



COMPANY ANNOUNCEMENT
23 NOVEMBER 2023

HEADS OF AGREEMENT AND PILOT PROGRAM FOR STRATEGIC SHIPBUILDING AGREEMENT WITH COMMONWEALTH FOR SHIPBUILDING IN WESTERN AUSTRALIA

Austal Limited (“Austal”) is pleased to announce that it has signed a Heads of Agreement (“HoA”) with the Commonwealth of Australia (“CoA” or “the Commonwealth”) to establish a Strategic Shipbuilding Agreement (“SSA”) between Austal and the Commonwealth.

If ultimately signed, a Strategic Shipbuilding Agreement would see Austal selected as the Commonwealth’s strategic shipbuilder at Henderson, Western Australia.

As part of a pilot program under the SSA HoA, it is proposed that Austal will construct and deliver the Birdon-designed Landing Craft (Medium) capability to the Australian Army under the Commonwealth’s LAND8710 project.

In addition, the Commonwealth has also ordered two additional Evolved Cape Class Patrol Boats at an acquisition cost of \$157 million, an important order for Defence to optimise its surface fleet and for Austal to ensure workforce stability.

Austal CEO Paddy Gregg said the SSA Heads of Agreement was an important first step in developing a head contract framework under which future contracts can be formed for further work in Western Australia; the Cape Class extension would provide important job security for Austal’s ship builders as the last vessel of the current program moves through completion and delivery of the final 2 vessels; and the Landing Craft project would introduce a new-build program for Austal at Henderson.

Strategic Shipbuilding Agreement Heads of Agreement

The SSA Heads of Agreement sets out the key principles and provides a framework for further discussions and other due diligence activities to establish the SSA. The creation of the Heads of Agreement also reflects the intent of both Austal and the CoA to ultimately establish the SSA on mutually acceptable terms.

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Austal is currently building two classes of vessels for the Commonwealth, the Evolved Cape Class Patrol Boats for the Royal Australian Navy and the Guardian-class Patrol Boats to be gifted to Pacific Island nations.

“Austal has a proud record of delivering fit-for-purpose naval vessels to the CoA. In the past five years alone, we have completed and delivered 24 vessels for the Australia Government and Navy, plus a variety of other vessels for navies around the world,” said Austal CEO Paddy Gregg.

“That track record, which is a product of our exceptional design and construction teams, provides Austal with the confidence that we can collaborate with the Commonwealth to transition the Heads of Agreement into a SSA which benefits the naval industrial base in Australia and Australia’s security.

“The Defence Strategic Review provided an important blueprint to establish Henderson as a strategic shipbuilding hub. This SSA Heads of Agreement with the Commonwealth is the first step to enliven that blueprint and further develop a world-class, sovereign naval shipbuilding hub that has the capacity and capability to deliver capability faster, meeting the evolving needs of the Australian Defence Force.”

Under the HoA, Austal and the Commonwealth have committed to working towards concluding the formal Strategic Shipbuilding Agreement by the last quarter of CY2024.

LAND 8710 Landing Craft - Medium

As part of a pilot project to be undertaken under the SSA, the Commonwealth has nominated Austal to work to construct and deliver the Birdon-designed LAND8710 Landing Craft - Medium capability for the Australian Army.

The Commonwealth is now working with Birdon to undertake further design maturation to prepare the Landing Craft - Medium design for the construction of these vessels at Henderson.

Subject to the program’s performance and conclusion of the SSA, Austal understands the Government also intends to build the Landing Craft – Heavy capability through Austal under the framework of the SSA.

Austal will continue to work with Defence to understand key matters regarding number of vessels, pricing and delivery timeframes for the LAND 8710 project (including the Landing Craft (Heavy) elements) and will provide further details to shareholders as commercial negotiations progress.

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Additional Cape Class vessels

The two additional Cape Class vessels for \$157 million sought by the Government from Austal adds to the 18 vessels previously ordered by the CoA.

Based on the original 58 metre aluminium monohull design, the Evolved Cape-class Patrol Boats include several enhancements that further extend the capability of the vessel and the fleet. With a crew capacity of total 32 and enhanced quality-of-life provisions the new vessels have connectivity to the outside world, regardless of the operating environment.

Following the Commonwealth's announcement of the procurement today, the award of the contract is subject to the finalisation of contractual and commercial details.

"The additional two vessels are a timely boost for the company's Australian workforce and should provide an important element of a continuous shipbuilding program in Henderson. This will assist Austal in retaining its highly specialised workforce employment stability while adding to the capability of Australia's surface fleet," Mr Gregg said.

Austal is currently in a trading halt, having requested that trading halt pending an announcement in relation to agreements with Australian Defence. This announcement is the announcement referred to in the trading halt request, hence Austal now requests an end to the trading halt.

This ASX announcement has been approved and authorised for release by Paddy Gregg, Austal Limited's Chief Executive Officer.

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About Austal:

Austal is Australia's global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world's most advanced commercial and defence vessels.

For 35 years Austal has contracted more than 350 vessels for over 122 commercial and defence operators in 59 countries, worldwide.

Austal is Australia's largest defence exporter and first ASX-listed shipbuilder. Austal has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam with service centres worldwide.

Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world's largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy.

Austal is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.

Austal has grown to become the world's largest aluminium shipbuilder and is Australia's largest defence exporter.

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