



2022 HALF-YEAR REPORT

INCORPORATING APPENDIX 4D
FOR THE SIX MONTHS ENDED 30 JUNE 2022

AERISON GROUP LIMITED
ABN 77 614 735 474





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APPENDIX 4D

for the half-year ended 30 June 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up 63.6% to \$102.028 million
Profit after income taxes from ordinary activities	up 11.4% to \$2.187 million
Profit after income taxes attributable to members	up 11.4% to \$2.187 million
Basic earnings per share (cents)	down 11.7% to 0.71 cents per share
Net tangible assets per ordinary share ¹ (cents) as of 30 June 2022	12.25 cents per share
Net tangible assets per ordinary share ¹ (cents) as of 30 June 2021	8.48 cents per share

1. The calculation of net tangible assets per ordinary share includes right-of-use assets and lease liabilities and excludes deferred taxes.

2. No interim dividends were declared for ordinary shares for the six months ended 30 June 2022.

3. The Group does not hold ownership interests in associates or joint ventures.

FINANCIAL SUMMARY

\$102M ▲
64%

REVENUE

\$2.2M ▲
11%

NPAT

\$7.0M ▲
33%

EBITDA

\$633k ▲
107%

OPERATING CASH FLOW

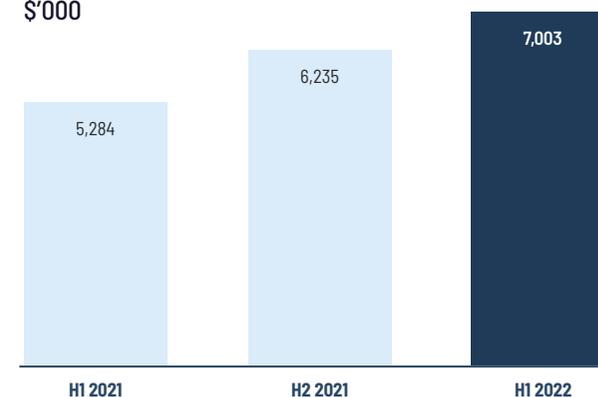
KEY METRICS

	H1 2022 \$'000	H1 2021 \$'000
Revenue	102,028	62,349
EBITDA ¹	7,003	5,284
EBITDA margin ¹	6.9%	8.5%
EBIT ¹	5,221	4,025
EBIT margin ¹	5.1%	6.5%
Net profit after taxes (NPAT)	2,187	1,963
Cash flows from operating activities	633	(8,733)
Free cash flow ^{1,2}	(779)	(9,576)
Net debt ^{1,3}	18,106	18,977

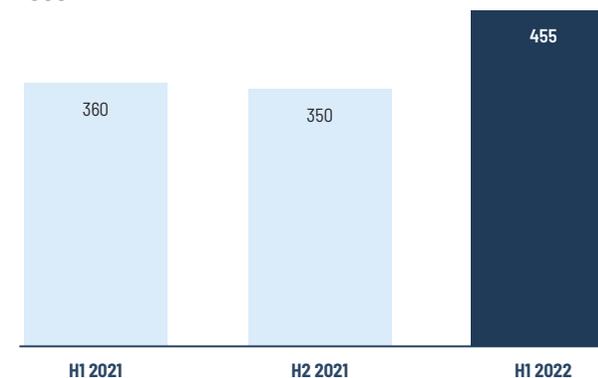
KEY RATIOS

	H1 2022	H1 2021
Gearing	49.9%	80.4%
Basic EPS (cps)	0.71	0.81
NTA (cps) ⁴	12.25	8.48
Return on equity (ROE)	6.0%	8.3%
ROACE	13.1%	16.8%

