

ASX/MEDIA ANNOUNCEMENT

24 February 2011

**RESOURCE EQUIPMENT LIMITED ANNOUNCES ACQUISITION OF
DEWATERING SERVICES AUSTRALIA**

As foreshadowed in the ASX release of 22 December 2010, Resource Equipment Limited (ASX: RQL, "REL") is pleased to announce the acquisition of Dewatering Services Australia Pty Ltd and DSA Plant Co Pty Ltd, collectively referred to as "DSA".

Completion of the acquisition is expected to occur within the next two business days, subject to REL shareholders ratifying the recent placement of 18,367,347 shares at the Shareholder meeting to be held on 25 February 2011.

DSA is a specialist contracting business which designs, installs, tests and commissions HDPE pipelines (commonly referred to as polythene pipe) and retails associated products.

The business was founded in Kalgoorlie in 2003 and has a strong presence throughout the Goldfields, with operations expanding into the North-West in recent years. It is highly systemized and uses a range of specialist equipment to deliver a turnkey service to its clients.

REL has an established working relationship with DSA, utilising DSA's services on projects where HDPE pipeline installation is required.

With an expanding national profile, REL Chief Executive Officer, Mr James Cullen, said that the acquisition of DSA was a well timed opportunity for the Company to increase its service offering to clients through this vertical integration strategy.

"There are several compelling reasons for the Parties to proceed with this transaction" he said.

"Firstly, DSA has a well established customer base to whom REL can now offer its services; secondly, REL will offer DSA's specialist pipeline installation services to its customers and expand the DSA business outside of Western Australia to REL's East Coast operations; and thirdly, as the installation of HDPE pipeline infrastructure on mine sites is generally performed well before the selection of pumping equipment, DSA's services will facilitate an earlier introduction of REL's pumping system solutions than is presently being achieved."

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The purchase price for DSA is comprised of an initial component, a deferred component and a contingent component, all on the basis of 60% shares and 40% cash as follows:

- i) \$7m initial component payable at settlement, comprising:
 - the issue of 10,646,651 shares at 43 cents (the Company's share price when price negotiations were finalised), with half of the shares subject to six months voluntary escrow and half subject to twelve months voluntary escrow; and
 - the payment of \$2,385,373 cash.

- ii) \$1.5m deferred component payable on finalisation of the 30 June 2011 accounts and subject to the 30 June 2011 EBITDA exceeding the 2010 EBITDA (of \$3,088,000), comprising:
 - the issue of 1,162,790 shares at 43 cents; and
 - the payment of \$1,000,000 cash.

If 2011 EBITDA is below \$3,088,000 but above \$2,600,000 the deferred component will be scaled back proportionately within that range.

- iii) Contingent component to be determined once the 30 June 2011 accounts are finalised, based on an agreed formula whereby the final purchase price will equate to a multiple of 3 times FY11 EBITDA less certain agreed adjustments. Contingent shares will be issued at a 10% discount to the VWAP of REL shares traded over the last 5 business days up to and including 30 June 2011.

The acquisition, which is effective from 1 January 2011, is subject to a maximum price cap of \$14 million and will be earnings per share positive for REL.

Mr Cullen said that DSA's three shareholders and executive directors had each committed to a minimum 3.5 year service contract.

DSA Managing Director, Mr Chris Daly said "We are excited about joining forces with, and becoming shareholders in, REL. The two businesses already have a good working relationship in place and with REL's financial support and resources, we are confident of achieving continued growth and making a meaningful contribution to the REL growth story".

Mr Daly also said that trading conditions for DSA were sound, with results to 31 December 2010 approximately 30% above the comparable period last year.

REL's interim results for the six months ended 31 December 2010 are expected to be released tomorrow.

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