

## Appendix 4D

Results for Announcement to the Market  
For the half year ended 31 December 2019

### Consolidated Group

|  | Half year ended  | Half year ended  | Variance to prior |        |
|--|------------------|------------------|-------------------|--------|
|  | 31 December 2019 | 31 December 2018 | year              |        |
|  | (\$'000)         | (\$'000)         | (\$'000)          | %      |
| Revenues from ordinary activities  | 3,721            | 4,805            | (1,084)           | (23%)  |
| Profit / (loss) after tax from ordinary activities attributable to members | (6,485)          | (2,081)          | (4,404)           | (212%) |
| Net profit attributable to members   | (6,485)          | (2,081)          | (4,404)           | (212%) |
| Net tangible assets / (liabilities) per security (cents)                   | 3.9              | 1.7              | -                 | -      |

The net tangibles asset backing per security of 3.9 cents presented above is inclusive of right-of-use assets and liabilities. The net tangible asset per security, as at 31 December 2019, would reduce to 3.7 cents if right-of use assets were excluded, and right-of-use liabilities were included in the calculation

### Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for the half-year ended 31 December 2019.

Details of any dividend or distribution reinvestment plans in operation: N/A

### Control Gained over entities in the half-year

On 25 December 2019, the Group acquired 100% of the issued capital of Beijing Hengliruiyuan Environmental Engineering Co. Ltd.

Beijing Envirosuite Science and Technology Co. Ltd was incorporated on 10 October 2019.

### Commentary

Prior year 1st half revenues included one-off hardware sales of \$2.06 million compared to \$0.66 million this half. This hardware revenue relates to one-off projects that fluctuate from year to year. The Company remains focused on building recurring revenues.

The first half loss includes a non-cash expense of \$2.11 million in relation to share option based payments.

Further commentary is provided in the Directors' Report.

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## Interim Report

for the Half Year ending 31 December 2019  
Envirosuite Limited ABN: 42 122 919 948

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# Directors' Report

Your directors are pleased to present their report on the consolidated entity consisting of Envirosuite Limited (“the Company”) and the entities it controlled at the end of, and during, the half year ended 31 December 2019 (also referred to in this report as the “Group”).

## Directors

The following persons were directors of Envirosuite Limited during the entire half year and to the date of this report, unless otherwise stated:

**David Johnstone** (Chairman)

**Peter White** (Chief Executive Officer and Director)

**Adam Gallagher** (Director and Company Secretary)

**Hugh Robertson** (Director)

**Zhigang Zhang** (Director – appointed 16/12/19)

## Review of operations

### Key points:

For clarification and to complement an informed reading of the Appendix 4D and the accompanying financial statements contained in the Half Year report the Directors would like to draw particular attention to the following points:

- During the reporting period the Group was heavily focused on a number of corporate activities as noted in this report that the Board believes will be defining for the Company’s future earnings growth and value.
- Capital raisings completed during the half raised gross proceeds of \$14 million.
- On 17 January 2020 the Company announced an agreement to acquire all of the issued capital of EMS Bruel & Kjaer Holdings Pty Ltd.
- Post the reporting date a further \$74.7 million in gross proceeds was raised from the issue of new shares and a further \$9.28m from a Share Purchase Plan before completion of the EMS transaction.

Further details on the above points are contained in the Report.

## Results

The Directors are pleased to report on the progress of the business in the six months to 31 December 2019.

### Revenues

During the period, the consolidated Group recorded operating revenues of \$3.72 million, compared to \$4.81 million for the same period last year. It should be noted that in the corresponding period last year the revenue related to one-off hardware sales was \$2.06 million compared to the hardware revenue this half of \$0.66 million, a difference

of \$1.40 million. The hardware revenue is due to one-off projects that fluctuate from year to year and the Company remains focused on building recurring revenues.

As defined in previous reports the Annual Recurring Revenue (ARR) metric that the Company has communicated in announcements since 2017 is in effect the sum of orders received for solutions that are of an annual recurring nature (minus any attrition). For example, if a new win is received at the start of April and takes 3 months to implement, then even though the Company’s ARR increases when the order is received, it takes another 15 months before all of this revenue is recognised in the accounts under the Recurring Revenue line.

### Earnings

Net loss for the period was \$6.49 million, compared to \$2.08 million for the same period last year. The loss for the half includes the cost of non-cash share option based payments of \$2.11 million.

The historical results for six months to 31 December 2019 are provided for comparison and consistency of reporting with prior periods however the Company notes that, if the acquisition of EMS completes as anticipated, that the financial profile of the Company will change significantly. The Company provided a pro forma indication of this change in the presentation released 17 January 2020 to assist shareholders in assessing the merit of the transaction including its consequential impact on the value of the Company. A further pro forma including the unaudited Half Year results was included in the General Meeting presentation released on Monday 24 February 2020.

### First Half

While the first half of the year has produced a largely flat result when compared to the previous year, there has been much focus by the Board and executive management on a series of strategic initiatives that in their lead up and execution consumed much of the focus and time of these groups. The investment of this time has produced the following achievements:

1. Agreement with ZZL Pty Ltd announced 6 September 2019 which paved the way for the Company to establish an entity, team and office in China and begin a focused entry into that market in an approach aligned with all shareholders.
2. Capital raise completed raising \$10m from institutions and sophisticated investors announced 14 October 2019
3. Global licence agreement for SeweX IP announced 2 December 2019

4. Agreement to acquire EMS Bruel & Kjaer Holdings Pty Ltd announced 17 January 2020
5. Capital raise associated with point 4 with \$75m raised from institutions and sophisticated investors announced 17 January 2020.

The Directors believe that each of points 1, 3 and 4 in isolation are potentially transformative events that will help to shape the revenue growth and the value profile of the Company in the coming years. Together and combined with the backdrop of an expanding global awareness and growing market need for environmental technology, it is anticipated that the interrelated synergies of these events will produce solid and sustained earnings growth.

At the same time the pipeline for opportunities has continued to grow across all regions, and the Board believes that with the completion of the events above and with added focus from management on these activities, a steady series of new customers will continue to be acquired.