EBITDA \$'000



LABOUR HOURS '000

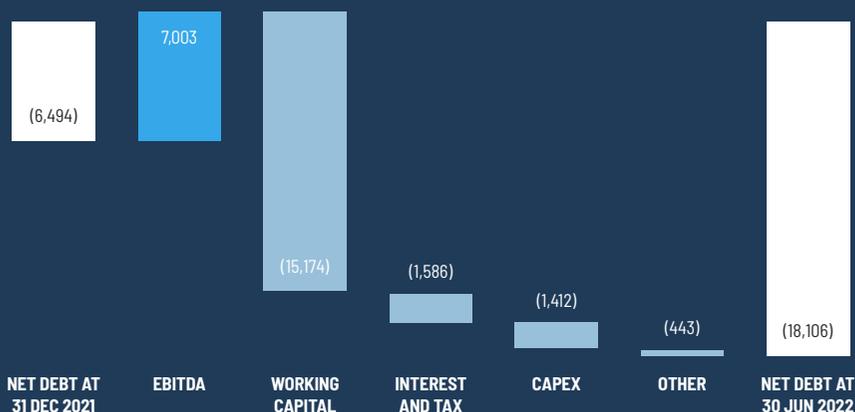


1. These are non-IFRS measures that are unaudited but derived from reviewed Half-Year Financial Statements. These measures are presented to provide further insight into Aerison's performance.
2. Free cash flow is equal to cash flows from operating activities less cash flows from investing activities.
3. At 30 June 2022, net debt of \$18.1M comprises cash on hand of \$12.1M, less lease liabilities of \$5.0M and interest-bearing borrowings of \$25.2M.
4. Net tangible assets includes right-of-use assets and lease liabilities and excludes deferred tax assets.



FINANCIAL SUMMARY

NET DEBT WATERFALL \$'000



LIQUIDITY



REVENUE

We recorded revenue of \$102,028K for H1 2022, an increase of 63.6% on the comparative period. Buoyant economic conditions in the resources, energy and infrastructure sectors contributed to high demand for our services in H1 2022. Our construction and maintenance activities at the Western Turner Syncline, Mesa J and Roy Hill iron ore mines highlights significant sustaining capital and operating expenditure to sustain high iron ore production in the mining and minerals industry.

EBITDA

We recorded EBITDA of \$7,003K for H1 2022, an increase of 32.5% on the comparative period. The EBITDA margin eased slightly by 1.6% to 6.9% for H1 2022. The decrease reflects a higher proportion of revenue arising from procurement activities, which are ordinarily invoiced on a cost plus basis and attract comparatively lower gross margins. The Group continues to prudently managed its costs to ensure its ongoing contracts remain profitable.

DEPRECIATION

The increase in depreciation was due to new hire purchase lease arrangements for plant and equipment, such as mobile crib rooms and scissor lifts, to support our operations.

INTEREST

The increase in interest was primarily due to the amortisation of prepaid borrowing costs against surety bonds issued in H2 2021 under the Swiss Re surety bond facility.

DIVIDENDS

No interim dividend was declared for H1 2022.

CASH FLOWS

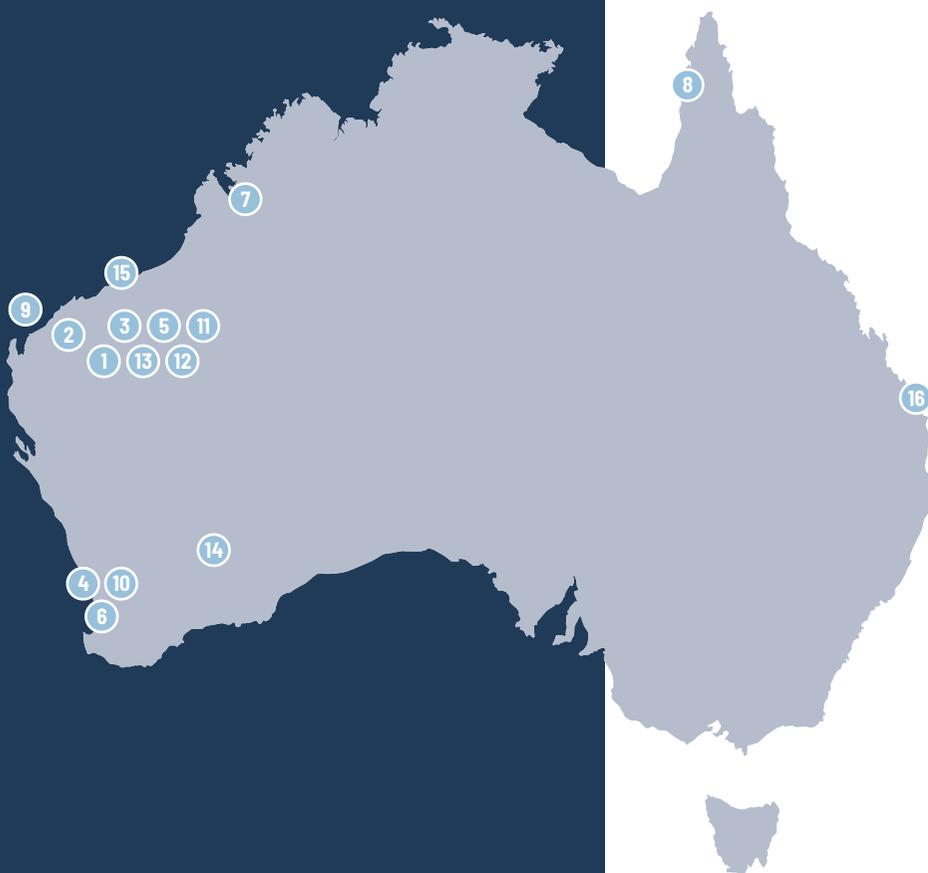
During H1 2022, we generated \$633K of cash flows from operating activities and delivered negative free cash flows of \$779K. An investment of \$1,441K in new plant and equipment at our Forrestfield workshop, such as underslung gantry cranes, to realise production efficiencies contributed to the negative free cash flows.

