

23 June 2010

## **ACTIVITY UPDATE**

Dear Shareholder

As the Company approaches the end of its first full financial year as a publicly listed resource sector service company, it is timely that you receive an update on recent business activity and gain some insight into the outlook for the Company in the coming financial year.

### **Trading Activity**

Importantly, the Company continues to experience a nil attrition rate of long term customers, who comprise around 80% of revenues.

In addition, a number of new customers and site presences have been secured in recent months and the delayed projects that were mentioned in the March Activity Update to Shareholders have all now commenced.

This means that the business is on track to achieve its 2010 budget and also to meet the expectations of research analysts, who have forecast pre-tax earnings for the Company in the range of \$7.3 million to \$7.8 million. Shareholders are reminded that, on the basis that the Company's \$28 million in tax losses remain available to be carried forward, after-tax profit will be the same as pre-tax profit.

Examples of projects commenced or secured since the last Activity Update are:

- installation and operation of significant additional mine dewatering facilities for a major existing north-west client (manganese)
- installation and commissioning of evaporator systems for an international mining major at sites in Queensland and Northern Territory (coal and alumina)
- supply of pumping package to international oil & gas contractor for north-west pipeline pre-commissioning
- supply of dredge and related pumping equipment to existing major international mining client in Queensland coal sector
- installation of additional mine dewatering equipment for existing major international mining client (Goldfields, WA)
- supply of pumping equipment to international oil and gas contractor for pipeline testing project (China)
- supply of power generation for north-west iron ore mining camp
- installation of mine water management system for two international mining majors in Queensland (coal)
- installation of evaporator system for existing Queensland nickel client

**Earnings Visibility**

The addition of contracts such as these builds on and strengthens the Company's revenue base. With a theme of strong recurring revenues from long-term site presences and long term clients, we estimate that close to \$25 million of revenues for the 2011 year is already reasonably secure.

During the 2011 financial year we expect to secure significant new work and clients to further build the Company's revenue base and earnings profile.

One area that is showing strong signs of growth is the relatively new field of accelerated evaporation. Earlier this year the Company secured the exclusive Australian rights to two leading North American evaporation equipment lines. As a result we have Australia's only rental fleet of evaporators.

The Company has now supplied evaporators to eight different sites during the year in WA, NSW, Queensland and the Northern Territory - all to major mining companies. The accelerated evaporation of water is providing these clients with a new alternative to resolving situations where there are restrictions from discharging water off mining leases.

Growth in 2011 is also expected to come from two new divisions recently created within the Company - oil & gas and hydromining. The Company has traditionally performed work in these fields but not with a dedicated marketing focus. Recent senior executive appointments and the development of strategies that will drive national growth in both areas are expected to yield sound results in the years ahead.

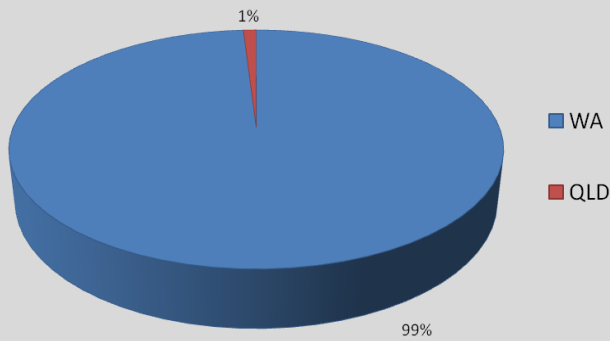
**Geographical Growth**

The Company creates and delivers solutions for its clients using both its expertise and its specialist purpose built fleet of equipment. The traditional geographic base for the business' activities has been Western Australia.

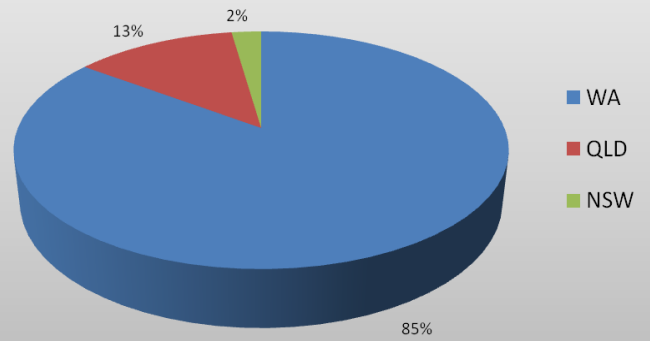
Recently the Company put in place a growth strategy to provide its specialist equipment and expertise over an expanded geographical base, both nationally and ultimately internationally.