### China

The agreement with ZZL adds scale and has given the Company a geographic reach into the world's largest single country market for its solutions. It also provides an effective innovation hub to develop, prove and rollout new solutions in the Company's product roadmap that are driven by industry and funded by commercial contracts.

The Company's China team are a highly incentivised and dedicated group of professionals. They are intent on delivering the revenue milestone of \$10m AUD before the 31 December 2021 in order to achieve their desired equity position in the Company as a first step in the China market towards creating significant and sustainable revenue growth. The relationships that the Company is forming in China are associated with large and multi-year projects that offer the prospect of ongoing medium and longer term commercial opportunities.

In considering both the SeweX and the EMS transaction the Company contemplated the extra leverage that may be gained from working with our partners to open the doors to a currently untapped market potential in China.

### SeweX

In licencing the SeweX IP the Company believes that it has added a sustainable competitive advantage and extended the Company's offering into another global market sector. Incorporating and offering a unique technology that has been shown to prolong the asset life of sewer network infrastructure and significantly reduce the consumables

involved in water treatment puts Envirosuite in a commanding position as a technology provider to water utilities globally.

The Company is working to initially pilot the new solution with several large wastewater treatment operators globally. Once the SeweX solution is commercially proven within the Envirosuite platform through these pilots, it is intended to be rolled out globally.

The incorporation and application of SeweX is seen as potentially transformative to the Company in its own right as it speaks directly to the Profit and Loss concerns of the operators in the water treatment sector. The Company's current offering to the Water sector is in the management of Odour issues at and beyond the fence-line of operations. Effective operational incorporation of the information generated by the Envirosuite platform may allow the operators to reduce the number of community complaints and reduce the time and cost in responding to the complaints received which in turn should improve productivity. The effect on the Profit and Loss of the Company's clients is thus indirectly measured.

With SeweX functionality the ability to meaningfully reduce the asset replacement costs as well as operational consumables is direct and material and provides a highly compelling and simple commercial cost/benefit proposition that speaks to every operation, not just those that are concerned with complaints from surrounding communities. The Company therefore believes that incorporating SeweX in its offering to the global water treatment sector will position Envirosuite as a 'must have' industry solution.

### Acquisition of EMS

As at the date of this report this transaction has received shareholder approval with final completion expected on 28 February. As a subsequent event, the transaction is not included in the financial accounts for the Half Year.

Assuming the acquisition completes as anticipated then there will be an immediate transformational effect on the Company's financials. Full details of the transaction are set out in the Explanatory notes to the Notice of Meeting released 17 January 2020 that includes the annexed investor presentation.

Since the reset of the Company's business model in July 2017 from an environmental consulting group into a technology business, the Company has journeyed through the customary growth stages for technology companies of formation and early stage expansion. Due to the investment entailed in scaling to capture a global market opportunity and the focus on revenue growth to achieve commercial traction the

Company opted to focus on ARR as the primary indication of overall growth and Company value.

The anticipated acquisition of EMS sees an approximate seven times increase in recurring revenues. Over the course of the 2020 calendar year commencing with the anticipated finalisation of the EMS acquisition, the Company expects to move into the next stage of growth; an expansion stage where it can have both an earnings and a growth focus. While the recurring revenues that speak to revenue quality in respect to sustainability and margin will continue to form an important element of the Company's overall value, from the end of Financial Year 2021 the Company looks forward to a future of positive earnings growth providing a stronger foundation for shareholder value.

The Company has previously indicated a multi-billion dollar market for its air quality solutions in the Waste and Wastewater and Mining sectors. Adding significant further market potential in water treatment with SeweX and in the infrastructure sector with EMS the potential market size has grown considerably and the Company will seek to model the estimated global market in the coming months.

## Second Half Year

Planned activities for the second half include:

- Completion of the EMS transaction and the first phase of the integration of the two businesses
- Growth in the existing Envirosuite business in each geography – North and South America, Europe & Middle East and Asia Pacific through growing the sales pipeline and closing new contracts
- Development and launch of SeweX based solution as an Envirosuite module for water treatment
- Demonstration of early traction in China through the localisation of the EVS product set and then the commencement of multiple contracts
- Continual review of other complementary acquisition opportunities.

In reference to the last point the Company has been and remains consistent in its stated strategy to complement organic growth with acquisitions that it considers may accelerate the overall pace of growth to achieve sustained market dominance as a world leading provider of environmental management technology solutions.

## EMS Integration

In the first 60 days post completion the Integration effort will focus on:

- Integration of the sales and marketing functions, and of the regional services teams
- The combining all opportunities into one pipeline under a single sales force

- Finalisation of the transition to EVS of people and contracts from Spectris B&K entities around the globe
- Completion of the localisation of the proposed China cloud solution (Alicloud).

In parallel, the new combined sales force will be focused on maintaining the momentum of growth and closing current opportunities in the pipeline before end FY20, including:

- 12-15 target opportunities in EVS across the 4 regions (ex China)
- 4-5 target opportunities in China
- Ongoing contract renewals

Specific regional updates are as follows:

### North America

The major focus of this group has been the odour-related sectors of waste (landfills and composting) and wastewater. Progress has been significant with an increase in the number of new Waste opportunities. A pilot has also been secured with the largest landfill operator in the USA for two of their sites.

There has also been expansion into the mining sector focusing mainly on the Canadian market, and there continues to be interest in Envirosuite from this sector. Over the past two years there has been a concerted effort to break into the Oil and Gas sector in the USA and the Company anticipates initial contracts from this sector to be secured during the calendar year.

### South America

The major focus of this region is mining across South America and specifically the markets in Chile, Colombia, Peru and Ecuador. Having staff in both Chile and Colombia helps with this geographic coverage with a strategic focus on the Company's largest customer Cerrejon. As a JV of three global miners, (BHP Billiton, AngloAmerican, and Glencore), Cerrejon is seen as a "cornerstone" mining client, and Cerrejon has agreed to help us with a comprehensive case study including the disclosure of 'Return on Investment' numbers that can then be incorporated in the approaches to its parent company owners, as well as other mining operators.

### Europe and Middle East

The EMEA region focus is on the Waste and Wastewater sectors. The UK wastewater market follows a cycle of five-year government funding periods and the last six months has been slow due to the fact that it is the end of a five-year cycle. The market is expected to pick up during 2020.