BALANCE SHEET AND LIQUIDITY

Our gearing ratio increased from 19.2% on 31 December 2021 to 49.9% on 30 June 2022. The Group leveraged its short-term revolving debt facilities to manage the impact of the substantial increase in the scale of operating activities on its working capital.

On 30 June 2022, the Group had available liquidity of \$25,005K. Drawn debt was \$23,810K as of 30 June 2022. The Group will continue to prudently manage its near-term debt maturities and maintain a low cost of debt throughout 2022.

OPERATIONS



1	Rio Tinto	Provision of structural, mechanical, piping, electrical, instrumentation and commissioning support at the Western Turner Syncline iron ore mine.	Iron ore
2	Rio Tinto	Provision of structural, mechanical, piping, electrical, instrumentation and commissioning support at the Mesa J iron ore mine.	Iron ore
3	Roy Hill	The design, procurement and construction of a saline water reverse osmosis plant at the Roy Hill iron ore mine.	Iron ore
4	Covalent Lithium	The design, fabrication and installation of steel pipe rack modules at their Kwinana Lithium Refinery.	Lithium
5	Roy Hill	The design, fabrication and installation of pipework and structural supports as part of the Wet High Intensity Magnetic Separator plant expansion at the Roy Hill iron ore mine.	Iron ore
6	Alcoa	The design, fabrication and supply of 22kV switchrooms at their Wagerup Alumina Refinery.	Aluminium
7	Horizon Power	Design, fabrication and installation of a battery energy storage systems connected to the West Kimberley Power Station.	Infrastructure
8	Rio Tinto	Design, fabrication and installation of battery energy storage systems connected to the Weipa Solar Farm.	Infrastructure
9	ABB	The design, fabrication and supply of 22kV switchrooms at the Jansz-lo Compression project.	Oil and gas
10	Alstom S.A.	The design, fabrication and supply of battery boxes entering into the construction of railcars for the Perth METRONET project.	Infrastructure
11	Roy Hill	General maintenance shutdown services at the Roy Hill iron ore mine.	Iron ore
12	Rio Tinto	General maintenance shutdown services at the West Angelas iron ore mine.	Iron ore
13	Rio Tinto	General maintenance shutdown services at the Paraburdoo iron ore mine.	Iron ore
14	Northern Star Resources	The design, fabrication and installation of a fume extraction system at the Fimiston gold mine.	Gold
15	Pilbara Port Authority	The design, fabrication and installation of an electrical substation kiosk at the Pilbara Port.	Infrastructure
16	Transurban	The supply and installation of air dampers and actuators for the Clem Jones Tunnel.	Infrastructure

