2022 ANNUAL REPORT

AERISON GROUP LIMITED
ABN 77 614 735 474

ONE TEAM OUR SAFETY

INTEGRITY
We are reliable, honest and accountable

NURTURE
Our people are the absolute core of our operation

SAFETY
Safety is at the forefront of everything we do

PERFORMANCE
We always strive to do things better

INNOVATION
We do not accept ordinary

RELATIONSHIPS
We always work with our people, clients and suppliers in a collaborative and transparent manner

EXCELLENCE
We are continually raising the bar

OUR PURPOSE
We are focused on building a successful and sustainable business that operates with integrity, fairness and transparency with our people, our clients, our suppliers and the community.

OUR VISION
To position Aerison as a leading multi-disciplined engineering design, construction and asset maintenance service provider, enhancing the performance of our customers by understanding their needs and delivering our core services to the highest quality, safely and to schedule.

OUR DELIVERY
To operate as One Team, providing safe, seamless delivery.

CONTENTS

AERISON AND OUR OPERATIONS

OUR BUSINESS

OUR HISTORY

Established in 1988, Aerison specialised in the design and construction of environmental solutions, such as air pollution control and noise abatement systems, to reduce the harsh impacts of industry on the environment. Its namesake, a combination of the Latin words for air and noise - "aerius" and "sonus" - pays homage to its roots.

Since 1988, Aerison has grown from a specialist environmental, private company into a broad-based engineering, design and construction company self-performing multi-disciplined EPC, engineering and design, construction and maintenance services to various industries and customers across Australia. In July 2021, Aerison Group Limited publicly listed on the Australian Securities Exchange, marking a significant milestone in its corporate evolution.

Aerison is headquartered in West Perth and operates a well-equipped 10,800m^2 industrial fabrication and assembly facility in Forrestfield, Western Australia.

OUR BUSINESS (CONTINUED)

OUR CAPABILITIES

Aerison has a proven history of delivering turnkey solutions to our customers which are safe, on-time and on-budget. Our capabilities may be broadly explained as follows:

ENGINEERING, PROCUREMENT AND CONSTRUCTION PROJECTS

Aerison provides engineering and design, procurement, fabrication and site construction services to deliver turnkey solutions for our customers. Aerison adapts to the contracting model required by our customers, such as full EPC or single discipline service delivery. Our multi-disciplined EPC expertise also extends to environmental solutions, including systems concerning wet and dry dust collection systems, greenhouse gas reduction systems, noise abatement and waste water treatment solutions.

SUSTAINING CAPITAL, MAINTENANCE AND SHUTDOWN SERVICES

Specialising in the structural, mechanical, piping, electrical and instrumentation disciplines, Aerison's services include scoping of works, planning, procurement supervision and execution of routine, preventative, planned and unplanned maintenance services on process and non-process assets.

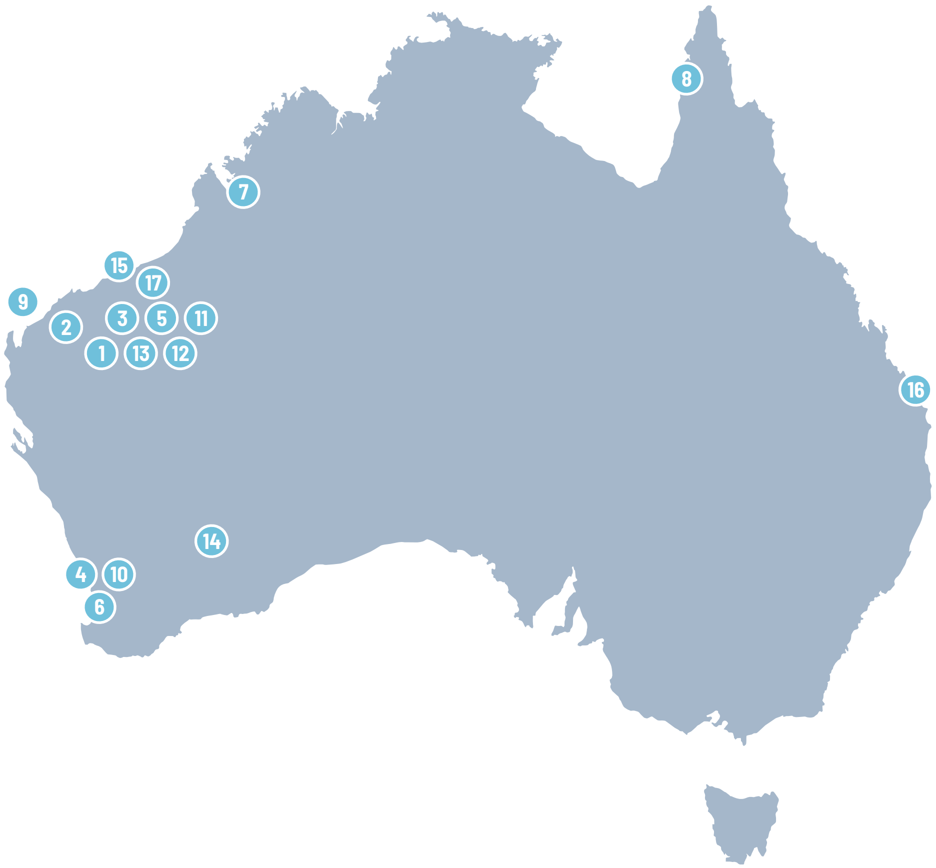
ELECTRICAL AND CONTROL INFRASTRUCTURE

Aerison offers a wide-ranging suite of Electrical, Instrumentation and Control (EIC) services with significant expertise in control systems across all industries. Our expertise includes:

- Design, fabrication, fit-out and installation of low, medium and high voltage modular switch and control rooms, kiosks and ring main units.
- Design, supply and installation of standby, black-start and back-up power generation and battery energy storage solutions.

Aerison has complete electrical, instrumentations and controls capability with our team of highly qualified and experienced EIC personnel.

OUR 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
4	**CSBP**	The manufacture and supply of the Kwinana Raw Materials Receivals Conveyors No 2 and No 3.	Fertilizer
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 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	**Chevron**	The design, fabrication and supply of switchrooms at the Jansz-Io 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
13	**Rio Tinto**	The design, supply, installation and commissioning of the crusher building dust mitigation system for 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
17	**Rio Tinto**	The design, supply and manufacture of a dust collection system for the Western Range project.	Iron ore

CHAIR AND CEO'S REPORT

In what was a year full of economic challenges, headlined by significant inflationary pressures and tightening labour markets, the Company has continued to execute its growth strategy. The result speaks to a demonstrated history of repeat custom from leading Australian companies for our consistently high-quality service offering, and the quality and experience of our people.

For the year ended 31 December 2022, Aerison delivered double-digit growth in revenue of 54.9% on the previous year at $208.921 million.

A stringent focus on expanding the scope and scale of our service offering to existing customers, together with fostering new relationships with some of Australia's leading mining companies, highlights the success of our growth strategy. The Company's reputation as a leader in its markets, places it in a strong position to capitalise on the many opportunities and deal with the challenging environment that lies ahead.

Subsequent to 31 December 2022, Aerison resolved key commercial issues that crystallised an immediate cash injection for the Group. Whilst disappointed with the resulting accounting loss, this cash injection will help support new contract awards in the critical minerals, agriculture and chemicals sectors. Going forward, the Group is well placed to capitalise on potential contract awards from our growing pipeline.

FINANCIAL

Aerison's 2022 financial performance may be summarised as follows:

- Revenue of $208.921 million, increasing 54.9% on 2021.
- Underlying EBITDA of $13.978 million, increasing 11.8% on 2021.
- Net profit after taxes of ($10.708) million, decreasing 300% on 2021.
- Cash and available undrawn facilities of $19.876 million, increasing 8.6% on 2021.
- Net assets of $23.570 million, decreasing 30.2% on 2021.

CAPITAL EXPENDITURE

Capital expenditure of $2.146 million, increasing $0.292 million from 2021, was incurred in 2022. Additions to plant and equipment comprised portable crib rooms, leased industrial property and mobile equipment to support new contracted works.

CASH FLOW AND FUNDING

In September 2022, Aerison increased its existing and secured banking facilities to $51.000 million, increasing 24.4% on 2021.

The sum of our bank guarantees and surety bonds utilised at 31 December 2022 was $28.523 million. As Aerison continues to grow, further external bank guarantee facilities will be required to support future growth.

CHAIR AND CEO's REPORT (CONTINUED)

PEOPLE AND CULTURE

With strong demand expected to continue due to the large number of construction opportunities forecast for coming years, and the continued demand for maintenance services, skilled labour shortages are likely to continue to constrain capacity. Aerison's focus will continue to be on our employee retention, attraction, development, and well-being initiatives. Our investment in market-competitive pay and reward and recognition programs has positioned Aerison to successfully execute its work in hand for 2023 and beyond.

SAFETY AND WELL-BEING

Aerison's Total Recordable Injury Frequency Rate improved 74.0 per cent to 1.0 incidents per million hours worked (2021: 3.8), out-performing industry benchmarks. This improvement has been driven by the roll out of the AERISAFE HSEQ platform which has provided digitally enabled tools to manage frontline safety and transparency in the form of data-driven indicators. Safety and health initiatives, underscored by a commitment to a zero-harm culture and the mental health and well-being of our people, are integral to our safety strategy.

In 2022, Aerison achieved Office of Federal Safety Commissioner Accreditation (OFSCA). The OFSCA not only re-affirms Aerison's commitment to zero-harm culture but enables Aerison to tender for head contracts for infrastructure and defence contracts funded directly or indirectly by the Australian Government, further diversifying Aerison's revenue streams.

OUTLOOK

Despite the macroeconomic challenges currently facing the Australian market, with the threat of a global recession and multidecade-high inflation driven by supply chain issues, Aerison is expecting the resources, energy, and infrastructure sectors to continue to provide the Company with a strong pipeline of tender opportunities in the coming years. Aerison is in a unique position to capitalise on Australia's transition to clean energy, which is gaining momentum despite the market headwinds. Aerison is actively involved with network power providers and critical battery mineral processors and is well placed to continue to provide services related to hybrid renewable power, such as the design and construction of battery energy storage systems and associated electrical control infrastructure.

The long-term outlook for the Australian iron ore industry is strong with the current headwinds expected to ease moving forward, significant levels of sustaining capital and operating expenditure will be needed to sustain high levels of production driving demand. Similarly, maintenance activity is expected to grow steadily on the back of aging assets and customers deferring discretionary works in prior periods.

The Company is mindful of the challenges posed by heightening supply chain risks and an escalating cost environment. In response to these challenges, Aerison will be taking a strategic and targeted approach to new work opportunities, engaging, and collaborating earlier with customers and focusing on earnings quality.

Against this backdrop, and at the date of this Report, the gross pipeline of opportunities available to Aerison continues to track steadily above $5.000 billion. Starting 2023, Aerison has been awarded multiple projects, which included a number of early contractor involvement assignments. Combining this with strong upside potential from active tenders where Aerison is a short-listed candidate, the Company is well placed to continue its growth trajectory with a new wave of projects that will see ramp up over 2023 and into the following years.

On behalf of the Board, we would both like to thank our people for their continued commitment and dedication, and for their ability to successfully navigate a challenging 2022, responding to every challenge and opportunity that arose.

Bronwyn Barnes
Non-Executive Chair
31 March 2023
Perth

Giuseppe Leone
Managing Director and Chief Executive Officer
31 March 2023
Perth

COO's REPORT

The year ended 31 December 2022 presented significant challenges for all businesses, but the disciplined execution of our growth strategy allowed Aerison to deliver safely and on target.

The key projects which underscored our operating activities and financial success for 2022 included:

- **SALINE WATER REVERSE OSMOSIS PLANT**

  Design, supply, and construction of water treatment facilities at the Roy Hill iron ore mine, Western Australia.

- **WESTERN TURNER SYNCLINE TWO SUSTAINING PROJECT**

  Provision of SMPE&I and commissioning support for Rio Tinto at their Western Turner Syncline iron ore mine, Western Australia.

- **ROBE VALLEY SUSTAINING PROJECT**

  Provision of SMPE&I and commissioning support for Rio Tinto at their Mesa J iron ore mine, Western Australia.

- **PIPE RACK MODULES FABRICATION**

  Design, fabrication, and installation of steel pipe rack modules for Covalent Lithium for their Kwinana lithium refinery, Western Australia.

- **PARABURDOO DUST COLLECTORS**

  Design, fabrication, and installation of a screenhouse dust collection and disposal system for Rio Tinto at the Paraburdoo iron ore mine, Western Australia.

- **COMPRESSOR SWITCHROOMS**

  Design, fabrication, and supply of switchrooms for the Jansz-Io Compression Project, Western Australia.

- **COMPRESSOR SWITCHROOMS**

  Design, fabrication, and supply of switchrooms at the Wagerup Alumina Refinery, Western Australia.

- **BATTERY ENERGY STORAGE**

  Design, fabrication, and installation of a battery energy storage system connected to the Wiepa Power Station, Queensland, for EDL Energy.

- **ULTRAFINE IRON RECOVERY**

  Fabrication and installation of pipework as part of the WHIMS plant expansion at the Roy Hill iron ore mine, Western Australia.

- **SHUTDOWNS, ROY HILL**

  Shutdown services to facilitate sustaining capital, routine maintenance and emergency repairs at the Roy Hill iron ore mine, Western Australia.

- **SHUTDOWNS, RIO TINTO**

  Shutdown services to facilitate general and shutdown maintenance activities for Rio Tinto at their West Angelas and Paraburdoo iron ore mines, Western Australia.

COO's REPORT (CONTINUED)

- **SHUTDOWNS, NEWMONT**

  Shutdown services to facilitate general and shutdown maintenance activities at the Boddington gold mine, Western Australia, for Newmont.

- **AIR POLLUTION CONTROL**

  Design, supply, and installation of a toxic fume extraction scrubber system for KCGM at their Fimiston gold mine, Western Australia.

- **TOM PRICE DUST COLLECTORS**

  Design, fabrication, and installation of a screenhouse dust collection and disposal system for Rio Tinto at the Tom Price iron ore mine, Western Australia.

- **TRANSURBAN**

  Supply and installation of air dampers and actuators for the Clem Jones Tunnel, Queensland.

- **METRONET RAILCAR PROGRAM**

  Design, fabrication, and supply of battery boxes as part of the construction of the Perth METRONET railcars for Alstom.

The profile of our key projects delivered in 2022 illustrates our sustained focus on multi-asset mining customers seeking high-quality solutions that are on-budget and delivered safely. Scalable diversification across the energy, iron ore, nickel, lithium, chemical and electrical infrastructure sectors with new customers is an ongoing priority.

