



CIVMEC LIMITED

(Company Registration Number 201011837H)

Corporate and Business Update

The Executive Team of the Civmec Group (“Civmec” or “the Company”) has conducted a strategic review and wishes to provide a corporate and business update.

I. Review of Current Core Business and Operating Environment

Civmec is an integrated, multi-disciplinary construction and engineering services provider to the resource, oil and gas (“O&G”) and infrastructure sectors. It operates primarily from its headquarters within the Australian Marine Complex (“AMC”) in Henderson, Western Australia (“WA”) and recently acquired the Darwin Offshore Logistics Base (“DOLB”) in Northern Territory (“NT”). Its eight core capabilities are fabrication, modularization, precast concrete, site civil works, industrial insulation, structural mechanical piping (“SMP”), offshore logistics and maintenance services.

The Executive Team believe that the Group’s engineering capabilities have matured to a level that it can offer a distinct competitive edge amidst changes in the operating environment. As mining operators have shifted some expenditure from Capex to Opex & sustaining capital which will require more maintenance-related services that Civmec is currently offering. At the same time, Civmec’s combined capabilities allow it to pursue the increasing volume of public infrastructure projects. Accordingly, it has identified three main strategies to increase revenue, its value proposition and internal efficiencies:

- i. Increase cross-discipline capabilities to further enhance our position as a preferred heavy engineering specialist in WA and NT;
- ii. Drive efficiencies by enhancing systems and processes; and
- iii. Expand via mergers or acquisitions within Australia and to new geographical markets

II. Increasing Cross-Discipline Capabilities in Henderson and Darwin

Civmec’s value proposition lies in its ability to offer a suite of advanced engineering-related and infrastructure services required by large resources companies and the government. In the last two years it has built upon its core capabilities in pre-cast, fabrication, site civil works and modular assembly to include SMP and offshore logistics.

This enhancement of capabilities is driven by increasing customer expectations for a holistic suite of services to improve economies of scale, project management, completion schedules and cost controls. In recent years, Civmec has added SMP and Modularisation, raising the maturity levels of integration to other disciplines. This means that Civmec can now work on larger projects across different geographies simultaneously, a key



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differentiator particularly in Henderson that the Group will increasingly focus on to strengthen its leadership in heavy engineering.

- a) **Henderson** – Civmec has recently scaled up capabilities in Henderson which is ideally located to service the major O&G and mining projects in WA. In the last 12 months, it has added 20,000 square metres (“sqm”) of adjacent land to enlarge its complex to 120,000 sqm, making it the single-largest integrated heavy engineering facility in Australia.

In the last four months, Civmec completed construction of a 4,800 sqm surface treatment facility to deliver blasting and paint works – previously outsourced to third parties – under one roof. It also increased capacity for Modularization and laydown. Construction has also begun for a 1,200 sqm subsea workshop for welding of exotic metals and assembly of subsea manifolds for the offshore sector, and plans are progressing for a maintenance facility to aide site logistical requirements.

Its waterfront access enables Civmec to expedite the shipping of large integrated modules. It intends to add more capabilities within Henderson, including a new 2,500 sqm plant maintenance workshop, to extend its competitive advantage as a preferred vendor for both public infrastructure developments and the resources sector in WA.

- b) **Darwin** – Building on its capabilities in Henderson, the Group in June 2013 acquired the 38,000 sqm Darwin Offshore logistics Base (DOLB) in Darwin, giving it a competitive advantage in the resources hub of NT. It has also established a 48,000 sqm precast yard in Darwin. Civmec now carries out pre-cast, logistics and installation services in the Northern Territory which provides the Group with a foothold in a region where exploration activities are expected to increase. Civmec plans to add capabilities and management there to capture business opportunities and economies of scale.

Civmec established an Asset Management & Integrated Services division last year to offer dedicated maintenance services for mining companies shifting to operating-expenditure investments in both WA and NT. As these companies seek to optimise their asset capacity and throughput, Civmec will be able to drive economies of scale for its own suite of capabilities.

III. Driving Efficiency via Analytics and Integration

The success of a heavy engineering company lies in its ability to monitor and save on labour and raw materials. Civmec has invested substantial resources to develop IT-enabled project management and analytics to drive internal efficiencies. *Civtrac* is an enterprise resource planning platform developed internally which uses barcodes to track materials from start to finish. Through *Civtrac*, Civmec is able to improve planning and resource allocation and lower labour and material wastage. Almost all project and operation



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managers directly access *Civtrac*, which in turn allows senior managers to analyse work progress in real time. As more capabilities are added and integrated, the capabilities of this “dashboard” will continue to be a significant differentiator over competitors. Customers can also access *Civtrac* to monitor work progress and quality, thereby improving service levels through project visibility and strengthening client relationships vital for future projects. Apart from having a dedicated team to continually improve *Civtrac*, Civmec fosters a strong culture of teamwork which helps build Group-wide cohesion, innovation and process improvement.

IV. Geographical Expansion

Having developed mature processes in various engineering disciplines and internal processes, the Company is looking to grow further by establishing strategic alliances, mergers or acquisitions to expand its footprint in new markets in Australia and other geographic regions.

The management is also conducting a feasibility study to explore the possibility of expanding to Singapore, where Civmec is listed, which can serve as a base to establish a global footprint and enhance interaction with its shareholders and the investment community.

V. Outlook

Civmec remains optimistic about its growth prospects amidst the shift in the mining sector towards maintenance and sustaining capital as well as the increase in government infrastructure spending. At the same time it continues to see more opportunities emerging in the O&G industry, driven by a steady rise in Liquefied Natural Gas (LNG) prices.

Civmec is further positioning itself as a preferred one-stop solution provider which is moving up the value-chain even as it builds up its suite of capabilities. These attributes will appeal increasingly to these customers who demand a holistic cross-disciplinary turnkey solution.

In view of the above and the Company's increased value proposition, Civmec is confident that it will continue to grow in terms of order book and its financial performance. The Company will release its full year results for the financial year ended 30 June 2014 on 27 August 2014.

By order of the Board

James Finbarr Fitzgerald

Executive Chairman

29 July 2014