



HRL Holdings Limited

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31 October 2016

ASX Announcement

Appendix 4C – Quarterly Report for Entities Admitted on the Basis of Commitments and Quarterly Update

QUARTER HIGHLIGHTS

- Major contract awarded in New Zealand by Chorus, a leading telecommunications company
- Second contract awarded in New Zealand by a district health board
- Appointed to the panel of asbestos assessors in the NSW Loose-fill Asbestos Implementation taskforce
- Construction of laboratory facilities in Auckland now complete
- Record growth in business – highest quarter turnover
- Staffing increased 22% over prior quarter to service expanded business
- Submission made to IANZ to expand our accreditation scope for new service lines

Awarded major contract to perform hazardous material surveys for Chorus (New Zealand)

OCTIEF Limited (NZ), a wholly owned subsidiary of HRL, was awarded a significant contract by Chorus New Zealand Limited (Chorus) to carry out hazardous material surveys across its extensive property portfolio throughout all New Zealand.

Chorus is New Zealand's largest fixed line communications infrastructure company owning, operating and maintaining an open access network predominantly made up of local telephone exchanges, cabinets and copper and fibre cables, supplying about 90% of all fixed network connections to retail service providers.

OCTIEF Limited (NZ) will conduct surveys across a range of remote telecommunication exchange assets located in both the North and South Islands of New Zealand. These works follow on from the first stage survey program which was successfully completed in March 2016.

Laboratory sample analysis will be undertaken by HRL's subsidiary, Precise Consulting and Laboratory Limited, allowing the HRL group to keep the entire process in-house, ensuring both quality and efficient turnaround times.

Awarded contract to perform asbestos surveys for Nelson Marlborough District Health Board (New Zealand)

HRL is pleased to announce that its wholly owned subsidiary, Precise Consulting and Laboratory Limited (**Precise**), was recently awarded a contract by the Nelson Marlborough District Health Board (**Nelson Marlborough DHB**) to carry out asbestos surveys across its property portfolio.



Nelson Marlborough DHB is the Government-funded organisation responsible for most publicly funded primary health and hospital services across the top of the South Island, including Golden Bay, Nelson, Picton and Blenheim. The Board serves a population of nearly 145,000, covering 227,000 square kilometres and three territorial authorities. These include Nelson City, Tasman District and Marlborough District.

The initial scope of works is expected to run through to the end of 2016.

The Nelson Marlborough DHB contract represents the second contract awarded to Precise by a district health board. Whilst more modest in size to the previously announced Southern DHB contract, it does represent further endorsement of Precise's ability to service the New Zealand public health sector.

There are a total of 19 district health boards located across New Zealand, several of which Precise is actively in discussions with.

Appointed to the panel of asbestos assessors in the NSW Loose-fill Asbestos Implementation taskforce

In June last year the NSW Government announced the voluntary purchase and demolition program for all NSW residential property owners with loose-fill asbestos insulation. The government has budgeted \$280 million for buybacks, demolitions and remediation.

OCTIEF Pty Ltd has been appointed to the panel of approved assessors and has been carrying out property surveys from late September 2016.

The highest proportion of at-risk properties are located in and around the Southern NSW region which can be readily serviced from OCTIEF's Canberra branch.

Auckland laboratory construction now complete

HRL is pleased to announce that construction of laboratory facilities in its recently opened Auckland branch is now complete. Despite its infancy, the Auckland branch has been performing above expectation since opening and Precise has recently recruited additional technical staff to expand the Auckland team.

The Auckland branch was initially planned to operate as a field office only, but with such a positive initial response from clients, the business case to open a new laboratory was justified. With construction complete, the laboratory accreditation process is now underway. Full accreditation is expected early in 2017.

The Auckland market is the largest market in New Zealand for Precise's major service offerings of asbestos and property contamination testing. It is also home to New Zealand's largest corporate, educational and government organisations – the key target customer segments for Precise. Precise already has established relationships with number of these organisations from its existing operations elsewhere in New Zealand.

HRL operates out of 9 regional centres across Australia and New Zealand:

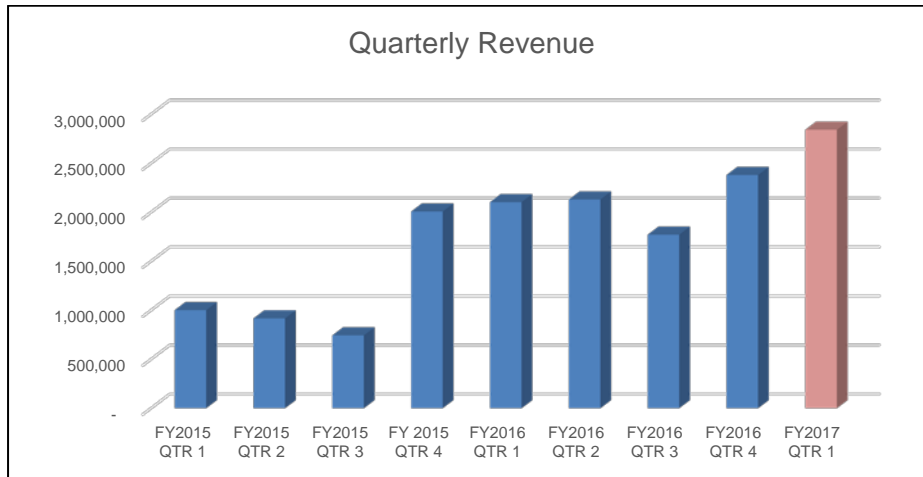
- Brisbane*
- Darwin*
- Canberra*
- Perth
- Christchurch*
- Wellington*
- Palmerston North
- Dunedin*; and
- Auckland*

