



28 April 2017

ASX Announcement

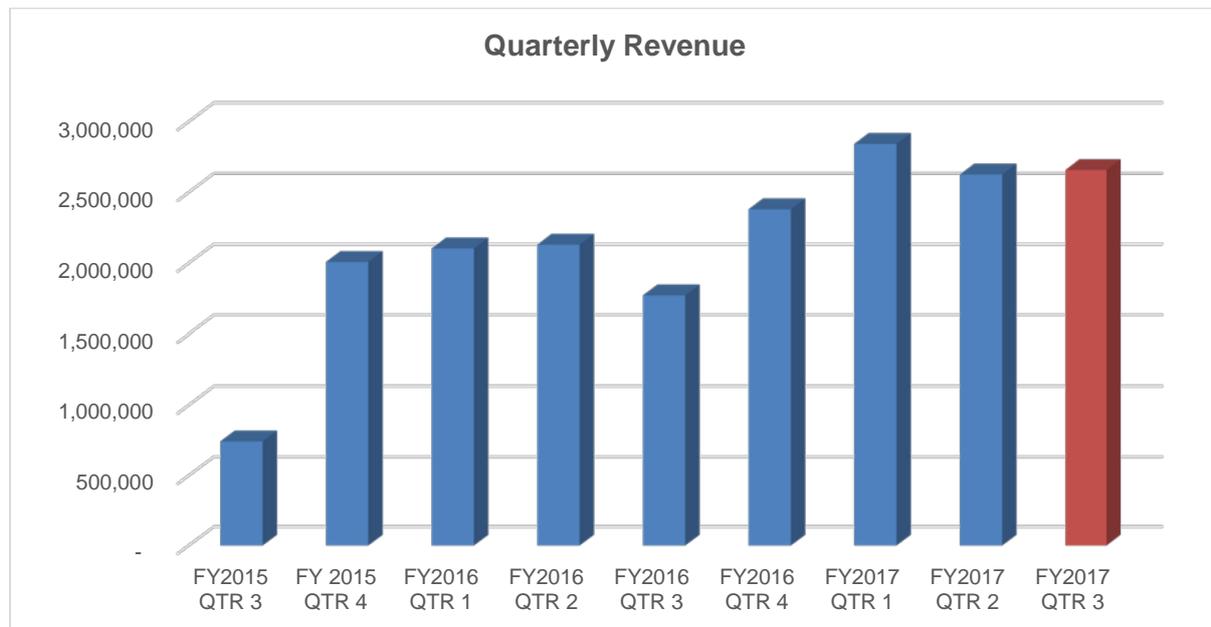
Appendix 4C – Quarterly Report for Entities Admitted on the Basis of Commitments and Quarterly Update

QUARTER HIGHLIGHTS

- Strong quarterly turnover on the back of increased activity in Australia
- Auckland laboratory facilities accreditation complete
- Acquisition of Morrison Geotechnic completed
- Acquisition of OCTFOLIO completed
- \$7.78M raised under a rights issue and share placement

Trading Update

Trading in third quarter was strong with the Group generating revenues of \$2.7M. The third quarter is traditionally a slow quarter due to Christmas and New Year break, however increased Australian activity saw this seasonal impact lessened to some degree.



New Zealand

Activity in New Zealand was quieter due to the traditional slow period in January and February.

OCTIEF Limited (NZ) continued major contracted survey works for Chorus New Zealand Limited (Chorus) assets across both the North and South Islands of New Zealand.



Precise saw continued strong performance from Wellington and Dunedin branches in February and March. Earthquake effected property rebuild activities in Christchurch have now tapered off, with demand now increasing for work associated with contaminated land.

Precise continues to pursue opportunities with government agencies, education facilities, councils, and large commercial clients. Precise is bidding on several large national contracts for asbestos and methamphetamine contamination and is well positioned to resource these projects.

Australia

Australian activity saw significant improvement during the quarter.