During January the Company won a new contract for a Veolia operation in a city in France for \$80,000 subscription for the first year and the Company is in negotiation for a six-year

extension that if won would signal a significant endorsement of Envirosuite by one of the world's largest operators in the waste sector.

The Middle Eastern market continues to be active and the city-wide project in Doha is being expanded with further phases, with growing interest in the Envirosuite solution in countries such as Oman and Saudi Arabia. During the Half Year the Company went live with its smart city solution in Kuwait that is expected to be a model for other cities.

#### *Asia Pacific*

Towards the end of last financial year it was decided to reinvest new sales resources in Australia and the South East Asia region. This has resulted in buildup of pipeline opportunities, including Waste sector opportunities in Queensland, a Heavy Industry opportunity in South Australia, a large trial with a port in Malaysia and significant interest from wastewater authorities in Singapore. It is expected that all of these opportunities will close in this financial year.

#### **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 6.

#### **Rounding of amounts**

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that legislative Instrument.

This report is signed in accordance with a resolution of the Board of Directors.



**David Johnstone**

**Chairman**

27 February 2020 (the report is written as status before Completion)

PKF Brisbane Audit



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF ENVIROSUITE LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**PKF BRISBANE AUDIT**

**Shaun Lindemann  
Partner**

Brisbane,  
27 February 2020

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

|   | Notes    | Half year ended         | Half year ended         |
|---|----------|-------------------------|-------------------------|
|   |          | 31 Dec 2019<br>(\$'000) | 31 Dec 2018<br>(\$'000) |
| <b>Continuing Operations</b>  |          |                         |                         |
| Trading revenue   |          | 3,364                   | 4,306                   |
| Other revenue   |          | 357                     | 499                     |
| <b>Total operating revenue</b>  | <b>3</b> | <b>3,721</b>            | <b>4,805</b>            |
| Cost of revenue   | 4        | (2,768)                 | (2,890)                 |
| <b>Gross profit</b>   |          | <b>953</b>              | <b>1,915</b>            |
| <b>Operating expenses</b>   |          |                         |                         |
| Sales and marketing   |          | (2,119)                 | (1,952)                 |
| General and administration  |          | (1,937)                 | (1,488)                 |
| Research costs  |          | (245)                   | -                       |
| Share option based payments   |          | (2,108)                 | (13)                    |
| Due diligence and acquisition costs   |          | (307)                   | -                       |
| <b>Total operating expenses</b>   | <b>4</b> | <b>(6,716)</b>          | <b>(3,453)</b>          |
| Foreign currency (losses) / gains   |          | (30)                    | 41                      |
| <b>Operating deficit</b>  |          | <b>(5,793)</b>          | <b>(1,498)</b>          |
| Depreciation and amortisation   |          | (655)                   | (713)                   |
| Net finance income  |          | 59                      | 63                      |
| <b>Net loss before tax</b>  |          | <b>(6,389)</b>          | <b>(2,147)</b>          |
| Income tax (expense) / benefit  |          | (96)                    | 67                      |
| <b>Net loss for the half year from continuing operations</b>  |          | <b>(6,485)</b>          | <b>(2,081)</b>          |
| <b>Other comprehensive income</b>   |          |                         |                         |
| <i>Items that may be reclassified to profit or loss</i>   |          |                         |                         |
| Exchange differences on translation of foreign operations   |          | 4                       | (59)                    |
| <b>Other comprehensive income for the half year, net of tax</b>   |          | <b>4</b>                | <b>(59)</b>             |
| <b>Total comprehensive income/(loss) for the half year</b>  |          | <b>(6,481)</b>          | <b>(2,140)</b>          |
| <b>Net (loss)/profit attributed to:<br/>Equity holders of Envirosuite Limited</b>                                       |          | <b>(6,481)</b>          | <b>(2,140)</b>          |
| <b>Total comprehensive (loss)/income attributable to:<br/>Equity holders of Envirosuite Limited</b>                     |          | <b>(6,481)</b>          | <b>(2,140)</b>          |
| (Loss)/earnings per share from continuing operations attributable to the ordinary equity holders of Envirosuite Limited |          | <b>Cents</b>            | <b>Cents</b>            |
| Basic (loss) / earnings per share from continuing operations  |          | (1.61)                  | (0.56)                  |
| Diluted (loss) / earnings per share from continuing operations  |          | (1.42)                  | (0.55)                  |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

Consolidated Group

|                                      | Notes | 31 December<br>2019<br>(\$'000) | 30 June<br>2019<br>(\$'000) |
|--------------------------------------|-------|---------------------------------|-----------------------------|
| <b>ASSETS</b>                        |       |                                 |                             |
| <b>Current Assets</b>                |       |                                 |                             |
| Cash and cash equivalents            |       | 17,225                          | 7,564                       |
| Trade and other receivables          |       | 1,756                           | 1,501                       |
| Other assets                         |       | 181                             | 172                         |
| Inventories                          |       | 252                             | 328                         |
| <b>Total Current Assets</b>          |       | <b>19,414</b>                   | <b>9,565</b>                |
| <b>Non-current Assets</b>            |       |                                 |                             |
| Property, plant and equipment        |       | 309                             | 277                         |
| Right of use assets                  | 1(a)  | 1,004                           | -                           |
| Deferred tax assets                  |       | 579                             | 453                         |
| Intangible assets                    | 5     | 6,147                           | 5,555                       |
| <b>Total Non Current Assets</b>      |       | <b>8,039</b>                    | <b>6,285</b>                |
| <b>TOTAL ASSETS</b>                  |       | <b>27,453</b>                   | <b>15,850</b>               |
| <b>LIABILITIES</b>                   |       |                                 |                             |
| <b>Current Liabilities</b>           |       |                                 |                             |
| Trade and other payables             |       | 1,850                           | 1,210                       |
| Revenue in advance                   |       | 1,355                           | 1,483                       |
| Provisions                           |       | 493                             | 625                         |
| Borrowings                           |       | -                               | 42                          |
| Lease liabilities                    | 1(a)  | 397                             | -                           |
| <b>Total Current Liabilities</b>     |       | <b>4,095</b>                    | <b>3,360</b>                |
| <b>Non Current Liabilities</b>       |       |                                 |                             |
| Provisions                           |       | 40                              | 63                          |
| Borrowings                           |       | -                               | 98                          |
| Lease liabilities                    | 1(a)  | 803                             | -                           |
| <b>Total Non Current Liabilities</b> |       | <b>843</b>                      | <b>161</b>                  |
| <b>TOTAL LIABILITIES</b>             |       | <b>4,938</b>                    | <b>3,251</b>                |
| <b>NET ASSETS</b>                    |       | <b>22,515</b>                   | <b>12,329</b>               |
| <b>EQUITY</b>                        |       |                                 |                             |
| Issued capital                       | 7     | 50,613                          | 36,060                      |
| Reserves                             |       | 2,059                           | 132                         |
| Retained losses                      |       | (30,157)                        | (23,863)                    |
| <b>TOTAL EQUITY</b>                  |       | <b>22,515</b>                   | <b>12,329</b>               |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Consolidated Group

