CIVMEC LIMITED
(Company Registration Number 201011837H)

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE AGM SCHEDULED ON 29 OCTOBER 2021 BY ELECTRONIC MEANS

The Board of Directors (the "Board") of Civmec Limited (the "Company") would like to thank shareholders and who have submitted questions in advance for the Annual General Meeting ("AGM") scheduled to be held on 29 October 2020 by electronic means.

The Company's response to the relevant and substantial questions submitted is set out below:

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) *The group's new and extended contracts awarded in FY2021 amounted to A$780 million, comprising new projects and additional scopes in Energy (A$99 million); Resources (A$537 million); and Defence & Infrastructure (A$144 million). Revenue from the resources segment amounted to A$559.8 million, or 83%, of total revenue in FY2021. Does management see the strength in the resources segment continuing for the next 3-5 years? Is there a risk that the group over-exposes itself to the resources segment?*

The Group does see the resources sector remaining strong in the short to medium term and there is visibility of a number of large projects not only in the resources sector but also the energy, infrastructure marine and defence sectors. The Group targets contracts that best suit the capabilities and available resources of the Company. These contracts are spread across all sectors that we operate. The advantage of operating across multiple sectors and undertake contracts that are both publicly (Government) funded and privately funded is that is reduces risks associated with a downturn in any particular sector.

(ii) *In the Offshore Patrol Vessel (OPV) Program, the group has achieved key milestones which included the completion of the hull of OPV2, the keel laying of OPV3, and the construction commencement of OPV4. The lead vessel, HMAS Arafura (presumably OPV1), is planned to enter service in 2022. What has management learnt in the past 2 years in the OPV program? Based on the progress made in the past 2 years, is management confident of delivering the OPV program on track and on budget?*

Management is confident of it's abilities to deliver the OPV program on schedule and on budget. The ongoing construction of OPVs 1 and 2 in Adelaide and OPV3 in our Henderson facility has allowed identification of several areas of build methodology and sequence to have efficiency and schedule benefits on future ships, some of these are now being implemented on OPV4 in our Henderson facility. Commencement of OPV5 is scheduled to commence in November 2021.

(iii) *With the major investment phase in Henderson over, the group returned to "regular capital expenditure" in FY2021. The group's purchase of property, plant and equipment* *decreased from A$70.0 million in FY2020 to A$21.6 million in FY2021. Can management help shareholders understand if it is able to support the order book of A$1.0 billion without any further significant investment into capex, other than its "regular capital expenditure"?*

With the construction of the assembly hall in Henderson complete, CAPEX spend has returned to more normalised levels with a focus on CAPEX to replace older items of construction plant to support our construction and maintenance contracts. We have also recently announced a spend of circa A$10m to construct a new facility in Port Hedland, Western Australia to use as a base of operations in the region when growing our maintenance business in that region. Capital requirements to grow the construction and manintenance disciplines of the group are much lower than those to build facilities for manufacturing so we do not forsee issues maintaining (and growing) our orderbook with a reduced CAPEX spend

(iv) Are there plans to further lower the net debt-to-equity ratio? From page 162 (Note 32 – Financial risk management objectives and policies: Capital management), it is shown that the group's net debt-to-equity ratio improved from 0.93 times to 0.78 times. What is the optimal gearing ratio to support the group's growth objectives?

As described in the answer to the previous question, the Group does not forsee a requirement for large CAPEX spend and as such will utilise cash flows for reducing debt in the medium term. The Group has sufficient headroom in it's finance facilities that can be drawn to fund short term working capital requirements of the Group as the need arises from the differing cashflow requirements of contracts being delivered.

The group's sustainability report (SR) for FY2021 will be released in November 2021. The sustainability report links the group's sustainability principles to its mission, vision and values and is being prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards 2016 core-level reporting. The SR focuses on identifying and reporting on issues or concerns that are material to the group's business and stakeholders, in relation to environmental, social and governance (ESG) performance.

(i) Has the board further analysed the material factors and prioritised them according to the importance to external stakeholders and to internal stakeholders in a materiality matrix?

Each year the Group undertakes a Sustainability Materiality Assessment (survey) of stakeholders which covers Environmental, Social and Governance topics that may impact Civmec's future sustainability in a shifting operational landscape. The results of the survey.

i. Provides a framework for topics to expand upon in the next Sustainability Report;
ii. Provides a foundation to develop Civmec's Sustainability Agenda; and
iii. Identifies potential risks and opportunities for the business planning for Environment, Social and Governance factors.