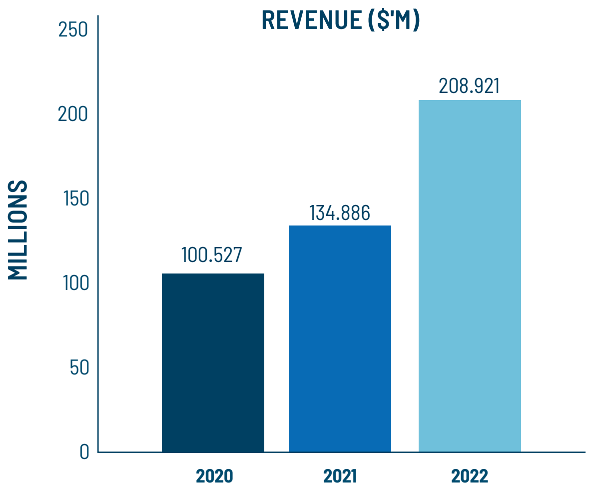
Daniel Hibbs
Chief Operating Officer
31 March 2023
Perth

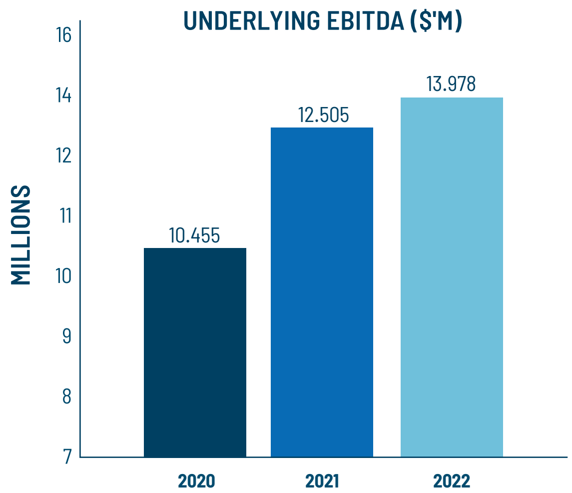
FINANCIAL REVIEW

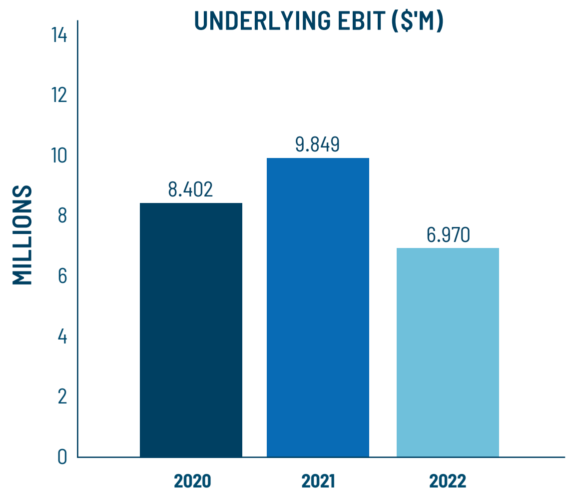
FROM OPERATIONS

	1H22 $'000	2H22 $'000	2022 $'000	2021 $'000
Revenue	102,028	106,893	208,921	134,886
Underlying EBITDA	7,003	6,975	13,978	12,505
Underlying EBIT	5,221	1,749	6,970	9,849
Underlying NPAT	2,187	9,470	11,657	6,048
Statutory NPAT	2,187	(12,895)	(10,708)	5,358

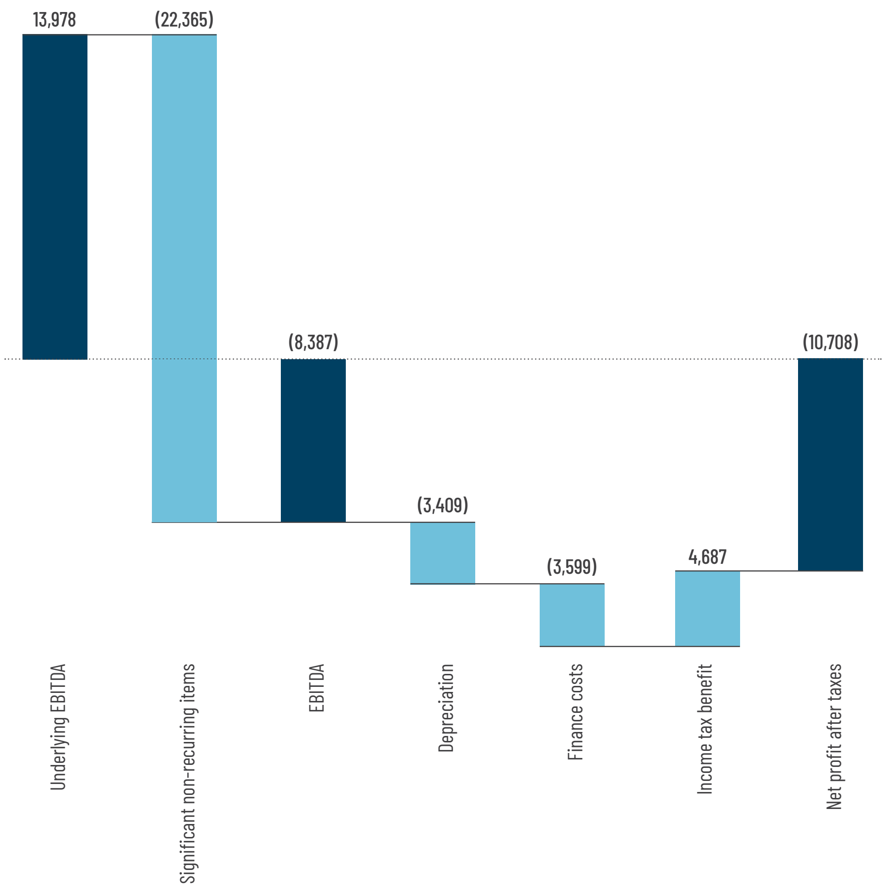
Note: But for revenue and statutory NPAT, these financial measures are not defined under IFRS and are unaudited. These financial measures are derived from the audited financial statements.







FINANCIAL REVIEW (CONTINUED)



PROFIT OR LOSS

Revenue increased by 54.9% to $208.921 million (2021: $134.886 million) for the year ended 31 December 2022.

The significant contracts that contributed to increased revenue include the Saline Water Reverse Osmosis Plant and Ultrafine Iron Recovery projects with Roy Hill, the Western Turner Syncline and Robe Valley Sustaining Capital Works projects with Rio Tinto, the design, fabrication, and installation of steel pipe rack modules at the Kwinana Lithium Refinery with Covalent Lithium. Our construction and maintenance activities under long-term Master Service Agreements at the Western Turner Syncline, Mesa J and Roy Hill iron ore mines also highlights significant sustaining capital and operating expenditure to sustain high iron ore production in the mining and minerals industry.

Underlying EBITDA increased by 11.8% to $13.978 million (2021: $12.505 million) for the year ended 31 December 2022.

Refer to Note 1 for further information on the significant items.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation increased by 28.4% to $3.409 million (2021: $2.656 million) for the year ended 31 December 2022. Capital expenditure of $2.146 million (2021: $1.852 million) on property, plant and equipment and right-of use assets contributed to higher depreciation.

INTEREST

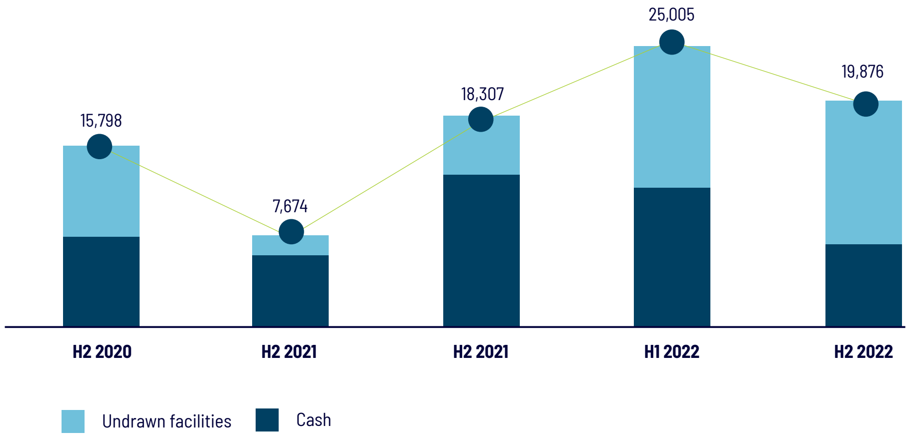
The Group recorded finance costs of $3.599 million (2021: $2.336 million) with the increase due to the utilisation of supply chain finance to extend vendor payment terms and better manage liquidity.

TAXES

The Group reported an income tax benefit of $4.687 million (2021: Income tax expense of $1.292 million) as a consequence of a statutory net loss before taxes.

FINANCIAL REVIEW (CONTINUED)

AVAILABLE LIQUIDITY



BALANCE SHEET

At 31 December 2022, the Group's net tangible assets (NTA) decreased to $14.668 million (2021: $29.947 million). NTA excludes right-of-use assets and deferred tax balances. NTA per share decreased to 4.5 cents per share (2021: 9.8 cents per share).

WORKING CAPITAL

At 31 December 2022 the Group's working capital was $15.346 million (2021: $31.173 million). The decrease in working capital reflects the increase in current borrowings noted below.

NET DEBT

At 31 December 2022, the Group's net debt was $19.391 million (2021: $1.317 million). Net debt comprises cash on hand of $7.027 million (2021: $13.219 million) offset by interest-bearing loans of $26.418 million (2021: $14.536 million).

The movement in net debt is attributed to the Group leveraging its short-term revolving debt facilities to manage the impact of the substantial increase in the scale of operating activities and commercial complexity of larger scale contracts on its working capital. In September 2022, the Group increased its $41.000 million secured banking facilities to $51.000 million.

At 31 December 2022, the Group had available undrawn banking facilities and cash and cash equivalents of $19.876 million (2021: $18.307 million) at its disposal.

CASH FLOWS

OPERATING CASH FLOWS

For the year ended 31 December 2022, cash inflows from operating activities were $16.125 million (2021: cash outflow of $1.647 million). The increase reflects supply chain financed vendor invoices, which are presented as a financing cash outflow.

INVESTING CASH FLOWS

Capital expenditure on plant and equipment was $2.146 million (2021: $1.852 million) for the year ended 31 December 2022. Capital expenditure comprised portable crib rooms, leased industrial property and mobile equipment to support new contracted works.

FINANCING CASH FLOWS

For the year ended 31 December 2022, cash outflows from financing activities were $24.551 million (2021: cash inflows of $9.931 million) and comprise net drawdowns from short-term revolving debt facilities and supply chain financed vendor invoice repayments.

DIVIDENDS

No dividends were declared or paid for the year ended 31 December 2022 (2021: $0.287 million).

RISK MANAGEMENT

Aerison defines risk management as the identification, assessment and management of risks that may materially impact its operations, employees, reputation, and financial performance.

Given the nature of the industries in which the Group operates, multiple risk factors may have a material impact on the Group. Whilst the Board and management proactively manages known risk factors where it is efficient and practicable to do so, there is no guarantee these efforts will be successful.

An overview of material risks facing Aerison are set out below. These risks are not listed in order of importance and are not exhaustive. Rather, these are the most significant risks that, in the opinion of the Board, should be considered and monitored by existing and potential shareholders in the Company. Additional risks which are not presently known, or which are regarded as immaterial or manageable, may also adversely affect the Group's operations.

CONTEXT	RISK	RESPONSE
Climate-related risks	The Group, its customers and its external suppliers may be adversely affected by the physical and transition risks associated with climate change. These risks include, but are not limited to, the reduction to current activity levels of certain sectors, increased Government policy and mandates, increased likelihood of extreme weather events, and supply chain cost escalations. The Group's operations are heavily influenced by the resources sector which may have a negative impact on the environment.	The Group recognises that the ability to respond to the challenges presented by climate risk is critical to our ability to operate sustainably. The Group is uniquely positioned to play a critical role in the environmental transition due to its skills, experience, and technical capabilities. The Group has an industry leading niche environmental services division which is capable of delivering air pollution control solutions, electrical control infrastructure and other air and water solutions that reduce the impact of industry on the environment.
The possibility of health and safety accidents, including life-changing events	The Group's operations are subject to many hazards inherent in construction and maintenance activities. Although the Total Recordable Injury Rate of the Group decreased in 2022, it is possible the Group may experience accidents or fatalities in the future. This could negatively impact the Company's reputation and profitability including the imposition of significant fines, temporary shutdown of operations, or the inability to win new work due to reputational damage.	The Group is committed to zero-harm working conditions for its employees and contractors. The Group supports a safety conscious culture through appropriate training, supervision, and resources to promote and embed safe operating practices throughout the Group. The Group operates an ISO 45001 certified HSE management system, which aims to eliminate hazards and minimise health and safety risks. In 2022, the Group 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.
Labour costs and availability of skilled people	The Group is exposed to increased labour costs and retention constraints in markets where labour demand is strong. Changes to labour laws and regulations may limit productivity and increase labour costs, adversely impacting operating margins.	The Group recognises that its profitability, productivity and ability to effect planned growth initiatives is contingent on its ability to attract and retain skilled and experienced employees. To this end, the Group's remuneration structures are market competitive, comprising annual salary benchmarking and Group wide reward programs. The Group is invested in the training and development and internal promotion of employees, which reduces the need to recruit new employees.

RISK MANAGEMENT (CONTINUED)

CONTEXT	RISK	RESPONSE
Key customers from the resources sector contribute more than 80 per cent to revenue	The Group is primarily influenced by the prospects of the resources sector which is entirely outside of the Group's control. Any future deterioration in the outlook of the resources sector, either due to changes in commodity prices, exchange rates, inflation, or other macro-economic cycles, may adversely impact the Group's financial position or financial performance.	The Group has sought to mitigate reliance on the resources sector as follows: • Pursuing an end-to-end service offering capturing the entire lifecycle of the asset, from front-end engineering and design activities, construction to sustaining maintenance activities. • Pursuing a diversified portfolio of customers operating in different industries. During 2022, the Group had more than 63 different customers (2021: 75). • Leveraging its structural, mechanical and piping, and electrical and instrumentation expertise to cross-sell into new industries, including agriculture, defence and public utilities.
Increased competition from new and existing competitors	The Group operates in a competitive market, where a significant proportion of construction activities is dependent on successful tenders. Despite a strong success rate, there is no assurance that the Group will continue to successfully tender for new contracts against current or future competition.	The Group's demonstrated history of executing contracted works to a high standard, combined with a highly skilled workforce, continues to offer a compelling value proposition to existing and potential customers. This value proposition supports long-term contractual relationships with key customers, illustrated by recurring revenue streams under multiple long-term Master Service Agreements.
Unforeseen delays in the execution of contracted works	The Group operates in harsh conditions and remote locations where environmental events, such as inclement weather, may delay contract performance or result in a complete shutdown of a project for an unknown period of time. This could result in lost revenue or additional costs, which may have a material adverse effect on the Group's financial performance.	The diversity of Group's customers and sites ensure the Group is not heavily leveraged at any one location should an unforeseen shutdown occur. Additionally, the Group works closely with our clients to ensure we understand the issues faced by them and to identify opportunities to minimise such risks.
Contract variations and claims	The nature of construction services gives rise to contract variations for reasons including, but not limited to, excusable delays and scope variations. There is a risk that the Group's claims for contract variations are disputed and not ultimately agreed.	The Group's accounting policy for the determination of the revenue arising from contract variations is the most likely amount which is highly probable of not reversing in a future period. The Group's determination of this amount requires management to exercise significant judgement. At arriving to a position, the Group is informed by experienced General Managers, independent time and cost experts and legal counsel, as appropriate.

