

ASX / MEDIA ANNOUNCEMENT
25 February 2020

MARKET UPDATE – RAPID DEPLOYMENT PRISON PROJECT, NEW ZEALAND

Decmil Group Limited (ASX:DCG) (“**Decmil**” or “**Company**”) wishes to advise the market that the Contract with the New Zealand Department of Corrections (“**Department**”) is at an end.

This follows numerous unsuccessful attempts by Decmil to negotiate a fair and equitable outcome for all stakeholders.

Decmil is now working together with the Department to exit the five prison sites covered by the program. Decmil also confirms it has, and will, continue to honour its commitments to subcontractors up to and including the date the Contract ended.

“Having successfully delivered projects within New Zealand for the last five years, this Contract coming to an end is a disappointment for the Company and an unfair reflection of the efforts by all parties in its delivery to this point. This project has been difficult from the outset for multiple reasons, including its unique nature, being technically untested and/or due to delivery constraints said, Scott Criddle – Decmil CEO.

Decmil and the Department will now attempt to resolve the outstanding issues for determination by agreement, mediation, or failing those by arbitration. *“We are only looking for a fair recognition of the work we and our sub-contractors have completed, in line with the commitments made,”* said Scott Criddle – Decmil CEO

Background:

The Project involved the adoption of prison accommodation by modular construction which was unique and untested in New Zealand. The Department and Decmil agreed to a collaborative prototype-based process to determine the final specifications for the modules. That process contemplated Decmil providing a type of module but the Department being free through the prototype process to change any of those requirements to better suit what the Department required.

There has been a long period of Decmil working collaboratively and in conjunction with the Department to resolve the final requirements for the contracted works. In this process, based on the Department’s amended requirements, it has now been identified by Decmil that the final delivery of the Project in accordance with the Department’s amended requirements is not possible.

Between March 2019 and October 2019, Decmil and the Department had also agreed to negotiate contractual adjustments to take into account delays caused by the Department and its contractors, the amendment of the module requirements to meet the Department’s standards, and to finalise payment claims for variations to the Contract Works. This was with a view to establishing a final commercial reset for both the time and cost for the Project.

Notwithstanding the above, since October 2019, the Department has progressively and unilaterally determined to abandon commercial reset negotiations and then, in Decmil’s view, wrongfully imposed Liquidated Damages without making any delay adjustments. The Department also failed to make any payments in respect of Decmil’s variation payment claims.

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Effectively, Decmil have not been paid for any works performed on the Project for over 4 months whilst continuing to fund the supply chain.

Decmil intends to pursue the Department for its payment entitlements in relation to the work that has been completed or which are the subject of wrongful deductions.

Decmil also intends to pursue its claims on the basis the Department has not acted consistently with the agreed processes for collaboration in the Project.

Department Report to the Justice Select Committee “December 2019”:

Decmil considers this report to be both self-serving and inaccurate, inasmuch as it completely fails to consider the Department’s contribution to the delay in delivery of the contracted works.

Decmil also confirms it is in the process of obtaining external legal advice on the matters raised within the report and will reserve its rights (under the contract and at law) in this respect.

Other New Zealand Operations:

Decmil remains fully committed to completing all other projects already commenced in New Zealand.

This said, Decmil will conduct a strategic review based on operating practices within New Zealand to determine how best to continue to operate in New Zealand.

Decmil confirms this update is provided only in response to recent media reports; the company is not applying to lift the current Trading Halt.

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 engineering and construction; accommodation services; and maintenance. Listed on the Australian Securities Exchange (ASX Code: DCG), Decmil’s goal is to maximise returns from our operations to deliver value to our shareholders, clients and other stakeholders.

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