PEOPLE AND SAFETY

1.1

▼
71%

TRIFR

NIL

LTIFR

545

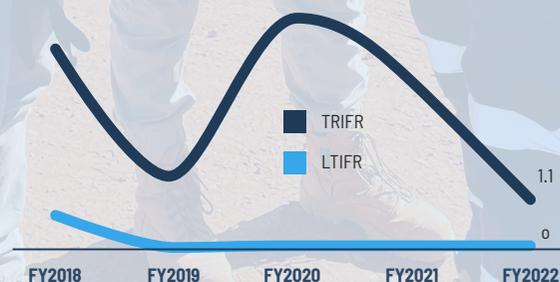
HEADCOUNT



Our HSE performance remained strong, with nil LTIs and a 71% reduction in TRIFR to 1.1 per million hours worked. In H1 2022, we also received accreditation from the Office of the Federal Safety Commissioner under the Australian Government Building and Construction Work Health Safety Accreditation Scheme. This accreditation re-affirms our strong commitment to a safe workplace for our employees and contractors, whilst enabling Aerison to tender for head contracts for defence and infrastructure projects directly or indirectly funded by the Australian Government.

Aerison finished H1 2022 with a total workforce of 545 employees, excluding subcontractors. The retention and attraction of diverse and highly competent people remains a strategic priority.

INJURY FREQUENCY RATES



Domestic and international recruitment campaigns, combined with employee retention initiatives, will combat the current extraordinary shortfall in available skilled labour.

GOVERNANCE

The directors of Aerison Group Ltd present their report, together with the financial statements and including the review of our operations set out on pages 2 to 6, for the six months ended 30 June 2022.

BOARD OF DIRECTORS

The names of the directors in office during the reporting period and at the date of this report are listed below:

B Barnes

Chairman

G Leone

Managing Director and Chief Executive Officer

D Hibbs

Executive Director and Chief Operating Officer

P Iancov

Non-executive Director

M Fennell

Non-executive Director

ROUNDING OF AMOUNTS

Amounts in this report are rounded to the nearest thousand dollars under the option available to the Group under Australian Securities and Investment Commission (ASIC) Instrument 2016/191, dated 24 March 2016, unless otherwise stated.

MANAGEMENT ASSURANCE

Consistent with Recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, before the adoption by the Board of the interim financial statements, the Board received written declarations from the Chief Executive Officer and Chief Financial Officer that the financial records of the company have been properly maintained in the accordance with section 286 of the *Corporations Act 2001*, and the Company's financial statement and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and the performance for the period. In addition, the Chief Executive Officer and Chief Financial Officer stated in writing to the Board that the statement relating to the integrity of the Group's financial statements is founded on a sound system of risk management and internal control that is operating effectively.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the directors:



Bronwyn Barnes

Chairman

Perth, Western Australia
25 August 2022



AUDITOR'S INDEPENDENCE DECLARATION



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Aerison Group Limited for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM
RSM AUSTRALIA PARTNERS



ALASDAIR WHYTE
Partner

Perth, WA
Dated: 25 August 2022

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HALF-YEAR FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	NOTE	JUN 2022 \$'000	JUN 2021 \$'000
Revenue	B.2	102,028	62,349
Other income	B.2	1,100	-
Expenses			
Construction and materials costs		(45,162)	(26,113)
Employee benefits expense	B.3	(47,268)	(28,018)
Depreciation and amortisation	B.3	(1,782)	(1,259)
Other expenses	B.3	(3,695)	(2,934)
Operating profit		5,221	4,025
Finance costs	B.3	(1,469)	(1,356)
Profit before income taxes		3,752	2,669
Income tax expense		(1,565)	(706)
Profit after income taxes		2,187	1,963
Other comprehensive income		37	-
Total comprehensive income		2,224	1,963
Earnings per share attributable to equity holders of AE1			
Basic earnings per share	B.4	0.71 cents	0.81 cents
Diluted earnings per share	B.4	0.65 cents	0.76 cents