RISK MANAGEMENT (CONTINUED)

CONTEXT	RISK	RESPONSE
Tender pricing	The Group is equipped with a skilled workforce when pricing contracts and employs all reasonable efforts to ensure tender pricing reflects the scope of work. Despite this safeguard, there is no assurance that the tender estimate is not reflective of actual work performed, which may cause cost overruns and the ability to maintain existing contracts or win future contracts. Where there is variations to the planned scope during the construction phase, that were not anticipated at the time of tender, it may give rise to claims that are not resolved in the ordinary course of business. These such claims may enter formal dispute and the outcome of these claims may be materially different to the position taken by the Group.	The application of the Group's tender work procurement and approval process maximises the likelihood that tendered margins will be achieved. As part of this process, tender pricing is reviewed by an experienced General Manager, Chief Operating Officer and Managing Director, and any issues that might arise are identified and mitigation plans are implemented. In addition, sustaining capital contracts are ordinarily structured around a schedule of rates with no fixed pricing. The schedule of rates is informed by a demonstrated history of profitable contracts.
Supply chain risk	Aerison procures goods and services that are critical to business operations from a range of suppliers. In the current inflationary environment, goods and services can increase over a certain period of time, negatively impacting the Group's financial performance.	The Group does not enter long-term multi-year contracts. To the extent contracts are ordinarily tendered for and executed within the course of a year, the exposure to inflationary pressures is limited.
Compliance with debt covenants	The Group holds external finance facilities with investment grade financial institutions. A default under external finance facilities may result in the withdrawal of financial support or an increase to the future cost of financing.	Refer to Note 13.
Sexual harassment	Workplace sexual harassment and other forms of reportable misconduct presents a real, ongoing risk to the industries in which the Group operates. The inability to protect our workforce from physical and psychosocial harm may cause reputational damage to the Group and inhibit the ability to attract and retain our workforce and customers.	The Group is focused on building a successful and sustainable business that operates with integrity, fairness and transparency with our people, our clients and our community. The Group has enhanced it's internal communications and training to be clearer and more comprehensive with the roll out of "Acceptable Workplace Behaviour – Know where the line is" policy. This policy acts as a blueprint for our key principles, sets out our commitment to our people and clarifies how we expect our people to behave.

RISK MANAGEMENT (CONTINUED)

CONTEXT	RISK	RESPONSE
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. This risk may arise as a result of customer credit risk, poor project performance or the protracted review, negotiation and settlement of contract modifications.	The Group continuously monitors short and medium term liquidity requirements through rolling thirteen week and twelve month cash flow forecasts and active management of its debt facilities. In addition, the Group has comprehensive insurance programs that provides protection against key risks, loss of assets and customer defaults.
Cyber security and data protection	The growing volume and complexity of cyber-attacks is increasing the risk to the Group's networks. A significant cyber-attack may cause operational interruptions, adversely impacting operational margins or reputational damage through the loss of personal data.	The Group continues to invest in processes and technology to protect our information systems and asset. This investment includes: • Information and security management systems • Segregation and segmentation of networks • Anti-malware and endpoint detection and response detection software • Multi-factor authentication for end-users for multiple software programs • Ongoing security training and awareness materials.

GOVERNANCE

OUR BOARD

BRONWYN BARNES B.A., Grad Dip Bus, GAICD

Independent Non-Executive Chairman

EXPERIENCE AND EXPERTISE:

Ms. Barnes was appointed to the Board on 1 April 2021.

Ms. Barnes has more than three decades of director and senior leadership experience in the resources industry. Ms. Barnes currently holds a number of director roles with ASX listed companies, private companies and Government trading entities.

Ms. Barnes was previously a member of Executive Leadership Team at BHP Nickel West, Deputy Chief Executive Officer of Alliance Mining Commodities Pty Ltd and Executive Chairman of Windward Resources Ltd (ASX: WIN). She has also held a variety of Non-Executive Director roles with MOD Resources Ltd (ASX: WIN), the Geraldton Fisherman's Co-operative, Martu People Limited, Winja Dajarra Barna Limited and as a Committee or Council member of the 500 Club, Curtin University Graduate School of Business Advisory Board and St Mary's Anglican Girls School.

CURRENT DIRECTORSHIPS:

Finder Energy Holdings Limited (ASX: FDR)

Indiana Resources Limited (ASX: IDA)

Scorpion Minerals Limited (ASX: SCN)

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

MOD Resources Limited (ASX: MOD)

Auris Minerals Limited (ASX: AUR)

JC International Group Limited (ASX: JCI)

Perth Racing (West Australian Turf Club)

Synergy (Electrical Generation and Retail Corporation)

Interest in ordinary shares: None

Interest in performance rights: 1,000,000

GIUSEPPE LEONE BCom

Managing Director and Chief Executive Officer

EXPERIENCE AND EXPERTISE:

Mr. Leone was appointed to the Board on 9 September 2016.

Mr. Leone has more than two decades of executive experience in senior leadership roles at multinational listed and private companies across the energy, mining and electrical infrastructure industries in Australia and South-East Asia.

Previously, Mr. Leone was the Chief Financial Officer of Tempo Australia Limited (ASX: TPP) and Chief Financial Officer of Cape PLC (Far East and Pacific Rim). In addition, Leone has also served as a Non-Executive Director of Definitiv Group.

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 87,143,999

Interest in performance rights: 1,500,000

OUR BOARD (CONTINUED)

DANIEL HIBBS

Executive Director and Chief Operating Officer

EXPERIENCE AND EXPERTISE:

Mr. Hibbs was appointed to the Board on 9 September 2016.

Mr. Hibbs has more than two decades of experience in the Australian construction industry, specialising in tendering, risk assessment and project execution.

Previously, Mr. Hibbs was the Chief Operating Officer of Tempo Australia Limited (ASX: TPP). Mr. Hibbs also held roles with Leighton Contractors, John Holland and McFee Construction, a subsidiary of Paladio Group Limited (ASX: PDO).

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 87,121,999

Interest in performance rights: 1,500,000

PETER IANCOV FIEAust, FAIB, FAIM, SMIEEE, MAICD, CSE

Independent Non-Executive Director

EXPERIENCE AND EXPERTISE:

Mr. Iancov was appointed to the Board on 15 April 2021. Mr. Iancov resigned on 15 March 2023.

Mr. Iancov is a qualified engineer with more than three decades of senior leadership experience in the energy, mining, construction, electrical infrastructure and defence industries. Mr. Iancov holds the position of Managing Director of Zinfra Pty Ltd.

Prior to his role at Zinfra Pty Ltd , Mr. Iancov served as the Chief Executive Officer of Doric Group Holdings Pty Ltd where he was instrumental in securing and delivering major contracts and responsible for the management, construction and operation of critical energy infrastructure of assets in excess of $4.3 billion.

Mr. Iancov has also served on the Board as a Non-Executive Director of Valmec Limited, KML Limited, Western Power, Robe River Kuruma Aboriginal Corporation RNTBC, the Southern Ports Authority and ASC Pty Ltd.

CURRENT DIRECTORSHIPS:

CHRONOS Advisory Pty Ltd

Australian Naval Infrastructure Pty Ltd

Zinfra Pty Ltd

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

Electricity Networks Corporation (trading as Western Power)

KML Limited

Valmec Limited (ASX: VMX)

Robe River Kuruma Aboriginal Corporation

Interest in ordinary shares: 88,888

Interest in performance rights: None

OUR BOARD (CONTINUED)

MICHAEL FENNELL BCom
Independent Non-Executive Director

EXPERIENCE AND EXPERTISE:

Mr. Fennell was appointed to the Board on 7 June 2019.

Mr. Fennell has been in the finance and stockbroking industry since 2008 and holds a Bachelor of Commerce in Accounting and Finance from the University of Notre Dame Australia. Specialising as a private client investment adviser, Mr. Fennell works primarily with high-net-worth individuals and institutional clients.

CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS IN THE PREVIOUS THREE YEARS:

None.

Interest in ordinary shares: 100,000

Interest in performance rights: 750,000

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report of Aerison Group Limited (the Company) and its controlled entities (the Group) as at and for the year ended 31 December 2022.

DIRECTORS

The names and details of the Company's directors in office at the date of this report and for the year ended 31 December 2022 are as follows:

NAME	POSITION	TERM AS KMP
B Barnes	Non-Executive Chairman	Full calendar year
P Iancov	Non-Executive Director	Ceased 15 March 2023
M Fennell	Non-Executive Director	Full calendar year
G Leone	Chief Executive Officer	Full calendar year
D Hibbs	Chief Operating Officer	Full calendar year

The qualifications, experience and other details of the directors in office at the date of this report appear on pages 19 and 21 of the 2022 Annual Report.

COMPANY SECRETARY

K GARVEY

K Garvey was appointed Company Secretary for the Company in December 2020. K Garvey has been a practicing lawyer for more than 16 years and holds a Bachelor of Laws and a Bachelor of Arts from the University of Notre Dame.

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings held during the year ended 31 December 2022 and the number of meetings attended by each director.

	BOARD OF DIRECTORS	
	ELIGIBLE TO ATTEND[1]	ATTENDED[2]
B Barnes	9	8
P Iancov	9	9
M Fennell	9	9
G Leone	9	8
D Hibbs	9	8

1. Number of meetings held whilst the director was a member of the Board.
2. Number of meetings attended.

DIRECTORS' SHAREHOLDINGS

The following tables set out each of the directors' interest, direct, indirect or beneficial, in ordinary shares and performance rights of the Company as at the date of this report.

	FULLY PAID ORDINARY SHARES	PERFORMANCE RIGHTS
B Barnes	-	1,000,000
P Iancov[1]	88,888	-
M Fennell	100,000	750,000
G Leone	87,143,999	1,500,000
D Hibbs	87,121,999	1,500,000

1. P Iancov ceased as Non-Executive Director on 15 March 2023.

REMUNERATION REPORT (AUDITED)

The audited Remuneration Report set out on pages 25 to 33 and forms part of this Directors' Report.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

UNISSUED SHARES

At the date of this Directors Report, there were 14,850,000 contingently issuable ordinary shares, comprising performance rights, share rights and share options.

The Remuneration Report sets out further details on performance rights and share rights outstanding for key management personnel.

18,800,000 contingently issuable ordinary shares were exercised during the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

During the year ended 31 December 2022, the principal activities of the Group comprised (1) construction services related to the supply and construct, or engineer, procure and construct of complex infrastructure and (2) routine, preventative, mechanical and electrical maintenance services, including minor sustaining capital works.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs.

DIVIDENDS

There were no dividends declared and paid in respect of fully paid ordinary shares during the year ended 31 December 2022 or declared after 31 December 2022.

REVIEW OF OPERATIONS

A review of the operations of the Group is contained on pages 3 to 13 and forms part of this Directors' Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group in future periods and the expected results of those operations have been included generally in the 2022 Annual Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

In late February 2023, the Group reached a commercial settlement for variations and claims associated with scope changes, extension of time and delay and disruption.

The quantum of the reversal of revenue, which caused a loss for the year ended 31 December 2022, resulted in the Group not achieving its EBITDA and interest coverage debt covenant. Notwithstanding, the terms of the facility with the Commonwealth Bank provided that the facility limits would be restructured at the time of settlement of the abovementioned matter in good faith. This review event is ongoing, with the Commonwealth Bank supporting the Group with an interim bank overdraft of $5.000 million until the facility is fully sized and agreed.

No other matters or circumstances have arisen subsequent to 31 December 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 period.

ENVIRONMENTAL REGULATIONS

The operations of the Group are subject to environmental regulations under Western Australian and Commonwealth law. There were no significant known breaches of any environmental regulations to which the Group is subject.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified its directors for costs incurred, in their capacity as a non-executive or executive director, for which they may be held personally liable, except where there is a lack of good faith.

For the year ended 31 December 2022, the Company paid a premium to insure directors of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The insurance contract prohibits disclosure of the nature of the liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITOR

RSM Australia continues in office as the external auditor of the Group in accordance with section 327 of the *Corporations Act 2001*.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM Australia during or since the year ended 31 December 2022.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, RSM Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the non-audit services do not comprise auditor independence for the following reasons:

- Non-audit services were reviewed and approved by the Board to ensure the integrity and objectivity of the auditor was maintained.
- None of the non-audit services undermine the general principles relating to auditor independence set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professionals and Ethical Standard Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity, acting as an advocate, or jointly sharing economic risks and rewards.
- The procurement of computer equipment and software includes the purchase price of hardware, such as laptops, and software, such as license fees, that RSM Australia sourced under the direction of and on behalf of the Group. As a consequence, the materiality of the procurement of computer, equipment and software expenditure did not create a self-interest threat.

RSM Australia received or are due to receive the following amounts for the provision of non-audit services for the year ended 31 December 2022:

	$
Audit and review of the financial statements	193,000
Taxation services	86,121
Information technology shared services	229,923
Procurement of computer equipment and software	514,412
	1,023,456

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

ROUNDING OF AMOUNTS

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

This report is made in accordance with a resolution of the directors pursuant to section 298(2)(a) of the *Corporations Act 2001*.

B Barnes
Non-Executive Chair
31 March 2023
Perth

REMUNERATION REPORT – AUDITED

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

1. OVERVIEW

The Directors of Aerison Group Limited (the Company or the Parent) present the Remuneration Report (the Report) for the Company and its subsidiaries (the Group) for the year ended 31 December 2022. This Report forms part of the Directors' Report and was audited in accordance with section 300A of the *Corporations Act 2001*.

This Report details the remuneration arrangements of Key Management Personnel (KMP) of the Group, comprising Non-Executive Directors (NED) and the Executive Leadership Team (ELT).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and the Group.

KMP of the Group and their movements during 2022 are set out below:

NAME	POSITION	TERM AS KMP
Non-Executive Directors		
B Barnes	Non-Executive Chairman	Full calendar year
P Iancov	Non-Executive Director	Ceased 15 March 2023
M Fennell	Non-Executive Director	Full calendar year
Executive Leadership Team		
G Leone	Chief Executive Officer (CEO)	Full calendar year
D Hibbs	Chief Operating Officer (COO)	Full calendar year
M Baxter	Chief Financial Officer (CFO)	Appointed 2 May 2022
A Bell	Chief Financial Officer (CFO)	Ceased 2 May 2022

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2. OVERVIEW OF EXECUTIVE REMUNERATION

EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

The Group's remuneration policy ensures the ELT are rewarded fairly and responsibly. The Group's remuneration policy is premised on the principles set out below:

- Remuneration levels are set at a level to attract, retain and incentivise the calibre of executives required to execute its strategic objectives effectively and manage the Group's operations.
- Total fixed remuneration is structured to best reflect the executives' duties and responsibilities.
- Remuneration packages are structured to promote the creation of shareholder value by aligning shareholder and executive interests.
- The Company engages external remuneration advisors to ensure competitive positioning of remuneration packages relative to prevailing market conditions.

The remuneration package offered to the ELT comprises two components:

- A market-competitive total fixed remuneration (TFR).
- A long-term incentive (LTI) dependent on the performance of the Group across multiple years.

Each element of remuneration is discussed in turn.

