ASX / MEDIA ANNOUNCEMENT
8 April 2022

DECMIL REVISES FY22 FINANCIAL GUIDANCE AND ANNOUNCES MANAGEMENT CHANGES

- **Supply chain issues, price escalation, and border challenges have caused losses on several contracts**
- **FY22 revenue guidance revised to $425 - $450m due to award delays and projects commencement delays**
- **FY22 EBITDA guidance revised to ($15m) to ($10m)**
- **Potential upside from contract claims**
- **Decmil CEO Dickie Dique to transition from the business and Queensland management team bolstered with two key appointments**
- **Recent project awards have built order book which currently stands at $500m**

Decmil Group Limited (ASX: DCG) ("Decmil" or "the Company") provides the following update on its financial guidance and operational activities for the 2022 financial year (FY22).

FY22 FINANCIAL GUIDANCE UPDATE

Supply chain delays, cost escalation, and difficulties accessing labour due to interstate travel restrictions related to Covid measures have caused several projects in Queensland and Western Australia to incur losses. Based on management's most recent estimates of cost to complete and our contractual entitlement to recovery under the respective contracts, regrettably losses have been incurred.

In addition, delays in project commencements on two windfarms, Crookwell and Ryan Corner, where Decmil has been awarded construction contracts, have impacted the Company's short-term revenue outlook. These delays are not attributable to Decmil.

Decmil has been advised that Ryan Corner has now received all permits and work on site should commence in April. Crookwell is awaiting permits to commence work.

As a result, Decmil expects FY22 EBITDA to now be in the range of ($15m) to ($10m) and FY22 revenue to be in the range of $425m to $450m.

Decmil CEO Dickie Dique said the forecast financial result was very disappointing as it was largely influenced by two issues – cost overruns at a Queensland Road project and the financial collapse of a subcontractor in Western Australia – which did not reflect the success of other projects in the Company's work portfolio.

Decmil is required to book the expected total loss on those projects in its FY22 results. It may recover some of those losses in claims in FY23.

"Decmil continues to win and successfully deliver across its core expertise areas, increase its exposure to high growth industries, and has also increased the proportion of lower risk alliance style contracts in its overall book of business," Mr Dique said.

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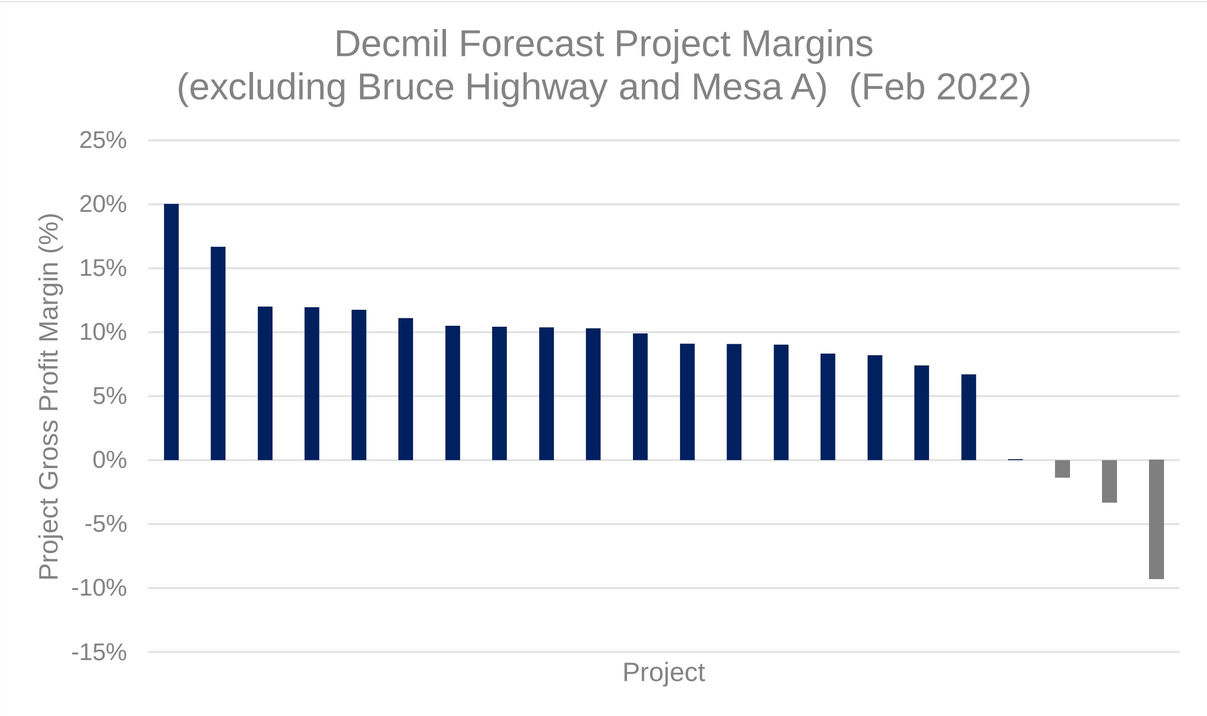
"The Company has continued to build good client relationships in its core business areas of resources, energy, infrastructure and construction in Western Australia, Victoria and Queensland.