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTE	JUN 2022 \$'000	DEC 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	C.1	12,065	13,219
Trade and other receivables	D.1	82,277	64,718
Inventories		54	54
Total current assets		94,396	77,991
Non-current assets			
Trade and other receivables	D.1	174	174
Property, plant and equipment		3,072	2,591
Right-of-use assets		4,500	4,672
Total non-current assets		7,746	7,437
TOTAL ASSETS		102,142	85,428
LIABILITIES			
Current liabilities			
Lease liabilities		1,360	1,315
Trade and other payables	D.2	31,281	28,464
Employee benefits		3,040	2,503
Borrowings	C.2	25,174	14,536
Total current liabilities		60,855	46,818
Non-current liabilities			
Lease liabilities		3,637	3,862
Employee benefits		178	129
Deferred tax liability		1,200	838
Total non-current liabilities		5,015	4,829
TOTAL LIABILITIES		65,870	51,647
NET ASSETS		36,272	33,781

	NOTE	JUN 2022 \$'000	DEC 2021 \$'000
EQUITY			
Issued capital	C.3	13,496	13,496
Reserves		912	608
Accumulated surplus		21,864	19,677
TOTAL EQUITY		36,272	33,781



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	NOTE	JUN 2022 \$'000	JUN 2021 \$'000
Receipts from customers		85,312	46,556
Payments to suppliers and contractors		(37,267)	(24,509)
Payments to employees		(46,130)	(28,767)
Finance costs paid		(1,303)	(1,282)
Income taxes received / (paid)		21	(731)
Cash flows from / (used in) operating activities	C.1	633	(8,733)
Payments for plant and equipment		(1,441)	(998)
Proceeds from sale of plant and equipment		29	155
Cash flows used in investing activities		(1,412)	(843)
Net (repayments) / proceeds of borrowings		(1,042)	5,756
Payment of lease liabilities		(847)	(156)
Purchase of treasury shares		(120)	-
Share issue costs paid		-	(434)
Dividends paid		-	(288)
Cash flows (used in) / from financing activities		(2,009)	4,878
Movement in cash and cash equivalents		(2,788)	(4,698)
Opening cash and cash equivalents		13,219	6,477
Effects of foreign exchange rates on cash and cash equivalents		(1)	-
Closing cash and cash equivalents	C.1	10,430	1,779



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	ISSUED CAPITAL \$'000	SHARE BASED PAYMENT RESERVE \$'000	TREASURY RESERVE \$'000	HEDGE RESERVE \$'000	ACCUMULATED SURPLUS \$'000	TOTAL EQUITY \$'000
At 1 January 2022	13,496	728	(120)	-	19,677	33,781
Net profit after taxes for the period	-	-	-	-	2,187	2,187
Other comprehensive income						
Changes in fair value of cash flow hedges, net of taxes	-	-	-	37	-	37
Total other comprehensive income for the period	-	-	-	37	-	37
Total comprehensive income for the period, net of taxes	-	-	-	37	2,187	2,224
Share-based payment expense (B.3)	-	387	-	-	-	387
Treasury shares purchased for employee incentive plans	-	-	(120)	-	-	(120)
At 30 June 2022	13,496	1,115	(240)	37	21,864	36,272
At 1 January 2021	3,329	100	-	-	14,606	18,035
Net profit after taxes for the period	-	-	-	-	1,963	1,963
Other comprehensive income						
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period, net of taxes	-	-	-	-	1,963	1,963
Conversion of convertible notes to issued capital (C.3)	3,900	-	-	-	-	3,900
Dividends	-	-	-	-	(288)	(288)
At 30 June 2021	7,229	100	-	-	16,281	23,610



NOTES TO THE FINANCIAL STATEMENTS

A. ABOUT THESE STATEMENTS

ABOUT THIS REPORT

Aerison Group Limited (the Company or the Parent) and its subsidiaries (the Group) is a for-profit company incorporated and domiciled in Australia. The Company is registered under the *Corporations Act 2001* and is publicly listed on the Australian Securities Exchange (ASX). The principal activities and operations of the Group is described in the review of our operations set out on pages 2 to 6.

The condensed interim financial report for the six months ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 25 August 2022. The directors have the power to amend and re-issue the financial report.

