RESOURCE EQUIPMENT LTD

ASX/MEDIA RELEASE

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FY'12 RESULT

Perth: Resource Equipment Ltd (ASX: RQL) today announced a net profit of $13.6 million for the 2012 financial year.

EBITDA of $22.3m was up 24% from the prior year on higher than expected revenues of $82m. Revenues included $9.7m of pipeline and related component retail sales (2011: $1.7m), which are generally at lower margins than other areas of the business and led to an overall EBITDA margin of 27%.

No dividend has been declared for the 2012 year however the directors expect to establish a dividend policy during the forthcoming year and reintroduce a dividend reinvestment plan.

REL Chief Executive Officer, Mr James Cullen, commented that the result would have been better had utilisation of the Company's expanded asset base been higher. "In the second half we saw the award and start dates of various new projects being delayed, which affected utilisation rates and led to a slowing in the Company's growth rate during that period" he said.

Results included a full year of trading from Dewatering Services Australia Pty Ltd ("DSA"), which was acquired on 28 February 2011. For ease of comparison and analysis, the following table presents REL's financial performance in its traditional pumping business and from its DSA pipelines business ($000's):

	REL			DSA			Consolidated		
	FY11	FY12	%	FY11 4 months to 30/06/11	FY12	%	FY11	FY12	%
Sales	45,303	59,498	31%	7,020	22,642	222%	52,323	82,140	57%
EBITDA	16,177	19,497	21%	1,807	2,772	53%	17,984	22,269	24%
PBT	10,957	11,514	5%	1,149	1,849	61%	12,106	13,363	10%

DSA experienced a poor first half but began the recovery process in the second half, which saw a doubling of revenues occur and a number of new contracts secured.

During the year the Company began an integration and expansion process with DSA to develop the largest specialist pumping and pipeline business in Australia. DSA's operations have now been established in REL's Mackay and Perth branches and a number of combined pumping and pipelines projects have been secured. From 1 July 2012 the combined operation now trades as REL out of a single entity.

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Mr Cullen said that the 2013 financial year had commenced in a positive fashion, with increased trading levels in July and August following the award of $35 million in contracts late in the 2012 year.

“Whilst these contract awards came too late to impact the 2012 year, they have helped us get off to a good start in 2013. Several large projects commenced in July and they are all now running well in the field. In addition we are at various stages of discussion, negotiation and tendering on a range of other projects”.

Mr Cullen pointed out that the Company’s exposure to the exploration and construction phases of natural resource projects is low and expects very little impact from recent project cancellations and uncertainty in the mining sector.

“As has been seen in previous periods of global financial uncertainty, our ongoing involvement in the production phase of the mining cycle still generates recurring and expanding revenues for the business during these times”.

The Company remains focused delivering on its growth strategy in coming years, which includes:

- Expanding existing presences and securing new presences at Australian mine sites;
- Expanding oil & gas and hydromining divisions;
- Establishing a remote power division;
- Expanding and developing retail sales capabilities in pipelines, pumping and power;
- Expanding geographically into select international markets.

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