"The losses on the projects referred to above are confined to a small number of projects and while many other significant projects, such as Albany Ring Road, Mordialloc, Gippsland Line Upgrade (GLU), and Barwon Heads, are all tracking well."

Decmil currently has 24 active projects. Within the portfolio of projects at any time there will be a range of project gross profitability. 19 of the 24 projects are forecast to have a positive gross profit margin. The gross profit margin on projects is a function of the contract size and the % profit margin achieved on the project. The graph below shows the forecast gross profit margins by project across all Decmil projects in WA, Queensland, NSW and Victoria excluding the two loss making projects (Bruce Highway and Mesa A).



Decmil continues to pursue several other contract claims. Within Decmil's accounts, these claims have been risk assessed and have been conservatively recorded to remove any uncertainty over the future financial impact these disputes may cause to Decmil. As a result, the potential amounts recoverable in Decmil's favour exceed the conservative assessments that have been included in Decmil's accounts.

Regardless of the ultimate outcome of those claims, Decmil is satisfied it has sufficient headroom in its bank and surety facilities to manage liquidity and ongoing business needs.

MANAGEMENT CHANGES

Decmil CEO Dickie Dique has decided to step down as CEO of Decmil and the Board has commenced a search for a new CEO. Dickie will continue as CEO and Managing Director until a replacement is appointed and will assist with the CEO transition. Dickie will remain as a director of the Company following the commencement of a new CEO.

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"We are building a culture of transparency and accountability at Decmil. It is a culture that will serve Decmil well into the future. Given the setback that has occurred in the past few months, particularly with two specific projects, it is time for me to transition out of the business," Mr Dique said.

Mr Dique became CEO of Decmil in May 2020 at a time when the company was facing considerable turbulence. Working closely with the Board, he has led the turnaround of Decmil. At that time, the Company had many significant challenges to work through to restore stability in the business.

During the last 21 months, under Dickie's capable leadership, the company has rebuilt its order book, repaid a $25m debt to NAB, repaid $28m owed to surety bond providers, pragmatically settled significant contract disputes with New Zealand Department of Corrections, and achieved Substantial Completion on the problematic Sunraysia project. As a result, many of the significant issues and challenges that confronted the company in July 2020 are no longer present.

Decmil Chairman Andrew Barclay said: "Dickie has served Decmil very well and achieved much in his time as CEO, leading the turnaround of Decmil. The Board thanks Dickie Dique for his service and acknowledges the significant strides forward that Dickie has made for the company. It is time for Decmil to focus on its next phase; which is very much targeted at optimising the margins of our current operations and progressing our promising growth initiatives".

"Decmil recently secured several contracts in the lithium and hydrogen industries, which has the potential to be transformational for the Company, as it establishes our market-leading position in low-risk work across these burgeoning segments of the resources sector."

Decmil has recently bolstered its team in Queensland with the appointments of Mark Angove and John Eames. Mark Angove has been appointed Regional Manager, Queensland. Mark is a civil engineer who was previously chief operating officer, construction at BGC Contracting and also held senior roles at Fulton Hogan. Jon Eames has been appointed Operations manager, Queensland. Jon is a civil engineer with strong experience at Seymour White, Acciona and BMD.

This ASX release was authorised by the Decmil Group Limited Board

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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