PERTH/SINGAPORE, 25 October 2023

Engineering Success

Response to Questions in advance of AGM

Civmec are pleased to provide responses to questions received in advance of the upcoming AGM to be held on Tuesday 31 October 2023.

Relevant questions received are as follows;

1. *Can you provide an outlook on the Group's foray into and prospects within the green energy sector? In particular, what are some of the challenges the Group needs to overcome before this sector can grow to become the dominant growth segment within the Group.*

   Civmec is well positioned to participate in de-carbonisation efforts in Australia. We have undertaken (or are currently executing) contracts for manufacturing and/or construction activities on five lithium plants and have also undertaken maintenance work on lithium plants. We have also performed construction and/or maintenance works on air separation plants and ammonium plants. Plants of this nature are expected to play a major role in the de-carbonisation of the world's energy supplies. As Australia's and the world's de-carbonisation efforts accelerate our multi-disciplinary services offering is well suited to clients wishing to perform that type of manufacturing, construction or maintenance activities on their projects.

2. *China's economy looks set to slow in the coming years as the country works off its real estate glut. Amidst such a more challenging global growth backdrop, how would such a development impact the Group, and how is the Group strategizing to improve revenue and profitability.*

   All of the Group's operations are in Australia and all the contracts it undertakes are in Australia. A key part of Civmec's strategy is to diversify the sectors that we work in. This strategy includes

   - Growing the proportion of maintenance work undertaken by the Group (as a percentage of total revenue)
   - Increasing our accreditation for road and bridge building to allow us to perform more complex insfrastructure projects

By targeting these areas the Group is looking to provide a more stable revenue stream from maintenance related work and also increases the revenue stream generated through infrastructure construction contracts that tend to run counter-cyclical to resource and energy projects.

3. *Would the board and management provide shareholders with more detailed insights into the following operational and financial aspects? Specifically:*

(i) *Energy: As outlined in the annual report, some prominent clients include Baker Hughes, Woodside Energy, and Santos. The segment's revenue grew to over A$43 million in FY2023, compared to a relatively low base of A$30 million in FY2022. It was observed that there are "encouraging signs of optimism in the market." Can management elaborate further on the key drivers of the segment? How sticky are the customers and are projects more ad-hoc and/or short term in nature? What are the opportunities to secure long-term contracts that are recurring in nature? What prospects exist for securing long-term, recurring contracts? Could management also elaborate on the opportunities associated with hydrogen and explain the group's competitive advantage in the hydrogen sector?*

Projects undertaken in this sector are predominantly project based and therefore ad-hoc with contract durations ranging from weeks to multiple years with the exception of a term agreement in place with Woodside to provide services for multiple sites over a number of years.

(ii) *Resources: In the resources sector, revenue increased to A$679 million in FY2023, marking a rise of A$48 million compared to the previous year. Leveraging a diverse portfolio of blue-chip clients and a well-established track record, management is confident that it has established itself as the preferred contractor for construction and maintenance within the resources sector. Could management provide insights into the group's current market share within the resources sector? With 5 lithium projects under its belt, does management perceive the lithium sector as still offering significant growth opportunities in the foreseeable future?*

The Group is not aware of any reliable information regarding what our market share may be in the sector. Our clients see us as one of the key providers of construction and maintenance services capable to meet their requirements and there are still significant opportunities to grow the scale of our offering to those clients while also adding new clients. Regarding the Groups views on the Lithium sector, see response to Q1

(iii) *Infrastructure, marine and defence: Revenue from the sector decreased from A$148 million in FY2022 to A$109 million in FY2023. The group initiated the construction of OPV6, the Royal Australian Navy's Arafura Class Offshore Patrol Vessels, with the seventh vessel scheduled for commencement in early FY2024. With several years of experience, has management made improvements in terms of efficiency and workflow for the OPVs? Can the group provide shareholders with an overview of the key highlights from the 2023 Defence Strategic Review and discuss how the group may benefit from or be impacted by it? Is the government engaging with stakeholders for the recently commissioned Naval fleet review, and if so, is the group actively contributing its insights?*

The nature of a multi-unit manufacturing contract is that efficiencies will improve with repetition. This improvement is built into the contract price and is a matter of constant focus of the project team to ensure these improvements are realised. The Group is awaiting release of the outcomes of the surface fleet review that was recommended in the Defence Strategic Review which we believe will give greater clarity on the potential opportunities arising from this.

(iv) *Workforce: The group's workforce ranged from 2,700 to 2,800 from FY2019 to FY2022 before increasing to 3,400 in FY2023. Can management provide shareholders with a clearer understanding of the factors behind this significant increase in manpower following a period of relatively consistent numbers?*

Workforce numbers fluctuate to suit the needs of contracts being undertaken. While workforce numbers are loosely linked to revenue earned the ratio varies depending on the nature of the contracts undertaken. During recent times with availability of labour being lower than historical levels, the Group has been prudent in the targeting of contracts in order to ensure as much as practical that the required resources can be secured to perform that work.

