



**ASX / MEDIA ANNOUNCEMENT**  
**15 June 2018**

## **CONTRACT AWARD AND MARKET UPDATE**

- **NZ\$125m extension of construction contract with New Zealand Corrections**
- **Strong pipeline of transport infrastructure projects in Victoria and New South Wales in-line with recent State and Federal budgets**
- **H2FY18 revenue from continuing operations expected to be ~50% higher than H1FY18**
- **FY19 revenue still expected to exceed \$500m**

Decmil Group Limited (ASX: DCG) ("Decmil" or "Company") is pleased to announce a new contract award and provide a general update to the market on the Company's activities and prospects.

### **Extension of NZ Corrections Contract**

Decmil is pleased to announce that its New Zealand subsidiary Decmil Construction NZ Limited has been awarded an extension of its contract with the New Zealand Department of Corrections ("NZ Corrections").

The contract extension, valued at ~NZ\$125 million, relates to the design, procurement and on-site installation of rapidly deployable modular prison cells across a number of existing prison sites in New Zealand.

The contract extension follows from the award of a NZ\$60 million contract across two sites in August 2017.

The contract extension will further expand Decmil's business in New Zealand which is active in the Education, Corrections, Defence and commercial building sectors.

### **Transport Infrastructure Projects**

The recent budgets announced by State and Federal Government has presented a number of opportunities for Decmil including the following transport infrastructure projects that the Company has bid or is targeting in H1FY19:

- **Mordialloc Freeway (VicRoads):** the Mordialloc freeway is a proposed new 9km freeway linking the end of the Mornington Peninsula Freeway at Springvale Road to the Dingley Bypass. Following an Expression of Interest process Decmil, with its JV partner McConnell Dowell, has been shortlisted to one of two bidders for the tender stage to design and construct the Mordialloc Bypass;

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- **M80 Ring Road Upgrade (VicRoads):** the M80 Ring Road Upgrade relates to the design and construction of the remaining northern sections of the M80 Ring Road. Decmil, with its JV partner BMD, is one of two bidders that has submitted an Expression of Interest;
- **Oxley Highway, Gunnedah (NSW RMS):** Decmil is a shortlisted contractor for the Oxley Highway project in Gunnedah. The project relates to the design and construction of a bridge over an existing rail line; and
- **Drysdale Bypass (VicRoads):** Decmil is a shortlisted contractor for the design and construction of the Drysdale Bypass from Grubb Road to Whitcombes Road in Victoria.

### Update on Sunraysia Solar PV Project

In December 2017, Decmil announced that under an MOU it had been appointed as preferred contractor to design and construct a 250MW solar PV project in Balranald, NSW (Sunraysia Project). Decmil continues to work with the developer of the Sunraysia Project, Maoneng Australia, and has progressed with negotiation of the EPC contract. Notice to proceed is however still subject to the developer achieving financial close on the project.

### Update on Natural Resources Projects

In November 2017, Decmil commenced a contract with BHP Iron Ore ("BHP") to upgrade the Mulla Mulla Village to support operations at the proposed South Flank project. The award was the first phase of an estimated \$105m overall contract, with the second \$30m separable portion being subject to further BHP approvals by 30 June 2018. Currently, the first phase of the project continues, however it is now expected that the second separable proportion will be less than the \$30m value previously estimated, with award subject to BHP approval.

In early 2017, Decmil commenced a contract with RTA Weipa Pty Ltd, a wholly owned subsidiary of Rio Tinto Group, for design and construction of the mine infrastructure area at the Amrun project near Weipa, Queensland. Finalisation and completion of Decmil's contract has been impacted by wet weather events and related logistical challenges impacting operations on site. Decmil is currently reviewing the impact on the final project margin as part of its FY18 financial year-end process.

New projects that Decmil is targeting to bid for in H1FY19 includes the non-process infrastructure at the new Koodaideri mine for Rio Tinto and the Eliwana mine for FMG.

### Update on FY18 and FY19 Outlook

In FY18, the business consolidated its focus on the Infrastructure, Resources and Renewable Energy sectors across Australasia.

Revenue from continuing operations in H2FY18 is expected to grow by ~50% on the H1FY18 level (H1FY18: \$140.8 million), based on larger contract wins in late calendar year 2017.

Given the timing of award, no revenue is now expected in FY18 from the extension of the NZ Corrections contract or the above transport projects, however the FY19 and FY20 order book has correspondingly been strengthened by it.



Based on the Company's current tender pipeline (excluding the Sunraysia Project) and work in hand, and as at the date of this release, Decmil still expects FY19 revenue to exceed \$500 million.

Other key matters impacting full year FY18 earnings and FY19 earnings are:

- Losses associated with disposed discontinued operations being limited to H1FY18 with no further impact on H2FY18 or FY19 earnings expected;
- Continued increased bidding activity (across all sectors) and bid costs in H2FY18 which will impact H2FY18 earnings;
- The Company is reviewing the impact of new accounting standard AASB 15 *Revenue from Contracts with Customers*. Decmil is still analysing the impact of the new standard however, review to date has suggested the new standard may result in a change in revenue recognition criteria from "probable" to "highly probable" and revenue being deferred; and
- Subdued occupancy at the Company's Homeground Gladstone accommodation village in H2FY18 and for the remainder of the 2018 calendar year with no contribution to Group earnings expected. Occupancy is however expected to improve in the 2019 calendar year as the Gladstone LNG plants set up major planned maintenance activity.

## About Decmil

Decmil Group Limited (DGL) offers a diversified range of services to the Australian resources and infrastructure industries. Companies within the group specialise in design, civil engineering and construction; accommodation services; mechanical fabrication and maintenance. 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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