

DECMIL GROUP LIMITED
ACN 111 210 390

SUPPLEMENTARY PROSPECTUS

1. IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) which supplements and is intended to be read with the prospectus dated 21 June 2023 (**Prospectus**) issued by Decmil Group Limited (ACN 111 210 390) (**Decmil** or **Company**).

This Supplementary Prospectus is dated 14 July 2023 and was lodged with the ASIC on that date.

The ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus, copies of which can be downloaded from the website of the Company at www.decmil.com.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

The Directors believe that the changes in this Supplementary Prospectus are not materially adverse from the point of view of an investor. Accordingly, no action needs to be taken if you have already subscribed for RCPS under the Prospectus.

2. PURPOSE OF THIS DOCUMENT

The purpose of this Supplementary Prospectus is to provide Shareholders with additional disclosure, including with respect to:

- (a) Blue Ocean's agreement to fully underwrite the Entitlement Offer (see section 3 of this Supplementary Prospectus), and
- (b) a prospective contract with Covalent Lithium Pty Ltd (**Covalent**) concerning the upgrade of a logistics link between Great Eastern Highway and Covalent's Mount Holland Lithium Project (**Covalent Contract**) (see section 4 of this Supplementary Prospectus).

The Company considers the information in this supplementary prospectus to be information which is material to the prospects of Decmil for the purposes of section 713(6) of the Corporations Act.

3. UNDERWRITING AND CONTROL

3.1 Fully underwritten Entitlement Offer

Under the terms of the Underwriting Agreement, Blue Ocean agreed to underwrite the initial \$20,000,000 raised under the Entitlement Offer.

Blue Ocean has subsequently agreed to fully underwrite the Entitlement Offer, and the Underwriting Agreement has been varied accordingly.

The consideration payable by Decmil to Blue Ocean for its services as Underwriter and lead manager, being a cash fee equal to 6% of the amount raised under the Capital Raising (i.e. approximately \$1,576,520) and 2,793,238 Underwriter Options, has not changed as a result of Blue Ocean's agreement to fully underwrite the Entitlement Offer.

For further information with respect to the terms of Blue Ocean's underwriting commitment, refer to section 8.4.1 of the Prospectus.

3.2 Effect of control

(a) Blue Ocean

The Entitlement Offer is fully sub-underwritten. Consequently, Blue Ocean will not acquire any RCPS under the Capital Raising.

Blue Ocean has confirmed that, other than Thorney, no sub-underwriter will receive the number of RCPS that, on a fully diluted basis, would result in the sub-underwriter holding 5% or more of the Company's issued Shares.

As set out in section 8.4.2 of the Prospectus, each sub-underwriter will receive a fee from Blue Ocean equal to between 2% and 3% of its respective sub-underwriting commitment, multiplied by \$0.20 (inclusive of GST).

Other than Peter Thomas (a Director) and Rod Heale (the Company's Chief Executive Officer), none of the sub-underwriters are associates with one another or the Company. Further information with respect to Messrs Thomas and Heale's sub-underwriting commitments are set out in section 8.4.2 of the Prospectus.

(b) Thorney

The issue of RCPS and the Underwriter Options under this Prospectus will not dilute the existing Shareholders' voting power in the Company. Dilution may only occur where the RCPS are exercised, and new Shares are issued on conversion of those RCPS.

However, as disclosed in section 1.4 and Schedule 1 of the Prospectus, RCPS Holders are entitled to vote on certain limited matters as required under the ASX Listing Rules and Decmil's Constitution.

RCPS carry voting rights in the following circumstances:

- (i) while a dividend (or part of a dividend) in respect of the RCPS is unpaid;

- (ii) there is a proposal to reduce Decmil's share capital;
- (iii) there is a resolution to approve the terms of a buy-back agreement;
- (iv) there is a proposal that affects the rights attached to the RCPS;
- (v) there is a proposal to wind Decmil up;
- (vi) there is a proposal for the disposal of the whole of Decmil's property, business and undertaking; and
- (vii) during the period that Decmil's is being wound up.

