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PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (1Q, 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		+ / (-) %
	1Q 2020 AU\$'000	1Q 2019 AU\$'000	
Revenue	69,607	86,557	(19.6)
Cost of sales	(63,655)	(78,431)	(18.8)
Gross profit	5,952	8,126	(26.8)
Gross margin	8.6%	9.4%	
Other operating income	324	1,479	(78.1)
Other operating costs	(1,532)	(1,671)	(8.3)
*Administrative expenses	(2,445)	(2,932)	(16.6)
Marketing and distribution expenses	(410)	(729)	(43.8)
Profit from operations	1,889	4,273	(55.8)
*Finance costs	(1,356)	(2,675)	(49.3)
Profit before income tax	533	1,598	N.M.
Income tax expense	(296)	(286)	3.5
Net profit for the period	237	1,312	(81.9)
Net profit %	0.3%	1.5%	

Earnings per ordinary share attributable to equity holders of the Company (AU\$ cents per share)

- basic	0.01	0.09
- diluted	0.01	0.09

*The amount included the effect of adoption of SFRS(I) 16.

N.M. not meaningful

(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	GROUP		+/(-)
	1Q 2020 AU\$'000	1Q 2019 AU\$'000	%
Profit for the period	237	1,312	N.M.
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	(1,231)	(2,007)	(38.7)
Other comprehensive (loss)/income for the period	(1,231)	(2,007)	(38.7)
Total comprehensive (loss)/ income for the period	(994)	(695)	43.0

(ii) NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A. PROFIT FROM OPERATIONS

The following items have been included in determining the profit before taxation

	GROUP		+/(-)
	1Q 2020 AU\$'000	1Q 2019 AU\$'000	%
Other operating income			
Interest income	24	158	(84.8)
Profit on sale of property, plant and equipment	211	407	(48.2)
Other income	123	547	(77.5)
Foreign exchange (loss)/gain	(34)	367	(109.3)
Total other operating income	324	1,479	(78.1)
Amortisation and Depreciation			
Depreciation of property, plant & equipment included in cost of sales	886	1,231	(28.0)
Amortisation of intangible assets included in cost of sales	200	392	(49.0)
Depreciation of property, plant & equipment included in administrative expenses	437	116	N.M.
Amortisation of intangible assets included in administrative expenses	91	296	(69.3)
Depreciation of right-of-use assets - SFRS(I) 16 (Note 5)	675	-	N.M.
Total Amortisation and Depreciation	2,289	2,035	12.5
Employee share and share option scheme expense	101	(22)	N.M.

B. FINANCE COSTS

	GROUP		+/(-)
	1Q 2020	1Q 2019	%
	AU\$'000	AU\$'000	
Loans	966	2,646	(63.5)
Bank guarantee fees	139	12	N.M.
Lease-related interest expenses - SFRS(I)16 (Note5)	251	-	N.M.
Finance leases and hire purchase	-	17	-
Total Finance costs	1,356	2,675	(49.3)

C. INCOME TAX EXPENSE

	GROUP		+/(-)
	1Q 2020	1Q 2019	%
	AU\$'000	AU\$'000	
Withholding tax expense:			
- current year	(296)	(286)	3.5
	(296)	(286)	3.5
Tax expense relating to continuing operations	(296)	(286)	3.5
Total income tax expense	(296)	(286)	3.5