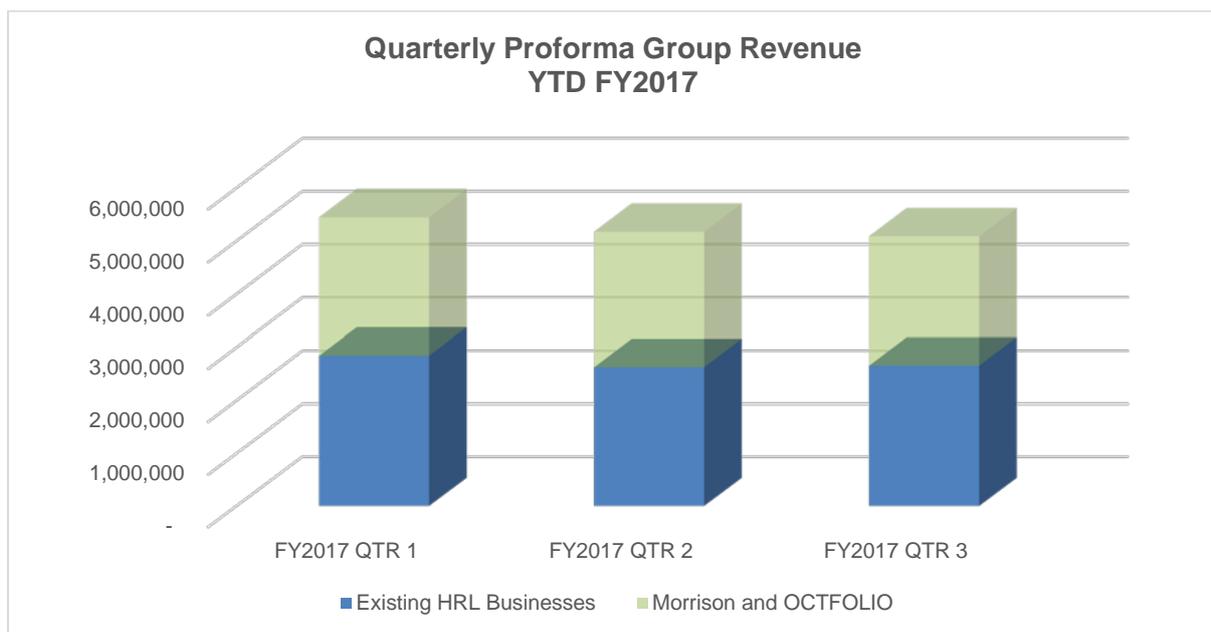
Competition in the Queensland market has been strong in recent times but there are now definite signs of competitors starting to fall out of the market. Asbestos audits for state based assets operate on a 3-year cycle. Q3 FY2017 represents the start of this cycle and this trend should continue across the remainder of this calendar year. The environmental engineering/sciences service line continued its recent growth securing a number of large contaminated land projects during the quarter.

Activity in the ACT branch remained strong with work continuing on NSW loose-fill asbestos insulation program. This work is expected to continue through calendar 2017 and will compliment normal ongoing work from ACT based projects.

OCTIEF is currently tendering and negotiating for major contracts across Australia. The business focus remains on HAZMAT compliance for major corporate clients and government agencies at all levels of government. The acquisition of Morrison Geotechnic, completed on 31 March 2017, will also give OCTIEF the ability to joint bid on major infrastructure projects which historically it would have been locked out of.

New Acquisitions

The inclusion of Morrison Geotechnic and OCTFOLIO will provide a material increase in revenue for HRL Group going forward. The chart below demonstrates the combined Group's pro-forma revenue for FY2017:



Morrison Geotechnic's financial results will be included in the HRL results from 1 April 2017 and OCTFOLIO's financial results will be included from 14 April 2017.



Third Quarter Cashflows

After excluding costs related to the acquisition of Morrison Geotechnic and OCTFOLIO (\$76K) and New Zealand tax payments (\$137K), HRL had positive cashflows of \$150K from operating activities. Full details are included in the attached Appendix 4C Report.

The third quarter is traditionally the slowest trading months for HRL with the building industry slowing over the Christmas and New Year periods. Cashflows in particular are impacted with the slowest trading months of the year (December, January and February) accounting for the bulk of the inflows in this quarter.