Should any of the situations listed above arise, Thorney hypothetically could vote the following number of Shares at a Shareholder meeting.

	Existing Shares	RCPS	% of votes cast
Thorney	31,019,771	60,000,000	31.72%

Notes:

This assumes that there are 286,928,846 Shares/RCPS on issue, comprising:

- (a) 155,552,216 Shares that are on issue as of the date of this Supplementary Prospectus;
- (b) 114,376,630 RCPS issued under the Entitlement Offer (**Entitlement Offer RCPS**); and
- (c) 17,000,000 RCPS issued under the Placement (**Placement RCPS**).

As is stated in sections 1.4 and 6.4 and Schedule 1 of the Prospectus, dividends attaching to the RCPS will either be paid in cash semi-annually or will be accumulated and converted into Shares at a later date. If an RCPS dividend is not paid, it will accumulate and be converted into Shares at the election of the Company on a dividend repayment date that occurs on or following the conclusion of the Initial Term.

The below table has been prepared to demonstrate Thorney's hypothetical voting power following the issue of Shares on conversion of the RCPS and unpaid dividends that accrued during the Initial Term (on the basis that no dividends were paid during the Initial Term).

	Shares	Shares on conversion of RCPS	Shares on conversion of unpaid dividends	% of votes cast
Thorney	31,019,771	60,000,000	7,200,000	32.45%

Notes:

This assumes that there are 300,654,042 Shares on issue, comprising:

- (a) 155,552,216 Shares that are on issue as of the date of this Supplementary Prospectus;
- (b) 114,376,630 Shares issued on conversion of the Entitlement Offer RCPS;
- (c) 13,725,196 Shares issued on conversion of unpaid dividends attaching to the Entitlement Offer RCPS;
- (d) 17,000,000 Shares issued on conversion of the Placement RCPS; and

- (e) 2,040,000 Shares issued on conversion of unpaid dividends attaching to the Placement RCPS.

Notwithstanding the above, Decmil wishes to reiterate that it is also a term of the RCPS that if the issue of Shares upon conversion of any RCPS would result in any holder of RCPS being in contravention of the General Prohibition, then the conversion shall be deferred until such later time or times that the issue would not result in a contravention of the General Prohibition. The Company also notes that it has the right to redeem RCPS at each dividend payment date once the RCPS have been on issue for 30 months. See Schedule 1 for the full terms of the RCPS.

4. COVALENT CONTRACT

Since the date of lodgement with the Prospectus, the Company has executed a Limited Notice of Award (**LNOA**) with respect to the Covalent Contract. As was announced on 4 July 2023, formal award of the Covalent Contract, and the final value of the Covalent Contract, remain subject to the finalisation of terms and conditions.

Under the scope of the LNOA, Decmil is authorised to perform early works; commence procurement of materials; and draft management plans.

Subject to the award of the Covalent Contract, mobilisation is scheduled to commence in August 2023 and completion is anticipated to occur by December 2024.

5. ADDITIONAL DISCLOSURE AND UPDATES

5.1 Terms of the RCPS

(a) Summary of RCPS rights and liabilities

The rights and liabilities of the RCPS are summarised in section 1.4 of the Prospectus and are set out in full in Schedule 1 of the Prospectus. The Company encourages prospective investors to carefully consider the terms of the RCPS and if, after reading the Prospectus, you have any questions about the RCPS the subject of the Entitlement Offer, then you should consult your professional advisers without delay.

(b) Dividends

As is stated in sections 1.4 and 6.4 and Schedule 1 of the Prospectus, dividends attaching to the RCPS will either be paid in cash semi-annually, or will be accumulated and converted into Shares at a later date.

The Company wishes to reiterate that if an RCPS dividend is not paid, it will accumulate and be converted into Shares at the election of the Company on a dividend repayment date that occurs on or following the conclusion of the Initial Term. Dividends will not be paid to the holders of Shares in situations where RCPS holders are owed dividend payments by the Company.