|   | Ordinary<br>shares<br>(\$'000) | Reserves<br>(\$'000) | Retained<br>losses<br>(\$'000) | Total<br>Equity<br>(\$'000) |
|---|--------------------------------|----------------------|--------------------------------|-----------------------------|
| <b>At 1 July 2018</b>   | <b>26,282</b>                  | <b>251</b>           | <b>(17,947)</b>                | <b>8,586</b>                |
| <b>Comprehensive income</b>   |                                |                      |                                |                             |
| Loss for the year   | -                              | -                    | (2,081)                        | (2,081)                     |
| Other comprehensive income for the year   | -                              | (59)                 | -                              | (59)                        |
| <b>Total comprehensive loss for the year</b>                                      | <b>-</b>                       | <b>(59)</b>          | <b>(2,081)</b>                 | <b>(2,140)</b>              |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |                                |                      |                                |                             |
| Issue of shares (Institutional Placement)   | 10,000                         | -                    | -                              | 10,000                      |
| Transaction costs of capital raising (inc. tax effect)                            | (423)                          | -                    | -                              | (423)                       |
| Shares issued / to be issued to employees   | 150                            | (43)                 | 43                             | 150                         |
| Employee share options - value of employee services                               | 27                             | 13                   | -                              | 40                          |
| Shares options expired  | -                              | (35)                 | 35                             | -                           |
| <b>Total transactions with owners and other transfers</b>                         | <b>9,754</b>                   | <b>(65)</b>          | <b>78</b>                      | <b>9,768</b>                |
| <b>At 31 December 2018</b>  | <b>36,036</b>                  | <b>127</b>           | <b>(19,950)</b>                | <b>16,213</b>               |

Consolidated Group

|   | Ordinary<br>shares<br>(\$'000) | Reserves<br>(\$'000) | Retained<br>losses<br>(\$'000) | Total<br>Equity<br>(\$'000) |
|---|--------------------------------|----------------------|--------------------------------|-----------------------------|
| <b>At 1 July 2019</b>   | <b>36,060</b>                  | <b>132</b>           | <b>(23,863)</b>                | <b>12,329</b>               |
| <b>Comprehensive income</b>   |                                |                      |                                |                             |
| Loss for the period   | -                              | -                    | (6,484)                        | (6,484)                     |
| Other comprehensive income for the year   | -                              | 4                    | -                              | 4                           |
| <b>Total comprehensive loss for the year</b>                                      | <b>-</b>                       | <b>4</b>             | <b>(6,484)</b>                 | <b>(6,484)</b>              |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |                                |                      |                                |                             |
| Issue of shares (Placement)   | 14,010                         | -                    | -                              | 14,010                      |
| Transaction costs of capital raising (inc. tax effect)                            | (552)                          | -                    | -                              | (552)                       |
| Shares issued   | 1,095                          | (190)                | 190                            | 1,095                       |
| Employee share options - value of employee services                               | -                              | 2,113                | -                              | 2,113                       |
| Shares options expired  | -                              | -                    | -                              | -                           |
| <b>Total transactions with owners and other transfers</b>                         | <b>14,553</b>                  | <b>1,923</b>         | <b>190</b>                     | <b>16,666</b>               |
| <b>At 31 December 2019</b>  | <b>50,613</b>                  | <b>2,059</b>         | <b>(30,157)</b>                | <b>22,515</b>               |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Consolidated Group

| Notes  | Half year<br>ended<br>31 Dec<br>2019<br>(\$'000) | Half year<br>ended<br>31 Dec<br>2018<br>(\$'000) |
|--|--|--|
| <b>Cash flows from operating activities</b>                      |  |  |
| Receipts from customers  | 3,779  | 3,355  |
| Payments to suppliers and employees                              | (7,680)  | (6,726)  |
|  | (3,901)  | (3,372)  |
| Other revenue  | -  | 32   |
| Interest received  | 44   | 33   |
| Interest paid  | (38)   | (9)  |
| <b>Net cash (used in) operating activities</b>                   | <b>(3,895)</b>                                   | <b>(3,315)</b>                                   |
| <b>Cash flows from investing activities</b>                      |  |  |
| Payments for property, plant and equipment                       | (83)   | (59)   |
| Payments for intangible assets                                   | (1,006)  | (640)  |
| Proceeds from sale of business                                   | 172  | 50   |
| Payments for acquisition of business                             | 216  | -  |
| <b>Net cash (used in) / provided by investing activities</b>     | <b>(701)</b>                                     | <b>(649)</b>                                     |
| <b>Cash flows from financing activities</b>                      |  |  |
| Proceeds from borrowings   | -  | -  |
| Repayment of borrowings  | -  | (32)   |
| Proceeds from issue of shares                                    | 15,150   | 10,150   |
| Share issue transaction costs                                    | (751)  | (544)  |
| Repayment of lease liabilities                                   | (71)   | -  |
| <b>Net cash provided by financing activities</b>                 | <b>14,283</b>                                    | <b>9,574</b>                                     |
| <b>Net (decrease) / increase in cash and cash equivalents</b>    | <b>9,687</b>                                     | <b>5,610</b>                                     |
| Effects of exchange rate changes on cash and cash equivalents    | (26)   | (19)   |
| Cash and cash equivalents at the beginning of the financial year | 7,564  | 3,648  |
| <b>Cash and cash equivalents at the end of the year</b>          | <b>17,225</b>                                    | <b>9,239</b>                                     |

The accompanying notes form part of these financial statements.

