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ASX / MEDIA ANNOUNCEMENT

29 November 2011

Decmil Group to acquire 50% interest in a build-own-operate accommodation village in Gladstone and undertake \$85 million capital raising to fund continued construction of up to 2,265 rooms

Key Points

- Decmil Group Limited (“DGL”) has executed an agreement with Queensland’s Maroon Group to build-own-operate up to 2,265 rooms in the Calliope Accommodation Village (“the Village”), near Gladstone, Queensland.
- Decmil Investments Pty Ltd (“Decmil Investments”), a wholly owned subsidiary of DGL, will acquire a 50% interest in the MGA Gladstone Unit Trust (“the Trust”), the beneficial owner of the Village, and MGA Gladstone Pty Ltd, the trustee of the Trust, for consideration of \$40 million.
- DGL’s wholly-owned subsidiary, Decmil Australia Pty Ltd (“Decmil Australia”), will assume project management responsibility and perform continued construction work at the Village from January 2012, with a total anticipated value in excess of \$150 million.
- Key cornerstone tenant, Wiggins Island Coal Export Terminal Pty Ltd (“WICET”), has executed a take-or-pay accommodation agreement for the initial two stages of the project which involve 648 rooms with options to take up to 252 additional rooms.
- Commonwealth Bank of Australia (“CBA”) has provided a credit approved offer of finance for up to \$80 million to fund future construction of the Village, in conjunction with an additional \$46 million of mezzanine finance to be made available by DGL.
- An \$85 million equity raising via a 1 for 3 accelerated non-renounceable pro-rata entitlement offer is being undertaken to fund DGL’s acquisition of its 50% interest in the Village and proposed mezzanine financing.

Decmil Group Limited (**ASX: DCG**) (“DGL”) is pleased to announce that it, and Decmil Investments, have executed a Shareholder and Unitholder Agreement (“the **Agreement**”) for Decmil Investments to acquire a 50% interest in the MGA Gladstone Unit Trust, owner of the Calliope Accommodation Village, near Gladstone in Queensland.

MDJV (Management) Pty Ltd (“MDJV”), an incorporated 50:50 joint venture between Maroon Group and Decmil Investments, will manage the build-own-operate of the Village on behalf of the Trustee and the Trust, with Decmil Australia assuming the project management responsibilities for the ongoing construction work. Evolution Facilities Management Pty

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Decmil Group Limited

Limited (a subsidiary of Maroon Group Catering Pty Limited) is contracted to undertake facility management.

The Village is located approximately 20 kilometres from Gladstone and has development approval for up to 2,265 rooms on site. Construction of Stage 1 (240 rooms) was completed in October 2011, with construction of Stage 2 (432 rooms) now underway and due for completion in April 2012.

Subject to accommodation demand in the region, the build out to 2,265 rooms is anticipated to be completed in April 2013 and represents in excess of \$150 million of construction work for Decmil Australia.

Wiggins Island Coal Export Terminal Pty Ltd ("WICET") has executed an accommodation agreement on a take-or-pay basis for Stage 1 (240 rooms) until October 2014 and Stage 2 (408 rooms) for a 3 year term following handover of those rooms (anticipated to be in April 2012). In respect of both Stages 1 and 2, WICET has the option to extend for 2 years. WICET has the further option to take an additional 252 rooms on terms to be finalized. WICET personnel are currently occupying the rooms completed under Stage 1. The WICET consortium consists of eight equity participants which are existing and potential coal exporters located in Queensland, including Xstrata Coal, Aquila Resources and Wesfarmers Curragh. First coal shipments through the initial stage of the export terminal development are planned from 2014.

The Agreement is subject to certain conditions precedent, including the execution of formal documentation for the secured project financing of up to \$80 million with CBA, DGL's mezzanine financing facility, execution of intercreditor deeds between the relevant parties and other related administrative matters. The Company expects these conditions to be satisfied before the conditions precedent end date (being 22 December 2011 or such later date as agreed).

Strategic Rationale and Impact on DGL

DGL's incoming Chairman, Mr Giles Everist, said "there are multiple strategic benefits for DGL arising from this transaction including the immediate and low risk ramp up of Decmil Australia's Queensland operations into the Queensland regional construction market, particularly the Gladstone region, via ongoing project management and construction work at the Village."

"Furthermore this investment creates a recurring revenue stream strengthening future margins for DGL and will generate strong earnings per share accretion in future years."

The DGL Board expects that the impact of the investment, the associated construction revenue derived by Decmil Australia from the ongoing Village construction contract and the equity raising will be earnings per share neutral to DGL in the financial year to 30 June 2012. Contribution to earnings in FY13 and beyond is expected to be significantly earnings per share accretive once the Village is fully operational.

DGL Managing Director, Mr Scott Criddle, said "we are extremely pleased to be participating in the development of the Calliope Village and service the increasing demand for high-quality accommodation in the Gladstone region. The significant expansion in infrastructure and resources sector projects in and around Gladstone will require a significant influx of highly-skilled labour to support these projects."

"The provision of high-quality accommodation will be a key factor to staff attraction and retention for the managers of these projects over the coming 5 to 10 years. We believe our investment in the Village and Decmil Australia's and Maroon Group's combined ability to deliver a high-quality accommodation solution will provide DGL with a first-mover advantage in the Gladstone region and set the benchmark for future accommodation developments," Mr Criddle said.