It is also stated in sections 1.4 and 6.4 and Schedule 1 of the Prospectus that Decmil intends to hold the amount of cash equal to each year's dividend amount in advance to ensure that each of the dividend payments for that year are paid in cash rather than cumulating. Following the initial 12 month period of the Initial Term, the Company intends to put aside cash generated from revenue generated from its ongoing operations (including, if awarded, the revenue generated from contracts the Company is currently tendering) to pay future dividends. There is a risk that such cash will not be able to be put aside, in which case the dividend will not be paid in cash and will instead accumulate as contemplated above.

(c) **Hybrid security**

The RCPS are securities known as hybrid securities. Hybrid securities combine elements of debt securities and equity securities. The mix of debt and equity characteristics means that a hybrid security can be classified either as a "debt" instrument or an "equity" instrument.

The Company wishes to clarify that the terms of the RCPS are of such a nature that the RCPS are classified as an equity instrument. As stated in section 7.4 of the Prospectus, the RCPS do not meet the definition of a debt instrument under the *Tax Assessment Act 1997* (Cth) and satisfy the equity test.

The Company notes that it has not received a class ruling from the Australian Taxation Office for holders who may participate in the Entitlement Offer, nor does it intend to seek such a ruling.

5.2 Risk relating to acquiring RCPS

In addition to the risks set out in section 6 of the Prospectus, the Company wishes to disclose the potential risks relating to acquiring RCPS, which are set out below.

(a) **Discretionary cash payment of dividends**

Dividends are payable at the Company's discretion, which means that they may not be paid. If the Company decides not to pay a dividend on the relevant dividend payment date, that dividend will accrue and may (at the election of the Company) be converted into Shares at a dividend payment date on the conclusion of the Initial Term, or any dividend payment date following the conclusion of the Initial Term.

(b) **No maturity date**

The RCPS have no maturity date as their term is perpetual and may be on issue indefinitely if not converted or redeemed. Accordingly, there is no fixed date on when investors will receive a return on their investment.

(c) **Liquidity risk**

The Company intend to apply for the quotation of the RCPS. Trading in the RCPS may not be as liquid as the Company's Shares. Like all ASX listed products, liquidity in trading of RCPS may be low, meaning that investors may not always be able to sell at their preferred price or at all.

(d) **Financial market conditions**

The market price of RCPS will fluctuate due to various factors, including worldwide economic conditions, interest rates, credit spreads on other corporate securities, general movements in the Australian and international equity markets, movements in the market price of Shares, factors which may affect the Company's financial position and earnings and investor sentiment.

The market price of RCPS may be more sensitive than that of Shares to changes in interest rates, and RCPS could trade on ASX at a price below the issue price under the Entitlement Offer.

(e) **Volatility of market price of Shares**

The volatility of the market price of the Shares may cause volatility in the price of RCPS and affect the ability of holders of RCPS to sell the RCPS at an acceptable price.

(f) **Changes in the Australian tax system**

Investors should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of RCPS.

Investors are encouraged to read Schedule 1 of the Prospectus, which sets out the full terms and conditions of the RCPS, prior to making an application to participate in the Entitlement Offer.

5.3 Use of funds

With reference to section 4.1 of the Prospectus, the Company wishes to provide further disclosure and context with respect to the intended use of funds raised under the Capital Raising.

The nature of the Company's business is that it has a number of different contracts to service on a day-to-day basis. Ultimately, some contracts are suspended, some are accelerated, some cancelled. On the other hand, the Company receives payment for these contracts at different times, sometimes delayed.

However, as set out in the Chairman's Letter contained in section 2 of the Prospectus, the Company is confident that it will be able to win a number of new jobs in the near future.

Due to this uncertainty, any attempt to allocate the working capital to specific current and future projects is ultimately a fruitless exercise as there is no certainty that those funds will be directed towards the particular projects.

6. CONSENTS

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

7. DIRECTORS' AUTHORISATION

The Board confirms that this Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.