

**PROPOSED ACQUISITION OF 100% OF THE ISSUED AND PAID UP SHARE CAPITAL OF EZION
OFFSHORE LOGISTICS HUB PTE LTD AND 90% OF THE ISSUED AND PAID UP SHARE
CAPITAL OF TERAS AUSTRALIA PTY LTD**

1. INTRODUCTION TO THE ACQUISITION

- 1.1. The Board of Directors (the “**Directors**”) of AusGroup Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that, the Company has, on 22 July 2014, entered into a sale and purchase agreement (“**S&P Agreement**”) with Ezion Holdings Limited (the “**Vendor**”, together with its subsidiaries, the “**Vendor Group**”), pursuant to which the Vendor shall sell and the Company shall purchase 100% of the issued and paid up share capital of Ezion Offshore Logistics Hub Pte Ltd (“**EOLH**”) and 90% of the issued and paid up share capital of Teras Australia Pty Ltd (“**Teras**” and together with EOLH, the “**Targets**”, and the Targets and their subsidiaries, the “**Target Group**”) for an aggregate consideration of S\$55 million (the “**Proposed Acquisition**”).

2. RATIONALE OF THE PROPOSED ACQUISITION

The Group is in the business of providing fabrication, construction and integrated services to build, maintain and upgrade oil and gas, mineral resource and infrastructure development projects. As part of the Group’s objective to deliver a satisfactory return to Shareholders, the Group has recently expressed its intention to expand into the business of the provision of onshore and off-shore marine services, including but not limited to marine logistics and related support services in Australia (the “**Proposed Expansion**”).

Pursuant to this, the Group had obtained the approval of shareholders of the Company (“**Shareholders**”) at the extraordinary general meeting held on 19 June 2014 for the Proposed Expansion.

As the first step in the Proposed Expansion, the Group intends to undertake the Proposed Acquisition as it believes that the Proposed Acquisition will enhance the Group’s capacity to provide integrated delivery capabilities, covering all components of the Oil & Gas asset supply chain, including the fabrication and manufacturing of equipment, painting and insulation of vessels, structural, mechanical and piping (“**SMP**”) construction services, maintenance, and marine logistics.

Importantly, the combination will:

- (a) add new marine services capability and end-market expertise to the Group’s existing platform by combining the Target Group’s marine services expertise with the Group’s fabrication, SMP construction services and specialised maintenance capabilities to create a differentiated service offering that can be leveraged across the Group’s geographic and market sector platform;

- (b) accelerate the combined strategies of the Group and the Target Group to deliver integrated services to the Oil & Gas industry; and
- (c) advance the Group's and the Target Group's core strategy of becoming a more fully integrated provider of services to the Oil & Gas and resources market sectors, both in existing geographic locations as well as providing a platform for future global expansion.

3. THE PROPOSED ACQUISITION

3.1. Information on the Targets

EOLH

EOLH is an investment holding company incorporated in Singapore with an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.

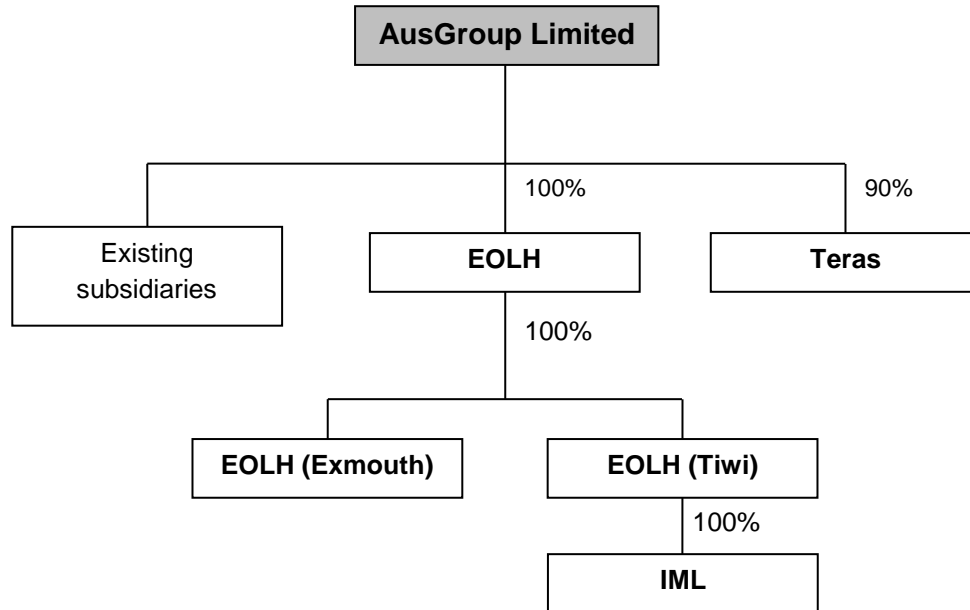
EOLH has the following direct and indirect wholly-owned subsidiaries:

Subsidiary of EOLH	Principle Activity
Ezion Offshore Logistics Hub (Tiwi) Pty Ltd ("EOLH (Tiwi)")	Engaged in the business of operating a port and a marine supply base providing, <i>inter alia</i> , administrative, storage and logistics support to various vessels, including those from oil and gas projects in the region However, the Company understands that EOLH Tiwi is still in the process setting up the port and the marine supply base and has yet to fully commence operations.
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd ("EOLH (Exmouth)")	Dormant
Subsidiary of EOLH (Tiwi)	Principle Activity
Indigenous Marine Logistics Pty Ltd ("IML")	Dormant

Teras

Teras is a company incorporated in Australia providing ship chartering services and maritime training to indigenous workers with an issued and paid-up share capital of A\$1,250,000 comprising 1,111,111 ordinary shares. The Vendor currently holds 1,000,000 ordinary shares in the capital of Teras, comprising approximately 90% of the ordinary shares in the capital of Teras. The remaining 10% is held by Aboriginal Maritime Pty Ltd ("AML").

The diagram below sets out the Group structure of the Company and the Targets after the completion of the Proposed Acquisition.



Based on the unaudited consolidated financial statements of the Targets for the 12 months financial period ended 30 June 2014, the negative book value and the net liability value of the Targets are both approximately S\$13.7 million. The net loss before tax of the Targets for the 12 months financial period ended 30 June 2014 was approximately S\$7.2 million.

The Company understands from the Vendor that the losses were due to start-up and administrative costs (such as salary payments) of EOLH (Tiwi) which has yet to fully commence operations, and the negative book value and net liability value are due to the accumulated losses.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1. Consideration

The aggregate consideration of S\$55 million (the “**Consideration**”) was arrived at on a willing-buyer and willing-seller basis, after negotiations which were conducted on arm’s length between the parties, and take into account, *inter alia*, the net tangible assets of the Targets and the fair market value of the Targets of approximately S\$55 million set out in the independent valuation report dated 10 July 2014 commissioned by the Company and prepared by Stone Forest Corporate Advisory Pte. Ltd. (the “**Valuation**”).

The Consideration of S\$55 million shall be satisfied in the following manner on completion of the Proposed Acquisition (“**Completion**”):

- (a) S\$14 million in cash (the “**Cash Consideration**”); and
- (b) 92,155,541 new fully paid ordinary shares in the capital of the Company (“**Consideration Shares**”) having a total value of S\$41 million, issued at a price of S\$0.4449 per Consideration Share (the “**Issue Price**”).

The Cash Consideration shall be funded by internal resources.

4.2. **Conditions Precedent**

Pursuant to the terms of the S&P Agreement, completion of the Proposed Acquisition is conditional upon, *inter alia*, the following conditions being satisfied or waived:

- (a) the Proposed Acquisition not being deemed a “very substantial acquisition” or a “reverse takeover” as defined in Chapter 10 of the listing manual of the SGX-ST (“**Listing Manual**”);
- (b) the results of a due diligence exercise by the Company over the business, affairs, operations, assets, financial condition, prospects and records of the Targets and their subsidiaries (the “**Target Group Companies**”) being satisfactory to the Company in its reasonable discretion;
- (c) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of any and all of the shares of the Targets that the Company is acquiring (the “**Sale Shares**”);
- (d) the Company having obtained shareholders’ approval at the extraordinary general meeting in respect of the Proposed Acquisition;
- (e) the Vendor (and/or its subsidiaries) and the Company executing a legally binding transitional arrangements agreement on or prior to Completion pursuant to which the Vendor (and/or its subsidiaries) will provide the Company with such support and assistance following Completion as the Company may reasonably require to become able to operate the Target Group (and their respective business activities) on a day-to-day basis as soon as practicable after the Completion; and
- (f) the receipt by the Company of in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares.

If any of the conditions are not satisfied or waived by the date falling three (3) months from the date of the S&P Agreement, the S&P Agreement shall terminate and the provisions thereunder shall cease and be of no further effect (save for certain clauses) and no party shall have claim against the other for any costs, damages, losses or compensation, other than in respect of any antecedent breach of the S&P Agreement.

