

8 August 2017

Ms Dawn James  
Adviser, Listings Compliance (Perth)  
Level 40, Central Park  
152-158 St George's Terrace  
PERTH WA 6000

Dear Dawn

**RE: RESPONSE TO ASX AWARE QUERY**

We refer to your letter dated 7 August 2017 regarding the ASX Aware Query and noting the change in the price of the shares of Decmil Group Limited (**Company**) from an intra-day high of \$0.925 to a closing price of \$0.76 on 28 July 2017.

In response to your questions, we advise as follows:

1. *Does the Entity consider the Revised Earnings Guidance, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes.

2. *If the answer to questions 1 is "no", please advise the basis for that view.*

Not applicable given our response to Question 1.

3. *If the answer to question 1 is "yes", when did the Entity first become aware of the Revised Earnings Guidance?*

On 31 January 2017, the Company announced a "Group Update" that indicated that revenue for the first half of the 2017 financial year would be ~\$150 million and that revenue for the second half would be in the range of \$175 million to \$200 million (and that FY17 revenue was estimated at ~\$325 million based on the bottom end of the range). For clarification, no guidance on profit was given in the Group Update released on 31 January 2017.

On 28 July 2017, the Company provided a further update to the market that revenue for the 2017 financial year would be below the bottom range of the previous estimate at ~\$305 million (or circa 6% below the bottom end of the 31 January 2017 revenue estimate). The final 2017 financial year revenue figure is still subject to external audit.

The Company operates in the construction and engineering sector, including work on large capital projects. Progress on construction projects can vary significantly month to month and be influenced (positively or negatively) by a wide range of

factors including design changes, the status of claims being negotiated with clients, weather and other progress impacting items.

The Company conducts detailed reviews of all active construction projects across all Group subsidiaries on a quarterly basis. The detailed project review conducted at the end of the March quarter indicated revenue was still in the range provided in the Group Update released on 31 January 2017.

A detailed review of all active construction projects as at 30 June 2017 was undertaken during the week commencing 24 July 2017. These reviews were undertaken by management of the Company as part of the end of financial year process and as part of the preparation of the draft 2017 financial statements. The review process and preparation of the draft 2017 financial year results was completed on 28 July 2017.

In accordance with its continuous disclosure obligations, the Company released the update to the market on its revenue expectation for the 2017 financial year on 28 July 2017.

Whilst no previous profit guidance had been given, the Company also indicated in its announcement on 28 July 2017 that it expects statutory earnings before interest, tax, depreciation and amortisation for the 2017 financial year to be broadly break-even (ignoring the effect of asset impairment).

The final 2017 financial year revenue figure and profit result is still subject to external audit. The Company's audited 2017 annual report will be released to the market on Wednesday 30 August 2017.

4. *If the answer to question 1 is "yes" and the Entity first became aware of the Revised Earnings Guidance before 28 July 2017, did the Entity make any announcement prior to that date which disclosed the Revised Earnings Guidance? If so, please provide details. If not, please explain why the Revised Earnings Guidance was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Revised Earnings Guidance under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Revised Earnings Guidance was released promptly and without delay*

The Company first became aware of the Revised Earnings Guidance on 28 July 2017 after conclusion of the review of construction projects at 30 June 2017 and the preparation of the draft 2017 financial results. On that date, the ASX announcement was finalised and released to the market.

5. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. The Company confirms that these responses have been authorised and approved in accordance with the Company's continuous disclosure policy.



Kind regards,

A handwritten signature in black ink, appearing to read 'Alison Thompson'.

**Alison Thompson**  
Company Secretary



7 August 2017

Ms Alison Thomson  
Company Secretary  
Decmil Group Limited  
20 Parkland Avenue  
Osborne Park  
WA 6017

By email:

Dear Ms Thomson

**Decmil Group Limited (the "Entity"): ASX aware query**

ASX Limited ("ASX") refers to the following.

