

3 August 2015

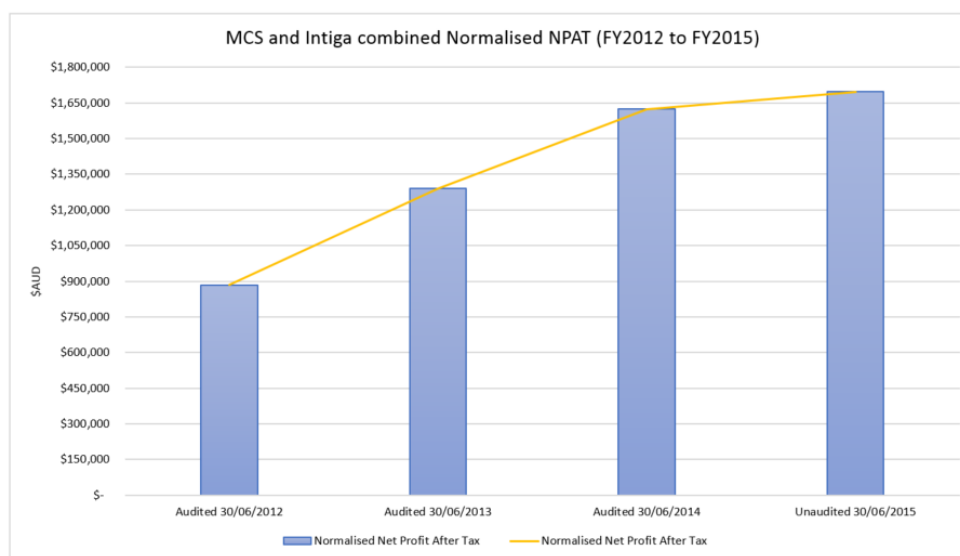
Australian Securities Exchange (ASX)  
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Perth WA 6000



### ACQUISITION OF PROFITABLE AND GROWING SECURITY GUARD BUSINESSES

Red Gum Resources Limited (**Company**) (**Red Gum**) (**RGX**) is pleased to announce it has entered into Binding Agreements to acquire 100% of MCS Security Group Pty Ltd (**MCS**) and John Boardman Pty Ltd (trading as Intiga Security) (**Intiga**), together these acquisitions represent the “**Transaction**”. The businesses specialise in asset security at major commercial property sites and retail shopping centres, sports stadiums, construction sites, and other ancillary sectors such as events. On completion of the Transaction, RGX will be renamed MCS Services Limited (**MCS Services**) and will be one of the largest security services providers in Western Australia by number of security personnel.

MCS and Intiga’s (consolidated) historical normalised net profit after tax (**NPAT**) are as follows (see page 6 for further details of the normalisation):



#### Key highlights of the Transaction and the business of MCS Services:

- Established, profitable and growing security services business which will be one of the largest in WA;
- Experienced management with a proven industry track record;
- High proportion of tier one clients, multi-year contracted revenue and long term client retention;
- Combined (MCS and Intiga) normalised NPAT of \$1.69 million for FY15;
- Management incentivised to achieve a \$1.92 million NPAT for the financial year ending 30 June 2016;
- Cash generative, high margin, low sustaining CAPEX operations provide the ability for MCS Services to ideally adopt a high dividend payout ratio;
- Post completion expected market capitalisation of \$10.18m (see page 3 for further details);
- Expected synergies from the combination of the two businesses;
- Future organic growth from:
  - existing clients via expansion of commercial real estate and retail shopping centre assets; and
  - new clients via expansion through regional WA and interstate;
- MCS Services to review opportunities enabling the provision of a fully integrated service including cleaning and maintenance.

## Overview of MCS Services

The private security industry in Australia is estimated to be worth approximately \$4.4 billion per annum; Western Australia averages approximately 226 Security Guards per 100,000 people residing in the state (Source: "Private Security in Australia", Trend & Issues in crime and criminal justice issue #327, Australian Institute of Criminology). MCS Services will be positioned to penetrate a greater market share of the Western Australian security industry under the proposed Transaction whereby MCS Services will be able to target larger contracts than either MCS or Intiga were able to do as standalone operators.

MCS and Intiga, in anticipation of the Transaction and merger of the two companies, have identified and begun tender for a number of new contract opportunities with the potential to further grow the business. The Company will update the market as to the developments of these new contract opportunities.