The condensed interim financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Group. Accordingly, the condensed interim financial report should be read in conjunction with the 2021 Annual Report and any public announcements made by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

These financial statements are a condensed interim financial report which:

- ▶ are prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.
- ▶ are prepared on a historical cost basis, but for forward exchange derivative contracts measured at fair value.
- ▶ is presented with values rounded to the nearest thousand dollars (\$'000) in accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, unless otherwise stated.
- ▶ are presented in Australian dollars, which is the functional currency of the Group. The Group does not have any foreign operations which operate outside of Australia.
- ▶ adopts all new and amended accounting standards and interpretations issued by the AASB that are relevant to the Group and effective for reporting periods starting on or before 1 January 2022. The adoption of these accounting standards and interpretations did not result in any significant changes to the Group's accounting policies.
- ▶ does not early adopt accounting standards and interpretations that have been issued or amended but not yet effective, unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation have been applied by each subsidiary of the Group and are consistent with those adopted and disclosed in the most recent 2021 Annual Report.

To ensure consistency with the current period, comparative figures have been amended to conform with the current period presentation, where appropriate.

KEY JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluate judgements, estimates and assumptions based on experience and other factors, including the expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions are believed to be reasonable based on the most current set of circumstances known to management. Actual results may differ from expected results.

The judgements, estimates and assumptions applied in the interim financial report, including the key sources of estimation uncertainty, are the same as those applied in the 2021 Annual Report.

REPORTING SEGMENTS

The Group has identified its operating segments based on internal reporting reviewed and used by the Executive Leadership Team in assessing performance and in determining the allocation of resources.

The reporting segments are consistent with the 2021 Annual Report.



B. EARNINGS FOR THE PERIOD

B.1 SEGMENT REVENUE AND EXPENSES

	CONSTRUCTION SERVICES		ASSET SERVICES		ELIMINATIONS AND OTHER		TOTAL	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Segment revenue	98,452	56,361	3,576	5,988	-	-	102,028	62,349
Segment EBITDA	12,173	7,016	199	182	(5,369)	(1,914)	7,003	5,284
Depreciation and amortisation							(1,782)	(1,259)
Net finance costs							(1,469)	(1,356)
Profit before income taxes							3,752	2,669
Capital expenditure	686	331	90	194	293	366	1,069	891

B.2 REVENUE AND OTHER INCOME

	2022 \$'000	2021 \$'000
Disaggregation of revenue by service		
Construction revenue	98,452	56,361
Maintenance revenue	3,576	5,988
Revenue	102,028	62,349
Disaggregation of revenue by contract		
Lump sum	54,579	27,896
Schedule of rates	47,449	34,453
Revenue	102,028	62,349
Research and development tax incentives	1,100	-
Other income	1,100	-

RESEARCH AND DEVELOPMENT TAX INCENTIVES:

The Group undertakes research and development activities as part of tendering for environmental solutions, such as air pollution control, dust control or noise abatement systems, which mitigate the harsh impacts of our customer's operations on our environment.

Eligible research and development activities attract tax rebates under the Australian Government tax incentive schemes administered by AusIndustry. Such tax rebates are recognised where there is reasonable assurance that the tax rebate will be received, and all legislative requirements were complied with. The tax rebate is recognised directly to other income to the extent that the eligible research and development activities which gave rise to tax rebate were expensed to profit or loss.



B. EARNINGS FOR THE PERIOD (CONTINUED)

B.3 EXPENSES

	2022 \$'000	2021 \$'000
Remuneration, bonuses, and on-costs	44,113	26,280
Superannuation	2,768	1,738
Share-based payment expense	387	-
Employee benefits expense	47,268	28,018
Depreciation	950	826
Depreciation of right-of-use assets	832	433
Depreciation and amortisation	1,782	1,259
Insurance	999	915
External consultants and legal services	677	426
Information technology	652	232
Occupancy outgoings and utilities	517	418
Fringe benefit taxes	296	20
Loss on disposal of plant and equipment	-	407
Other	554	516
Other expenses	3,695	2,934
Interest expense on interest-bearing borrowings	978	1,147
Interest expense on bank guarantees	102	77
Interest expense on lease liabilities	133	132
Amortisation of prepaid borrowing costs	256	-
Finance costs	1,469	1,356

B.4 EARNINGS PER SHARE

	2022	2021
Profit attributable to the Company's equity holders (\$'000)	2,187	1,963
Basic EPS (cps)	0.71	0.81
Weighted average number of ordinary shares	305,937,488	241,509,816
Diluted EPS (cps)	0.65	0.76
Weighted average number of ordinary shares	305,937,488	241,359,382
Plus:		
Contingently issuable shares	32,650,000	17,500,000

There were no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements other than the normal conversion of employee share rights into ordinary shares.