The Group had \$971K in cash at the end of the quarter and \$0.69M in undrawn loan facilities.

Auckland Laboratory Accreditation

HRL is pleased to announce that the laboratory facilities in its recently opened Auckland branch were accredited in late April by IANZ – New Zealand’s premier accreditation body. The accreditation process took longer than anticipated due to IANZ inspector availability.

The Auckland market is the largest market in New Zealand for Precise’s major service offerings of asbestos and property contamination testing. It is also home to New Zealand’s largest corporate, educational and government organisations – the key target customer segments for Precise.

The accredited laboratory is a key factor in growing Precise’s operations in Auckland. Precise anticipates field works will increase as an all in one audit, testing and compliance management service can be offered. The branch will also be aggressively targeting the external laboratory market which is the largest by size in New Zealand.

Acquisition of Morrison Geotechnic

HRL Holdings Limited (ASX: HRL) (HRL or the Company) completed the purchase of Morrison Geotechnic Holdings Pty Ltd (Morrison Geotechnic) on 31 March 2017.

HRL have been working with the Morrison management team to integrate the business and expand the service offerings to new locations where HRL already operates.

Morrison Geotechnic brings a number of strategic benefits to HRL including:

- Tier 1 repeat customer base with around 65% revenues deriving from existing major customers and referrers
- Experienced and qualified management team who are continuing after acquisition
- Diversified revenues sourced across NATA laboratory and engineering services over 3 locations
- Consistent and strong historical financial performance
- Pre-Qualified Contractor with a range of government departments
- Strong business development pipeline with exposure to the upcoming large infrastructure projects.

Established for over 17 years, Morrison Geotechnic services the civil, engineering and construction industries primarily across South East Queensland. The Company has 3 branches covering Brisbane, Gold Coast and the Sunshine Coast. With a portfolio of over 12,000 completed projects, Morrison Geotechnic provides a breadth of engineering and laboratory expertise across its target sectors and geography.

Morrison Geotechnic provide a range of services and analysis including:



- Geotechnical investigations and studies;
- Temporary works designs and inspections;
- Construction phase verification;
- Earthworks supervision;
- Soil, concrete and aggregate testing in its NATA accredited laboratories; and
- Onsite mobile laboratory testing.

Acquisition Details

In consideration for all of the share capital of Morrison Geotechnic, HRL will pay a maximum purchase price of \$4,500,000 to the Sellers broken down as follows:

- Initial payment on completion of the Morrison Geotechnic acquisition of \$3,750,000 in cash which has now been paid; and
- earn-out consideration of up to \$750,000 in cash.

The amount of earn out consideration is to be calculated based on Morrison Geotechnic's earnings before interest and taxes (EBIT) for the 12 months ending 31 March 2018:

EBIT	Earn Out Consideration
Less than \$1.1 million	Nil
\$1.1 – \$1.3 million	\$250,000
\$1.3m to \$1.5 million	\$500,000
More than \$1.5 million	\$750,000

Acquisition of OCTFOLIO

On 29 March 2017 HRL shareholders approved the purchase of Integrated Holdings Group Pty Ltd, the holding entity of OCTFOLIO Pty Ltd (OCTFOLIO), with the transaction settling on 13 April 2017.

HRL has begun working on a detailed sales strategy with OCTFOLIO and is excited by the pipeline of opportunities already developed as both direct leads and through the reseller network.

OCTFOLIO is an Australian-based specialised software vendor focused on the development and implementation of:

- Information management software solutions for asbestos and hazardous materials;
- Innovative field management software solutions; and
- Customised compliance solutions and applications relating to workplace health and safety.

OCTFOLIO provides the following services:

- Hosting of HAZMAT compliance data and registers;
- Quality management systems;
- Laboratory management systems;
- Field surveying tools;
- On demand programming services;
- Data migrations; and
- Training.



OCTFOLIO is a versatile and adaptive application that provides asset owners the control and insight to their portfolio which is currently lacking from traditional paper based systems.

The OCTFOLIO suite will enable HRL's other businesses to position themselves as offering industry best practice solutions to clients with larger asset portfolios – the key target market segment for HRL's compliance service offerings.