## MCS

MCS is an established, growing and profitable 100% Australian owned and operated company and member of the Security Agents Institute of WA. MCS currently employs over 300 operational staff and 40 supervisors in Western Australia. MCS specialises in providing security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia.

MCS has a number of tier 1 commercial property clients and has an enviable record of long term contracts with its existing clients, some of which have been held for up to 9 years.

MCS' website can be viewed here: [www.mcssecurity.com.au](http://www.mcssecurity.com.au) for a full overview of the business.

## Intiga

Intiga, like MCS, is an established 100% Australian owned business and a member of the Australian Industry Association Security Limited. Intiga currently employs 115 operational staff and 10 supervisors in Western Australia. Intiga provides customer focused security professionals to sporting stadiums, events, retail, construction and resources industries in Western Australia.

Intiga has a number of key clients on multi-year contracts such as Nib Stadium, Domain Stadium, Perth Convention and Exhibition Centre, Perth Concert Hall, His Majesty's Theatre, Coles Liquorland (WA) and the Crown Resort in Perth.

Intiga's website can be viewed here: [www.intiga.com.au](http://www.intiga.com.au) for a full overview of the business.

## Executive Profiles

### Paul Simmons (proposed Chief Executive Officer (CEO) of MCS Services)

Paul Simmons has owned and operated MCS since 2005. Paul has been in the security and law enforcement industry for 35 years. He has worked as a police officer in the United Kingdom, he was State Security Manager for the retail giant K-Mart and was an equal partner in the privately owned Perth Security Services. Paul has established a strong network in the Perth security industry, with much of MCS' new business being borne from existing clients and contacts.

### John Boardman (proposed Chief Operations Officer (COO) MCS Services)

John Boardman has owned and operated Intiga Security since 2010. John is a former member of the armed forces. John moved from Liverpool to Perth in 2007. John has operated many successful businesses since 2007 including, training company Worldwide Global Training (trading as TTS-100 and Sec24 training), who provided industry training to WA security companies.

## Terms of the Transaction

1) RGX is acquiring 100% of the shares on issue in MCS and Intiga on the following terms:

MCS:

- 30,000,000 fully paid ordinary shares in RGX; and
- \$3,780,000 in cash consideration.

Intiga:

- 18,000,000 fully paid ordinary shares in RGX; and
- 6,000,000 fully paid ordinary shares in RGX on MCS Services achieving an NPAT of \$1.92 million for the financial year ending 30 June 2016.

2) Consultants to the Transaction may be issued up to 8 million fully paid ordinary shares in RGX in exchange for services regarding the completion of the Transaction.

3) Red Gum will also implement an Executive Incentive Scheme where, subject to receipt of all necessary approvals, the CEO and the COO will each be issued RGX Shares as set out below on achievement of the following milestones:

Milestone	Milestone Date	RGX Shares
NPAT of RGX is >\$3.5m	24 months from Completion of the Transaction	10,000,000
NPAT of RGX is >\$5m	24 months from Completion of the Transaction	5,000,000
NPAT of RGX is >\$7.5m	36 months from Completion of the Transaction	5,000,000

- 4) RGX is to conduct a capital raising of a minimum of \$4.5m at a price not less than \$0.05 cents per share (**Capital Raise**). Patersons Securities Limited has been appointed as Lead Manager and Corporate Advisor to the Capital Raise which will be conducted under a full form prospectus.
- 5) RGX to repay the cost of the audit of both MCS and Intiga for the financial years 2012 to 2015 to the shareholders of MCS and Intiga.

### Indicative Capital Structure

Following completion of the Transaction the indicative capital structure of the Company will be as follows:

<b>PRO-FORMA CAPITAL STRUCTURE</b>	
<b>Current Shares on Issue</b>	55,610,212
<b>Shares Issued under the Acquisition</b>	56,000,000
<b>Shares Issued under the Capital Raise</b>	90,000,000
<b>Total Shares on Issue at Completion</b>	<b>201,610,212</b>
<b>Options on Issue at Completion</b>	5,505,414
<i>(exercising between \$0.44 and \$6.60)</i>	

It is proposed that MCS and Intiga will be acquired with no cash or debts (other than some employee entitlements of not more than \$200,000).

