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ASX Announcement

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Acquisition Completed of ACT Based Environmental Services and Hazardous Materials Analytical Laboratory Company

HRL Holdings Limited (ASX: HRL) (**HRL** or the **Company**) is pleased to announce that it has now completed the acquisition of AAC Environmental Pty Ltd (**AAC**).

The AAC acquisition underpins HRL's strategic expansion into the attractive Australian Capital Territory (ACT) market.

About AAC

Operating out of the ACT, AAC offers a range of services including:

- asbestos auditing and building contamination assessment;
- NATA accredited laboratory analysis of suspected asbestos containing materials;
- contaminated land analysis;
- soil sampling;
- dust monitoring; and
- air quality monitoring.

AAC commenced operations in 2004 and has been providing environmental services, with a particular focus on asbestos, to the ACT and surrounding markets for many years. AAC is a NATA accredited asbestos laboratory.

ACT Market Opportunities

The ACT is currently the asbestos hotspot for the Australian market. The well-publicised loose-fill asbestos insulation "Mr Fluffy" demolition program has now commenced. The ACT Government is buying Mr Fluffy homes from owners for the purpose of demolition and re-build.

Under the program, every demolition must go through the following stages:

1. Asbestos removal under friable conditions with air monitoring;
2. Visual and air monitoring clearance post removal;
3. Demolition of home with air monitoring;
4. Visual and air monitoring clearance post demolition;
5. Soil testing.

AAC provide all of the above services and are actively involved in the tendering process.

In addition to Mr Fluffy, HRL has identified a number of other significant opportunities in and around the ACT region.



Transaction Overview

Under the terms of the share sale agreement, HRL acquired 100% of the issued capital of AAC for a maximum purchase price of \$1,500,000, in two stages:

- (a) initial payment at completion of the AAC Acquisition of \$1,000,000 in cash; and
- (b) an earn-out consideration of up to \$500,000.

HRL has paid the \$1,000,000 initial cash payment.

The earn-out consideration is contingent on AAC meeting certain earnings before interest and taxes (EBIT) targets over the next 12 months and is calculated as follows:

EBIT for the 12 months ended 30 September 2016	Earn Out Consideration
Less than \$0.3 million	Nil
\$0.3 to 0.4 million	\$100,000
\$0.4m to \$0.5 million	\$300,000
More than \$0.5 million	\$500,000

Transaction Financing

HRL has funded the AAC acquisition using its current cash holdings and existing banking facilities. No HRL shares or options were issued to the vendors, nor were any additional equity raisings undertaken.

Management

The previous owner, Mr Arthur Watson has been engaged as the Operations Manager of AAC for a minimum period of one year. Mr Watson is a highly regarded Asbestos Assessor and provides industry training through the Master Builders Association.

There are no changes to be made to the HRL Board as a result of the AAC acquisition.

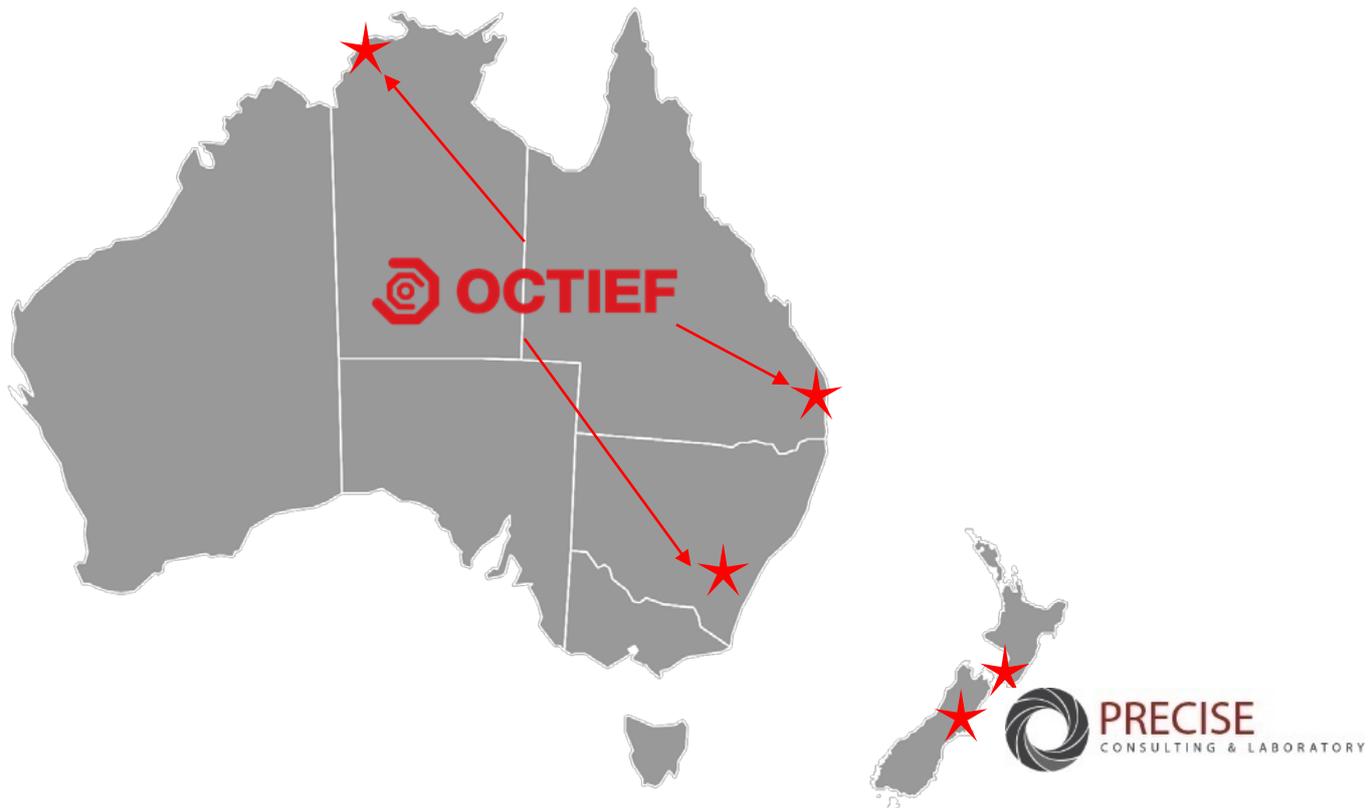
HRL Group – Environmental Services

The acquisition of AAC supports HRL strategic plan to expand the geographical presence within the Asia Pacific region. HRL now operates 5 accredited laboratories located in:

- Brisbane;
- Darwin;
- Canberra;
- Christchurch; and
- Wellington.



Four of these locations have been added in the past 12 months. The group is now able to “load balance” laboratory and field consulting services between branch locations and remains able to quickly mobilise resources to meet any individual project requirements.



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