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 30-09-19 AU\$'000	Group As at 30-06-19 AU\$'000	Company As at 30-09-19 AU\$'000	Company As at 30-06-19 AU\$'000
CURRENT ASSETS				
Cash and cash equivalents	6,457	17,173	241	3,442
Trade receivables	87,004	65,388	-	-
Other receivables and prepayments	5,939	4,486	682	689
Inventories	3,423	1,735	-	-
Total current assets	102,823	88,782	923	4,131
NON-CURRENT ASSETS				
Property, plant and equipment	83,911	85,084	-	-
Goodwill	10,994	10,994	-	-
Intangible assets	33,828	34,121	-	-
Right-of-use assets - SFRS(I)16(Note 5)	14,784	-	-	-
Other receivables and prepayments	866	-	-	-
Due from subsidiaries	-	-	66,209	61,941
Investments in subsidiaries	-	-	89,678	88,261
Total non-current assets	144,383	130,199	155,887	150,202
Total assets	247,206	218,981	156,810	154,333
CURRENT LIABILITIES				
Trade payables	12,593	15,579	-	-
Other payables	35,994	22,750	950	766
Due to subsidiaries	-	-	8,327	8,196
Borrowings	9,675	7,306	5,616	6,928
Lease liabilities - SFRS(I) 16 (Note 5)	1,758	-	-	-
Accruals for other liabilities and charges	5,219	5,115	-	-
Current income tax liabilities	916	851	315	310
Provisions	83	166	-	-
Total current liabilities	66,238	51,767	15,208	16,200
NON-CURRENT LIABILITIES				
Deferred income tax liabilities	770	736	-	-
Borrowings	69,373	67,611	68,758	67,611
Lease liabilities - SFRS(I) 16 (Note 5)	13,006	-	-	-
Accruals for other liabilities and charges	896	950	-	-
Total non-current liabilities	84,045	69,297	68,758	67,611
Total liabilities	150,283	121,064	83,966	83,811
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	216,349	216,349	216,349	216,349
Capital reserve	(163)	(163)	(163)	(163)
Share based payment reserve	5,438	5,438	5,438	5,438
Foreign currency translation reserve	17,676	18,907	29,135	27,918
Accumulated losses	(142,377)	(142,614)	(177,915)	(179,020)
Total equity	96,923	97,917	72,844	70,522
Total liabilities and equity	247,206	218,981	156,810	154,333

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

	30-09-19		30-06-19	
	AU\$'000 Secured	AU\$'000 Unsecured	AU\$'000 Secured	AU\$'000 Unsecured
Amount repayable in one year or less, or on demand	9,675	-	7,306	-
Amount repayable after one year	42,898	26,475	41,885	25,726

Borrowings Summary

	30-09-19	30-06-19
	AU\$'000	AU\$'000
Multi Currency Notes	42,034	41,308
DBS Short Term Loan - AUD	5,866	7,505
Shareholder Loan	26,475	25,726
Insurance funding / Finance leases	4,673	378
Total borrowings	79,048	74,917

Multi Currency Notes ("Notes")

The Notes (AU\$42.0m) are non-current liability and secured. The increase in the liability is due to exchange rate fluctuation.

The key terms of Notes are:

- maturity date is 3 December 2022; and
- interest will be paid monthly at a rate of 5% per annum from 3 December 2018, 6% per annum from 3 December 2019 and 7% per annum from 3 December 2020.

Loans from DBS Bank Ltd

The DBS short-term loan is repayable by monthly instalments until July 2020. DBS also provides bank guarantee facilities to the Group to support performance bonds and financial guarantees provided to the Group's clients.

Loans from related party (shareholder loan)

The repayment date of the loan from Ezion Holdings Limited ("Ezion") is until after 31 October 2023 hence the loans are classified as non-current. At 30 September 2019 the amount owing on the loan by the Company to Ezion was AU\$26.5m (30 June 2019: AU\$25.7m) and is unsecured.

Surety bond facility from Vero

The Group holds a AU\$30.0m Surety bond facility with Vero to ensure the Group maintains its bonding capacity for bid bonds, performance bonds and financial guarantees.

