

ASX / MEDIA ANNOUNCEMENT
16 April 2020

DECMIL NZ BUSINESS UNIT TO CLOSE

Decmil Group Limited (ASX: DCG) (“Decmil” or “Company”) announces that its New Zealand subsidiary Decmil Construction NZ Limited (DCNZ) will cease trading with immediate effect.

Decmil’s core Australian operations are not impacted by the closure of the New Zealand subsidiary and Decmil remains positive on the outlook of the Australian business, which continues to add to its healthy pipeline of work in hand.

The NZ subsidiary suffered significant losses as a result of termination of a major contract by the NZ Department of Corrections (“DoC”), following a dispute the parties have agreed to take to arbitration for financial settlement.

After considerable effort to resolve matters in dispute, and careful examination of the financial position, the Directors of DCNZ concluded there was no reasonable expectation the business could continue trading without a quick resolution to the NZ Government dispute.

The Directors decided the only prudent course of action was to avoid incurring any additional liabilities, cease trading and wind up the New Zealand subsidiary’s affairs.

Decmil CEO Scott Criddle said the decision to close DCNZ was hugely disappointing but the Directors had been left with no option.

“Given prevailing market conditions, understandably our focus is on ensuring the long-term viability of Decmil, and protecting and enhancing the interests of our shareholders,” he said.

“We endeavoured to find a resolution to the dispute right until last week, with multiple representations to the relevant Minister and the Department. However, this was unsuccessful.

“Since October 2019, the DoC has watched Decmil NZ continue to carry out work, incur millions of dollars in additional costs (including to sub-contractors) while having no intention of making further payments to Decmil NZ. This became absolutely evident to Decmil NZ.

“Decmil’s claim for the monies owed will continue to be vigorously pursued.

“Decmil’s Australian operations are robust, continue to trade as normal and have bright prospects.”

Avior Consulting have been appointed to formalise the winding up of the NZ subsidiary.

The winding up of Decmil NZ is expected to have a neutral impact on Decmil’s results for the 6 months ended 30 June 2020.

Decmil continues to focus on bolstering its working capital position by delivering successful projects in Australia and is excited by its project pipeline.

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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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