## Notes to Financial Statements

For the Half Year ended 31 December 2019

### 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Envirosuite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue on 28 February 2020

#### (a) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described below.

#### Changes in Accounting Policies Applied by the Group

##### AASB 16: Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The new standard has been applied using the modified retrospective approach. Prior periods have not been restated.

The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

##### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

The consolidated entity has also elected to measure right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments. As a result, there is no adjustment to retained earnings.

##### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1 July 2019  
\$'000

|  |            |
|--|------------|
| <b>Total operation lease commitments disclosed at 30 June 2019</b> | <b>336</b> |
| Leases with remaining lease term of less than 12 months            | (30)       |
| Adjustment   | (67)       |
| Operation leases liabilities before discounting                    | 239        |
| Discounts using incremental borrowing rate                         | (30)       |
| Operating lease liabilities  | 209        |
| Total lease liabilities recognised under AASB 16 at 1 July 2019    | 209        |

## 2. SEGMENT INFORMATION

### (a) Description of the change

During the period, management reviewed the operating segments of the Group. As a result of the review and the expansion into China, a change was made from five to six segments on a geographical basis.

### (b) Description of segments

The Group is organised into five geographic operating segments: Asia-Pacific ('APAC'), China, North America, South America and Europe, Middle-East and Africa ('EMEA') plus a central Corporate segment which contains costs that are managed centrally that are not allocated to the geographic segments. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors, (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

### (c) Segment performance

Half-year ended  
31 December 2019

| Continuing Operations  | APAC<br>\$'000 | China<br>\$'000 | Nth<br>America<br>\$'000 | Sth<br>America<br>\$'000 | EMEA<br>\$'000 | Corporate<br>(incl R&D)<br>\$'000 | Total<br>\$'000 |
|--|----------------|-----------------|--------------------------|--------------------------|----------------|-----------------------------------|-----------------|
| <b>Trading revenue</b>   |                |                 |                          |                          |                |                                   |                 |
| Recurring revenue  | 672            | -               | 623                      | 546                      | 516            | -                                 | 2,357           |
| Non recurring revenue  | 137            | -               | 287                      | 558                      | 25             | -                                 | 1,007           |
| Other revenue  | -              | -               | -                        | -                        | -              | 357                               | 357             |
| <b>Total operating revenue</b>                                 | <b>809</b>     | <b>-</b>        | <b>910</b>               | <b>1,104</b>             | <b>541</b>     | <b>357</b>                        | <b>3,721</b>    |
| Cost of revenue  | (552)          | (48)            | (853)                    | (544)                    | (179)          | (592)                             | (2,768)         |
| <b>Gross profit</b>  | <b>257</b>     | <b>(48)</b>     | <b>57</b>                | <b>560</b>               | <b>362</b>     | <b>(235)</b>                      | <b>953</b>      |
| <b>Operating expenses</b>                                      |                |                 |                          |                          |                |                                   |                 |
| Sales and marketing  | (249)          | (17)            | (567)                    | (330)                    | (427)          | (529)                             | (2,119)         |
| General and administration                                     | (19)           | (105)           | (62)                     | (168)                    | (36)           | (1,547)                           | (1,937)         |
| Research Costs   | -              | -               | -                        | -                        | -              | (245)                             | (245)           |
| Share Option Based Payments                                    | -              | -               | -                        | -                        | -              | (2,108)                           | (2,108)         |
| Due diligence and acquisition costs                            | -              | (17)            | -                        | -                        | -              | (290)                             | (307)           |
| <b>Total operating expenses</b>                                | <b>(268)</b>   | <b>(139)</b>    | <b>(629)</b>             | <b>(498)</b>             | <b>(463)</b>   | <b>(4,719)</b>                    | <b>(6,716)</b>  |
| Foreign currency (losses) / gains                              | (7)            | -               | 1                        | (17)                     | 5              | (12)                              | (30)            |
| <b>Operating profit / (deficit) from continuing operations</b> | <b>(18)</b>    | <b>(187)</b>    | <b>(571)</b>             | <b>45</b>                | <b>(96)</b>    | <b>(4,966)</b>                    | <b>(5,793)</b>  |
| Depreciation and amortisation                                  | (28)           | (20)            | (6)                      | (6)                      | (3)            | (592)                             | (655)           |
| Net finance income   | -              | -               | 2                        | -                        | -              | 57                                | 59              |
| <b>Operating profit / (deficit) before tax</b>                 | <b>(46)</b>    | <b>(207)</b>    | <b>(575)</b>             | <b>39</b>                | <b>(99)</b>    | <b>(5,501)</b>                    | <b>(6,389)</b>  |

