

ASX ANNOUNCEMENT
31 January 2017

GROUP UPDATE

Decmil Group Limited (ASX: DCG) ("Decmil" or "Company") wishes to provide an update on the Hastings project and its outlook for the remainder of FY17.

Hastings Project

Decmil is currently in the final stages of a fuel depot tank project at the Hastings fuel terminal. As previously advised to the market, a series of industrial relations, weather and productivity issues over the life of the project have resulted in ongoing delays to the project timeline and a material increase in project cost.

Current status on the project is as follows:

- Construction being 93% complete at 31 December 2016;
- Wet commissioning and practical completion of the facilities expected in late February 2017; and
- A further project loss of ~\$6.5m for the six months ended 31 December 2016.

Recent Contract Wins

Market conditions improved in some of the Group's core sectors in the latter part of the 2016 calendar year resulting in the following recent contract wins:

- A circa \$50m contract with RTA Weipa Pty Ltd, a wholly owned subsidiary of Rio Tinto Limited, for the design, fabrication, supply, delivery, construction, installation, testing and commissioning of the Mine Infrastructure Area at the Amrun project;
- A circa \$40m contract with Hamersley Iron for the design, construction and commissioning of new facilities at the existing Nammuldi central mine services and at the Silvergrass mine services area;
- Cut & Fill awarded a \$22m project for Vic Roads on the Princess Highway (East); and
- A circa \$14m contract with NSW Health Infrastructure for the redevelopment of a regional medical facility including the diversion of services, demolition of existing structures and the construction of a new temporary medical centre.

Other key strategic activities in the Group include:

- Participation by Cut & Fill in the Vic Roads Outer Suburban Arterial Roads PPP expression of interest process in a tier one consortium;
- Progress with a number of strategic partnerships in the renewable energy sector, predominantly focused on new wind and solar development projects; and
- New sustaining capital opportunities the WA Iron Ore Sector.

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Updated FY17 Guidance

Delays in the timing of recent contract wins, new project awards and the release of new Defence and Telecommunications tenders expected in late FY17 in Decmil's target markets has meant that the Group now expects revenue for FY17 to be skewed to the second half; and also for some previously expected FY17 revenue to be deferred to FY18.

Accordingly, revenue is expected to be:

- ~\$150m for H1FY17 (versus \$167m in H1FY16); and
- In the range of \$175m - \$200m for H2FY17 (versus \$133m in H2FY16).

Homeground Gladstone experienced improved occupancy in H1FY17, averaging 30%, due to the final stages of construction on the major Gladstone LNG projects and as other accommodation located on Curtis Island demobilised. Occupancy is expected to reduce from this level in H2FY17 and in FY18 as the Gladstone LNG projects enter steady state operations.

Visibility of Group revenue for FY18 has improved due to the timing of recent contract wins and tendering activity and, at the date of this release, FY18 work in hand and visible revenue stands at ~\$160m.

In addition to the above, the Group is currently either a preferred or shortlisted tenderer on new construction projects totalling ~\$150m including two renewable energy projects, a sustaining capital project in the resources sector, a new commercial building project in New Zealand and various smaller infrastructure projects. These projects, if secured, will add to the Group's FY18 work in hand.

Managing Director Mr. Scott Criddle said:

"The 2015 and 2016 calendar years were challenging for the construction and engineering sector in Western Australia and the resources sector in particular. Market conditions have started to improve in some of the Group's core sectors and opportunities are arising in new sectors, resulting in some positive recent contract wins and an improved outlook for FY18 and beyond.

This improvement, combined with the strategy of diversification over the past few years, provides a solid basis for the Group to again grow revenue entering the 2018 financial year."

About Decmil

Decmil Group Limited (DGL) offers a diversified range of services to the Australian resources and infrastructure industries. Companies within the group specialize in design, civil engineering and construction; accommodation services; mechanical fabrication; maintenance; and telecommunications. Listed on the Australian Securities Exchange (ASX Code: DCG), Decmil's goal is to maximize returns from our operations to deliver value to our shareholders, clients and other stakeholders.

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