4.3. **Non-compete undertakings**

Pursuant to the S&P Agreement, the Vendor has provided a non-compete undertaking which provides that the Vendor and its related corporations shall not, without obtaining the prior written consent of the Company, directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of the Target Group Companies as currently conducted or proposed to be conducted as at the completion date of the Proposed Acquisition for a period of three (3) years after completion of the Proposed Acquisition, in any of the countries where Target Group Companies carries on business as at the completion date of the Proposed Acquisition.

Pursuant to the S&P Agreement, the Company has provided a non-compete undertaking which provides that the Company and its related corporations shall not, without obtaining the prior written consent of the Vendor, directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in

(whether as trustee, principal, agent, shareholder or unit holder or in any other capacity) any business similar to or competitive with the business of the Vendor Group as currently conducted or proposed to be conducted as at the completion date of the Proposed Acquisition for the period of three (3) years after completion of the Proposed Acquisition.

4.4. **Undertakings relating to the business of the Target Group Companies**

Pursuant to the S&P Agreement, the Vendor has also undertaken that for so long as the Vendor is a substantial shareholder of the Company and in relation any operations or activities of the Target Group Companies in the ordinary course of business, where applicable and on terms to be mutually agreed, the Vendor shall:

- (a) grant a right of first refusal to the Company to acquire any tugs and barges or non-self elevating special purpose vessels of the Ezion Group, except for options to purchase granted to charterers in the ordinary course of business of the Ezion Group;
- (b) support the Company to tender for project work relating to the ordinary course of business of the Target Group in the form of bank guarantees in support of project awarded to the Company;
- (c) not compete or seek to compete with the Company for project work relating to the chartering of tugs and barges;
- (d) charter to the Company the tugs, barges and other non-jack up special purpose vessels to be identified in and at rates to be agreed;
- (e) transfer and/or assign all related intellectual property, commercial contracts, employment contracts, financial records, maintenance records of equipment or other information of any nature reasonably necessary to the running of the Target Group in the ordinary course of business to ensure a smooth and seamless transition;
- (f) transfer all existing contracts that have not commenced relating to the existing tugs and barges and supply base businesses;
- (g) transfer the rights to any business contracts or agreements that are subsequently awarded relating to the ordinary course of business of the Target Group that are currently in negotiations;
- (h) provide to the Purchaser all personnel records relating to the existing employees of the Target Group;
- (i) release any existing employees required by the Target Group in the ordinary course of business that the Company has undertaken to hire, as long as the employee(s) agree;
- (j) use its best endeavours to assist the Company to secure bank financing required by the Target Group in the ordinary course of business; and
- (k) transfer the sub licenses for the back office management system and consultancy to enable Teras to implement it.

5. TRANSITIONAL ARRANGEMENTS

In parallel with planned due diligence, transitional arrangements will be finalised to ensure the successful integration of Target Group into the Group. To this end, it is the Board's expectation that our most recently appointed non-executive directors, Captain Larry Johnson and Mr. Eng Chiaw Koon, will be re-designated as the executive directors with responsibility for these operations.

- Captain Larry Johnson is a seasoned Marine Professional with over 15 years of experience in the maritime industry and holds a valid USCG Masters License with 22 years of management experience, which includes 14 years of P&L responsibilities. Captain Johnson has worked on various projects in varying capacities on behalf of ExxonMobil, Chevron, Aker Kvaerner, ConocoPhillips, KBR, Clough, Technip, CBI and Bechtel. Currently, Captain Johnson is also the chief operating officer of Ezion Holdings Limited.
- Mr. Eng Chiaw Koon brings 12 years of experience in the marine support industry. Currently Director, Special Projects with the Ezion Group, Mr. Eng was previously Managing Director and CEO of Aqua-terra Supply Co. Ltd and COO of KS Distribution Pte Ltd at KS Energy Limited.

Both Captain Larry Johnson and Mr. Eng will provide essential guidance as we work with the Vendor to craft and implement our strategic Proposed Expansion into the business of the provision of onshore and off-shore marine services, including but not limited to marine logistics and related support services.