Half-year ended  
31 December 2018

| Continuing Operations  | APAC<br>\$'000 | China<br>\$'000 | Nth<br>America<br>\$'000 | Sth<br>America<br>\$'000 | EMEA<br>\$'000 | Corporate<br>(incl R&D)<br>\$'000 | Total<br>\$'000 |
|--|----------------|-----------------|--------------------------|--------------------------|----------------|-----------------------------------|-----------------|
| <b>Trading revenue</b>   |                |                 |                          |                          |                |                                   |                 |
| Recurring revenue  | 659            | -               | 554                      | 293                      | 241            | -                                 | 1,746           |
| Non recurring revenue  | 75             | -               | 138                      | 1,160                    | 1,187          | -                                 | 2,559           |
| Other revenue  | 1              | -               | 12                       | -                        | -              | 487                               | 499             |
| <b>Total operating revenue</b>                                 | <b>734</b>     | <b>-</b>        | <b>704</b>               | <b>1,453</b>             | <b>1,427</b>   | <b>487</b>                        | <b>4,805</b>    |
| Cost of revenue  | (277)          | -               | (807)                    | (823)                    | (543)          | (441)                             | (2,890)         |
| <b>Gross profit</b>  | <b>457</b>     | <b>-</b>        | <b>(104)</b>             | <b>631</b>               | <b>885</b>     | <b>46</b>                         | <b>1,915</b>    |
| <b>Operating expenses</b>                                      |                |                 |                          |                          |                |                                   |                 |
| Sales and marketing  | (190)          | -               | (592)                    | (188)                    | (516)          | (467)                             | (1,952)         |
| General and administration                                     | 28             | -               | (91)                     | (142)                    | (41)           | (1,254)                           | (1,501)         |
| Research Costs   | -              | -               | -                        | -                        | -              | -                                 | -               |
| Due diligence and acquisition costs                            | -              | -               | -                        | -                        | -              | -                                 | -               |
| <b>Total operating expenses</b>                                | <b>(162)</b>   | <b>-</b>        | <b>(683)</b>             | <b>(330)</b>             | <b>(557)</b>   | <b>(1,721)</b>                    | <b>(3,453)</b>  |
| Foreign currency (losses) / gains                              | (5)            | -               | (13)                     | (5)                      | 3              | 61                                | 41              |
| <b>Operating profit / (deficit) from continuing operations</b> | <b>290</b>     | <b>-</b>        | <b>(800)</b>             | <b>295</b>               | <b>331</b>     | <b>(1,614)</b>                    | <b>(1,497)</b>  |
| Depreciation and amortisation                                  | -              | -               | (6)                      | (15)                     | (2)            | (690)                             | (713)           |
| Net finance income   | -              | -               | -                        | -                        | -              | 63                                | 63              |
| <b>Operating profit / (deficit) before tax</b>                 | <b>290</b>     | <b>-</b>        | <b>(806)</b>             | <b>280</b>               | <b>329</b>     | <b>(2,241)</b>                    | <b>(2,147)</b>  |

**2. SEGMENT INFORMATION (continued)****(b) Total segment assets**

|                         | APAC<br>\$'000 | China<br>\$'000 | Nth<br>America<br>\$'000 | Sth<br>America<br>\$'000 | EMEA<br>\$'000 | Corporate<br>(incl R&D)<br>\$'000 | Total<br>\$'000 |
|-------------------------|----------------|-----------------|--------------------------|--------------------------|----------------|-----------------------------------|-----------------|
| 30 June 2019            | 1,494          | -               | 2,285                    | 1,023                    | 871            | 10,177                            | 15,850          |
| <b>31 December 2019</b> | <b>1,877</b>   | <b>2,022</b>    | <b>1,786</b>             | <b>297</b>               | <b>473</b>     | <b>20,998</b>                     | <b>27,453</b>   |

**(c) Total segment liabilities**

|                         | APAC<br>\$'000 | China<br>\$'000 | Nth<br>America<br>\$'000 | Sth<br>America<br>\$'000 | EMEA<br>\$'000 | Corporate<br>(incl R&D)<br>\$'000 | Total<br>\$'000 |
|-------------------------|----------------|-----------------|--------------------------|--------------------------|----------------|-----------------------------------|-----------------|
| 30 June 2019            | 422            | -               | 5,765                    | 1,003                    | 2,253          | (5,922)                           | 3,521           |
| <b>31 December 2019</b> | <b>713</b>     | <b>792</b>      | <b>5,545</b>             | <b>952</b>               | <b>1,807</b>   | <b>(4,871)</b>                    | <b>4,938</b>    |

**3. REVENUE**

|  | Consolidated Group          |                             |
|--|-----------------------------|-----------------------------|
|  | Half year<br>2019<br>\$'000 | Half year<br>2018<br>\$'000 |
| <b>From continuing operations</b>            |                             |                             |
| Recurring revenue                            | 2,357                       | 1,747                       |
| Non recurring revenue                        | 1,007                       | 2,559                       |
| <b>Trading revenue</b>                       | <b>3,364</b>                | <b>4,306</b>                |
| <b>Other revenue</b>                         |                             |                             |
| Research and development tax incentives      | 357                         | 467                         |
| Other revenue                                | -                           | 22                          |
| Profit on sale of fixed assets               | -                           | 10                          |
| <b>Other revenue</b>                         | <b>357</b>                  | <b>499</b>                  |
| <b>Total revenue - continuing operations</b> | <b>3,721</b>                | <b>4,805</b>                |

## 4. EXPENSES

(Loss) / profit before income tax from continuing operations includes the following specific expenses:

|  | Consolidated Group          |                             |
|--|-----------------------------|-----------------------------|
|  | Half year<br>2019<br>\$'000 | Half year<br>2018<br>\$'000 |
| <b>Cost of revenue and operating expenses</b>                        |                             |                             |
| Cost of revenue  | (2,768)                     | (2,890)                     |
| Total operating expenses   | (6,716)                     | (3,453)                     |
| <b>Total cost of revenue and operating expenses</b>                  | <b>(9,484)</b>              | <b>(6,343)</b>              |
| <i>Total cost of revenue and operating expenses is comprised of:</i> |                             |                             |
| Employee entitlements  | (4,105)                     | (3,446)                     |
| Employee entitlements capitalised                                    | 875                         | 640                         |
| Platform costs   | (576)                       | (316)                       |
| Consultants and contractors - cost of sales                          | (315)                       | (151)                       |
| Consultants and contractors - sales and marketing                    | (173)                       | (335)                       |
| Equipment costs  | (624)                       | (1,141)                     |
| Rental costs   | (209)                       | (283)                       |
| Superannuation costs   | (249)                       | (184)                       |
| Directors' fees  | (121)                       | (102)                       |
| Share option based payments  | (2,108)                     | (13)                        |
| Auditors remuneration  | (30)                        | (35)                        |
| Other operating expenses   | (1,849)                     | (976)                       |
| <b>Total cost of revenue and operating expenses</b>                  | <b>(9,484)</b>              | <b>(6,343)</b>              |
| <b>Depreciation and amortisation</b>                                 |                             |                             |
| Relating to:   |                             |                             |
| Amortisation of software development costs                           | (512)                       | (664)                       |
| Depreciation of property, plant, equipment and right-of-use assets   | (143)                       | (48)                        |
| <b>Total depreciation and amortisation</b>                           | <b>(655)</b>                | <b>(713)</b>                |
| <b>Total cost of revenue and operating expenses</b>                  | <b>(10,139)</b>             | <b>(7,056)</b>              |