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 1Q 2020 AU\$'000	GROUP 1Q 2019 AU\$'000
Cash flows from operating activities		
Profit after taxation	237	1,312
Add / (less) adjustments for:		
Depreciation of property, plant and equipment	1,323	1,347
Amortisation of intangible assets	291	688
Depreciation of right-of-use assets	675	-
Employee share and share option scheme expense	101	(22)
Net foreign exchange differences	104	(1,206)
Profit on disposal of property, plant and equipment	(211)	(407)
Interest income	(24)	(158)
Finance costs	1,356	2,675
Income tax expense	296	286
Operating cash flows before working capital changes	4,148	4,515
Changes in operating assets and liabilities		
Trade receivables	(21,616)	(9,865)
Other receivables and prepayments	(2,317)	1,289
Inventories	(1,688)	400
Trade payables	(2,986)	(4,855)
Accruals and other payables	13,209	(3,304)
Lease liability	(946)	-
Cash used in operations	(12,196)	(11,820)
Interest paid	(921)	(2,088)
Interest received	24	158
Income tax paid	(296)	(244)
Net cash used in operating activities	(13,389)	(13,994)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	218	1,804
Purchase of property, plant and equipment	(126)	(430)
Net cash generated from investing activities	92	1,374

1(c) Consolidated Statement of Cash Flows (continued)	GROUP 1Q 2020 AU\$'000	GROUP 1Q 2019 AU\$'000
Cash flows from financing activities		
Repayment of finance leases	(2,055)	(1,015)
Proceeds from borrowings	6,350	-
Repayment of borrowings	(1,744)	(820)
Release of restricted cash	2,500	-
Net cash generated from /(used in) financing activities	5,051	(1,835)
Net decrease in cash and cash equivalents	(8,246)	(14,455)
Effect of exchange rate changes	30	(231)
Movement in cash and cash equivalents for the period	(8,216)	(14,686)
Cash and cash equivalents at beginning of period	14,460	36,596
Cash and cash equivalents at end of period	6,244	21,910
Cash and cash equivalents represented by:		
Cash and cash equivalents	6,457	23,160
**Restricted cash	(213)	(1,250)
Balance per consolidated statement of cash flows	6,244	21,910

**The amount represents cash security held for bank guarantees issued.

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	CAPITAL RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
	AU\$'000	AU\$ '000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Group						
1Q 2020						
Balance as at 1 July 2019	216,349	(163)	5,438	18,907	(142,614)	97,917
Profit for the period	-	-	-	-	237	237
Other comprehensive loss	-	-	-	(1,231)	-	(1,231)
Balance as at 30 September 2019	216,349	(163)	5,438	17,676	(142,377)	96,923
1Q 2019						
Balance as at 1 July 2018	162,647	(163)	5,460	18,229	(144,448)	41,725
Adoption of new/revised SFRS(I)9	-	-	-	-	(465)	(465)
Restated balance as at 1 July 2018	162,647	(163)	5,460	18,229	(144,913)	41,260
Profit for the period	-	-	-	-	1,312	1,312
Other comprehensive loss	-	-	-	(2,007)	-	(2,007)
Transactions with owners in their capacity as owners						
Share based payment expense	-	-	(22)	-	-	(22)
Balance as at 30 September 2018	325,294	(326)	10,898	34,451	(288,514)	40,543
Company						
1Q 2020						
Balance as at 1 July 2019	216,349	(163)	5,438	27,918	(179,020)	70,522
Profit for the period	-	-	-	-	1,105	1,105
Other comprehensive income	-	-	-	1,217	-	1,217
Balance as at 30 September 2019	216,349	(163)	5,438	29,135	(177,915)	72,844
1Q 2019						
Balance as at 1 July 2018	162,647	(163)	5,460	25,891	(183,028)	10,807
Loss for the period	-	-	-	-	(240)	(240)
Other comprehensive income	-	-	-	2,172	-	2,172
Transactions with owners in their capacity as owners						
Share based payment expense	-	-	(22)	-	-	(22)
Balance as at 30 September 2018	162,647	(163)	5,438	28,063	(183,268)	12,717

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

	30-Sep-19	30-Jun-19
	Number of shares	Number of shares
Number of issued shares		
Opening balance	3,048,230,431	1,504,805,466
Issuance of shares	-	1,326,714,101
Shares issued through debt to equity exercise	-	216,710,864
Closing balance	<u>3,048,230,431</u>	<u>3,048,230,431</u>
	30-Sep-19	30-Jun-19
	AU\$'000	AU\$'000
Ordinary shares issued and fully paid		
Opening balance	216,349	162,647
Shares issued for cash net of transaction costs	-	46,350
Shares issued through debt to equity exercise	-	7,352
Closing balance	<u>216,349</u>	<u>216,349</u>

As at 30 September 2019 there were no outstanding options (30 June 2019: Nil) for unissued ordinary shares under the employee share option scheme.