The calculation of basic and diluted earnings per share may be explained as follows:

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares.

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated as per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

Dilution arises as the result of employee share rights and performance rights issued to the Board of Directors and external consultants as part of long-term incentive arrangements.



C. DEBT AND CAPITAL

C.1 CASH AND CASH EQUIVALENTS

	JUN 2022 \$'000	DEC 2021 \$'000
Cash at bank	6,743	8,806
Short-term deposits	5,322	4,413
Cash and cash equivalents	12,065	13,219
Bank overdraft	(1,635)	-
Cash and cash equivalents for the purposes of the statement of cash flows	10,430	13,219

A reconciliation of net profit after taxes to net cash flows from operating activities is set out below:

	2022 \$'000	2021 \$'000
Net profit after taxes	2,187	1,963
Non-cash items		
Depreciation and amortisation	1,782	1,259
Loss on disposal of property, plant and equipment	(13)	-
Share-based payment expense	387	-
Share issue costs	-	397
Unrealised gain on cash and cash equivalents	1	-
Change in assets and liabilities		
Increase in trade and other receivables	(19,145)	(15,297)
Decrease in inventories	-	369
Increase in trade and other payables	12,854	3,250
Increase / (decrease) in employee entitlements	994	(648)
Increase / (decrease) in current and deferred taxes	1,586	(26)
Net cash flows from / (used in) operating activities	633	(8,733)

C.2 BORROWINGS

	JUN 2022 \$'000	DEC 2021 \$'000
Secured interest-bearing borrowings	12,298	14,912
Unsecured interest-bearing borrowings	13,631	548
Prepaid borrowing costs	(755)	(924)
Borrowings	25,174	14,536

In support of the working capital requirements of the Group, total facilities available to the Group amount to \$36.750 million (2021: \$21.750 million). At 30 June 2022, the Group held \$25.005 million (2021: \$18.307 million) of available undrawn facilities and cash and cash equivalents at its disposal.

Secured interest-bearing borrowings are secured by a floating charge over the assets of the Group and personal guarantees from the Chief Executive Officer and Chief Operating Officer.

C.3 ISSUED CAPITAL

	NUMBER OF SHARES	\$'000
Amounts on 30 June 2022	305,937,488	13,496
Amounts on 1 January 2021	241,359,382	3,329
Conversion of convertible notes to issued capital	27,078,106	3,900
Issue of fully paid ordinary shares	37,500,000	7,500
Less: Transaction costs arising on share issue	-	(1,233)
Amounts on 31 December 2021	305,937,488	13,496

All ordinary shares are single class with equal rights to dividends, capital distributions and voting. The Company does not have authorised capital nor par value in respect of its issued shares.

At 30 June 2022, the Group held 1,445,640 treasury shares (2021: 605,969) reserved for long-term employee share plans.



D. WORKING CAPITAL

D.1 TRADE AND OTHER RECEIVABLES

	JUN 2022 \$'000	DEC 2021 \$'000
Trade receivables	11,502	16,061
Contract assets	66,489	45,871
Income tax receivable	-	1,017
Prepayments	2,624	1,138
Research and development tax incentives (Note B.2)	1,100	-
Forward exchange derivatives (Note E.2)	36	-
Other receivables	700	805
	82,451	64,892
Current	82,277	64,718
Non-current	174	174

D.2 TRADE AND OTHER PAYABLES

	JUN 2022 \$'000	DEC 2021 \$'000
Trade payables	16,571	15,871
Accrued expenses	10,535	7,105
Accrued salaries and wages	2,451	2,387
Contract liabilities	552	1,326
Income taxes payable	208	-
Other payables	964	1,775
	31,281	28,464

E. OTHER ITEMS

E.1 CONTINGENT LIABILITIES

	JUN 2022 \$'000	DEC 2021 \$'000
Bank guarantees and surety bonds	32,244	28,965

The Group holds guarantees and surety bonds with its banking partners. Guarantees are provided to customers in the ordinary course of business as security against non-performance by the Group of its contracted obligations. The Group treats bank guarantees and surety bonds as contingent liabilities until such time it is probable that the Group will be required to make payments under the guarantees. It is not expected that these guarantees will be called upon. The Group has pledged its short-term deposits as collateral against its bank guarantees.