## 5. INTANGIBLE ASSETS

| Consolidated Group                                | Notes | Goodwill   | Intellectual Property | Software     | Hardware  | Total        |
|---|-------|------------|-----------------------|--------------|-----------|--------------|
|   |       | \$'000     | \$'000                | \$'000       | \$'000    | \$'000       |
| <b>Half year ended 31 December 2019</b>           |       |            |                       |              |           |              |
| Opening net book amount - 1 July 2019             |       | 341        | 16                    | 5,199        | -         | 5,555        |
| Additions via business combination                | 8     | 98         | -                     | -            | -         | 98           |
| Additions - capitalised                           |       | -          | 60                    | 875          | 71        | 1,006        |
| Disposals   |       | -          | -                     | -            | -         | -            |
| Amortisation charge                               |       | -          | -                     | (512)        | -         | (512)        |
| <b>Closing net book amount - 31 December 2019</b> |       | <b>438</b> | <b>76</b>             | <b>5,562</b> | <b>71</b> | <b>6,147</b> |
| <b>At 31 December 2019</b>                        |       |            |                       |              |           |              |
| Cost  |       | 438        | 76                    | 7,771        | 71        | 8,356        |
| Accumulated amortisation                          |       | -          | -                     | (2,209)      | -         | (2,209)      |
| <b>Net book amount</b>                            |       | <b>438</b> | <b>76</b>             | <b>5,562</b> | <b>71</b> | <b>6,147</b> |

## 6. ISSUED CAPITAL

## Movements in ordinary shares

| Date             | Details  | Number of shares   | Issue price | \$'000        |
|------------------|--|--------------------|-------------|---------------|
| 30-Jun-19        | Balance  | 370,202,780        |             | 36,060        |
| 10-Sep-19        | Share placement  | 25,000,000         | 0.08        | 2,000         |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (109)         |
| 25-Sep-19        | Shares issued to employee - exercised options                | 500,000            | 0.11        | 55            |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (2)           |
| 18-Oct-19        | Institutional placement                                      | 25,000,000         | 0.28        | 7,000         |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (368)         |
| 11-Nov-19        | Shares issued to employee - exercised options                | 2,000,000          | 0.07        | 140           |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (2)           |
| 29-Nov-19        | Institutional placement                                      | 10,750,000         | 0.28        | 3,010         |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (165)         |
| 2-Dec-19         | Share placement  | 25,000,000         | 0.08        | 2,000         |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (108)         |
| 10-Dec-19        | Shares issued to employee - exercised options                | 3,000,000          | 0.12        | 360           |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (3)           |
| 10-Dec-19        | Shares issued to employee - exercised options                | 3,000,000          | 0.18        | 540           |
|                  | Less: transaction costs of capital raising (inc. tax effect) |                    |             | (3)           |
| 31-Dec-19        | Add back: transaction cost of capital raising - tax effect   |                    |             | 207           |
| <b>31-Dec-19</b> | <b>Balance</b>   | <b>464,452,780</b> |             | <b>50,613</b> |

## Options

Options issued to Directors for the half year ended 31 December 2019 totalled 22,500,000 (30 June 2019: Nil).

- 22,500,000 options at \$0.40 expiring in December 2021.

Options issued to Investors for the half year ended 31 December 2019 totalled 25,000,000 (30 June 2019: Nil).

- 25,000,000 options at \$0.15 expiring in March 2022.

There were no options issued to employees during the half year ended 31 December 2019 (30 June 2019: Nil).

At the 2019 Annual General Meeting held on 25 November 2019, shareholders approved the grant of up to 15,000,000 options under the China Employee ESOP. These options are yet to be granted to any named employees so remain a contingent liability. The options are expected to be granted progressively and otherwise not later than 3 years from the date of approval. These options will expire on 31 March 2022 and will only vest on \$10,000,000 in revenue (audited in accordance with international financial reporting standards) being received into the wholly owned China subsidiaries of Envirosuite Limited by 31 December 2021.

Executive performance rights issued to employees for the half year ended 31 December 2019 totalled 3,905,266 (30 June 2019: Nil).

## 7. CONTINGENCIES

### Contingent liabilities

The Group had contingent liabilities at 31 December 2019 in respect of the China employee options disclosed at Note 6 and the \$500,000 break fee disclosed at Note 10.

#### Litigation

There are no litigation proceedings in process at the reporting date.

## 8. BUSINESS COMBINATIONS

On 10 October 2019, the Group established a wholly own subsidiary in China called Beijing Envirosuite Science and Technology Co. Ltd.

On 25 December 2019, the Group, via its subsidiary Beijing Envirosuite Science and Technology Co. Ltd, acquired 100% of the issued capital of Beijing Hengliruiyuan Environmental Engineering Co. Ltd., an environmental engineering company.

The acquisition is part of the Group's strategy to accelerate its expansion into the Chinese market.

Through acquiring 100% of the issued capital of Beijing Hengliruiyuan Environmental Engineering Co. Ltd., the Group has obtained control of the company.

| Beijing Hengliruiyuan Environmental Engineering Co. Ltd.                        | December 2019<br>Fair Value<br>\$'000 |
|---|---------------------------------------|
| <b>Purchase consideration:</b>  |                                       |
| Cash to be paid   | 465                                   |
| Less: cash retained in Beijing Hengliruiyuan Environmental Engineering Co. Ltd. | <u>(218)</u>                          |
|   | <u>247</u>                            |
| <b>Less:</b>  |                                       |
| Accounts receivable   | 1                                     |
| Loans receivable  | 80                                    |
| Taxes receivable  | <u>68</u>                             |
| <b>Identifiable assets acquired and liabilities assumed</b>                     | <u>149</u>                            |
| <b>Provisional goodwill</b>   | <u>98</u>                             |
| Purchase consideration to be settled in cash                                    | 247                                   |
| <b>Cash outflow on acquisition</b>  | <u>(247)</u>                          |

