



**HRL Holdings Limited**

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## ASX Announcement

31 August 2015

### Proposed Acquisition of ACT based Environmental Services and Hazardous Materials Analytical Laboratory Company

HRL Holdings Limited (ASX: HRL) (**HRL** or the **Company**) is pleased to announce that it has entered into a Share Sale Agreement with the shareholders of AAC Environmental Pty Ltd (**AAC**) to acquire all of the issued capital in AAC Environmental Pty Ltd (**AAC Acquisition** or the **Transaction**).

The AAC acquisition represents a strategic opportunity for the Company to acquire a high quality operation in the attractive Australian Capital Territory (ACT) market.

#### About AAC

Operating out of the ACT, AAC offers a range of services including:

- asbestos auditing and building contamination assessment;
- NATA accredited laboratory analysis of suspected asbestos containing materials;
- contaminated land analysis;
- soil sampling;
- dust monitoring; and
- air quality monitoring.

AAC commenced operations in 2004 and has been providing environmental services, with a particular focus on asbestos, to the ACT and surrounding markets for many years. AAC is a NATA accredited asbestos laboratory.

Led by Arthur Watson, the AAC team is well recognised and respected throughout the ACT industry.

Further details on AAC are available at <http://www.aacenviro.com.au/>.

#### ACT Market Opportunities

The ACT is currently the asbestos hotspot for the Australian market. The well-publicised loose-fill asbestos insulation “Mr Fluffy” demolition program has now commenced. The ACT Government is buying Mr Fluffy homes from owners for the purpose of demolition and re-build. An Asbestos Response Taskforce has been established as a Government Department to work collaboratively with WorkSafe ACT in managing the program.

There are 1,022 homes included in the Mr Fluffy buy-back scheme and of those 1,014 owners have indicated that they wish to participate in the program.



Under the program, every demolition must go through the following stages:

1. Asbestos removal under friable conditions with air monitoring;
2. Visual and air monitoring clearance post removal;
3. Demolition of home with air monitoring;
4. Visual and air monitoring clearance post demolition;
5. Soil testing.

AAC provide all of the above services and are actively involved in the tendering process.

In addition to Mr Fluffy, HRL have identified a number of other significant opportunities in and around the ACT region.

### **Transaction Overview**

Under the terms of the Share Sale Agreement, the Company will acquire 100% of the issued capital of AAC.

In consideration for all of the Sale Shares, the Company will pay a maximum purchase price of \$1,500,000 to the Sellers (Purchase Price). The Purchase Price will be paid as follows:

- (a) partial payment on completion of the AAC Acquisition of \$1,000,000 in cash; and
- (b) an earn-out consideration of up to \$500,000.

The amount of earn out consideration is to be calculated based on AAC's earnings before interest and taxes (EBIT) for the 12 months following acquisition as follows:

EBIT	Earn Out Consideration
Less than \$0.3 million	Nil
\$0.3 to 0.4 million	\$100,000
\$0.4m to \$0.5 million	\$300,000
More than \$0.5 million	\$500,000

### **Transaction Financing**

HRL will fund the AAC acquisition using it's current cash holdings and existing banking facilities. No HRL shares or options will be issued to the vendors.

### **Management**

HRL is pleased to confirm that upon completion of the AAC Acquisition, the current owner Mr Arthur Watson will be engaged as the Operations Manager of AAC for a minimum period of one year. Mr Watson is a highly regarded asbestos assessor and provides industry training through the Master Builders Association.

There will be no changes made to the HRL Board as a result of the AAC Acquisition.



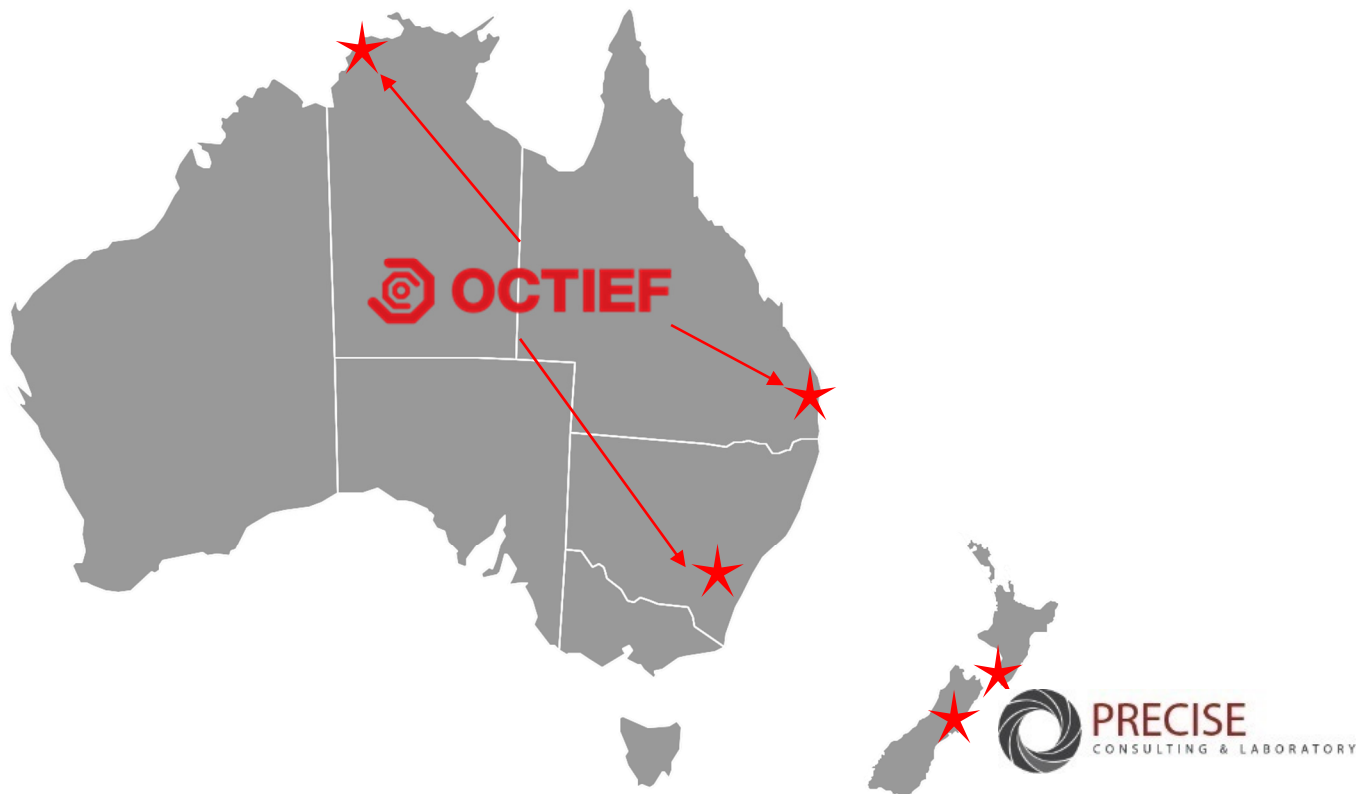
### **Indicative Timetable**

HRL currently anticipate that the AAC acquisition will settle by the end of September.

HRL will continue to update the market with any progress and developments in relation to this acquisition.

### **HRL Group – Environmental Services**

The acquisition of AAC supports HRL strategic plan to expand the geographical presence within the Asia Pacific region. Upon completion, HRL will operate 5 accredited laboratories located in Brisbane, Darwin, Canberra, Christchurch and Wellington, of which four will have been added in the past 12 months. The group is able to “load balance” laboratory and field consulting services between branch locations and remains able to quickly mobilise resources to meet any individual project requirements.



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