

## AMMTEC LIMITED

A.C.N. 063 332 516  
A.B.N. 40 396 637 856



# AMMTEC

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## OFFER REJECTED, UPDATED GUIDANCE

### AMMTEC BOARD REJECTS CAMPBELL BROTHERS OFFER AS TOO LOW, FORECASTS STRONG EARNINGS GROWTH IN FY11

26 May 2010

#### Highlights

- Ammtec Board intends to reject the proposed unsolicited takeover offer by Campbell Brothers
- The proposed offer undervalues Ammtec and provides no recognition of expected improved trading conditions in FY11 and beyond
- The proposed offer fails to reflect the strategic value of Ammtec to the Campbell Brothers group
- Ammtec forecasting strong earnings growth in FY11, driven by recent investments and improved trading conditions

Ammtec Limited (**Ammtec**) announces that its Board of Directors intend to reject the unsolicited takeover offer for the Company by Campbell Brothers Limited (**Campbell Brothers**) when the offer is formally made. Campbell Brothers has announced an intention to offer \$3.35 per Ammtec share, with a scrip alternative of 2 Campbell Brothers shares for every 17 Ammtec shares. Release of a Bidder's Statement by Campbell Brothers is expected shortly.

The Ammtec Board believes the Campbell Brothers offer is too low and fails to reflect the true value of the Company.

Shareholders are not required to take any action in respect of the proposed Campbell Brothers offer. Selling their shares now means shareholders will miss out on any higher offer from Campbell Brothers or any other party that may present an alternative proposal.

Ammtec Chairman David Macoboy said the proposed offer was opportunistic and attributed no value to the substantial uplift in revenue and earnings expected by the Company in FY11 and beyond.

"Given Ammtec's bright outlook and our forecast of a very strong year in FY11, we believe this proposed offer significantly undervalues our Company by any reasonable measure," said Mr Macoboy.

Ammtec has today also released guidance for the 2011 financial year, forecasting an increase in net profit after tax to between \$11.1 and 12.9 million. Revenue is expected to range between \$73 and 79 million. EBITDA is expected to range between \$19.6 and 22.2 million.

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Key drivers of the forecast profit growth in FY11 are:

- Significant revenue and earnings growth in the Marc Technologies specialist engineering division. This division is more exposed to capital expenditure activity in the resources sector and therefore experienced a more severe downturn over the FY09 and FY10 than the metallurgical testing division. However, Marc has a strong order book for FY11 with 52% of the forecast base revenue contracted and a further 26% under negotiation;
- Strong and growing order book in the core Ammtec metallurgical testing division, driven by recent and ongoing investments in new capability, most notably a pilot scale hydro-metallurgical test capability; and
- Following a number of years developing and proving up the PSI technology, Ammtec expects the PSI division to be self funding during FY11 and profitable in FY12 onwards. Detailed negotiations are underway for contracts representing 100% of forecast FY11 revenue for PSI.

“Our Company is strongly positioned to return strong revenue and earnings growth in the next financial year, and we believe this should be recognised in any proposal that seeks to fairly compensate shareholders for the underlying value of their investment,” said Mr Macoboy.

“The proposed offer from Campbell Brothers falls short of a proposal that would be acceptable to the Board and to shareholders.”

The Board of Ammtec believes the Campbell Brothers proposed offer is opportunistic for a number of reasons:

- It fails to recognise Ammtec’s major investment in operating assets and businesses that will generate material profit growth during FY11 and FY12;
- It has been timed amid significant volatility in financial markets and in the immediate aftermath of the announcement of the proposed Resources Super Profits Tax when the vast majority of mining-related companies have experienced share price depletion; and
- It does not provide Ammtec shareholders with a reasonable share of the value Ammtec would deliver to Campbell Brothers. This includes the value from material cost and revenue synergies, Campbell Brothers’ likely plans to replicate Ammtec’s capabilities overseas and Campbell Brothers’ higher earnings capitalisation rates.

Ammtec confirms that its FY10 net profit after tax will be in line with recent broker expectations, on the back of improving conditions in Ammtec’s markets and the benefits of internal restructuring.

However, there is a possibility that full year FY10 results may fall slightly short of one or more of the three thresholds set out by Campbell Brothers in its takeover announcement on 18 May 2010, namely revenue from continuing operations of more than \$52.5 million, operating EBITDA of more than \$12.4 million and operating EBIT of more than \$10.3 million. In particular, unexpected costs associated with responding to the unsolicited offer from Campbell Brothers will impact on FY10 EBIT and EBITDA performance.

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Mr Macoboy said Ammtec would be a very attractive addition to Campbell Brothers on a number of counts, including the ability to include metallurgical testing in its services range for the first time outside coal.

“Ammtec is the leading metallurgical testing business in the world, with an outstanding track record of financial performance and client service,” he said.

“We understand this makes Ammtec a highly desirable target for Campbell Brothers in terms of the value it can deliver to the group and the cost and revenue synergies to be captured.

“However, the proposed Campbell Brothers offer reflects neither the value of Ammtec on a standalone basis, nor the enormous strategic benefit our business represents for Campbell Brothers, which is the only business in its peer group without dedicated metallurgical laboratories.

“In the circumstances, and with Ammtec on a strong growth trajectory, the Board had no hesitation deciding that it would recommend to shareholders that they reject the Campbell Brothers offer when it is formally received.”

A formal recommendation from the Ammtec Board of Directors will be included in the Target’s Statement to be issued in response to Campbell Brothers’ Bidder’s Statement when this is received.

In the meantime, Ammtec shareholders are advised to take no action in respect of the proposed offer.

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