1. The Entity's announcement titled "FY16 Financial Results" released on ASX Market Announcements Platform on 26 August 2016 at 10:59 am (AEST) ("Revenue Guidance") which states as follows:

*"Revenue for 2017 financial year expected to exceed \$400m."*

2. The Entity's announcement titled "Group Update" released on ASX Market Announcements Platform on 31 January 2017 at 12:14 pm (AEST) which states as follows:

*"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)."*

3. The Entity's announcement titled "Market Update" released on ASX Market Announcements Platform on 28 July 2017 at 3:58 pm (AEST) which states as follows:

*"Despite an initial expectation of a stronger second half to the FY17 year, delays with construction start dates on key projects secured in the first half of FY17 year and also delays with the award of new design and construct tenders bid in the second half of FY17 has resulted in actual revenue for the FY17 year being below previous expectations at approximately \$305 million (FY16: \$300 million)*

*Based on the effect of the above, taken together with the previously reported project loss on the Hastings contract and substantial restructuring costs incurred in FY17, the Company expects that FY17*

*statutory reported EBITDA from continuing operations will be broadly breakeven (before impairments)."*

("Revised Earnings Guidance")

4. The change in the Entity's share price from an intra-day high of \$0.925 to a closing price of \$0.76 on Friday 28 July 2017.

#### **Listing Rules and Guidance**

5. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Entity's securities.

6. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

*"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information?"*

7. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following 5 situations applies:*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed."*

8. ASX's policy position on Market sensitive earnings surprises set out in section 7.3 of Guidance Note 8 *"Continuous Disclosure: Market sensitive earnings surprises"*, which states that:

*"All other things being equal, an entity's earnings for a particular reporting period are not required to be reported to the market until the due date for the release of that information under Chapter 4 of the Listing Rules.*

*However, for many entities, the market's expectations of its earnings over the near term will often be a material driver of the price or value of its securities. These expectations may have been set by:*

- earnings guidance the entity has given to the market;*
- in the case of larger entities covered by sell-side analysts, the earnings forecasts of those analysts; or*
- in the case of smaller entities not covered by sell-side analysts, the earnings results of the entity for the prior corresponding period.*

*Those expectations may also have been set or modified by "outlook statements" included in a previous period's annual report or results announcement and by other disclosures the entity has made to the market over the reporting period.*

*If an entity becomes aware that its earnings will differ (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact. This obligation may arise under Listing Rule 3.1 and section 674 [of the Corporations Act (Cth)], if the difference is of such magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity's securities ...Alternatively, in the case of an entity which becomes aware that its earnings for a reporting period will differ from earnings guidance it has published to the market, it may arise under section 1041H [of the Corporations Act (Cth)], because failing to inform the market that its published guidance is no longer accurate could constitute misleading conduct on its part."*

9. Listing Rule 18.7, which states as follows.

*An entity must give ASX any information, document or explanation that ASX asks for to enable it to be satisfied that the entity is, and has been, complying with the Listing Rules. The entity must do so within the time specified by ASX. ASX may submit, or require the entity to submit, any information given to ASX to the scrutiny of an expert selected by ASX. The entity must pay for the expert.*

Pursuant to Listing Rule 18.7, ASX requires the Entity to answer the following questions in a format suitable for release to the market.

1. Does the Entity consider the Revised Earnings Guidance, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. If the answer to question 1 is "yes", when did the Entity first become aware of the Revised Earnings Guidance?
4. If the answer to question 1 is "yes" and the Entity first became aware of the Revised Earnings Guidance before 28 July 2017, did the Entity make any announcement prior to that date which disclosed the Revised Earnings Guidance? If so, please provide details. If not, please explain why the Revised Earnings Guidance was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the Revised Earnings Guidance under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Revised Earnings Guidance was released promptly and without delay.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

6. Please confirm that Entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **4pm WST on Wednesday 9 August 2017**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately." This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [Dawn.James@asx.com.au](mailto:Dawn.James@asx.com.au) with a copy to [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

*[Sent electronically without signature]*

Dawn James

**Adviser, Listings Compliance (Perth)**

P: (08) 9224 0012

E: Dawn.James@asx.com.au