(ii) One of the group's sustainability agenda is to ensure that the group's operations have minimal environmental impact. How does the group balance that goal with its projects in the resources/metals and minerals industry? It is widely acknowledged that the extractive sector is associated with a range of serious environmental challenges which include land clearance and degradation, pollution, loss of biodiversity, intensive water use etc.

The Group is involved in a wide range of projects including infrastructure to encourage pedestrian transport and public transport, process plants to provide lithium for the electrification of transport and components for CO_2 capture and sequestation. In any activity we do we endeavour to minimise the environmental impact that our operations have on the world.

The Company has an internal committee, that reports to the Board, that focusses on initiatives the Company should take to make its operations more sustainable and minimise the Company's environmental impact.

(iii) *Separately, the group reported that its All Injury Frequency Rate (AIFR) improved to 30 per million hours worked although the Lost Time Injury Frequency Rate (LTIFR) was higher at 0.36 per million hours worked. Has the company reviewed why LTIFR increased? Did the group meet the FY2021 targets (that will be released in the upcoming SR)? Can management elaborate further on the proactive initiatives taken to reduce LTIFR and AIFR? What were the reasons that they diverged in FY2020?*

The number of lost time injuries in FY2020 was the same as that of FY2019 however the hours the frequency rate was measured from reduced compared to FY2019, resulting in an increase in the LTIFR for FY2020. The report for FY2021 is currently being prepared and numbers are not able to be released at this time.

The attendance of directors at board and board committee meetings is shown on page 63 of the annual repor. As can be seen from the table, in FY2021, the executive directors attended the board committee meetings by invitation. It would appear the board committee meetings are attended by all directors, making them the same as board meetings.

(i) *Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?*

As outlined in our report on comporate governance, the Non-Executive Directors have full access to and co-operation from the Company's senior management and officers. They have full discretion to have separate meetings without the presence of senior management and to invite any Director or officer to the meetings as and when warranted.

The Executive Directors, other Executives of the Group and other management, attend the Committee meetings at the invitation of the relevant Committee Chair in order to answer relevant questions regarding reports prepared for the Committees or on the Group's operations from the Committee Members. We believe that this is common practice with other companies hovever in our case we are being transparent by declaring in our annual report the attendance of those Executive Directors at the Committee meetings.

(ii) *What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors? Such board committee meetings would have included agenda items on interested party transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.*

The Independent Directors discuss matters relating to the Executive Directors, both at Committee level without the presence of the Executive Directors, they also meet with Internal and External Auditors without the presence of Executive Directors.

(iii) Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings? Are the committees able to make decisions objectively and independently?

All Directors, Independent and Executive, actively participate in Board Meetings. Board Meetings differ from Committee Meetings in the agenda and scope of the meetings, with Board meetings receiving reports and feedback from the committees and adressing other items not covered in those committee meetings like Group strategy.

In addition, the company has deviated from Provisions 2.2 and 2.3 of the Code of Corporate Governance 2018 which requires independent directors to make up a majority of the board where the chairman of the board is not independent (Provision 2.2) and for non-executive directors to make up a majority of the board (Provision 2.3).

(iv) Can the board/nominating committee elaborate further on the deliberations it has had for the board to meet the requirements of Provisions 2.2 and 2.3? Has it considered the benefits an additional independent director can bring to the board?

The Nominating Committee and the Board regularly discusses the size and composition of the Board.

That said, the Nominating Committee and Board is of the view that Board diversity of thought and professional background of Directors brings a range of longer term benefits to the Company more than a majority number of Independent Directors. Collectively, the Executive Directors and Independent Directors bring a wide range of experience and expertise as they all currently occupy or have occupied senior positions in industry and/or government.

The Board, in concurrence with the Nominating Committee, sees that the current Board and the Board Committees comprise an appropriate balance and diversity of skills, experience and knowledge of the Company, which provides broad diversity of expertise such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge who, as a group, provide core competencies necessary to meet the Company's requirements. Further details on the key information and the profile of the Directors including their academic and professional qualifications, and other directorships in other listed companies is set out on related pages of the annual report.

Will the Civmec have enough facility in Henderson if it wins the Mine Countermeasures and Survey Vessels under Project Sea 1905 Phase 1 contract given that the government has down-select the OPV variant?

The Henderson facility is currently highly utilised in delivering contracts across all the sectors that we operate. The OPV program occupies one bay of the new Assembly Hall , with the other bays currenly being utilised for the delivery of large structures and modules for our other sectors. At the time that future shipbuilding or ship sustainment opportunities present themselves there will be sufficient space in the faciltiy to undertake those contracts.

Authorised for release to ASX and SGX by the Board

James Finbarr Fitzgerald
Executive Chairman
27 October 2021