ELEMENTS OF REMUNERATION – TOTAL FIXED REMUNERATION

TFR comprises cash, superannuation and non-monetary benefits. Non-monetary benefits comprise allowances to allow the executive of effectively discharge their duties and includes the provision of motor vehicles, plus related incidentals, and mobile phones.

The determination of TFR takes into consideration the scope of the executive's role, their skills, experience and qualifications, and individual performance.

ELEMENTS OF REMUNERATION – LONG-TERM INCENTIVES

The LTI offered to the ELT comprises performance rights and share rights issued under the Aerison Equity Plan (collectively, the Rights). The Rights may vest into fully paid ordinary shares in the Company for no consideration, subject to the achievement of a total shareholder return performance condition and/or a continuous employment service condition.

The purpose of the LTI is to attract and retain the highest calibre of credentialed executives to drive sustained increases in shareholder wealth over the long-term, whilst preserving cash on hand. In doing so, the LTI aligns shareholder and executive interests to the creation of shareholder value.

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2. OVERVIEW OF EXECUTIVE REMUNERATION (CONTINUED)

ELEMENTS OF REMUNERATION – LONG-TERM INCENTIVES (CONTINUED)

The LTI was approved by shareholders at the Extraordinary General Meeting on 29 October 2021.

Key terms and conditions of the Rights awarded during 2022 and 2021 are tabulated below:

	AERISON EQUITY PLAN	DIRECTORS' PERFORMANCE RIGHTS
Participants	Chief Financial Officer	Chief Executive Officer, Chief Operating Officer and Non-Executive Directors
Performance condition	Continuous employment with the Group for no less than 24 months from 12 July 2021.	Total Shareholder Return, measured as the first occasion the 20-day VWAP increases to $0.35 or more within 24 months of 26 November 2021.
Basis for performance condition	To assist in the reward, retention and motivation of the participant.	Total Shareholder Return focuses KMP on shareholder value creation and is widely accepted and understood by shareholders.
Resignation	If the KMP resigns or is terminated for cause, any unvested Rights are forfeited, unless otherwise determined by the Board. The treatment of vested and unexercised Rights will be determined by the Board with reference to the circumstances of the cessation of employment.	
Change of control	If a change of control occurs in relation to the Company, the Board may exercise discretion as to whether any Rights on issue will vest, in full or part thereof, and irrespective of whether the conditions attached to the Rights were satisfied.	
Dividend and voting rights	The Rights do not hold any dividend or voting rights. Ordinary shares allocated on vesting of the Rights rank equally with other ordinary shares on issue.	

EXECUTIVE EMPLOYMENT SERVICE AGREEMENTS

Each KMP has entered into an employment contract with the Company which is ongoing and has no fixed termination date. However, these contracts may be terminated by notice of either party.

Key terms of employment contracts for the current ELT are set out below:

	TFR ($)	NOTICE PERIOD TO TERMINATE	TERMINATION PAYMENTS
G Leone	548,430	12 months' notice by either party or party in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements, plus any unvested performance rights or share rights held by the executive lapses upon termination or resignation, unless the Board in its discretion determines otherwise.
D Hibbs	548,430		
M Baxter	306,110	3 months' notice by either party or party in lieu, except in certain circumstances such as misconduct where no notice period applies.	

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2. OVERVIEW OF EXECUTIVE REMUNERATION (CONTINUED)

OVERVIEW OF COMPANY PERFORMANCE

The table below illustrates measures of the Group's financial performance and shareholder wealth for the past five years, up to and including 2022, as required under the *Corporations Act 2001*:

$'000	2022	2021	2020	2019	2018
Revenue	208,921	134,886	100,527	80,058	50,485
EBITDA	(8,387)	11,519	10,455	9,134	3,549
Net (loss)/profit before taxes	(15,395)	6,650	6,708	5,913	2,036
Net (loss)/profit after taxes	(10,708)	5,358	5,059	4,115	1,256
Total shareholder return	(12.5%)	-	N/A	N/A	N/A
Basic EPS (cps)	(3.48)	1.96	N/A	N/A	N/A
Closing share price ($)	0.175	0.20	N/A	N/A	N/A

3. OVERVIEW OF NON-EXECUTIVE REMUNERATION

The Company's NED fee policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of strong governance and oversight, independence and objectivity. NEDs receive fixed fees and participate in performance incentive awards. NED fees reflect the demand and responsibilities of the directors.

BOARD FEES

Board fees payable to NEDs for 2022, exclusive of superannuation, are set out below:

	$
Chair	80,000
NED	48,000

NEDs may also be reimbursed for expenses reasonably incurred in attending to the affairs of the Group. The Board has confirmed there will be no increases in Board fees for 2023.

MAXIMUM AGGREGATED NED FEE POOL

NED fees are determined within an aggregate NED fee pool limit, which was initially established under the Company's Constitution and periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is $250,000 for any calendar year.

The Board will not seek to increase the aggregate NED fee pool limit at the 2022 AGM.

PERFORMANCE RIGHTS

The Company's NEDs participate in performance incentive awards, which is separately described in Section 2 "Overview of Executive Remuneration".

4. REMUNERATION GOVERNANCE

The Company does not have a separate Nomination and Remuneration Committee. Instead, ELT and NED remuneration is reviewed by the Board, without the affected member participating in the review process. The Board may also consider advice concerning the remuneration mix and quantum from external advisors when undertaking this review. A Nomination and Remuneration Committee will be created when the Company's activities are of the scale that a separate Nomination and Remuneration Committee is warranted.

USE OF REMUNERATION ADVISORS

During 2022, the Company did not engage the services of a remuneration consultant in respect of its remuneration matters.

CLAWBACK OF REMUNERATION

In the event of serious misconduct, the Board has the discretion to cancel unvested or vested and unexercised share rights and performance rights.

SHARE TRADING POLICY

The Group's Securities Trading Policy applies to all KMPs. The policy prohibits a KMP from dealing in AE1 securities while in possession of material non-public information relevant to the Group.

In addition, KMPs must not enter into any hedging arrangements over unvested share rights or performance rights. The Group would consider a breach of this policy as gross misconduct, which may lead to disciplinary action and dismissal.

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5. STATUTORY REMUNERATION

Details of the nature and value of each major element of remuneration provided to KMPs of the Group during 2022 are set out below:

		SHORT-TERM BENEFITS[1]		LONG-TERM BENEFITS[4]	OTHER BENEFITS	POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		
		SALARIES AND FEES $	NON-MONETARY BENEFITS[2] $	LEAVE ENTITLEMENTS $	TERMINATION PAYMENT $	SUPERANNUATION $	PERFORMANCE AND SHARE RIGHTS[5] $	TOTAL REMUNERATION $	PERFORMANCE RELATED %
Non-Executive Directors									
B Barnes	**2022**	**80,000**	**-**	**-**	-	**8,200**	**37,750**	**125,950**	**30%**
	2021	55,982	-	-	-	5,518	21,408	82,908	26%
P Iancov	**2022**	**48,000**	**-**	**-**	-	**4,920**	**28,312**	**81,232**	**35%**
	2021	30,000	-	-	-	3,051	16,057	49,108	33%
M Fennell	**2022**	**48,000**	**-**	**-**	-	**4,920**	**28,312**	**81,232**	**35%**
	2021	22,600	-	-	-	2,260	16,057	40,917	39%
Executive Leadership Team									
G Leone	**2022**	**494,000**	**30,000**	**61,347**	-	**24,430**	**56,625**	**666,402**	**8%**
	2021	494,000	30,000	33,178	-	25,000	32,112	614,290	5%
D Hibbs	**2022**	**494,000**	**30,000**	**61,347**	-	**24,430**	**56,625**	**666,402**	**8%**
	2021	494,000	30,000	33,178	-	25,000	32,112	614,290	5%
M Baxter[3]	**2022**	**132,564**	**1,171**	**11,668**	**-**	**13,756**	**2,831**	**161,990**	**2%**
A Bell[6]	**2022**	**120,000**	**560**	**10,562**	**97,114**	**8,892**	**(1,965)**	**235,163**	**(1%)**
	2021	255,944	1,325	15,049	-	17,208	1,965	291,491	1%

1. There were no short-term incentives, such as discretionary cash bonuses, paid or payable to KMPs for the years ended 31 December 2022 and 2021.
2. Non-monetary benefits includes the cost to the Group for providing allowances, such as mobile phones, vehicles and vehicle related incidentals.
3. M Baxter was appointed as Chief Financial Officer on 2 May 2022. Amounts disclosed are for period from 2 May 2022 to 31 December 2022.
4. Long-term benefits include the accrual in leave entitlements, comprising annual leave and long service leave, for each KMP and was calculated under AASB 119 *Employee Benefits*.
5. The value of share-based payments represents the grant date fair value of performance rights and share rights recognised to date across the related vesting period and was calculated under AASB 2 *Share-based Payments*.
6. A Bell ceased employment as Chief Financial Officer on 2 May 2022. Termination payments comprises salaries, superannuation and leave entitlements across a 12 week notice period. The negative share-based payment expense is due to share rights lapsed.

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SHARE-BASED COMPENSATION

The table below details the fair value and vesting profiles of performance rights and share rights in the Company and held by KMP, directly, indirectly or beneficially, including their related parties, as of 31 December 2022:

		AWARD DATE	NUMBER AWARDED	FAIR VALUE AT AWARD DATE ($/RIGHT)[1]	VESTING DATE	EXERCISE PRICE	EXPIRY DATE	TOTAL VALUE GRANTED $[2]	TOTAL VALUE EXERCISED $[3]
B Barnes	2021	29/10/21	1,000,000	$0.0970	29/10/23	Nil	29/10/28	97,000	-
P Iancov	2021	29/10/21	750,000	$0.0970	29/10/23	Nil	29/10/28	72,750	-
M Fennell	2021	29/10/21	750,000	$0.0970	29/10/23	Nil	29/10/28	72,750	-
G Leone	2021	29/10/21	1,500,000	$0.0970	29/10/23	Nil	29/10/28	145,500	-
	2020	28/07/20	250,000	$0.1990	12/07/21	Nil	17/10/22	49,075	1,181,250
D Hibbs	2021	29/10/21	1,500,000	$0.0970	29/10/23	Nil	29/10/28	145,500	-
	2020	28/07/20	250,000	$0.1990	12/07/21	Nil	17/10/22	49,075	1,181,250
M Baxter	**2022**	**20/12/22**	**300,000**	**$0.1750**	**12/07/23**	**Nil**	**12/07/23**	**52,500**	**-**
A Bel[4]	2021	10/12/21	300,000	$0.1850	12/07/23	Nil	12/07/23	55,500	-

1. The fair value of performance rights issued under the Director Incentive Plan was amended from $0.1585 to $0.0907 per right to correct for an error in their valuation.
2. The value at grant date calculated in accordance with AASB 2 *Shared-based Payments* of the Rights granted during the year as part of remuneration.
3. The value at the exercise date of the Rights which were exercised during the year was determined as the intrinsic value of the Rights at that date.
4. A Bell ceased employment as Chief Financial Officer on 2 May 2022. The 300,000 share rights that was granted as part of his remuneration in 2021 were forfeited.

REMUNERATION REPORT – AUDITED (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7. EQUITY INSTRUMENTS

The number of shares in the Company held directly, indirectly or beneficially during the year by each KMP of the Group, including their related parties, are set out below. There were no shares granted to any KMP during the year as compensation.

	BALANCE AT 31 DECEMBER 2021	RECEIVED ON EXERCISE OF RIGHTS[1]	PURCHASE OF SHARES	NET CHANGE OTHER	BALANCE AT 31 DECEMBER 2022
B Barnes	-	-	-	-	-
P Iancov	-	-	88,888	-	88,888
M Fennell	75,000	-	25,000	-	100,000
D Hibbs	78,143,999	8,750,000	228,000	-	87,121,999
G Leone	78,143,999	8,750,000	250,000	-	87,143,999
M Baxter	-	-	-	-	-
A Bell	-	-	-	-	-

The number of performance or share rights held directly, indirectly or beneficially during the year by each KMP of the Group, including their related parties is set out below:

	BALANCE AT 31 DECEMBER 2021	GRANTED IN THE YEAR	LAPSED IN THE YEAR	NET CHANGE OTHER[1]	BALANCE AT 31 DECEMBER 2022	VESTED AND EXERCISABLE	VESTED BUT NOT EXERCISABLE
B Barnes	1,000,000	-	-	-	1,000,000	-	-
P Ivanov	750,000	-	-	-	750,000	-	-
M Fennell	750,000	-	-	-	750,000	-	-
G Leone	10,250,000	-	-	(8,750,000)	1,500,000	-	-
D Hibbs	10,250,000	-	-	(8,750,000)	1,500,000	-	-
M Baxter	-	300,000	-	-	300,000	-	-
A Bell	300,000	-	(300,000)[2]	-	-	-	-

1. In a prior period, 17,500,000 Guarantor Rights were issued to the spouses of G. Leone and D. Hibbs in the return for providing unlimited personal guarantees in favour of Export Finance Australia. The Guarantor Performance Rights vested on admission of the Company to the ASX on 12 July 2021. On 4 November 2022, the Guarantor Performance Rights were exercised into fully paid ordinary shares for nil consideration.
2. A Bell ceased employment as Chief Financial Officer on 2 May 2022. The 300,000 share rights that was granted as part of his remuneration in 2021 were forfeited.

8. OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

Details of other transactions with KMPs, including their related parties, and amounts outstanding at 31 December 2022 are listed below:

- On 1 November 2021, the Group entered into a Surety Bond Agreement (the Agreement) with Asset Insure Pty Ltd as agent for Swiss Re. A condition of the Agreement required both the CEO and COO to provide unlimited personal guarantees in favour of Asset Insure.

  The Board determined that it was appropriate for the CEO and COO to be compensated an amount equal to 0.8% per annum of the face value of the bond issued for the duration for which the unlimited personal guarantees were provided. For the year ended 31 December 2022, an amount of $245,416 (2021: $23,110) was expensed to finance costs in profit or loss in consideration for the provision of the unlimited personal guarantees by the CEO and COO. At 31 December 2022, $25,955 (2021: $23,110) was presented as a current liability payable to the CEO and COO.

- During 2022, $60,000 was expensed to profit or loss in consideration of the provision of other executive services by M. Fennell prior to the Company's Initial Public Offering in July 2021. At 31 December 2022, nil was payable to M. Fennell.