As at 30 September 2019 there were no outstanding rights (30 June 2019: Nil) that may potentially be converted to shares under the employee share scheme.

As at 30 September 2019 and 30 June 2019 respectively there were no treasury shares held by the Company.

Provision has been made for the issuance of shares under AusGroup's Performance Share Plan with \$101,000 provided in Q1 FY2020.

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

	30 September 2019	30 June 2019
Number of issued shares	<u>3,048,230,431</u>	<u>3,048,230,431</u>

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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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

Except as disclosed under item 5 below, the accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those stated in the audited financial statements for the year ended 30 June 2019.

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

The Group adopted the SFRS(I) 16 Leases starting from 1 July 2019, using the modified retrospective approach at the date of initial application.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

From 1 July 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The financial cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable
- variable lease payment that are based on an index or rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Adjustment recognised on adoption of SFRS(I)16

On adoption of SFRS(I) 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of SFRS(I) 16 Leases. These liabilities were measured at the present value of the remaining lease payments, discounting using the lessee's incremental borrowing rate as of 1 July 2019. The assessed incremental borrowing rate for non-port related lease assets was 6.25% p.a. and the assessed incremental borrowing rate for port related lease assets was 7.5% p.a.

The lease liability recognised on date of transition is comprised as follows:

	30-09-19	01-07-19
	\$'000	\$'000
Additional lease commitments from adopting SFRS(I)16		15,459
Lease liability recognised as at 1 July 2019		15,459
Comprising:		
Current	1,758	1,937
Non-current	13,006	13,522
Total	14,764	15,459

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

Property	14,784	15,459
Total right-of-use assets	14,784	15,459

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 1Q 2020 AU\$'000	GROUP 1Q 2019 AU\$'000
Profit attributable to owners of the Company	237	1,312
Profit attributable to owners of the Company - continuing operations	237	1,312
Weighted average number of ordinary shares in issue applicable to earnings ('000)	3,048,230	1,504,805
Fully diluted number of ordinary shares ('000)	3,048,230	1,504,805
Earnings per ordinary share (AU cents)		
- Basic	0.01	0.09
- Diluted	0.01	0.09
Earnings per ordinary share (AU cents) - continuing operations		
- Basic	0.01	0.09
- Diluted	0.01	0.09

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

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 30-09-19 AU\$'000	GROUP 30-06-19 AU\$'000
Net assets	96,923	97,917
Net asset value per ordinary share based on issued share capital at the end of the respective periods (AU cents)	3.2 c	3.2 c

Net asset value per ordinary share is calculated by dividing the net assets attributable to the entity holders of the Company by the number of issued shares as at 30 September 2019 of 3,048,230,431 ordinary shares (30 June 2019: 3,048,230,431).

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 Review of Income Statement

Continuing operations

Revenue for the first quarter of FY2020 decreased by 19.6% to AU\$69.6m (1Q FY2019: AU\$86.6m) mainly due to the completion of major project work in the previous period.

Cost of sales for the first quarter of FY2020 decreased by 18.8% to AU\$63.7m (1Q FY2019: AU\$78.4m). The reduction in costs of sales was in line with the level of operating activity resulting from the completion of the major projects in the previous period.

Gross profit decreased by 26.8% to AU\$6.0m for the first quarter of FY2020 (1Q FY2019: AU\$8.1m) again due to the drop in activity following the completion of the major projects. Gross profit margin for the first quarter of FY2020 was 8.6%, a decrease of 0.8% compared to Q1 FY2019 reflecting the change to longer term maintenance contracts.

Other operating costs combined with administrative expenses and marketing and distribution expenses decreased in the first quarter of FY2020 by 18.7% on a comparable basis to AU\$4.4m (1Q FY2019: AU\$5.3m).

