revenue from secured and unsecured contracts;
- the extension of the maturity date of the Notes to October 2022;
- the completion of capital funding of up to S$63.1 million from the subscription agreements and rights issue announced on SGX-ST in March 2018 and April 2018;
- the availability of credit facilities to the Group;
- extension of the maturity date of the outstanding loan with DBS for at least another 12 months; and
- the divestment of assets or businesses to raise proceeds, if needed, to extinguish the Group's debt obligations.

Accordingly, the directors have prepared the report on a going concern basis.

11 Property, plant and equipment (extract)

(i) *Impairment loss*

During the year ended 30 June 2018, the Group recognised $7.5 million impairment loss (2017: Nil) with respect to property, plant and equipment. Refer to note 24 for further details. At 30 June 2018, the carrying amount (net of impairment) of property, plant and equipment relating to the Port and Marine CGU amounted to AU$45.2 million (2017: AU$43.4 million).

13 Other intangible assets (extract)

(i) *Impairment loss*

At 30 June 2018, the carrying amount (net of impairment) of intangible assets relating to the Port and Marine CGU amounted to AU$32.1 million (2017: AU$31.7 million).

During the year ended 30 June 2018, the Group recognised $1.8 million impairment loss (2017: Nil) with respect to internally developed software and software licences.

17 Borrowings (extract)

	Group		Company	
	2018	2017	**2018**	2017
	AU$'000	AU$'000	**AU$'000**	AU$'000
Current				
Bridge loan	**-**	13,551	**-**	13,551
Secured loans	**12,359**	27,844	**12,359**	27,844
Finance leases	**-**	116	**-**	-
Multi currency notes	**73,397**	-	**73,397**	-
Insurance premium funding	**1,014**	3,290	**-**	-
	86,770	44,801	**85,756**	41,395
Non-current				
Multi currency notes	**-**	73,909	**-**	73,909
Loan from substantial shareholder (note 31(f))	**34,172**	31,984	**34,172**	31,984
	34,172	105,893	**34,172**	105,893
Total borrowings (interest bearing)	**120,942**	150,694	**119,928**	147,288

24 Impairment of non-current assets (extract)

(a) *Impairment charges recognised in the financial statements (extract)*

The following table shows the impairment charges recognised in the financial statements as a result of these assessments:

	2018		2017	
Impairment of CGUs based on year end assessment	**Method**	**Impairment charge**	**Method**	**Impairment charge**
		AU$'000		**AU$'000**
Port and Marine	FVLCD*	**-**	FVLCD	-
Fabrication and Manufacturing – Singapore	FVLCD	**-**	FVLCD	-
Total		**-**		-
Impairment based on assessment of individual asset values	**Method**		**Method**	
Fabrication and Manufacturing – Australia	FVLCD	**-**	FVLCD	-
Projects	FVLCD	**-**	FVLCD	-
Access Services	FVLCD	**7,466**	FVLCD	-
Maintenance Services	FVLCD	**-**	FVLCD	-
Corporate	FVLCD	**1,902**	FVLCD	-
Total		**9,368**		-

**Fair value less costs of disposal*

(i) *Material impairment assessment of CGUs for the current year*

Port and Marine: Fair value less costs of disposal basis

The valuation model uses an income based approach, and is based on the present value of expected cash flows in the business over the life of the right to operate the port held by the Group. The fair value measure was categorised as level 3 fair value based on the inputs in the valuation techniques used.

The recoverable amount of the Port and Marine CGU is estimated to be $87.9 million (2017: $81.3 million) on a FVLCD basis. The carrying amount of the CGU as at 30 June 2018 was $71.7 million (2017: $73.3 million). There is no impairment recognised in the year (2017: Nil).

24 Impairment of non-current assets (extract, continued)

(a) *Impairment charges recognised in the financial statements (extract, continued)*

(i) *Material impairment assessment of CGUs for the current year (continued)*

CGUs' individual assets: Fair value less costs of disposal basis

During the year, management identified impairment indicators for certain items of property, plant and equipment and other intangible assets which were under-utilised or redundant which resulted in a write down of $9.4 million (2017: Nil) based on an assessment of the market value of the impacted assets.