RSM

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Aerison Group Limited for the year ended 31 December 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM
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AWhyte

Perth, WA
Dated: 31 March 2023

ALASDAIR WHYTE
Partner

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 $'000	2021 $'000
Revenue	3	**208,921**	**134,886**
Other income	4	657	-
Expenses			
Construction and material costs		(112,979)	(52,657)
Employee benefits expense	5	(93,469)	(63,827)
Depreciation and amortisation	5	(3,409)	(2,656)
Other expenses	5	(11,517)	(6,760)
Operating (loss)/profit		**(11,796)**	**8,986**
Finance costs	5	(3,599)	(2,336)
(Loss)/profit before income taxes		**(15,395)**	**6,650**
Income tax benefit/(expense)	6	4,687	(1,292)
(Loss)/profit after income taxes		**(10,708)**	**5,358**
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(10,708)**	**5,358**
Earnings per share attributable to equity holders of AE1			
Basic (loss)/earnings per share (cent)	17	**(3.48)**	**1.96**
Diluted (loss)/earnings per share (cent)	17	**(3.48)**	**1.75**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	7,027	13,219
Trade and other receivables	8	71,451	64,718
Inventories		869	54
Total current assets		**79,347**	**77,991**
Non-current assets			
Deferred tax assets	6	4,292	-
Trade and other receivables	8	94	174
Property, plant and equipment	9	2,978	2,591
Right-of-use assets	10	4,610	4,672
Total non-current assets		**11,974**	**7,437**
TOTAL ASSETS		**91,321**	**85,428**
LIABILITIES			
Current liabilities			
Lease liabilities	10	1,632	1,315
Trade and other payables	11	33,033	28,464
Employee benefits	12	2,918	2,503
Borrowings	13	26,418	14,536
Total current liabilities		**64,001**	**46,818**
Non-current liabilities			
Lease liabilities	10	3,537	3,862
Employee benefits	12	213	129
Deferred tax liability	6	–	838
Total non-current liabilities		**3,750**	**4,829**
TOTAL LIABILITIES		**67,751**	**51,647**
NET ASSETS		**23,570**	**33,781**

	NOTE	2022 $'000	2021 $'000
EQUITY			
Issued capital	14	13,496	13,496
Reserves	15	981	608
Accumulated surplus		9,093	19,677
TOTAL EQUITY		**23,570**	**33,781**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 $'000	2021 $'000
Receipts from customers		192,392	109,206
Payments to suppliers and contractors		(82,748)	(44,476)
Payments to employees		(90,394)	(62,221)
Finance costs paid		(3,402)	(3,140)
Income taxes refunded / (paid)		277	(1,016)
Cash flows from / (used in) operating activities	7	**16,125**	**(1,647)**
Payments for plant and equipment		(2,146)	(1,852)
Proceeds from sale of plant and equipment		29	310
Cash flows used in investing activities		**(2,117)**	**(1,542)**
Proceeds from issue of ordinary shares		-	7,500
Purchase of treasury shares		(120)	(120)
Net (repayments) / proceeds from revolving banking facilities	13	(22,822)	5,695
Payment of lease liabilities	13	(1,609)	(1,096)
Share issue costs paid		-	(1,761)
Dividends paid	16	-	(287)
Cash flows (used in) / from financing activities		**(24,551)**	**9,931**
Movement in cash and cash equivalents		(10,543)	6,742
Opening cash and cash equivalents	7	13,219	6,477
Closing cash and cash equivalents	7	**2,676**	**13,219**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	ISSUED CAPITAL $'000	SHARE BASED PAYMENT RESERVE $'000	TREASURY RESERVE $'000	ACCUMULATED SURPLUS $'000	TOTAL EQUITY $'000
Balance at 1 January 2022		13,496	728	(120)	19,677	33,781
Net loss after taxes		-	-	-	(10,708)	(10,708)
Other comprehensive income, net of taxes		-	-	-	-	-
Total comprehensive loss for the period		**-**	-	**-**	**(10,708)**	**(10,708)**
Issuance of treasury shares		-	(216)	216	-	-
Treasury shares purchased for incentive plans		-	-	(120)	-	(120)
Transfer of vested share rights to accumulated surplus		-	(124)	-	124	-
Share-based payment expense	18	-	617	-	-	617
Balance at 31 December 2022		**13,496**	**1,005**	**(24)**	**9,093**	**23,570**
Balance at 1 January 2021		3,329	100	-	14,606	18,035
Net profit after taxes		-	-	-	5,358	5,358
Other comprehensive income, net of taxes		-	-	-	-	-
Total comprehensive income for the period		-	-	-	**5,358**	**5,358**
Conversion of convertible notes to equity		3,900	-	-	-	3,900
Issue of fully paid ordinary shares	14	7,500	-	-	-	7,500
Transaction costs arising on share issue	14	(1,233)	-	-	-	(1,233)
Treasury shares purchased for incentive plans		-	-	(120)	-	(120)
Dividends	16	-	-	-	(287)	(287)
Share-based payment expense	18	-	628	-	-	628
Balance at 31 December 2021		**13,496**	**728**	**(120)**	**19,677**	**33,781**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

ABOUT THIS REPORT

Aerison Group Limited (the Company or the Parent) 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 Company and its subsidiaries (the Group) is described in the "Aerison and Our Operations" section on pages 3 to 17.

The consolidated financial report of the Group for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 31 March 2023. The Directors have the power to amend and re-issue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB),
- has been prepared on a historical cost basis, unless otherwise stated,
- is presented with values rounded to the nearest thousand dollars ($'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated,
- is presented in Australian dollars, which is the functional currency of the Group. The Group does not have any foreign operations, being entities of the Group 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 2021,
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective, unless otherwise stated.

SIGNIFICANT ESTIMATES OR JUDGEMENTS

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

Significant judgements, estimates and assumptions which are material to the financial statements are found in the following notes:

PAGE	NOTE	SIGNIFICANT ESTIMATE OR JUDGEMENT
44	Note 3	Revenue recognition
54	Note 10	Lease term and discount rate
56	Note 12	Valuation of the provision for long service leave
57	Note 13	Fair value hierarchy
59	Note 13	Valuation of the provision for expected credit losses

Estimates are designated by a symbol in the notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are disclosed within each of the applicable notes to the financial statements.

Accounting policies are designated with a symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION (CONTINUED)

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $10.708 million. While having cash and cash equivalents of $7.027 million , net assets of $23.570 million , and current assets which exceeded current liabilities by $15.346 million at the time of reporting, the Group must take several steps to maintain its working capital needs. These steps include raising funds by carrying out an equity or debt transaction, optimising corporate overhead costs, securing the ongoing support from the Commonwealth Bank of Australia for its primary banking facilities, and receiving the continued support from trade creditors for extended credit terms.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- the continued support from the Commonwealth Bank of Australia with respect to its primary banking facilities on conclusion of its review. Refer to Note 13.
- the finalisation of the contract modification consideration referenced in Note 1 to this financial report.
- to undertake an equity or debt transaction to better support its working capital requirements. The Group is consulting with external advisors in this regard.
- the optimisation of overhead costs through the restructure of internal business units.
- the continued support of trade creditors in respect of extended credit terms to execute current construction works.

On this basis, the Directors prepared a cash flow forecast which indicates that the Group will have sufficient cashflows to satisfy its commitments and working capital requirement for the twelve months from the date of releasing the financial report. Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION (CONTINUED)

SIGNIFICANT ITEMS

Subsequent to 31 December 2022, the Group reached commercial settlements with customers for variations and claims associated with scope changes, extension of time and delay and disruption. The impact is reflected as reversals to revenue in profit or loss for the year ended 31 December 2022.

In addition, significant items include external legal fees and independent time and cost expert costs of $4.062 million. These costs are included in other expenses in profit or loss for the year ended 31 December 2022.

CONTRACT MODIFICATIONS

In a prior period, the Group entered into a tender period for early contractor involvement (ECI) for the preliminary design a plant. On completion of the ECI, the Group was awarded an EPC contract for the design and construction of the plant.

In consultation with the customer, hazard and operability studies, operational and engineering improvements were identified post ECI. Engineering changes from the initial ECI process to the actual plant design were approved by the customer. Items of significant change include, but are not limited to:

- additional earth works to cater for a 100-year flood event
- elimination of all underground piping services
- upgrade valve specifications to accommodate water quality
- additional storage facilities
- modifications to existing facilities to achieve water quantity for commissioning
- increased sizing of pumps
- additional switchrooms and associated infrastructure, such as concrete works

These changes significantly increased the complexity and sequencing of construction activities. Materials and labour required to execute works under construction also increased. The Group is in the process of agreeing contract modifications consideration with the customer arising from these variations. The corresponding change in price has not yet been finalised but is expected prior to practical completion.

The finalisation of the contract modifications may materially impact the financial performance of the Group.

NOTE 2 – SEGMENT DISCLOSURES

The Group's segments are organised and managed separately according to the nature of the service provided, with each segment representing a strategic business unit of the Group. The Executive Leadership Team ("the Chief Operating Decision Maker"), comprising the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, monitor the operating results of the business units separately for the purpose of resource allocation and performance assessment. Assets, liabilities, depreciation and amortisation and net finance costs are managed on a consolidated basis.

OPERATING SEGMENTS

The operating segments of the Group, including the nature of services provided, are as follows:

- **Specialist Projects and Engineering and Asset Projects**
  Specialist Projects and Engineering and Asset Projects operations comprises supply and construct, or engineer, procure and construct services for customers involved in the construction of complex infrastructure. Examples of contracted works include switchrooms, dust collectors, gas scrubbers, conveyor belts and saline water reverse osmosis plants.
- **Asset Services**
  Asset Services renders routine and preventative, mechanical and electrical maintenance services, including minor sustaining capital works. Asset Services specialises in the maintenance of chutes, bins, conveyors and material handling equipment on mine sites.
- **Eliminations and Other**
  Other includes central support functions, such as treasury and human resources, and other corporate expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

AGGREGATION OF OPERATING SEGMENTS

The Specialist Projects and Engineering and Asset Projects operating segments were aggregated into a single "Construction Services" reportable segment.

In aggregating the two operating segments into one reportable segment, the Group concluded that the Specialist Projects and Engineering and Asset Projects operating segments exhibit similar long-term economic characteristics, such as gross profit margins. In support of this view:

- The nature of construction activities is weighted to the execution of structural, mechanical and piping or electrical and instrumentation works.
- The majority of revenues from construction services are generated from the same customers, comprising listed Australian mining companies with market capitalisations exceeding $5 billion.
- Operating risks arising from construction contracts are similar, such as the availability of blue-collar labour, health and safety hazards, subcontractor defaults and customer change orders (e.g. excusable delays and scope variations).
- The execution of construction activities operates under the same regulatory environment, including independently accredited quality management systems and enterprise awards.

	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	**199,059**	**126,124**	**9,862**	**8,762**	**-**	**-**	**208,921**	**134,886**
Segment EBITDA	**4,860**	**24,014**	**1,041**	**291**	**(14,288)**	**(11,677)**	**(8,387)**	**12,628**
Initial public offering costs							-	(986)
Depreciation and amortisation							(3,409)	(2,656)
Net finance costs							(3,599)	(2,336)
(Loss)/profit before income taxes							**(15,395)**	**6,650**
Capital expenditure	1,807	1,532	27	-	302	341	2,136	1,873

NOTE 3 – REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the performance obligations are satisfied (partially or in full) and revenue may be reliably measured, regardless of whether payment is received. Revenue is measured at the fair value of the consideration received or receivable.

CONSTRUCTION REVENUE

The Group generates revenue from the construction of complex infrastructure in Australia. The supply and construction, or engineer, procurement and construction, of each project is ordinarily taken as one performance obligation to the extent that contracted activities either creates or enhances an asset that the customer controls as the asset is created or enhanced. As a result, construction revenue is recognised over time with regard to the stage of completion of the contract.

MAINTENANCE REVENUE

The Group generates revenue from the provision of maintenance services, including minor sustaining capital works, in Australia. Maintenance services is taken as one performance obligation to the extent that the customer simultaneously receives and consumes the benefits of the contracted activities as maintenance works are executed. Maintenance revenue is recognised over time with reference to the stage of completion of the contract.

	2022 $'000	2021 $'000
Disaggregation of revenue by service		
Construction revenue	199,059	126,124
Maintenance revenue	9,862	8,762
Revenue	**208,921**	**134,886**
Disaggregation of revenue by contract		
Lump sum	127,677	80,524
Schedule of rates	81,244	54,362
Revenue	**208,921**	**134,886**

MAJOR CUSTOMERS

Revenue from two customers, which individually contributed at least 10 per cent to total revenue, amounted to $173.013 million (2021: Three customers for $105.858 million). 97 per cent (2021: 100%) of this revenue was attributed to the Construction Services reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – REVENUE (CONTINUED)

KEY ESTIMATES AND JUDGEMENTS: REVENUE RECOGNITION

STAGE OF COMPLETION

Determining the stage of completion of a contract requires an estimate of actual costs incurred to date as a percentage of total estimated contract costs.

VARIABLE CONSIDERATION

Variable consideration comprises performance bonuses and penalties, variations, claims and contract modifications. Where consideration in respect of a contract is variable, the "expected value" or "most likely amount" of revenue is only recognised to the extent that it is highly probable that it will not result in a significant reversal of revenue in future periods.

For construction and maintenance contracts, revenue from variations and claims is recognised to the extent it is approved or enforceable under the contract. In making this assessment, the Group considers factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations or the historical outcome of similar claims to determine whether the enforceable and "highly probable" threshold has been met.

Revenue in relation to modifications, such as a change in the scope of the contract, is brought to account when it is approved by the parties to the contract or the modification is enforceable and the amount becomes highly probable. Modifications may be recognised when client instruction has been received in line with customary business practice for the customer.

NOTE 4 – OTHER INCOME

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.

	2022 $'000	2021 $'000
Research and development tax incentives	657	-
Other income	**657**	**-**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – EXPENSES

	2022 $'000	2021 $'000
Remuneration, bonuses and on-costs	87,106	60,203
Superannuation	5,746	3,453
Share-based payment expense	617	171
Employee benefits expense	**93,469**	**63,827**
Depreciation of property, plant and equipment	1,743	1,540
Depreciation of right-of-use assets	1,666	1,116
Depreciation and amortisation	**3,409**	**2,656**
Insurance	2,201	1,583
Consultants and legal services	5,455	1,120
Initial Public Offering costs	-	986
Occupancy outgoings and utilities	990	854
Fringe benefit taxes	494	-
Information technology costs	1,305	799
(Gain)/loss on disposal of plant and equipment	(13)	214
Other	1,085	1,204
Other expenses	**11,517**	**6,760**
Interest expense on borrowings	2,252	1,862
Interest expense on bank guarantees	446	126
Interest expense on lease liabilities	262	271
Amortisation of prepaid borrowing costs	639	77
Finance costs	**3,599**	**2,336**

EMPLOYEE BENEFITS EXPENSE

The Group's accounting policy for liabilities associated with employee benefits and share-based payments is set out in notes 12 and 18, respectively.

All employees of the Group are party to a defined contribution superannuation scheme and receive fixed contributions from the Group. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

DEPRECIATION AND AMORTISATION

The Group's accounting policy for depreciation on property, plant and equipment and right-of-use assets is set out in notes 9 and 10, respectively.

INITIAL PUBLIC OFFERING COSTS

The costs of an initial public offering (IPO) which involve both the issue of new ordinary shares and a stock market listing on the ASX are accounted for as follows:

- incremental costs that are directly attributable to issuing new shares are deducted from issued capital, net of any income tax benefit, or
- costs that relate to the initial public offering, or are otherwise not incremental and directly attributable to issuing new shares, are expensed to profit or loss.

Costs that relate to both the issue of ordinary shares and the IPO are allocated between those functions on a rational and consistent basis.

On 12 July 2021, the ordinary shares of the Company were admitted for quotation on the ASX. IPO costs were assigned as a deduction to issued capital or profit or loss based on the proportion of new and existing ordinary shares offered to subscribers of the IPO.