4. *The company's net cash position returned to positive in December 2022 as a result of its strong net cash generated from operating activities of A$122.8 million.*

(i) *What is the remaining capital expenditure needed to complete and fit-out the group's new facilities at Port Hedland?*

It will cost approximately A$6 million to have the facility operational. Other equipment purchases to enhance the capabilities of the facility will be considered on a case by case basis in order to better service the needs of our clients.

5. *As highlighted in the chief executive officer's report, the group has formulated an operational growth strategy centered around the establishment of a new Queensland maintenance hub located in Gladstone. This strategic move is expected to create various opportunities for the group in the fields of maintenance, and potentially, construction, and to a lesser extent, heavy engineering.*

(i) *Could management elaborate further on the strategic vision for the new Gladstone facility, specifically regarding its intended capabilities and sophistication, floor space and level of automation?*

The Gladstone facility is planned to be the base of operations for management in the region. It will be able to complement and enhance the maintenance and capital upgrades services offering already being delivered in the region by being able to perform urgent repair work on client equipment or potentially ongoing refurbishment services for client equipment. The total floor area is planned to be slightly larger than that for the Port Hedland facility under construction at just over 6,000m2.

(ii) *What are the projected capital investment and timeline required to establish the Gladstone facility?*

The approximate CAPEX including freehold land purchase is anticipated to be around A$15 million. Pending relevant development approvals, it is expected the facility will be completed during FY25.

6. *In Note 2(l) to the financial statements (Significant accounting policies: Property, plant and equipment (PPE)), the company states that it has adopted the revaluation model for freehold land and buildings from 1 July 2019. While freehold land and buildings are initially recognised at cost, they are subsequently carried at their revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. As shown in Note 14 (Property, plant and equipment), the carrying values of freehold land and buildings as at 30 June 2023 amounted to A$363.3 million, in contrast to the net book value of A$189.2 million when based on historical costs. In the fair value hierarchy as at 30 June 2023, more than 92% of the group's PPE uses Level 3 fair value (Unobservable inputs for the asset or liability) while the remaining uses Level 2 fair value (Inputs other than quoted*

prices included within Level 1 that are observable for the asset or liability, either directly or indirectly)

(i) *Can the board affirm that the group's facilities are considered mission-critical assets, and that there are no plans to monetise them?*

The Group's facilities are an integral part of our operations and are a key part of providing the multi-disciplinary services offering that differentiates us from other companies in Australia.

(ii) *Can the board elaborate further on the rationale to carry its PPE at fair value (under the revaluation model)? Can the board also address any concerns shareholders may have about the potential risk of the group's balance sheet lacking conservatism due to this approach?*

Civmec's facilities were constructed using internal resources resulting in the cost base being significantly lower than the true cost of those facilities. The cost base does not include the normal overheads and profit that would normally be included in the price if the works were contracted to a developer. The Board is of the opinion that to carry the PPE at cost would materially understate the true value of the Group's assets.

7. *As noted in the corporate governance report, the company has a whistle-blowing policy where people may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts, bribery/corruption conduct, breach of code of conduct and other matters, and has ensured that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.*

Staff are regularly informed of the existence of the whistle-blowing mechanism and encouraged to report relevant matters. The group uses STOPline, an independent third-party whistle-blowing service provider.

There have been a total of five instances of the whistle-blowing in the past 5 years.

(i) *Could the chairman of the audit committee (AC) clarify whether he is promptly notified in real-time of any whistle-blowing reports made?*

The AC are promptly notified of whistle blowing matters

(ii) *What is the role of the service provider and how was STOPline selected?*

The STOPline is a third party provider that allows employees or third parties to report suspected fraud, corruption or other suspected misconduct. The person making the report can chose to remain anonymous. STOPline was selected through a request for proposals process conducted in 2012

(iii) *Can the AC also clarify on its level of involvement in the investigation of whistle-blowing issues?*

The AC do not directly conduct investigation(s), they ensure the investigations are performed by a person who has no conflict regarding the matter reported, review investigation(s) performed and/or recommend a third party to provide advice or services in connection with the investigation(s)

This announcement was authorised for release to the ASX and SGX by the Board.

*******End of Release*******

About Civmec Limited

Civmec is an integrated, multi-disciplinary construction and engineering services provider to the Energy, Resources, Infrastructure and Marine & Defence sectors. Headquartered in Henderson, Western Australia, Civmec has regional offices in Newcastle (New South Wales, Australia), Gladstone (Queensland, Australia), and Port Hedland (Western Australia). The company is listed on the SGX (Singapore SGX:P9D) and the ASX (Australia ASX:CVL). Its core capabilities include heavy engineering, shipbuilding, modularisation, SMP (structural, mechanical, piping), EIC (electrical, instrumentation and control), precast concrete, site civil works, industrial insulation, maintenance, surface treatment, refractory and access solutions.

For more information, please visit our website at www.civmec.com.au