Australian based CGUs

Projects: Value in use (VIU)

The recoverable amount of the Projects CGU based on a VIU is estimated to be $36.3 million (2017: $115.7 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $24.9 million (2017: $35.5 million). No impairment has been recognised in the year (2017: Nil).

Access Services: Value in use

The recoverable amount of the Access Services CGU based on a VIU is estimated to be $18.1 million (2017: $41.3 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $25.6 million (2017: $37.9 million). Accordingly, an impairment of $7.5 million (2017: Nil) has been made in the year reducing the carrying amount of the CGU to $17.6 million. This is in recognition of surplus scaffolding assets due to the completion of the large scale project work during the year. The impairment taken was only on plant and equipment using an estimated recoverable value per tonne of scaffold.

Maintenance Services: Value in use

The recoverable amount of the Maintenance Services CGU based on a VIU is estimated to be $35.7 million (2017: $50.3 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $13.7 million (2017: $8.9 million). No impairment has been recognised in the year (2017: Nil).

Fabrication and Manufacturing: Value in use

The recoverable amount of the Fabrication and Manufacturing - Australia CGU based on a VIU is estimated to be $7.4 million (2017: $4.7 million based on VIU). The carrying amount of the CGU as at 30 June 2018 was $4.4 million (2017: $4.5 million). No impairment has been recognised in the year (2017: Nil).

Corporate

During the year, the intangible assets were assessed for impairment triggers due to the planned migration to a new ERP. It was determined that the requirements for maintaining the current level of service for the ERP once the new ERP was operational would be reduced to be access only to historical records and therefore the carrying amount of intangibles was impaired by $1.9 million (2017: Nil).

(b) *Key assumptions*

Impairment testing is an area involving significant management judgement. The calculation of recoverable amounts, particularly in relation to VIU models and where the present value of future cash flows is used as the basis to determine FVLCD, has required management to select appropriate assumptions in order to determine the most appropriate impairment result.

(i) *Key assumptions in VIU models*

The key assumptions used to determine the value in use for the relevant Australian based CGUs mentioned above where that CGU has either material goodwill or impairments recognised in 2018 or 2017 are based on a discount rate of 17.6% (pre-tax discount rate applied to cash flow projections) and a growth rate of 2.25% (weighted average growth rate used to extrapolate cash flow beyond the initial forecast period based on management budgets of five years).

24 Impairment of non-current assets (extract, continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models*

In 2018 the recoverable amount has been determined on a FVLCD basis for the Port and Marine CGU, with the valuation principle based on the present value of future cash flows. The following sets out the key assumptions in the Port and Marine FVLCD model.

The operations included in the valuation model of the Port and Marine CGU are based on the activity of Port Melville related assets and the activity of the supply base located in Darwin. The port commenced operations in November 2015 and following the re-structuring of the CGU at the end of FY2016, the CGU was re-assessed and changes were made to the operating model, to ensure that the business model reflected a more focussed and targeted service offering based on marine fuel sales and woodchip sales. The main focus of the Port Melville operations based on these two activities is to provide the platform for the oil and gas operators to utilise not just the option of more accessible fuel but also the use of the Port Melville industrial precinct and storage laydown facilities.

During the year, Port Melville has increased the footprint in the fuel market industry and has transitioned from a commercialisation phase to operational, with the ability to provide core services in the fuel sale market and the woodchip market. The port has been largely commercialised although as fuel sales have only just started in the last quarter of the year a valuation on the basis of FVLCD is still the most appropriate option. This will allow management to take into account the expected investment in order for the port to offer a diverse range of services. It more fairly reflects the value of the port in its expanded state rather than in its current state.

In the prior year, the Group engaged external specialists in the field of Port and Marine Services with specific expertise in the economic forecast for oil and gas developments, to perform a FVLCD valuation on a discounted cash flow basis as at 30 June 2016 of the oil and gas related opportunities for the Port and Marine CGU. This information has been used in the current year FVLCD valuation as the market conditions had not materially changed from the date of the report. The value derived from the woodchip and fuel sales revenue stream assumptions have been added to expert's valuation to determine the FVLCD for the current year.