FINANCE COSTS

Finance costs comprises interest expense on borrowings and leases. Finance costs are recognised as an expense in the period in which those costs are incurred. Fees paid on the establishment of banking and bonding facilities are recognised as transaction costs of the loan. Such fees are amortised across the term of the banking and bonding facilities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES

RECOGNITION AND MEASUREMENT

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the Australian Tax Office. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset is realised or the liability is settled. Tax balances are calculated on tax rates and laws that have been enacted or substantially enacted at balance date. Taxes relating to items recognised directly in equity are recognised in equity.

CURRENT TAXES

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

DEFERRED TAXES

Deferred tax expense represents movements in the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting profit nor the taxable profit.

OFFSETTING DEFERRED TAX BALANCES

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that the Group intends to settle its current tax assets and liabilities on a net basis.

UNCERTAIN TAX POSITIONS

There were no uncertain tax positions as of 31 December 2022 and 2021.

TAX CONSOLIDATION

Aerison Group Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 10 May 2021. Aerison Group Limited is the head entity of the tax consolidated group.

Aerison Group Limited and its subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, Aerison Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from its subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES (CONTINUED)

INCOME TAX EXPENSE

The income tax expense, including a numerical reconciliation of accounting profit to the income tax expense, for 2022 and 2021, is set out below:

	2022 $'000	2021 $'000
Current period	528	(667)
Adjustment for the prior period	(85)	-
Current tax expense/(benefit)	**443**	**(667)**
Origination and reversal of temporary differences	(2,819)	1,995
Recognition of tax losses	(2,311)	(299)
Adjustments for the prior period	-	263
Deferred tax (benefit)/expense	**(5,130)**	**1,959**
Income tax (benefit)/expense	**(4,687)**	**1,292**

	2022 $'000	2021 $'000
Reconciliation of effective tax rate		
(Loss)/profit before taxes	(15,395)	6,650
Income tax at current rate of 30 per cent	(4,618)	1,995
Non-deductible expense	(9)	(3)
Blackhole expenditure	-	(296)
Adjustments for prior period	(60)	(404)
Income tax (benefit)/expense	**(4,687)**	**1,292**

DEFERRED TAX EXPENSE

The net deferred tax assets/(liabilities), including deferred tax benefit/(expense) recognised to profit or loss or other comprehensive income for 2022 and 2021, is reconciled below:

	PROPERTY, PLANT AND EQUIPMENT $'000	CONTRACT ASSETS $'000	EMPLOYEE BENEFITS $'000	TRADE AND OTHER PAYABLES $'000	OTHER ASSETS $'000	UNUSED TAX LOSSES $'000	TOTAL $'000
At 1 January 2021	**(142)**	**-**	**511**	**704**	**48**	**-**	**1,121**
Charged to profit or loss	(96)	(2,706)	278	(368)	635	298	(1,959)
At 31 December 2021	**(238)**	**(2,706)**	**789**	**336**	**683**	**298**	**(838)**
Charged to profit or loss	(245)	2,706	149	130	79	2,311	5,130
At 31 December 2022	**(483)**	**-**	**938**	**466**	**762**	**2,609**	**4,292**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less from the date of acquisition. Cash and cash equivalents are stated at face value in the statement of financial position.

	2022 $'000	2021 $'000
Cash at bank	2,327	8,806
Short-term deposits	4,700	4,413
Cash and cash equivalents	**7,027**	**13,219**
Bank overdraft	(4,351)	-
Cash and cash equivalents for the cash flow statement	**2,676**	**13,219**
Reconciliation of net profit after taxes to net cash flows from operations:		
Net (loss)/profit after taxes	(10,708)	5,358
Non-cash items		
Supply chain finance settled vendor invoices	30,151	-
Depreciation and amortisation	3,409	2,656
(Gain)/loss on disposal of property, plant and equipment	(12)	214
Share issue costs	-	986
Share-based payment expense	617	171
Change in assets and liabilities		
Decrease in trade and other receivables	(7,980)	(26,812)
(Increase)/decrease in inventories	(816)	454
Increase in trade and other payables	4,923	14,515
Increase in employee entitlements	953	536
(Increase)/decrease in current and deferred tax balances	(4,412)	275
Net cash flows from/(used in) operating activities	**16,125**	**(1,647)**

NOTE 8 – TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are financial assets classified and measured at amortised cost, less an allowance for expected credit losses.

Trade and other receivables are short-term in nature and their carrying amounts are held to be a reasonable approximation of fair value.

CONTRACT ASSETS

Contract assets represent the Group's right to consideration for unbilled and completed services for which settlement is contingent on the passage of time. Contract assets are reclassified to trade receivables when those services are certified by and invoiced to the customer. The timing of customer invoicing is linked to a claim period (ordinarily a calendar month) or the achievement of performance milestones.

	2022 $'000	2021 $'000
Trade receivables	6,982	16,061
Contract assets	61,912	45,871
Prepayments	1,142	1,138
Income taxes receivable	298	1,017
Research and development tax incentives	657	-
Other receivables	554	805
	71,545	**64,892**
Current	71,451	64,718
Non-current	94	174

NOTE 8 – TRADE AND OTHER RECEIVABLES (CONTINUED)

CONTRACT ASSETS AND LIABILITIES RECONCILIATION

	2022 $'000	2021 $'000
Opening balance	**44,545**	**23,507**
Additions	208,921	134,886
Transfer to trade receivables	(179,649)	(112,931)
Adjustments	(12,420)	(917)
Closing balances	**61,397**	**44,545**
Comprising:		
Contract assets	61,912	45,871
Contract liabilities	(515)	(1,326)

Subsequent to 31 December 2022, $21.326 million of net contract assets carried at 31 December 2022 was invoiced to customers. The balance of net contract assets primarily relates to contract modifications under negotiation with a customer. See Note 1 for further details

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses. Costs comprises:

- the consideration paid on acquisition of the asset,
- the cost of materials, direct labour and other directly attributable costs in bringing the asset to a working condition for its intended use,
- the costs of dismantling the asset, and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of costs ceases when the asset is available for use, at which point in time depreciation commences. Subsequent expenditure which increases the economic benefits derived from an asset is capitalised.

Capital works in progress of $519,000 (2021: $322,000) is included within the appropriate category of property, plant and equipment.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

DEPRECIATION

Depreciation of property, plant and equipment, other than land, is calculated on a straight-line basis and expensed over the useful life of the asset. Depreciation methods, useful lives and residual values are re-assessed at least annually. Leasehold improvements are depreciated over the shorter of their lease term and estimated useful lives on a straight-line basis.

Estimated useful lives (in years) by class of asset are as follows:

	2022	2021
Plant and equipment	**4.0 – 5.5 years**	4.0 – 5.5 years
Computer equipment and software	**1.3 -3.0 years**	1.3 – 3.0 years

DERECOGNITION

Property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset is recognised to profit or loss in the period the asset is disposed.

IMPAIRMENT

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at balance date to determine whether there is any indication of impairment. An impairment loss is recognised where the carrying amount of an asset, or the cash generating unit to which the asset belongs, exceeds its recoverable amount, which is the greater of its value in use and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

	2022				2021			
	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	COMPUTER EQUIPMENT AND SOFTWARE $'000	TOTAL $'000	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	COMPUTER EQUIPMENT AND SOFTWARE $'000	TOTAL $'000
At 1 January	**411**	**1,112**	**1,068**	**2,591**	**199**	**1,283**	**921**	**2,403**
Additions	59	1,789	288	2,136	331	856	759	1,946
Disposals and write-offs	-	(6)	-	(6)	-	(214)	(4)	(218)
Depreciation	(155)	(726)	(862)	(1,743)	(119)	(813)	(608)	(1,540)
At 31 December	**315**	**2,169**	**494**	**2,978**	**411**	**1,112**	**1,068**	**2,591**
Cost	772	6,254	3,639	10,665	713	4,654	3,351	8,718
Accumulated depreciation	(457)	(4,085)	(3,145)	(7,687)	(302)	(3,542)	(2,283)	(6,127)
Carrying amount at 31 December	**315**	**2,169**	**494**	**2,978**	**411**	**1,112**	**1,068**	**2,591**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – RIGHT OF USE ASSETS AND LIABILITIES

RIGHT-OF-USE ASSETS

Right-of-use assets are recognised at the commencement date of the lease, being the date on which the underlying asset is available for use. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- the estimated useful lives of right-of-use land and building assets are between one and five years,
- the estimated useful lives of right-of-use plant and equipment is between one and four years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment testing. The Group's impairment policy is set out in note 9.

LEASE LIABILITIES

Lease liabilities are recognised by the Group at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments across the lease term.

Lease payments include fixed payments, and variable lease payments that depend on an index or rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Lease liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after balance date.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

But for land and building, the Group applies the short-term lease recognition exemption to its short-term leases, which are defined as those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

NOTE 10 – RIGHT OF USE ASSETS AND LIABILITIES (CONTINUED)

KEY JUDGEMENTS AND ESTIMATES: LEASES

DETERMINATION OF LEASE TERM

The lease term is the minimum non-cancellable period of the lease, plus periods captured under an extension option. An extension option is brought to account where an economic incentive for extension exists, and it is reasonably certain that the Group will exercise that option. Economic incentives include material penalties for early termination, the uniqueness of the underlying asset and whether the quantum of leasehold improvements is significant. After the commencement of the lease, the lease term is reassessed on the occurrence of a significant event or change in circumstances.

DETERMINATION OF INCREMENTAL BORROWING RATES

The Group determines its incremental borrowing rate (IBR) by evaluating published rates from external financial institutions, adjusting for the tenure and currency of the lease. At 31 December 2022, the IBR on lease liabilities ranged between 2.9% to 9.6% (2021: 2.9% to 8.3%).

RIGHT-OF-USE ASSETS

Amounts recognised as right-of-use assets at 31 December 2022 and 2021 are tabulated below:

	2022			2021		
	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
At 1 January	**4,230**	**442**	**4,672**	**2,614**	**78**	**2,692**
Additions	332	1,272	1,604	2,632	464	3,096
Depreciation	(1,298)	(368)	(1,666)	(1,016)	(100)	(1,116)
At 31 December	**3,264**	**1,346**	**4,610**	**4,230**	**442**	**4,672**
At cost	5,575	1,849	7,424	5,487	542	6,029
Accumulated depreciation	(2,311)	(503)	(2,814)	(1,257)	(100)	(1,357)
At 31 December	**3,264**	**1,346**	**4,610**	**4,230**	**442**	**4,672**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – RIGHT OF USE ASSETS AND LIABILITIES (CONTINUED)

LEASING ACTIVITIES

The Group leases land and buildings, principally related to the West Perth corporate office and Forrestfield fabrication and assembly facility, and plant and equipment and motor vehicles. Land and building leases are for periods between 1 to 5 years, plus extension options. Plant and equipment leases are for periods between 1 to 4 years, with no extension options. Rent is either fixed or reset periodically based on an index or rate. Rent may be adjusted on the basis of annual fixed percentage increases or market reviews.

LEASE LIABILITIES

Amounts recognised as lease liabilities at 31 December 2022 and 2021 is set out below:

	2022			2021		
	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Current	1,115	517	**1,632**	1,099	216	**1,315**
Non-current	2,569	968	**3,537**	3,602	260	**3,862**

PRESENT VALUE OF FUTURE RENTALS PAYABLE

The maturity profile of lease liabilities at 31 December 2022 and 2021 is set out below:

	2022			2021		
	PRINCIPAL $'000	INTEREST $'000	GROSS $'000	PRINCIPAL $'000	INTEREST $'000	GROSS $'000
Less than one year	1,632	277	1,909	1,315	237	1,552
Between two and five years	3,537	328	3,865	3,862	348	4,210
More than five years	-	-	-	-	-	-
Total	**5,169**	**605**	**5,774**	**5,177**	**585**	**5,762**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

Trade and other payables are recognised when goods and services are received, whether or not billed to the Group, prior to the end of the reporting period. Trade and other payables are financial liabilities classified and measured at amortised cost.

Trade and other payables are short-term in nature and their carrying amounts are held to be a reasonable approximation of fair value.

CONTRACT LIABILITIES

Contract liabilities arise where advance payments are received prior to services being performed. Advance payments are allocated to the performance obligations under the contract and recognised as revenue when those performance obligations are fulfilled.

	2022 $'000	2021 $'000
Trade payables	16,405	15,871
Accrued expenses	10,820	7,105
Accrued salaries and wages	3,077	2,387
Contract liabilities	515	1,326
Other payables	2,216	1,775
	33,033	**28,464**

NOTE 12 – EMPLOYEE ENTITLEMENTS

RECOGNITION AND MEASUREMENT

Employee entitlements in respect of annual leave and long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These liabilities are measured as the present value of estimated future payments using the projected unit credit method.

Employee entitlements which are not expected to be settled within one year after balance date are recognised as non-current liabilities.

	2022 $'000	2021 $'000
Annual leave	2,208	1,883
Long service leave	923	749
	3,131	**2,632**
Current	2,918	2,503
Non-current	213	129

KEY ESTIMATES AND JUDGEMENTS: PROVISION FOR LONG SERVICE LEAVE

Long service leave is discounted using market yields on high quality Australian corporate bonds at balance date with terms to maturity which closely match the estimated future cash flows. Management exercises judgement over key assumptions used in the long service leave calculation, which includes future increases in salaries and wages, on-cost rates and attrition rates of current employees.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

A financial asset which is a debt instrument is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities are classified at either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost, except for derivative financial instruments, which are measured at fair value. The Group does not carry any derivative financial liabilities.

KEY ESTIMATE OR JUDGEMENT: FAIR VALUE HIERARCHY

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categories into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Inputs for the asset and liability are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

FINANCIAL RISK MANAGEMENT

Exposure to credit and liquidity risks arises in the ordinary course of business for the Group and are explained on the following pages.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY RISK

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 year ended 31 December 2022, the Group's exposure to foreign currency risk was primarily 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.

There were no open forward exchange contracts as of 31 December 2022.

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

CREDIT RISK

CREDIT RISK MANAGEMENT

Credit risk is the risks that a customer or counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss to the Group. Credit risk arises from the financial assets of the Group, comprising cash and cash equivalents and trade and other receivables.

The Group does not require collateral in respect of trade and other receivables. Rather, the Group manages its credit risk on trade receivables by contracting with counterparties with investment grade credit ratings. Credit evaluations are performed for all customers where contract values exceed $10,000. Ageing of trade receivables is monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant.

Cash and cash equivalents are held with reputable financial institutions with investment grade credit rating of no less than A-.

MAXIMUM EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the Group's maximum credit exposure as follows:

	2022 $'000	2021 $'000
Cash and cash equivalents	7,027	13,219
Trade receivables	6,982	16,061
Other receivables	554	805
Contract assets	61,912	45,871
Maximum credit exposure	**76,475**	**75,956**

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer past due or avoid a possible past due status.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

CONCENTRATION OF CREDIT RISK

At 31 December 2022, the Group had no customers that owed the Group more than $1 million each (2021: Three customers that owed the Group more than $1 million each and in total accounted for 80% of all trade receivables).