As outlined above, a further 6,000,000 shares will be issued on RGX achieving an NPAT of \$1.92 million for the financial year ending 30 June 2016. Up to a further 40,000,000 shares may also be issued under the proposed Executive Incentive Scheme on milestones being achieved linked to the profitability of MCS Services in future periods (as illustrated on page 4 of this announcement).

## Historical Profitability

The consolidated audited historical financial results of MSC Services (being MCS and Intiga) are as follows:

	<b>Audited 30/06/2012</b>	<b>Audited 30/06/2013</b>	<b>Audited 30/06/2014</b>	<b>Unaudited 30/06/2015</b>
<b>Net Profit After Tax</b>	\$893,973	\$1,269,030	\$871,834	\$895,928
<b>Normalisation Add Backs</b>	(\$10,000)	\$20,473	\$752,369	\$800,634
<b>Adjusted Net Profit After Tax</b>	<b>\$ 883,973</b>	<b>\$ 1,289,503</b>	<b>\$ 1,624,203</b>	<b>\$ 1,696,562</b>

Adjustments have been made to the net profit after tax to represent the underlying profitability of MCS Services when being operated as a public company. The add backs largely represent payments made to the owners of the business who will be shareholders of RGX post completion of the Transaction.

## Conditions Precedent to the Transaction

The Binding Terms Sheets entered into by Red Gum, MCS and Intiga contain Conditions Precedent (CPs) that are customary for a transaction of this nature. Relevant CPs are summarised as follows:

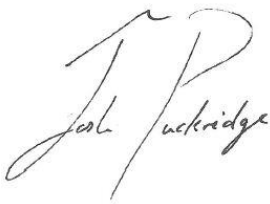
1. RGX completing financial and legal due diligence on MCS and Intiga to RGX's satisfaction, in its sole discretion;
2. RGX obtaining all necessary shareholder and regulatory approvals;
3. RGX raising a minimum of \$4,500,000 at a price of not less than \$0.05 per share;
4. MCS and Intiga providing audited financial statements for the financial years ended 30 June 2012, 2013, 2014 and 2015;
5. The appointment of Paul Simmons (vendor of MCS) as CEO of MCS Services on a salary of \$160,000 per annum;
6. The appointment of John Boardman (vendor of Intiga) as COO of MCS Services on a salary of \$160,000;
7. MCS and Intiga being free of any finance leases, hiring agreements and other similar arrangements, including leases and conditional purchase agreements;
8. RGX incurring no more than \$50,000 in expenses between now and completion of the Transaction other than:
  - a. expenses relating to the completion of the Transaction such as, but not limited to, legal fees, accounting fees and corporate advisory fees;
  - b. expenses relating to RGX maintaining its current business operations and regulatory obligations such as, but not limited to, registered office fees, ASX listing fees, insurances and share registry fees; and
  - c. expenses incurred with the prior written consent of MCS and Intiga.

### Indicative Timetable to Completion

Set out below is an indicative timetable for the Transaction. This timetable is indicative only and may change.

Announcement of Transaction	3 August 2015
Dispatch of Notice of Meeting	4 September 2015
Lodgement of Prospectus and Opening Date of Prospectus Offer	30 September 2015
Shareholder Meeting	5 October 2015
Closing Date of Prospectus Offer	16 October 2015
Completion of Transaction and Re-compliance with Chapters 1 and 2	23 October 2015
Re-quotation of Securities on ASX	30 October 2015

*For, and on behalf of, the Board of Directors of the Company,*



Josh Puckridge

Director

Red Gum Resources Limited

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See Cautionary Statement Regarding Forward-Looking Information on the following page.

-ENDS-

## Cautionary Statement Regarding Forward-Looking Information

This announcement contains "forward-looking statements" and "forward-looking information", including statements which include, without limitation, expectations regarding the future performance of the Company. Such forward-looking statements are often, but not always, identified by use of words such as "plans", "expects", "is expected", "is expecting", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved. Readers are cautioned that such forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause the actual results or performance of the Company and/or its subsidiaries to be materially different from those contained in the forward-looking statements.

Forward-looking information and statements are based on estimates and opinions of management at the date the statements are made. The Company does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change, except in accordance with applicable laws. Investors should not place undue reliance on forward-looking statements.