Finance costs for the first quarter FY2020 were AU\$1.4m, a decrease of 47.6% from Q1 FY2019, mainly as a result of the reduced outstanding balance on external borrowings that was repaid in FY2019 offset by an increase of lease-related interest expenses of AU\$0.3m from the adoption of SFRS(I)16.

For details on income tax, please refer to Section 1(a)(ii)C.

Net profit after tax from continuing activities for Q1 FY2020 was AU\$0.2m, reflecting the reduction in operating activity and overall net profit margins of 0.3% as compared with the result in Q1 FY2019 (1.5%).

B Balance Sheet

Assets

Cash and bank balances decreased by AU\$10.7m to AU\$6.5m at 30 September 2019 (30 June 2019: AU\$17.2m), mainly due to timing delays in cash receipts from current project activities and the purchase of fuel in the quarter.

Trade receivables balance increased by AU\$21.6m since 30 June 2019 to AU\$87.0m at 30 September 2019 due to the diversification of the customer base and extended payment terms for certain customers compared to Q1 FY2019.

Current other receivables and prepayments balance increased by AU\$1.5m to AU\$5.9m at 30 September 2019, mainly as a result of prepayment for the insurance renewal.

Inventories increased by AU\$1.7m since 30 June 2019, with the majority of inventory now related to marine fuel for sale by the NT Port and Marine business. The increase is due to the purchase of fuel during the period.

Non-current assets balance increased AU\$14.2m since 30 June 2019 to AU\$144.4m mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16 on 1 July 2019.

Liabilities

The trade payables balance decreased by AU\$3.0m since 30 June 2019 to AU\$12.6m at 30 September 2019 in line with the decrease in work on the core projects in the energy and process sectors.

Other payables increased by AU\$13.2m since 30 June 2019 to AU\$36.0m mainly due to timing in the settlement of statutory related liabilities. Current accruals for other liabilities balance mainly consisted of accruals for annual leave, rostered day off, sick leave and current long service leave. The current accrual balance increased by AU\$0.1m from 30 June 2019 to AU\$5.2m at 30 September 2019. Non-current accruals comprised long service leave balance.

Total borrowings increased overall by AU\$4.1m since 30 June 2019 to AU\$79m due to the utilisation of insurance premium funding as well as exchange rate fluctuation.

The Group's has recognised a total of AU\$14.8m of lease liabilities as a result from the adoption of SFRS(I)16 as at 30 September 2019.

As at 30 September 2019, the Group was in a net current asset position of AU\$36.6m and net assets were AU\$96.9m. The Group has sufficient cash resources and banking facilities available to meet the financing needs of its operations.

C Review of Statement of Cash Flows

Operating activities of the Group generated net cash outflows of AU\$13.4m for Q1 FY2020 a decrease from the corresponding quarter on FY2019 mainly due to timing delays on the receipt of project payments, a diversification of the customer base and the completion of major project work in the prior periods.

Net cash inflows of AU\$0.1m occurred from investing activities in Q1 FY2020.

Net cash generated from financing activities was AU\$5.1m, reflecting the inflow of proceeds of AU\$6.3m from insurance funding and the outflow of repayments of borrowings of AU\$3.8m, offset by the release of restricted cash of AU\$2.5m.

As a result of the above activities, the Group recorded a decrease in cash and cash equivalents of AU\$8.2m to AU\$6.2m at 30 September 2019 since Q4 FY2019.

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

AusGroup offers a range of integrated service solutions to the energy, mining and industrial sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS and NT Port and Marine, we provide maintenance, construction, access services, commissioning & handover and port & marine services. With over 29 years of experience, we are committed to partnering with our clients to build, maintain and upgrade some of the region's most challenging projects.

Our capabilities

Maintenance Services

Our maintenance services range from breakdown maintenance to shutdowns and sustaining capital works. Through our in-house capability, we can provide any combination of skills, trades or disciplines on a long or short term basis for shutdowns and campaign maintenance. Our maintenance services include; mechanical, electrical, industrial coatings, insulation, refractory and specialist welding.