* Laboratory on-site



Trading Update

Trading in first quarter was strong with the Group generating revenues of \$2.8M.



New Zealand

Activity in New Zealand continues to be very strong, with New Zealand operations now accounting for approximately 70% of the Group's revenue.

OCTIEF Limited (NZ) commenced work on a new phase of major survey works for Chorus New Zealand Limited (Chorus) assets across both the North and South Islands of New Zealand.

Precise continues its strong performance with revenues growing substantially over the last quarter with the Wellington and Palmerston North branches performing especially well.

Precise has a very strong tender pipeline of opportunities with government agencies, education facilities, councils, and large commercial clients.

Australia

Australian operations saw modest improvement during the quarter.

The Northern Territory branch experienced a strong quarter of activity. Primary sources of revenue included a major soil remediation project and substantial field monitoring works across a number of public sector assets including asbestos audits of hospitals.

Ongoing Queensland government inactivity continues to limit the number of public sector projects across the industry. In light of this, OCTIEF have been focusing heavily on large private projects in and around South East Queensland. The environmental engineering/sciences service line demonstrated good growth during the quarter with complementary pull through laboratory work.

The ACT branch saw a pick-up in activity as the first package of the NSW loose-fill asbestos insulation properties were awarded. This work is expected to continue for 7 months and will help compliment normal ongoing work from ACT based projects.

OCTIEF is currently tendering and negotiating for major contracts across Australia. The business focus remains on HAZMAT compliance for major corporate clients and government agencies at all levels of government.

OCTIEF has commenced the rollout of methamphetamine testing services in line with the capabilities acquired by sister company Precise in the RJL transaction. OCTIEF is actively focussing on both the public and the private market (such as landlords, residential real estate managers etc) and has just



launched a marketing campaign targeting these groups. Despite being common place in New Zealand, this market is effectively non-existent in Australia and OCTIEF hopes to gain a first mover advantage via a cost-effective laboratory testing program.

First Quarter Cashflows

During the quarter, HRL had negative cashflows of \$493K from operating activities. The first quarter of the financial year involves a number of one-off annual payments such as:

- Group insurances
- Stock exchange annual fees
- Annual audit and tax fees
- Annual accreditation payments

As a result, the cashflows are not reflective of actual performance with the Group generating an operating profit result for the quarter.

HRL also continued investment in its systems, recruitment, training and the Auckland branch rollout. The Group increased its operational staff by 22% during the quarter.

The Group had \$393K in cash at the end of the quarter and \$0.85M in undrawn loan facilities.

For further information contact:

Investor and media:

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CEO

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

HRL HOLDINGS LIMITED

ABN

99 120 896 371

Quarter ended ("current quarter")

September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,797	2,797
1.2 Payments for		
(a) research and development	-	-
(b) direct costs of sales	(474)	(474)
(c) advertising and marketing	(1)	(1)
(d) leased assets	(159)	(159)
(e) staff costs	(1,482)	(1,482)
(f) administration and corporate costs	(875)	(875)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(26)	(26)
1.6 Income taxes paid	(219)	(219)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(439)	(439)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(133)	(133)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(133)	(133)

3. Cash flows from financing activities	-	-
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	751	751
3.6 Repayment of borrowings	(227)	(227)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	524	524

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	393	393
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(439)	(439)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(133)	(133)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	524	524

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	19	19
4.6	Cash and cash equivalents at end of quarter	364	364

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	324	353
5.2	Call deposits	40	40
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	364	393

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
186
-

Executive and Non-Executive directors remuneration and fees (\$111k)

Rental payments to a Director related entity in relation to premises rented by OCTIEF Pty Ltd (\$25k)

Software consulting payments to a Director related entity (\$50k). These fees are contracted under normal terms and conditions.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,745	1,895
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Equipment loan facility provided by Westpac. Security taken over the asset that the borrowings relates to. Interest rates of 4.35% - 5.10% per annum which expire between December 2018 and February 2019.

Commercial bank loan provided by Westpac. Secured against all current and non-current assets of the Group by floating charge. The facility has an interest rate of 4.85% per annum and expires in September 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Direct cost of sales	450
9.3 Advertising and marketing	20
9.4 Leased assets	160
9.5 Staff costs	1,500
9.6 Administration and corporate costs	420
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	2,550

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 31/10/16

Print name: Paul Marshall

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.