6. RELATIVE FIGURES UNDER RULE 1006

Based on (i) the Group's unaudited consolidated financial statements of the Group for the 9 months financial period ended 31 March 2014; and (ii) unaudited consolidated financial statements of the Targets for the 12 months financial period ended 30 June 2014, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the SGX-ST are as follows:

	Bases in Rule 1006	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the assets to be acquired, compared with the Group's net profits	Not applicable ⁽¹⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation	19.1% ⁽²⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	14.2%
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) The Group's net loss before income tax, minority interests and extraordinary items based on the Group's unaudited consolidated financial statements of the Group for the 9 months financial period ended 31 March 2014 is approximately A\$27.0 million. The net loss before tax of the Targets for the 12 months financial period ended 30 June 2014 was approximately S\$7.2 million.
- (2) The Company's market capitalisation of approximately S\$288.4 million was computed based on the Company's existing issued share capital of 648,276,475 Shares and the volume weighted average price ("VWAP") of the Shares of S\$0.4449 on 21 July 2014, being the last traded day preceding the date of the Agreement.

Having regard to the above, as none of the relative figures set out above exceeds 20%, the Proposed Acquisition is a Discloseable Transaction as defined under Chapter 10 of the Catalist Rules.

7. FINANCIAL EFFECTS FOR THE PROPOSED ACQUISITION

The proforma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Acquisition.

Such proforma financial effects have been computed based on:

- (a) the audited consolidated financial statements of the Group for the financial year ended 30 June 2013 ("FY2013"); and
- (b) the audited consolidated financial statements of the Targets for the 12 months financial period ended 30 June 2013.

7.1. Net Tangible Assets

Assuming that the Proposed Acquisition had been completed on 30 June 2013, the effect on the net tangible asset per Share as at 30 June 2013 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to shareholders of the Company (A\$'000)	147,487	182,747
Number of Shares ('000)	480,856	573,011
NTA per Share attributable to shareholders of the Company (Australian cents)	0.31	0.32

7.2. Earnings per Share

Assuming that the Proposed Acquisition had been completed on 1 July 2012, the effect on the earnings per Share (“EPS”) for FY2013 will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit after tax attributable to shareholders of the Company (A\$'000)	9,709	5,368
Weighted average number of Shares ('000)	480,856	573,011
EPS (Australian cents)	2.0	0.9

7.3. Gearing

There is no material impact on the gearing ratio of the Company arising from the Proposed Acquisition.

8. OTHER INFORMATION

8.1. Shareholders' Approval

The Vendor is a substantial shareholder of the Company, and is thus within the category of restricted persons as set out in Rule 812(1) of the Listing Manual. Accordingly, the Company will be seeking the consent of the Shareholders for the allotment and issue of the Consideration Shares to the Vendor.

A circular containing the information in connection with the Proposed Acquisition will be despatched to the Shareholders in due course.

8.2. Consideration Shares

The issue price of S\$0.4449 for the Consideration Shares represents is equivalent to the volume-weighted average share price of S\$0.4449 on 21 July 2014, being the full market day prior to which the S&P Agreement is signed.

The Consideration Shares, when issued, shall rank *pari passu* with the then existing issued ordinary shares of the Company, save that they shall not rank for any dividends, rights, allotments, distributions or entitlements, the record date of which falls on or prior to the date of allotment of the Consideration Shares.

Following the issue of the Consideration Shares, the total number of issued shares in the capital of the Company will be increased from 648,276,475 to 740,432,016. The Consideration Shares represents approximately 14.2% and 12.4% of the current and enlarged issued share capital of the Company respectively.

The Company will be making an application to the SGX-ST for the listing of and quotation for the Consideration Shares on the Mainboard of the SGX-ST.

8.3. Directors' Service Contract

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

As mentioned, Captain Larry Glenn Johnson and Eng Chiaw Koon, both non-executive non-independent directors of the Company, are employees of the Ezion Group. Upon Completion, the Targets will become subsidiaries of the Company, and Captain Larry Glenn Johnson and Eng Chiaw Koon will be re-designated as executive directors of the Company.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the S&P Agreement and the Valuation are available for inspection during normal business hours at the Company's registered office at 36 Tuas Road, Singapore 638505 for a period of three (3) months from the date of this announcement.

10. FURTHER INFORMATION AND ACTION BY SHAREHOLDERS

The Company will make further announcements relating to the Proposed Acquisition as and when necessary. As there is no assurance that the aforementioned transactions will be completed, Shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Captain Larry Glenn Johnson and Eng Chiaw Koon, both non-executive non-independent directors of the Company, are currently the executive director and chief operating officer and the director of special projects of the Vendor respectively. The Vendor is also a substantial shareholder of the Company.

Save as disclosed, none of the Directors or substantial shareholders of the Company has any interest, directly or indirectly, in the Proposed Acquisition, other than in their respective capacity as Directors or Shareholders of the Company.

BY ORDER OF THE BOARD

Stuart Maxwell Kenny
CEO and Managing Director
23 July 2014