Construction

AusGroup provides focused and specialised construction capabilities including structural, mechanical, piping and installation solutions. We are able to self-perform almost all construction trades, offering efficient interface management and productivity optimisation.

Our construction expertise combines multidisciplinary construction knowledge and a first class health and safety record, to enhance project execution.

Access Services (referred to as MAS)

Our access services include scaffolding, scaffold engineering and design, rope access, labour supply, scaffolding, stock control, logistics and transportation.

Fabrication

We provide manufacturing, fabrication and testing of specialist structural, piping and modularisation packages. Our fabrication facilities are strategically located within Perth's high wide load corridor in Kwinana. With an in-house capacity to fabricate up to 30,000 tonnes of steel products per annum, we have manufactured, tested and commissioned some of Western Australia's largest fabricated steel structures.

Port and Marine Services (referred to as NT Port and Marine)

We offer logistics and marine transportation support services to the oil and gas industry, general marine and defence sectors through our NT Port and Marine business. With locations at Port Melville and East Arm Supply Base located in the Northern Territory, we can provide marine and land fuel, areas for laydown and storage, berthage and accommodation facilities.

Significant Trends & Competitive Conditions

The major trends that are relevant to the industry and the Group:

- Major new LNG construction projects are now completed and these have moved into the production phase, where maintenance services will be required to maintain safe and reliable operations for the next 40+ years, providing long term and sustainable demand for the Group's service offering.
- Significant investment in the Resources sector (Iron Ore, Nickel, Gold, etc) is continuing and the Group is well placed to provide the sector with fabrication services, modularised solutions, SMP, construction, commissioning and integrated asset maintenance services.
- Increasing levels of domestic and international competition have led to continuing margin pressures creating an associated need to implement significant cost reduction initiatives whilst focusing on improving productivity, quality and delivery enhancements.
- The use of technology, productivity and innovative solutions across all aspects of the project(s) life cycle is key to adding value to customers and underpinning long term relationships and delivering predictable outcomes on plan.
- Increased demand for skilled labour is putting upward pressure on wage rates.
- Focus on core strengths, capabilities and efficiency improvements will underpin the profit generation from the Group's service offering.

Karara Mining Limited ("KML") update

The Supreme Court of Western Australia has delivered judgement to the legal proceedings between AGC and KML in the Supreme Court of Western Australia on 3 May 2019, dismissing AGC's claims. AGC has lodged an appeal in July 2019 with this matter now progressing through the appeal process.

We will provide a further update to the market in due course.

General

The main priority for the Group in the short term is to focus on our core strengths of providing multi-disciplinary services of mechanical, scaffolding, insulation, refractory and fabrication services in addition to increasing the NT Port and Marine operations as this business migrates from a commercialisation phase to providing core services in the fuel sale market and the woodchip market.

Following the completion of the rights issue and share placement of S\$46.4m in FY2019, additional debt to equity conversions and the extension to the maturity of the Notes by four years and the Shareholder loan by five years to 3 December 2022 and 31 October 2023 respectively, these major debt repayments are no longer due payable within one year. At 30 September 2019 the only debt due to be repaid in FY2020 is AU\$9.7 million (DBS of \$5.9m and insurance funding of \$3.8m). Accordingly the short term focus on the Group's cashflow to meet short term debts has been substantially addressed as the Group has rescheduled the majority of its borrowings to longer term (non-current) tenure during the year. The Group is focused on options to reduce debt further prior to the new maturity dates in 2022 and 2023 and bolster working capital to support the expansion of services to its clients.

The forward pipeline is increasing, with core projects expected to grow in scale and complexity to provide opportunities for organic growth in the energy and process sectors.

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

None due to the working capital requirements of the Group.

13. IPT Mandate

There were no IPT transactions for the period.

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.

15. Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all of its directors and executive officers under Rule 720(1) of the Listing Manual.

ON BEHALF OF THE BOARD

Wu Yu Liang
Non-Executive Chairman

Shane Francis Kimpton
Managing Director

13 November 2019

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.