



*KEEPING THE RESOURCE SECTOR RUNNING*

ALLMINE GROUP LIMITED  
(ASX: AZG)

## **ASX & Media Release**

8 March 2011

### **Arccon (WA) Pty Ltd Acquisition**

The Directors of Allmine Group Limited (Allmine or the Company) are pleased to announce that the Company has entered into a binding terms sheet for the acquisition of 100% of the issued capital of Arccon (WA) Pty Ltd ACN 106 083 827 ("Arccon") based in Perth, Western Australia.

#### **Acquisition of Arccon**

##### **Highlights**

- Arccon is a Western Australian based engineering and construction company providing engineering, design and construction to the mining and mining services industry.
- Exceptional management team. The founders and principals of Arccon, Mr Robert Wilde and Mr John McCowan sharing in excess of 80 years' experience in the Australian resources industry, having establishing Minproc Engineers in 1978, a highly successful mineral processing, design and construction company.
- The Arccon founders and key management team are to be retained.
- Mr Robert Wilde will join the Board of Allmine as an Executive Director.
- The acquisition of Arccon completes the Allmine strategic objective of delivering a "cradle-to-grave" solution to the mineral resources industry via the delivery of design, engineering, construction, and products and maintenance services across mine site fixed and mobile plant.
- Arccon forecast FY2011 revenue of A\$92m and EBITDA A\$3.8m.
- Arccon and its associated entity have signed co-operation agreements with two of the largest Chinese engineering, procurement and construction EPC companies with financing capabilities in the world. These relationships provide Arccon with unique access to global project development opportunities.
- Currently, Arccon and one of its Chinese EPC partners are working with two Australian listed resource companies to bring on stream a vanadium and a copper mine.
- The transaction is scrip only with a maximum consideration of A\$22.8m payable in two tranches. Tranche A payment at settlement of A\$15,000,000 in Allmine ordinary shares at a strike price of \$0.20 per share (75,000,000 shares). Tranche B is a Performance and Loyalty Payment ("PLP") that is subject to an earn-out. The strike price for the PLP shares is the 5 day VWAP of the Allmine shares as at 30 June 2012.

- **Allmine are obliged to arrange the release of A\$11.5m in 3<sup>rd</sup> party security provided to secure the Arccon bond and overdraft interchangeable facility by 30 June 2011.**
- **The transaction is subject to operational, legal and accounting due diligence, satisfactory documentation of the transaction and Allmine shareholder approval.**
- **The transaction is expected to be immediately EPS accretive**

## **About Arccon**

Arccon is a Western Australian based engineering and construction company providing engineering, design and construction services to the mineral resources industry and to the Western Australian commercial building sector since its establishment in 2003.

Arccon has an outstanding management team that has already created opportunities in the mining sector for Arccon to participate in resource ownership, engineering and construction services. In 2007 Arccon established its mining division. Two of Arccon's directors, Robert Wilde and John McCowan have each had over 40 years' experience in the Australian resources industry, establishing Minproc Engineers in 1978, a highly successful mineral processing, design and construction company.

The Arccon mining division has completed studies and designs for process plants with construction values in excess of A\$1.3 billion since 2007 and has recently signed co-operation agreements directly, and indirectly via an associated entity, with two of the largest Chinese engineering, procurement and construction companies in the world.

Arccon has embraced the delivery capabilities of its two major China EPC contractors and intends assisting them with providing their services to many mid-tier resource companies both within Australia and internationally.

Currently, Arccon and one of its Chinese engineering partners are working with two Australian listed resource companies to bring on stream a vanadium and a copper mine.

Arccon has spent the past three years building up its mining services division by establishing a strong technical and management team, and forming alliances to deliver major mine-related design and construction contracts.

Arccon, together with a business partner, has successfully established a civil and concrete contracting group, which is currently engaged in major civil and concrete contracts on the Sino Iron project for MCC in the Pilbara region of Western Australia.

Arccon has also established a structural, mechanical and piping contracting subsidiary which is providing construction services to the Mineral Resources Group for the installation of a major crushing and screening facility at the FMG Christmas Creek site and mechanical installation services at the Sino Project for MCC.

With the current expansion of the major iron ore producers and construction of new mines in Western Australia, the contracting group has the opportunity to substantially increase its current level of contracts over the next five years.

## The Transaction

The Arccon transaction (excluding the additional loyalty payment) represents a PE of 4.05 x FY2011 NPAT earnings. The Board of Allmine considers the transaction to be immediately EPS accretive for the Allmine shareholders.

The combination of an all scrip transaction, the PLP, and Arccon key management entering into 3 year management services agreements and Mr Robert Wilde joining the Board of Allmine implies a true partnership between Arccon and Allmine.

The Arccon business of engineering design and construction services to the mineral resources industry provides the existing Allmine Group business streams of engineering construction (albeit currently limited in capability and capacity), fixed and mobile plant maintenance and consumable sales a significant opportunity to provide sales and services internally into the Arccon projects.

CEO Scott Walkem commented "The acquisition of Arccon provides the Allmine Group with immediate scale, an industry leading management team, unique access to the global mining industry via the co-operation agreements with major Chinese owned EPC companies and a significant pipeline of transactions. It is clear that the merger of the Arccon EPC business with the Allmine fixed and mobile plant maintenance businesses will provide our existing and potential customers with a cradle-to-grave mine site solution and over time will also generate significant internal sales and operating synergies. Importantly, the Arccon transaction completes the Allmine strategic operating framework and an asset light business to enable it to deliver shareholder value."

For further information and questions on the above, please contact the Chief Executive Officer Scott Walkem on +61 3 9314 1590.

**End**

**About Allmine Group:** Allmine Group Limited is a mining services business with a focus on the maintenance and repair of earthmoving machinery and fixed plant across principally Western Australia and the Northern Territory. Allmine group operate service centers across Perth, Leinster, Karratha and Darwin. In addition to the service centers, the Allmine Group provide on-site labor hire and field service operations and over the counter sales of after-market earthmoving components across Australia and Fiji.