Acquisition Details

In consideration for 100% of the share capital in IHG, HRL will pay a maximum purchase price of \$3,500,000 to the vendors of IHG broken down as follows:

- \$2,750,000 cash on completion of the IHG acquisition - which has now been paid; and
- Up to \$750,000 cash earn-out consideration, based on financial performance of OCTFOLIO.

The earn-out consideration is based on the OCTFOLIO business achieving a target EBIT for the 24 months after settlement, according to the schedule tabled below:

Tranche 1

12 Months Post-Acquisition EBIT	Earn Out Consideration
Less than \$300,000	Nil
More than \$300,000	\$375,000

Tranche 2

13 Months to 24 Months Post-Acquisition EBIT	Earn Out Consideration
Less than \$450,000	Nil
More than \$450,000	\$375,000

Capital Raisings

HRL has now completed capital raisings totalling \$7.78M before costs through the issue of 77,862,360 ordinary shares at \$0.10 per share.

\$5.03M was raised through a 4-for-11 entitlement offer on 23 March 2017 and \$2.75M was raised through a placement to the OCTFOLIO vendors on 13 April 2017.

For further information contact:

Investor and media:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

HRL HOLDINGS LIMITED

ABN

99 120 896 371

Quarter ended ("current quarter")

March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,829	8,739
1.2 Payments for		
(a) research and development	-	-
(b) direct costs of sales	(441)	(1,304)
(c) advertising and marketing	(2)	(8)
(d) leased assets	(158)	(477)
(e) staff costs	(1,461)	(4,459)
(f) administration and corporate costs	(596)	(2,206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	-
1.5 Interest and other costs of finance paid	(24)	(77)
1.6 Income taxes paid	(136)	(355)
1.7 Government grants and tax incentives	-	-
1.8 Acquisition costs	(76)	(76)
1.9 Net cash from / (used in) operating activities	(63)	(223)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(50)	(293)
(b) businesses (see item 10)	-	-
(c) net cash on acquisition of Morrison Geotechnic	(3,524)	(3,524)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(3,574)	(3,817)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	5,036	5,036
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(322)	(322)
3.5 Proceeds from borrowings	418	1,624
3.6 Repayment of borrowings	(989)	(1,708)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,143	4,630

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	481	393
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(63)	(223)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,574)	(3,817)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,143	4,630

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(16)	(12)
4.6	Cash and cash equivalents at end of quarter	971	971

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	931	441
5.2	Call deposits	40	40
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	971	481

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
215
-

Executive and Non-Executive directors remuneration and fees (\$121k)

Rental payments to a Director related entity in relation to premises rented by OCTIEF Pty Ltd (\$26k)

Software consulting payments to a Director related entity (\$68k). These fees are contracted under normal terms and conditions.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,468	1,775
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Equipment loan facility provided by Westpac. Security taken over the asset that the borrowings relates to. Interest rates of 4.35% - 5.10% per annum which expire between December 2018 and February 2019.

Morrison Geotechnic equipment loan facility provided by NAB. Security taken over the asset that the borrowings relates to. Interest rates of 4.67% - 5.20% per annum which expire between June 2018 and December 2020.

Commercial bank loan provided by Westpac. Secured against all current and non-current assets of the Group by floating charge. The facility has an interest rate of 4.85% per annum and expires in September 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Direct cost of sales	640
9.3 Advertising and marketing	20
9.4 Leased assets	240
9.5 Staff costs	2,650
9.6 Administration and corporate costs	670
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	4,220

The above estimates include the estimated cash outflows for Morrison Geotechnic and OCTFOLIO. Based on recent historical results and current forecasts HRL anticipates that both these new acquisitions will be cashflow positive for the quarter ended 30 June 2017.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Morrison Geotechnic	
10.2 Place of incorporation or registration	Queensland	
10.3 Consideration for acquisition or disposal	\$3,750,000	
10.4 Total net assets	\$1,008,442	
10.5 Nature of business	Geotechnical and Engineering Services	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


Company Secretary

Date: 28 April 2017

Print name: Paul Marshall

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.