## 9. INTEREST IN SUBSIDIARIES

### Information about Controlled Entities

| Controlled Entities Consolidated                         | Country of incorporation | 31 December 2019 | 30 June 2019 |
|--|--------------------------|------------------|--------------|
|  |                          | Percentage Owned |              |
|  |                          | %                | %            |
| <b>Parent Entity</b>                                     |                          |                  |              |
| Envirosuite Limited                                      | Australia                | 100              | 100          |
| <b>Subsidiaries of Envirosuite Limited</b>               |                          |                  |              |
| Envirosuite Operations Pty Ltd                           | Australia                | 100              | 100          |
| Envirosuite Holdings Pty Ltd                             | Australia                | 100              | 100          |
| Envirosuite Corp   | United States of America | 100              | 100          |
| Envirosuite Europe Sociedad Limitada                     | Spain                    | 100              | 100          |
| Envirosuite Canada Inc.                                  | Canada                   | 100              | 100          |
| Envirosuite Chile SpA                                    | Chile                    | 100              | 100          |
| Envirosuite Colombia S.A.S                               | Colombia                 | 100              | 100          |
| Beijing Envirosuite Science and Technology Co. Ltd.      | China                    | 100              | -            |
| Beijing Hengliruiyuan Environmental Engineering Co. Ltd. | China                    | 100              | -            |

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

## 10. SUBSEQUENT EVENTS

On 16 January 2020, the Group signed a binding agreement to acquire all of the share capital of EMS Bruel & Kjaer Holdings Pty Ltd ("EMS") ("Transaction"). EMS is a leading global environmental technology group, headquartered in Melbourne, with over 400 customers in 40 countries and approximately 200 staff. EMS specialises in environmental noise and vibration monitoring and is the recognised market leader in addressing airport noise globally.

The Group will purchase EMS, on a cash-free, debt free basis, from its shareholder group, comprising the majority shareholders Macquarie Corporate Holdings Pty Limited ("Macquarie") and Spectris Group Holdings Limited ("Spectris"), as well as the EMS founders whose nominees hold a minority shareholding.

The Group has agreed to a total consideration pursuant to a share sale agreement of:

- \$70,000,000 cash, to be paid net of EMS debt and subject to a working capital adjustment, to Macquarie as at 50% and Spectris as at 50%;
- 80,000,000 new ordinary shares in the Group, with 25,000,000 shares to be issued to Macquarie, 10,000,000 shares to be issued to Spectris, and 45,000,000 shares to be issued to the minority shareholders; and
- 95,000,000 options over ordinary shares in the Group, to be granted as follows:
  - 75,000,000 options to Macquarie with an exercise price of \$0.20 per share and an exercise period of three years from the date of grant; and
  - 20,000,000 options to nominee entities of the EMS founders, with an exercise price of \$0.25 per share and an exercise period of three years from the date of grant.

In addition, the Group has agreed as part of the Transaction to issue to Macquarie 55,000,000 ordinary shares in the Group as consideration pursuant to a referral agreement to be entered into subject to and on completion of the Transaction. All consideration shares are subject to a twelve-month escrow period. Any shares issued pursuant to the exercise of consideration options will be escrowed for the balance of the twelve months from the date of option grant. The consideration shares and consideration options to be issued by the Group as part of the Transaction consideration are fixed in number and not subject to recalculation at completion of the Transaction. Completion of the Transaction, including for the issue of the consideration shares and options was subject to shareholder approval at the General Meeting held on 24 February 2020 and was approved by shareholders at this meeting.

The \$70,000,000 cash consideration is to be funded via an underwritten institutional placement ("Placement") to new and existing institutional and sophisticated investors that will, on settlement, raise gross proceeds of \$70,000,000. Bell Potter Securities acted as sole Lead Manager and Underwriter for the Placement.

Should the Group fail to complete the acquisition by 28 February, 2020 it may be liable for a \$500,000 break fee payable to EMS shareholders for costs incurred.

In support of the Transaction, the Group also raised \$4,700,000 via the issue of 23,500,000 new ordinary shares to institutional and sophisticated investors including directors Hugh Robertson and Chairman David Johnstone, members of the EVS management team and their networks at \$0.20 per share.

The company raised a further \$9,282,500 via the issue of 45,280,265 new ordinary shares in the Company via a Share Placement Plan to existing shareholders at \$0.205 per share.

As the acquisition accounting had not been finalised as at the date of this report, no estimation of or actual amounts of assets and liabilities have been disclosed and as such no goodwill calculated.

The directors are not aware of any other significant events since the end of the interim period.

## DIRECTORS DECLARATION

In accordance with a resolution of the directors of Envirosuite Limited, the directors of the Company declare that:

- (a) The financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



David Johnstone  
Chairman

27 February, 2020

PKF Brisbane Audit



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ENVIROSUITE LIMITED

### Conclusion

We have reviewed the accompanying half-year financial report of Envirosuite Limited ("the company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us

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believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Envirosuite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'S Lindemann'.

SHAUN LINDEMANN  
PARTNER

27 FEBRUARY 2020  
BRISBANE

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## Corporate Directory

Envirosuite Limited  
ABN: 42 122 919 948

### Board of Directors

|   |                                    |
|---|------------------------------------|
| <b>Peter White</b><br>Chief Executive Officer | <b>David Johnstone</b><br>Chairman |
| <b>Hugh Robertson</b><br>Director             | <b>Adam Gallagher</b><br>Director  |
| <b>Zhigang Zhang</b><br>Director              |                                    |

### Company Secretary

Adam Gallagher

### Registered office and principal place of business

Suite 3, Level 11  
157 Walker St,  
North Sydney NSW 2060

Phone: 02 8072 0619

### Share Registry

Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney, New South Wales 2000

Phone: 02 9290 9600

### Auditor

PKF Brisbane Audit  
Level 6, 10 Eagle Street,  
Brisbane, Queensland 4000

Phone: 07 3839 9733

### Stock Exchange Listing

Envirosuite Limited shares are listed on the  
Australian Securities Exchange (Code EVS)

### Website Address

[www.envirosuite.com](http://www.envirosuite.com)