Forecast revenue assumptions

Fuel Supply & Sales

The completion of the commercialisation of Port Melville in the last year has transitioned the CGU into an operational phase with two deliveries of fuel received in the year and fuel sales commencing in the last quarter, selling fuel to a diverse range of clients operating in various industries including Australian Commonwealth Government departments, oil and gas exploration companies, commercial maritime transport industry, international specialist vessels, domestic market consumption and various NT Government departments.

Port and Marine Services has also provided services to the Tiwi Islands and vessels servicing NT waters such as port services and accommodation.

These services will continue to expand and will provide an alternative fuel supply and port service offering to Darwin Port, with the continuing focus to increase the CGU's footprint across the fuel supply market, targeting a market penetration of both the domestic fuel market on Tiwi Island and securing supply contracts with international oil and gas operators.

Woodchips and Pine log sales

The other key source of revenue included in the Port and Marine valuation is the revenue earned on the woodchip sales. There is ample resource on Tiwi Island to service this industry and the client requirements for the life of the model as they adopt more mature plantation and forestry techniques. In addition, during the year a new source of revenue has been included in forecast, being the sale of pine logs, using Port Melville as the shipping point.

Other sales revenues (Oil and Gas exploration)

The market share attributed to Port Melville in relation to servicing the oil and gas industry in exploration basins within the proximity of Port Melville has been based on the independent expert's assessment of the overall market, combined with a review of other competing facilities in the area, in order to capture the share expected to be attributable to the Port Melville operation through successful award of oil and gas contracts.

24 Impairment of non-current assets (extract, continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

The independent valuation expert's report was produced at the end of calendar year 2016 and is still relevant for 2018/19. The report has considered revenue from expected/foreseeable contracts based on the current operations of Port Melville, ongoing discussions with potential customers as advised by management and from Port Melville, associated with the oil and gas exploration sector. The approach taken to modelling forecast revenue has been bottom up, beginning with a view on oil and gas activity expected to take place in the catchment area. From this assessment, typical tonnage and fuel assumptions through ports have been estimated, which form the basis of a view on total revenues. These revenues have then been risk adjusted according to the ability of Port Melville to secure them.

Over the life of the right to operate the port (valid until 2059), the total market has been assessed based on the current activity in the area, but has also taken into account possible development and capital spend in oil and gas as this may lead to additional revenue streams when these projects come online. These include development of various fields, primarily within the Bonaparte Basin, but excludes revenue for development of fields currently expected to occur after 2035 as the income is not considered to have sufficient certainty at this stage. Revenue has been included for the full valuation period up to 2059 for some other areas, where the Group has existing revenue streams, as there is considered to be a greater level of certainty attached to these items.

The value of the revenue streams identified above has been determined based on application of the Group's published port tariff.

Other revenue (storage and laydown services)

Other revenue included in the model relates to similar revenue which may arise from future potential contracts and from laydown and storage rental to oil and gas customers. The same port tariff has been applied to these sources of revenue as for direct oil and gas revenues described above.

Discount rate

The discount rate applied to the valuation model was 9.67% post tax nominal (pre-tax equivalent: 13.82% for the Port and Marine business). It was determined by calculating the most appropriate rate to apply to the forecast cash flows, after considering risk adjusted forecast oil and gas revenue and the current operations of the Port and Marine business which are not linked to the oil and gas industry and after including the adjusted cost of servicing external debts.

24 Impairment of non-current assets (extract, continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

Other assumptions

In addition to revenue assumptions outlined in detail above, the following are also considered to have a significant impact on the resulting CGU valuation.