The Group is also managing claims arising from construction and maintenance contracts in the ordinary course of business. These claims may involve adjudication, arbitration, or litigation. Due to the uncertainty in relation to the quantum or timing of the resolution of these claims, no amounts were recognised in the financial statements in respect of these matters.

E.2 FORWARD EXCHANGE CONTRACTS

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates.

For the six months ended 30 June 2022, the Group's exposure to foreign currency risk was limited to USD denominated progress payments for custom designed and fabricated water pumps as part of the design and construction of a saline water desalination plant.

The Group managed its foreign currency risk by entering a series of forward contracts to hedge the forecast progress payments. The Group negotiated the terms of the forward contracts to match the terms of the hedged exposure. The forward contracts captures the period of exposure from the point of cash flows of the transactions are forecasted to the point of settlement of the resulting trade payable denominated in a foreign currency.

The Group was not exposed to material foreign exchange risk in the comparative periods.



E. OTHER ITEMS (CONTINUED)

E.3 FAIR VALUE MEASUREMENT

The Group categorises fair value measurements and disclosures as follows:

- ▶ **Level 1** – Fair value is calculated using quoted prices on active markets.
- ▶ **Level 2** – Fair value is estimated using inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived form prices).
- ▶ **Level 3** – Fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments carried at fair value were valued using market observable inputs (Level 2).

There were no transfers of financial instruments between Level 1 and Level 2 during the half-year ended 30 June 2022. Similarly, there were no Level 3 fair value movements.

The methods and assumptions used to determine fair value of financial instruments are as follows:

- ▶ **Cash and cash equivalents** – The carrying amount is fair value due to asset's liquid nature.
- ▶ **Trade receivables, trade payables and interest-bearing borrowings** – Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair value.
- ▶ **Derivatives** – The fair value of forward exchange contracts are calculated by reference to forward exchange market rates at reporting date for contracts with similar maturity profiles. As market rates are observable, derivatives are classified as Level 2 under the fair value hierarchy.

E.4 RELATED PARTY TRANSACTIONS

Material transactions with significant shareholders of the Group were as follows:

		EXPENSES FROM RELATED PARTIES \$'000	PAYABLES DUE TO RELATED PARTIES \$'000
Significant shareholders	JUN 2022	145	20
	DEC 2021	340	38

On 1 November 2021, the Group entered into a Surety Bond Facility ("the Facility") with Asset Insure Pty Ltd as agent for Swiss Re International SE for \$15.500 million. A condition precedent to the Facility required the CEO and COO to provide unlimited personal guarantees in favour of Asset Insure Pty Ltd.

The Board resolved to compensate the CEO and COO an amount equal to 0.8% per annum of the face value of the Facility drawn for the duration for which the unlimited personal guarantees were provided.

For the six months ended 30 June 2022, \$145,000 (2021: \$23,000) was expensed to profit or loss in consideration for the provision of unlimited personal guarantees from the CEO and COO. At 30 June 2022, \$20,000 (2021: \$23,000) was payable to the CEO and COO.

E.5 SUBSEQUENT EVENTS

No matters or circumstances have arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2022

In accordance with a resolution of the directors of Aerison Group Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as of 30 June 2022 and of its performance for the half-year ended on that date, and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that Aerison Group Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Bronwyn Barnes
Chairman

Perth, Western Australia
25 August 2022



Giuseppe Leone
Chief Executive Officer

Perth, Western Australia
25 August 2022

INDEPENDENT REVIEW REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2022



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AERISON GROUP LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aerison Group Limited which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aerison Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aerison Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aerison Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 25 August 2022