The status of trade receivables at the reporting date is as follows:

	GROSS TRADE RECEIVABLES 2022 $'000	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2022 $'000	GROSS TRADE RECEIVABLES 2021 $'000	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2021 $'000
Not past due	6,287	-	15,902	-
Past due 0 – 30 days	576	-	78	-
Past due 31 – 120 days	-	-	81	-
Past due 121 – 365 days	119	-	-	-
Past due more than one year	-	-	-	-
	6,982	**-**	**16,061**	**-**

KEY ESTIMATE AND JUDGEMENTS: PROVISION FOR EXPECTED CREDIT LOSSES

The Group applies the simplified approach to providing for expected credit losses, which permits the use of a lifetime provision for expected credit losses for all trade receivables.

To determine the provision for expected credit losses, the Group allocates its exposure to a credit risk considering data which is predictive of the risk of loss, such as external credit ratings, audited financial statements, publicly available press information and receivables ageing. Expected credit losses also incorporate forward looking information and pertinent macroeconomic factors.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

LIQUIDITY MANAGEMENT

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to repay those financial liabilities as and when they fall due.

The liquidity position of the Group is managed to ensure sufficient funds are available to satisfy its financial obligations as and when they fall due. The Group's evaluates its liquidity requirements on a daily basis, which involves the review of cash flow forecasts to determine expected liquidity positions. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank overdrafts in place to cover potential shortfalls.

At 31 December 2022, the Group had $19,876,000 (2021: $18,307,000) of available undrawn facilities and cash and cash equivalents at its disposal.

The following table sets out the contractual and expected cash flows for all financial liabilities:

	2022						
	STATEMENT OF FINANCIAL POSITION $'000	CONTRACTED CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Trade payables	16,405	16,405	16,405	-	-	-	-
Borrowings	27,140	27,241	27,205	36	-	-	-
Total financial liabilities	**43,545**	**43,646**	**43,610**	**36**	**-**	**-**	**-**

	2021						
	STATEMENT OF FINANCIAL POSITION $'000	CONTRACTED CASH FLOWS $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Trade payables	15,871	15,871	15,871	-	-	-	-
Borrowings	14,950	15,460	15,266	194	-	-	-
Total financial liabilities	**30,821**	**31,331**	**31,137**	**194**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK (CONTINUED)

BORROWINGS

Borrowings are recognised initially at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost under the effective interest rate method.

	2022 $'000	2021 $'000
Secured borrowings[1]	12,704	14,912
Unsecured borrowings[2]	10,085	548
Bank overdraft[1]	4,351	-
Gross borrowings	**27,140**	**15,460**
Prepaid borrowing costs	(722)	(924)
Borrowings	**26,418**	**14,536**

1. Secured 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.
2. Unsecured borrowings include a supply chain finance arrangement, in which suppliers transferred their rights to amounts owed by the Group to a third party. The amounts financed represent financing activities to the Group. In making this determination, the supply chain finance arrangement enabled the extension of vendor payment terms by a further 90 days.

Facilities, interest rate ranges, maturity dates and balances of banking facilities are as follows:

	2022				2021			
	FACILITY $'000	DRAWN $'000	EXPIRY	INTEREST RATE	FACILITY $'000	DRAWN $'000	EXPIRY	INTEREST RATE
Borrowings								
Secured borrowings	13,000	12,704	07/23	BBSW + 1.75%	15,000	14,912	03/22	BBSW + 1.75%
Unsecured borrowings	10,000	9,846	None	13.6%	-	-	-	-
Bank overdraft	16,750	4,351	07/23	OIR – 1.08%	5,000	-	03/22	OIR – 1.08%
	39,750	**26,901**			**20,000**	**14,912**		
Guarantees								
Bank guarantees	19,000	14,451	07/23	2.50%	16,000	15,029	03/22	2.50%
	19,000	**14,451**			**16,000**	**15,029**		

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK (CONTINUED)

Changes in liabilities from financing cash flows for the year ended 31 December 2022 are as follows:

$'000	LEASE LIABILITIES	UNSECURED BORROWINGS	CONVERTIBLE NOTES	TRADE FINANCE LOAN	TOTAL
At 31 December 2020	2,781	120	3,908	9,728	**16,537**
Payment of lease liabilities	(1,096)	-	-	-	**(1,096)**
Net drawings of borrowings	-	428	-	5,267	**5,695**
Conversion to issued capital	-	-	(3,900)	-	**(3,900)**
New leases	3,096	-	-	-	**3,096**
Other	396	-	(8)	(83)	**305**
At 31 December 2021	**5,177**	**548**	**-**	**14,912**	**20,637**
Payment of lease liabilities	(1,609)	-	-	-	**(1,609)**
Supply chain finance settled vendor invoices	-	30,151	-	-	**30,151**
Net repayments of borrowings	-	(20,614)	-	(2,208)	**(22,822)**
New leases	1,670	-	-	-	**1,670**
Other	(69)	-	-	-	**(69)**
At 31 December 2022	**5,169**	**10,085**	**-**	**12,704**	**27,958**

The 'Other' column includes the effect of accrued but not yet paid interest on interest-bearing borrowings, including lease liabilities. The Group classifies interest paid as cash flows from operating activities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – FINANCIAL INSTRUMENTS (CONTINUED)

CAPITAL MANAGEMENT

The Group's debt and capital comprises ordinary shares and financial liabilities, supported by financial assets. The Group's capital management policy is to achieve a sustainable debt to equity ratio to generate shareholder value, ensure the Group may fund sustainable growth in its operations and continue as a going concern. Adjustments to the capital structure of the Group to achieve these goals may include debt raisings, distributions to shareholders and ordinary share issues. The Group is not exposed to any externally imposed capital requirements, but for a 15 per cent placement capacity on new equity raisings set out in ASX Listing Rules Chapter 7.

In addition, the Group's capital management aims to ensure that it meets its financial covenants attached to interest-bearing loans. Breaches in meeting the financial covenants would permit a lender to immediately call borrowings. In late February 2023, the Group reached a commercial settlement for variations and claims associated with scope changes, extension of time and delay and disruption.

The quantum of the reversal of revenue, which caused a loss for the year ended 31 December 2022, resulted in the Group not achieving its EBITDA and interest coverage debt covenant. Notwithstanding, the terms of the facility with the Commonwealth Bank provided that the facility limits would be restructured at the time of settlement of the abovementioned matter in good faith. This review event is ongoing, with the Commonwealth Bank supporting the Group with an interim bank overdraft of $5.000 million until the facility is fully sized and agreed.

The allocation of capital between operating segments and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to operating segments and activities is undertaken independently of those responsible for the operation. The Group's capital management and allocation policies are regularly reviewed by the Board.

There were no material changes in the Group's management of capital during 2022.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – ISSUED CAPITAL

Ordinary shares are classified to equity and recorded at the value of consideration received, less transaction costs arising from the issue of new shares.

	NUMBER OF SHARES #	$'000
Shares on issue on 31 December 2020	241,359,382	3,329
Conversion of convertible notes to issued capital[1]	27,078,106	3,900
Issue of fully paid ordinary shares[2]	37,500,000	7,500
Less:		
Transaction costs arising on share issue	-	(1,233)
Shares on issue on 31 December 2021	**305,937,488**	**13,496**
Exercise of Guarantor Performance Rights[3]	17,500,000	-
Shares on issue on 31 December 2022	**323,437,488**	**13,496**

1. On 30 June 2021, convertible notes of $3.900 million were converted to 27,078,106 fully paid ordinary shares.
2. On 6 July 2021, 37,500,000 fully paid ordinary shares were issued to subscribers of the initial public offering.
3. In a prior period, 17,500,000 Guarantor Performance Rights were issued to the spouses of G Leone and D Hibbs in return for providing unlimited personal guarantees in favour of Export Finance Australia. On 12 July 2021, the Guarantor Performance Rights vested on admission of the Company to the ASX. On 4 November 2022, the Guarantor Performance Rights were exercised into fully paid ordinary shares for nil consideration.

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 relation to its issued shares.

NOTE 15 – RESERVES

	2022 $'000	2021 $'000
Share based payments reserve	1,005	728
Treasury share reserve	(24)	(120)
	981	**608**

The nature and purpose of reserves is explained below:

- **Share based payments reserve**

  This reserve comprises the fair value of equity instruments granted to employees and non-employees under long-term incentive arrangements separately described in note 18.

- **Treasury share reserve**

  This reserve comprises the Group's own equity instruments, which are required for later use in employee share-based payment arrangements, which are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

  The Group held 145,640 treasury shares in trust at 31 December 2022 (2021: 605,969 treasury shares).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – DIVIDENDS

The Company declared and paid cash dividends on Class B and C preference shares[1] as follows:

	2022 $'000	2021 $'000
Fully franked dividends paid on preference shares		
2021: Final dividend of $72,000 per share	-	287
Dividend franking account		
Franking credits available for subsequent periods	**2,998**	3,333

1. S2S Investment Holdings Pty Ltd, as trustee for S2S Investment Trust, and Arioso Financial Investments Pty Ltd, as trustee for the Hibbs Family Trust, held two Class B and C preference shares in Aerison Holdings Pty Ltd. The preference shares were transferred to Aerison Group Limited on 10 May 2021.

NOTE 17 – EARNINGS PER SHARE

	2022	2021
(Loss)/profit attributable to equity holders of the Company ($'000)	(10,708)	5,358
Basic EPS (cps)	(3.48)	1.96
Weighted average number of ordinary shares (million)	307,832,180	273,474,312
Diluted EPS (cps)[1]	(3.48)	1.75
Weighted average number of ordinary shares (million)	307,832,180	273,474,312
Plus:		
Contingently issuable shares	15,600,000	32,950,000

1. Contingently issuable shares are anti-dilutive and are not included in the 2022 dilutive EPS calculation.

There have been no transactions involving ordinary shares between balance date and the date of completion of these financial statements.

The calculation of basic and diluted earnings per share is 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 (other than dividends), 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 a result of share rights and performance rights issued to employees as part of long-term incentive arrangements separately described in note 18.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – SHARE BASED PAYMENTS

RECOGNITION AND MEASUREMENT

The cost of equity-settled transactions with employees and non-employees is measured using their fair value at the date on which they are granted. In determining the fair value, only performance conditions linked to the price of Aerison Group Limited (market conditions) are considered.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period on which performance conditions (excluding market conditions) are met, ending on the date on which employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

MODIFICATION

Where the terms of an equity-settled awards are modified, as a minimum, an expense is recognised as if the terms had not been modified. An expense is recognised for any increase in the value of a transaction as a result of the modification, as measured at the date of modification.

CANCELLATION

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification to the original award.

The nature of equity-settled share-based payment arrangements may be explained as follows:

- **Aerison Equity Plan (AEP)**

  The AEP was introduced on 29 October 2021. In 2022, 2,300,000 share rights (2021: 3,950,000 share rights) were issued to employees and consultants identified as being retention critical to the Group in 2022. A share right issued under the AEP entitles the participant to receive a fully paid ordinary share on vesting, which occurs either one to two years after grant date, and subject to a continuous employment service condition. Participants do not make any payment in respect of the share rights at grant date or upon vesting. During 2022, 1,300,000 rights were vested and exercised and 850,000 rights lapsed (2021: Nil).

- **Director Incentive Plan (DIP)**

  The DIP was introduced on 29 October 2021. Under the 2021 DIP, the Board of Directors received 5,500,000 performance rights in the Company. Each performance right entitles a Board member to receive a fully paid ordinary share for no consideration, subject to a market-based performance condition requiring a 20-day volume weighted average price of $0.35 per share or more during the 24 months ended 29 November 2023. Upon vesting, the Board member has five years to exercise the performance right, subject to the earlier termination of their directorship.

- **Lead Manager Performance Rights (LPR)**

  On 6 July 2021, 6,000,000 share options were issued to Peloton Capital in consideration for managing the Company's initial public offering. The exercise price of the share options was $0.30, being a 50 per cent premium on the initial public offering price of $0.20 per share. The share options are exercisable within three years of 12 July 2021.

- **Guarantor Performance Rights (GPR)**

  On 28 July 2020, 500,000 performance rights were issued to the spouses of G. Leone and D. Hibbs in return for providing unlimited personal guarantees in favour of Export Finance Australia, which provided a $4.960 million guarantee facility to the Group. Each performance right entitles the spouse to a fully paid ordinary share for no consideration and no earlier than 15 months after a Liquidity Event.

  During 2021, the number of performance rights increased from 500,000 to 87,894,000 to reflect the share split on a ratio of 1:175.787998. Thereafter, 70,394,000 performance rights were immediately cancelled.

  On 12 July 2021, the performance rights vested with the admission of the ordinary shares of the Company for quotation on the ASX, which met the definition of a Liquidity Event. The performance rights were exercised on 4 November 2022.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – SHARE BASED PAYMENTS (CONTINUED)

EXPENSE DURING THE YEAR

The share-based payment expense recognised for employee and non-employee services received during the year is set out below.

	2022 $'000	2021 $'000
Aerison Equity Plan	409	53
Director Incentive Plan	208	118
Lead Manager Performance Rights[1]	-	203
	617	**374**

1. The total fair value of the Lead Manager Performance Rights was $458,000, comprising:

- $255,000 was deducted against issued capital as a transaction cost for the issue of 37,500,000 fully paid ordinary shares on 6 July 2021.
- $203,000 was treated an initial public offering cost, recognised in other expenses in profit or loss.

MOVEMENTS DURING THE YEAR

The number and weighted average exercise prices (WAEP) of, and movements in, performance rights and share rights set out below:

	2022 NUMBER	2022 WAEP	2021 NUMBER	2021 WAEP
Outstanding at 1 January	32,950,000	0.05	500,000	-
Net change other[2]	-	-	17,000,000	-
Granted during the year	2,300,000	-	15,450,000	0.12
Exercised during the year	(18,800,000)	-	-	-
Lapsed during the year	(850,000)	-	-	-
Outstanding at 31 December	**15,600,000**	**0.12**	**32,950,000**	**0.05**
Exercisable at 31 December	-	-	-	-

2. During 2021, the number of Guarantor Performance Rights increased from 500,000 to 87,894,000 to reflect the share split on a ratio of 1:175.787998. Thereafter, 70,394,000 performance rights were cancelled.

MEASUREMENT OF GRANT DATE FAIR VALUES

The fair value of share-based payment arrangements was calculated by independent, accredited valuation specialists. The following table lists inputs to the models used as part of the valuation of performance rights and share rights issued during 2022 and 2021:

	2022 AEP	2022 AEP
Number of performance rights	2,000,000	300,000
Fair value at grant date ($)	$0.105	$0.175
Share price at grant date ($)	$0.105	$0.175
Exercise price ($)	-	-
Dividend yield (%)	-	-
Grant date	24/06/22	20/12/22
Vesting date	15/07/24	12/07/23
Expiry date	15/07/24	12/07/23
Valuation model	Black-Scholes	Black-Scholes

	2021 AEP	2021 DIP	2021 LPR
Fair value at grant date ($)	$0.185	$0.097	$0.076
Share price at grant date ($)	$0.185	$0.200	$0.200
Exercise price ($)	-	-	$0.300
Dividend yield (%)	-	-	-
Expected volatility (%)	80.00%	50.00%	80.00%
Risk-free interest rate (%)	0.54%	0.77%	2.09%
Grant date	29/10/21	29/10/21	06/07/21
Vesting date	12/07/23	29/11/23	Immediately
Expiry date	12/07/23	29/11/28	06/07/24
Valuation model	Trinomial	Monte-Carlo	Trinomial

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – CONTINGENT LIABILITIES

	2022 $'000	2021 $'000
Bank guarantees and surety bonds	**28,523**	28,965

The Group has guarantees 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. In this respect, the Group treats guarantees 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 terms of the non-revolving performance bond facility with Swiss Re provides for an undertaking where the net assets of the Group will not be less than $32.000 million at any one time. This undertaking was not achieved as of 31 December 2022 for the reasons explained in Note 1 to the financial statements. In this circumstance, Swiss Re has the right not to issue further performance bonds under the facility. Notwithstanding, the contract performance bond facility did not have sufficient headroom to issue new performance bonds as of 31 December 2022.