Financing Structure

DGL along with CBA are willing to make available, in total, up to \$166 million of financing for the continued construction and operations of the Village, subject to the conditions precedent referred to earlier and the sourcing of appropriate accommodation agreements.

To date, key cornerstone tenant WICET has provided interim funding to the MGA Gladstone Unit Trust to finance the initial stages of room construction at the Village. DGL has agreed to inject \$40 million into the MGA Gladstone Unit Trust to acquire 50% ownership of the Calliope Village. This equity will be used to extinguish the existing WICET debt facility.

The credit approved offer of finance from the CBA for up to \$80 million in project finance is to be made available in tranches with the initial tranche to fund the second stage of development at the Village. Further tranches will be considered for drawdown based on, amongst other things, the underlying accommodation agreements.

DGL will also make available a further \$46 million of project mezzanine financing for further stages of construction and assist the facility's manager with short-term financing requirements.

The above finance facilities provide the capacity to complete the construction of up to 1,683 rooms at the Village. The balance of the project finance required to complete the room construction up to 2,265 rooms will be sourced from DGL and Maroon Group and the reinvestment of project cash flows.

GMP Securities Australia Pty Ltd acted as DGL's Financial Advisor to the acquisition of DGL's 50% interest in the Village. Hopgood Ganim Lawyers acted as DGL's Legal Advisor.

Entitlement Offer

To fund DGL's acquisition of its 50% interest in the Village, and provide the mezzanine financing facility for continued construction, DGL is undertaking a 1 for 3 accelerated non-renounceable pro-rata entitlement offer to raise approximately \$85 million at \$2.05 per new share ("the Entitlement Offer").

The Entitlement Offer consists of an institutional entitlement offer to raise approximately \$65 million ("Institutional Entitlement Offer") and a retail entitlement offer to raise not more than \$20 million ("the Retail Entitlement Offer"). New shares issued under the Entitlement Offer will rank equally with existing DGL shares.

GMP Securities Australia Pty Ltd ("GMP Securities") has been appointed as Sole Lead Manager and Sole Bookrunner to the Entitlement Offer.

The Entitlement Offer will be fully underwritten by GMP Securities subject to the successful completion of the Institutional Entitlement Offer and is subject to market standard termination events.

The Entitlement Offer price of \$2.05 per share represents:

- a 4.2% discount to the last closing price of DGL's share price on the ASX on 28 November 2011;
- a 4.2% discount to the 5-day volume-weighted average price (VWAP) of \$2.14;
- a 6.4% discount to the 10-day VWAP of \$2.19; and
- a 4.9% discount to the 30-day VWAP of \$2.15.



Decmil Group Limited

Investors should refer to the ASX investor presentation including description of key risks which is attached to this ASX release.

The key dates for the Entitlement Offer are:

Event	Date*
Trading Halt	Tuesday 29 November 2011
Cleansing Notice released to market	Tuesday 29 November 2011
Institutional Entitlement Offer opens	Tuesday 29 November 2011
Institutional Entitlement Offer closes	Thursday 1 December 2011
Announcement of results of Institutional Entitlement Offer	Friday 2 December 2011
Trading resumes on an ex-entitlement basis	Friday 2 December 2011
Record Date* (date for determining Entitlements of Eligible Shareholders to participate in the Entitlement Offer)	Friday 2 December 2011 (7.00pm AEDT)
Opening Date of Retail Entitlement Offer (date when the Retail Entitlement Offer opens)	Monday 5 December 2011
Despatch of Retail Entitlement Offer Documents	Monday 5 December 2011
Institutional Entitlement Offer settlement	Thursday 8 December 2011
Institutional Entitlement Offer allotment and dispatch	Friday 9 December 2011
Trading of Institutional Entitlement Offer Shares commences	Monday 12 December 2011
Closing Date of Retail Entitlement Offer (final date for applications and payment to be received for the Retail Entitlement Offer)	Friday 16 December 2011 5.00pm (AEDT)
Announcement of results of Retail Entitlement Offer	Monday 19 December 2011
Retail Entitlement Offer settlement	Thursday 22 December 2011
Despatch date (holding statements in relation to New Shares issued under the Retail Entitlement Offer dispatched)	Friday 23 December 2011
Trade date (New Shares issued under the Retail Entitlement Offer commence trading)	Wednesday 28 December 2011

* The timetable is subject to change. Subject to the Listing Rules, the Directors reserve the right to withdraw or vary the timetable for the Entitlement Offer without notice. In particular, the Directors reserve the right to extend the Closing Date for the Retail Entitlement Offer to accept late applications either generally or in particular cases or to withdraw the Retail Entitlement Offer without prior notice. The Company will apply for quotation of new securities following allotment and commencement of quotation of new securities is subject to confirmation from the ASX.

Shareholder Enquiries

Eligible retail shareholders will be sent further details about the Entitlement Offer via a retail offer booklet to be lodged with ASX on Monday 5 December 2011 and despatched on the same date.

Retail shareholders who have questions relating to the Entitlement Offer should contact Computershare on 1300 55 70 10 (within Australia) or +61 8 9323 2000 (outside Australia) between 8.30am and 5.00pm (Australian Western Standard Time) Monday to Friday during the Offer Period for further information.

Further details in relation to the matters described in this announcement including important notices, key risks and key assumptions are set out in an investor presentation released today to ASX by DGL.

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This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Decmil Group Limited ("DGL") and certain plans and objectives of the management of DGL. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of DGL, which may cause the actual results or performance of DGL to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. There can be no assurance that actual outcomes will not differ materially from these statements.

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