This strategy was commenced in the 2009 year and the graphs on the following page demonstrate the progress that has been made so far.

Revenue by State  
2009



Revenue by State  
2010

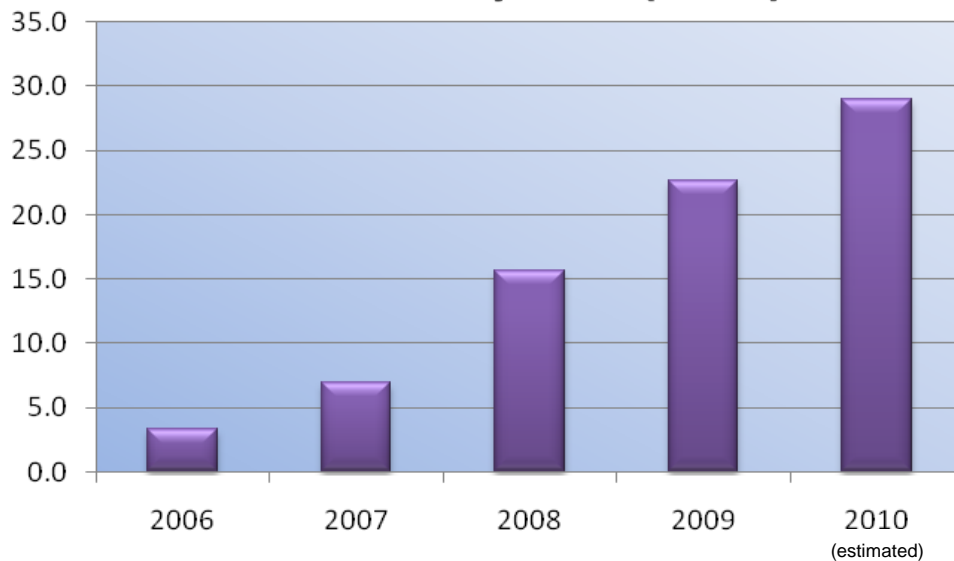


**Proposed Resource Profits Super Tax (“RPST”)**

Should the proposed new RPST be introduced, the Company expects it to have little impact on earnings and growth in the short to medium term. This is because the Company’s target market in the mining sector is existing mines, not new mines.

The business is not reliant on new investment and new construction to continue its growth. This was evident during the global financial crisis, when its momentum was not impacted, as shown in the annual revenue growth graph below.

Revenue by Year (\$m's)



**Balance Sheet**

The Company's balance sheet remains in good shape, with a net debt to equity ratio of 23%. Debt consists only of hire purchase contracts, principally used to finance assets that are deployed under rental contracts.

There are approximately 25 million listed options on issue which are exercisable at 20 cents by 31 December 2010. On the basis that all of these are exercised by that date the Company will receive approximately \$5 million.

A further 18.75 million unlisted options exercisable at 20 cents by 30 September 2011 are also on issue. On the basis that all of these are exercised by that date the Company will receive approximately a further \$3.75 million.

These funds will contribute to funding the Company's capital expenditure requirements as it continues to grow the business and expand its specialist equipment fleet and will help maintain a conservative gearing ratio.

**Proposed Change in Structure and Name**

RER Group Ltd owns 100% of its operating subsidiary – Resource Equipment Rentals Pty Ltd. For administrative and marketing ease as well as to reduce administration costs, it is proposed to conduct operations in the listed entity instead of the subsidiary.

In doing this, the directors wish to retain the branding and goodwill associated with the "Resource Equipment" name from the business purchased on 1 July 2009. At the same time the directors do not wish the Company's name to describe the business as a rental company, since it is a solutions driven business and it also sells equipment from time to time.

It is therefore proposed to change the name of RER Group Ltd to Resource Equipment Ltd. This preserves the branding and goodwill established in previous years without limiting the scope of services that the Company provides.

Shareholder approval is required to effect the change of name and a Notice of Meeting will be dispatched to you shortly in that regard.

I look forward to sending you the Company's annual results once they are finalised in late August.

Yours faithfully



James Cullen  
**Chief Executive Officer**