In addition, the Group is managing claims and disputes arising from construction and maintenance contracts in the ordinary course of business. These claims and disputes 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.

NOTE 20 – GROUP ENTITIES AND BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, the variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the financial statements from the date on which control commences to the date on which control ceases.

Intra-group balances and transactions, including any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group comprises the Company and the subsidiaries listed below. All members of the Group are incorporated and operate solely in Australia.

NAME	2022 INTEREST (%)	2021 INTEREST (%)	PRINCIPAL ACTIVITIES
Aerison Holdings Pty Ltd	100	100	Holding company
Aerison Pty Ltd	100	100	Construction company
Aerison Services Pty Ltd	100	100	Construction company
Aerison EPC Pty Ltd	100	100	Construction company
Aerison Mechanical and Electrical Technology Pty Ltd	100	100	Dormant

NOTE 21 – PARENT ENTITY

Supplementary financial information of Aerison Group Limited in its capacity as the ultimate parent entity of the Group is as follows:

	2022 $'000	2021 $'000
Current assets	956	1,038
Total assets	17,596	15,960
Current liabilities	(4,137)	(3,322)
Total liabilities	(4,728)	(4,313)
Net assets	**12,868**	**11,647**
Issued capital	13,496	13,496
Accumulated losses	(1,609)	(2,457)
Reserves	981	608
Total equity	**12,868**	**11,647**
Profit/(loss) of Aerison Group Limited	**974**	**(2,457)**
Total comprehensive profit/(loss) of Aerison Group Limited	**974**	**(2,457)**

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Aerison Group Limited and its subsidiaries entered into a deed of cross guarantee (the Deed) on 21 December 2021. The effect of the Deed is that Aerison Group Limited guaranteed to pay any deficiency in the event of winding up any subsidiary or if any subsidiary does not meet their obligations under the terms of the overdrafts, loans, guarantees, leases or other liabilities subject to the Deed. Similarly, the subsidiaries of the Group provided the same guarantees in the event Aerison Group Limited is wound up or cannot meet its obligations as and when they fall due.

Aerison Group Limited had no contingent liabilities or capital commitments at balance date (2021: Nil).

NOTE 22 – DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief was granted to Aerison Holdings Pty Ltd and Aerison Pty Ltd from the preparation, audit and lodgement of financial reports under the *Corporations Act 2001*.

As a condition of the Instrument, both Aerison Holdings Pty Ltd and Aerison Pty Ltd are parties to a Deed of Cross Guarantee with Aerison Group Limited. The effect of the Deed is described in note 21.

All subsidiaries of Aerison Group Limited, which are listed in note 20, are party to the Deed. As a result, the consolidated financial statements of the Group mirror the consolidated financial statements of the Closed Group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – RELATED PARTIES

Transactions with related parties have been entered into the ordinary course of business and undertaken on normal commercial terms.

Material transactions and receivables with related parties associated with directors of the Group are as follow:

		REVENUE FROM RELATED PARTIES $'000	RECEIVABLE FROM RELATED PARTIES[1] $'000
Other Directors' interests	**2022**	**304**	**10**
	2021	845	15

[1] Amounts are classified as trade and other receivables at note 8.

During 2022 and 2021, the Group rendered construction services to Synergy (Electrical Generation and Retail Corporation). The Group shares a common director with Synergy (Electrical Generation and Retail Corporation).

Sales to related parties are on terms equivalent to those that prevail in arm's length transactions. Trade receivables at the end of the reporting period are unsecured, interest-free and settled in cash. There were no guarantees provided on receivables for any related party receivables.

Material transactions and payables with significant shareholders of the Group were as follow:

		EXPENSES FROM RELATED PARTIES	PAYABLES DUE TO RELATED PARTIES[2]
		$'000	$'000
Significant shareholders	**2022**	**245**	**26**
	2021	353	38

[2] Amounts are classified as trade and other payables at note 11.

The nature of material transactions with key management personnel of the Group are as follow:

- On 1 November 2021, the Group entered into a Surety Bond Agreement (the Agreement) with Asset Insure Pty Ltd as agent for Swiss Re. A condition of the Agreement required both the CEO and COO to provide unlimited personal guarantees in favour of Asset Insure.

  The Board determined that it was appropriate for the CEO and COO to be compensated an amount equal to 0.8% per annum of the face value of the bond issued for the duration for which the unlimited personal guarantees were provided.

  For the year ended 31 December 2022, an amount of $245,416 (2021: $23,110) was expensed to finance costs in profit or loss in consideration for the provision of the unlimited personal guarantees by the CEO and COO. At 31 December 2022, $25,955 (2021: $23,110) was presented as a current liability payable to the CEO and COO.
- During 2022, $60,000 was expensed to profit or loss in consideration of the provision of other executive services by M. Fennell prior to the Company's Initial Public Offering in July 2021. At 31 December 2022, nil was payable to M. Fennell.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation included in employee benefits expense in profit or loss comprises:

	2022 $'000	2021 $'000
Short term employee benefits	1,478	1,432
Long term employment benefits	145	81
Termination benefits	97	-
Post-employment benefits	90	78
Share based payments	208	120
	2,018	**1,711**

NOTE 25 – SUBSEQUENT EVENTS

In late February 2023, the Group reached a commercial settlement for variations and claims associated with scope changes, extension of time and delay and disruption.

The quantum of the reversal of revenue, which caused a loss for the year ended 31 December 2022, resulted in the Group not achieving its EBITDA and interest coverage debt covenant. Notwithstanding, the terms of the facility with the Commonwealth Bank provided that the facility limits would be restructured at the time of settlement of the abovementioned matter in good faith. This review event is ongoing, with the Commonwealth Bank supporting the Group with an interim bank overdraft of $5.000 million until the facility is fully sized and agreed.

No other matters or circumstances have arisen subsequent to 31 December 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 period.

NOTE 26 – AUDITORS' REMUNERATION

The external auditor of the Group was RSM Australia for the years ended 31 December 2022 and 2021.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the non-audit services do not comprise auditor independence for the following reasons:

- Non-audit services were reviewed and approved by the Board to ensure the integrity and objectivity of the auditor was maintained.
- None of the non-audit services undermine the general principles relating to auditor independence set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professionals and Ethical Standard Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity, acting as an advocate, or jointly sharing economic risks and rewards.
- The procurement of computer equipment and software includes the purchase price of hardware, such as laptops, and software, such as license fees, that RSM Australia sourced under the direction of and on behalf of the Group. As a consequence, the materiality of the procurement of computer, equipment and software expenditure did not create a self-interest threat.

Amounts received or due and receivable by RSM Australia are set out below:

	2022 $	2021 $
Audit and review of the financial statements	193,000	178,000
Taxation services	86,121	69,068
Information technology shared services	229,923	186,850
Procurement of computer equipment and software	514,412	606,245
	1,023,456	**1,040,163**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – OTHER ACCOUNTING POLICIES

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities are non-current.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated under the weighted average cost method and captures direct materials, direct labour and an allocation of production overheads necessary to bring inventories to the present location and condition. Costs arising from extraordinary wastage are expensed as incurred.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses.

GOODS AND SERVICES TAX (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of asset or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue, expense or as part of the cost of the acquisition of the asset, as applicable.
- When receivables are payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO, is included as part of trade receivables or trade payables in the statement of financial position. Contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are includes in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as part of operating cash flow.

RSM

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INDEPENDENT AUDITOR'S REPORT

To the Members of Aerison Group Limited

Opinion

We have audited the financial report of Aerison Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $10,708,000. While having cash and cash equivalents of $7,027,000, net assets of $23,570,000, and current assets which exceeded current liabilities by $15,346,000 at the time of reporting, the Group must take several steps to maintain its working capital needs. These steps include raising funds by carrying out an equity or debt transaction, reducing corporate overhead costs, securing the ongoing support from the Commonwealth Bank of Australia for its primary banking facilities, and receiving the continued support from trade creditors for extended credit terms. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Revenue Refer to Note 3 in the financial statements	
The Group has recognised revenue of $208,921,000 from contracts with customers. As disclosed in Note 3, these revenues are recognised over time as performance obligations are fulfilled. Construction contracts, engineering and related services revenue is recognised by management after assessing all factors relevant to each contract, including specifically the following as applicable: • Determination of the stage of completion and measurement of progress towards performance obligations; • Estimation of total contract revenue and costs including the estimation of cost contingencies; • Determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims; and • Estimation of project completion date. This area is a key audit matter due to the number and type of estimation events over the course of the contract life, the unique nature of individual contract conditions, leading to complex and judgmental revenue recognition from contracts with customers.	Our audit procedures included: • Assessing the Group's accounting policy for compliance with Australian Accounting Standards; • Comparing contractual terms with customers and substantiated project revenues and costs incurred against underlying supporting documents; • Assessing management's assumptions in determining the stage of completion and challenging project managers and finance personnel on various assumptions used to determine total contract revenue and total estimated costs; • Checking the mathematical accuracy of revenue recognised during the year based on the stage of completion; • Testing, on a sample basis, costs incurred to date and agreeing these to supporting documents; • Reading customer and subcontractor documentation and discussing the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the total contract revenue and total estimated costs; • Evaluating subsequent events that may impact the recognition of contract revenue and costs. • Evaluating the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation; • Evaluating management's assessment of and assessing the reasonableness of the provision for foreseeable losses provided by management; and • Assessing the appropriateness of the disclosures in financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Aerison Group Limited, for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 31 March 2023

DIRECTORS' DECLARATION

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

- In the opinion of the directors:

  (a) the consolidated financial statements and notes of Aerison Group Limited for the year ended 31 December 2022 comply with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards, including Australian Accounting Interpretations, and the Corporations Regulations 2001;

  (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1 of the consolidated financial statements; and

  (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

- This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2022.

- In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group, comprising Aerison Group Limited and its controlled entities identified in note 20, will be able to meet any obligations or liabilities to which they may or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 21 and 22.

On behalf of the Board,

B d Barnes.

B Barnes
Non-Executive Chair
31 March 2023

Perth

APPENDICES

CONTENTS

APPENDIX A – ASX SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange and not disclosed elsewhere in this Annual Report is set out below. This information is current as of 29 March 2023.

SHAREHOLDER SUMMARY

The following details of the shareholders of Aerison Group Limited have been summarised from the share register as of 29 March 2023 as follows:

- 323,437,488 fully paid ordinary shares are held by 451 individual shareholders
- 4,100,000 share rights are held by 16 individual right holders
- 6,000,000 share options are held by one individual option
- 4,750,000 performance rights are held by four individual right holders.

Only issued ordinary shares carry one vote per share and carry a right to dividends. The number of shareholders, by size of holding, in each class are as follows:

	ORDINARY SHARES	SHARE RIGHTS	SHARE OPTIONS	PERFORMANCE RIGHTS
1 – 1,000	18	-	-	-
1,001 – 5,000	52	-	-	-
5,001 – 10,000	76	-	-	-
10,001 – 100,000	180	11	-	-
100,001 and over	125	5	1	4
Total	**451**	**16**	**1**	**4**

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.

ON-MARKET SHARE PURCHASES FOR AERISON EQUITY PLAN

During 2022, Pacific Custodians Pty Ltd purchased 839,671 shares in trust at an average price of $0.14 per share for the purpose of satisfying the entitlements of share right holders under the Aerison Equity Plan.

ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE
ARAOSC FINANCIAL INVESTMENTS PTY LTD	77,893,999	24.08
S2S INVESTMENT HOLDINGS PTY LTD	77,893,999	24.08
MR QIUDONG QIAO	45,339,230	14.02
MS VANESSA HIBBS	8,750,000	2.71
MS TERESA LEONE	8,750,000	2.71
METECH SUPER PTY LTD	5,004,218	1.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,004,200	1.55
MISS YEDAN WU	4,900,000	1.51
CITICORP NOMINEES PTY LIMITED	4,054,349	1.25
METECH SUPER PTY LTD	3,300,000	1.02
HYLEC CONTROLS PTY LTD	3,000,000	0.93
HOLICARL PTY LIMITED	2,842,903	0.88
BFB HOLDINGS PTY LTD	2,812,903	0.87
FESTIVA HOLDINGS PTY LTD	2,316,641	0.72
SUNSET CAPITAL MANAGEMENT PTY LTD	2,041,769	0.63
MR DOMINIC OHANLON & MRS KAREN OHANLON	2,000,000	0.62
FLUE HOLDINGS PTY LTD	2,000,000	0.62
BASS FAMILY FOUNDATION PTY LTD	1,980,576	0.61
MR CALCIDON CAMILLERI	1,937,903	0.60
LINDA CAMPOS & LUIS CAMPOS	1,845,774	0.57
MR GEOFFREY JOHN FENNELL & MRS CARMEL ANN FENNELL	1,800,000	0.56
BASS FAMILY FOUNDATION PTY LTD	1,800,000	0.56
MEURER INVESTMENTS PTY LTD	1,250,161	0.39
MR ALAN ROBERT GREENWELL & MRS MARGARET ELEANOR GREENWELL	1,250,000	0.39
Total	**269,768,625**	**83.41**

APPENDIX B – CORPORATE DIRECTORY AND GLOSSARY

AS AT 29 MARCH 2023

DIRECTORS

B Barnes (Non-executive Chairman)

G Leone (Managing Director and Chief Executive Officer)

D Hibbs (Chief Operating Officer)

M Fennell (Non-executive Director)

COMPANY SECRETARY

K Garvey (Company Secretary)

PRINCIPAL REGISTERED OFFICE

Level 1, 56 Ord Street

West Perth WA 6005

Phone: +61 (08) 9352 5900

SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

SECURITIES EXCHANGE

Aerison is listed on the Australian Securities Exchange with an ASX code of 'AE1'

AUDITOR

RSM Australia Partners

Level 32/2 The Esplanade

Perth WA 6000

OTHER INFORMATION

Aerison Group Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia.

GLOSSARY

EBIT	Earnings before finance costs and income tax expense
EBITDA	Earnings before finance costs, income tax expense, depreciation and amortisation
NPAT	Net profit after taxes
NPBT	Net profit before taxes
LTIFR	Lost time injury frequency rate
TRIFR	Total recordable injury frequency rate
SPE	Specialist Projects and Engineering
AP	Asset Projects
AS	Asset Services

AERISON