Area	Basis of assumption
Port tariff	The rates used in the valuation are based on the Group's current published tariff table. Historic data concerning annual increases in port tariff applied by other ports has been used in order to determine the inflation rate used in the calculation of model revenue in future years. The forecast tariff rates were benchmarked by the independent expert based on their prior experience in valuing ports.
Fuel Volumes	Fuel sales have been determined after research into the total NT / Darwin market volumes for prior years and factoring in expected growth for 2019 (base years for the model). Growth in volumes has been assumed based on a growing market share as market participation and penetration increases.
Fuel Sales	Prices have been based on initial sales made during the year with sales made both in the domestic market (Tiwi Island) and to Oil and gas operators and international customers. There is a continual process into market research and through discussions with stakeholders to determine a range of values that could be applied for domestic based customers and a different sales mix for the international customers. The independent fuel sales expert has provided indications on likely sales price ranges indicative of the respective market sectors.
Fuel Prices (cost of purchase)	Prices have been based on the two parcels of fuel purchased in the year after extensive research into the fuel supply market and increasing knowledge of the industry. The prices have all been quoted for deviation costs from the normal shipping routes to call at Port Melville and have been included as a sunk cost in all pricing.
Costs	The costs used in the valuation model are consistent with the current operating costs required to operate the facilities at East Arm, Darwin, Port Melville and are deemed appropriate to operate the facilities in future years.
Capex	The level of Capex in the valuation model has been determined based on what is required to develop a full service offering to support the business operations foreseen in the model. The majority of Capex already spent on the Port Melville assets (approximately $60 million pre-impairments) relates to the fuel farm and the three 10 million litre tanks.
Period of cash flows	The model has been based on the remaining term of the right to operate the port already held in the Group (terminates in 2059). No activity has been assumed beyond the current term of this right and no terminal value has been assumed. Please also refer to discussion of forecast revenue above which highlights a distinction in assumptions adopted pre and post 2035 based on assessment of the level of certainty attached to particular revenue streams.
Cost inflation	Costs have been assumed to increase based on the consumer price index issued by the RBA.

24 Impairment of non-current assets (extract, continued)

(b) *Key assumptions (continued)*

(ii) *Key assumptions in FVLCD models (continued)*

The valuation presented in the financial statements is therefore calculated based on a number of significant assumptions. The stated assumptions for the valuation have been determined in accordance with the following background and uncertainties concerning future activity:

- Estimates of revenue are partially dependent on securing contracts in relation to specific customer projects which have just started in all chosen market sectors including the oil and gas industries and in the newly developed target markets of potential marine fuel sales over the remaining 41 year asset life, and although management remain confident that there will be projects available to support the revenue assumptions, there is uncertainty that all these projects will be available or that Port Melville will capture the proportion of these projects foreseen in the model (refer to note 24(c) in relation to sensitivities in revenue);
- Fuel prices may vary over time and therefore the amount of inventory held at any one time will be estimated such that there are sufficient volumes to meet imminent shipping requirements in order to avoid price erosion on margins based on spot sales contracts.
- Market penetration and market share criteria data are largely untested although knowledge of the industry is now based on the initial sales and fuel purchases and will grow as sales increase.
- Some of the projected revenue is also dependent on activity in the oil and gas industry which tends to be cyclical and therefore modelled activity may differ in timing and/or extent from that actually experienced in the coming years.
- Estimates of fuel volumes available in the market are determined by management's best estimates based on available market information coupled with considered opinion from the independent fuel expert.
- There are other ports, including Port Darwin, operating in the area which may take a different proportion of the market than projected, although projections of estimated revenue volume (which in turn is a key driver of other key model inputs such as estimated costs and capital expenditure) have taken into account the relative positions of these ports and therefore the risk in this area has been carefully considered.

Please refer to note 24(c) for numerical information regarding the sensitivity of the impairment charge recognised to reasonably possible changes in key assumptions. This includes the key assumption of revenue, but also considers other reasonably possible changes in the most significant assumptions discussed in this section.

(c) *Sensitivity of impairment models to changes in assumptions*

The following table sets out the sensitivity of the Group's results in relation to reasonably possible changes in assumptions used in determining the recoverable value in relation to the Port and Marine CGU and after consideration of these sensitivities no impairment charge was assessed to be recognised at 30 June 2018.

	Potential increase / (decrease) in impairment charge
	2018
Port and Marine	**$'million**
Fuel sales price decreased by 10%	**34.0**
Fuel sales price increased by 10%	**(32.9)**
Fuel volumes increased by 10%	**(7.8)**
Fuel volumes decrease by 10%	**7.8**
Discount rate increased by 1.0%	**11.9**
Discount rate decreased by 1.0%	**(14.6)**
Fuel purchase price increased by 10%	**25.9**
Fuel purchase price decreased by 10%	**(25.4)**