



Tomlinson Ltd
ABN 81 008 898 486
INTEGRATED ENGINEERING SOLUTIONS



WELSHPOOL HEAD OFFICE
239 Planet Street, Welshpool WA 6106
P O Box 141, Welshpool WA 6986
Telephone: (+61) 8 9355 8100
Facsimile: (+61) 8 9361 0724
www.rcrtom.com.au

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The Manager
Company Announcements Platform
Australian Stock Exchange Ltd

RCR Reaches Agreement to Acquire Easteel Industries and Newman Engineering

Highlights

Easteel Industries Ltd

- RCR Tomlinson Ltd (“RCR”) acquires Easteel Industries Ltd (“Easteel”) an Australasian leader in the provision of energy systems for industry since 1953.
- Easteel is expected to have sales in the range of \$28m-\$33m with an EBIT of \$2.8m for the current financial year ending in June 2006.
- The maximum acquisition purchase price of \$9.8m represents a multiple of 3.5 times expected June 2006 EBIT.
- The acquisition will be satisfied through the issue of 4,271,266 shares in RCR at \$1.06 per share escrowed for 12 months and \$5.27m in cash to be provided from internal resources and additional banking facilities.
- Easteel is an Australasian leader in the boiler and energy system industry, and the major participant in the New Zealand market. As such, Easteel is a perfect fit with RCR’s significant boiler position in Australia and provides RCR with a larger target market, increased product range and technology enhancement to 200MW energy system capacity.

Newman Engineering

- RCR acquires the business and business assets of Newman Engineering for \$2.4m cash and assumed debt and the issue of 1.5m shares in RCR at \$1.10 per share escrowed for three months.
- Newman will increase sales of RCR’s Site Maintenance and Construction Division by at least \$10m per annum and \$1.0m in EBIT in a full year from the additional operating bases in Mt Newman and Port Hedland.
- The purchase price includes all plant and equipment, the leases on workshops and accommodation, stock and work in progress and the transfer of the existing 65 strong workforce and ongoing maintenance contracts.

Acquisition of Easteel Industries Ltd

RCR is pleased to announce the acquisition of all the issued capital of New Zealand based Easteel Industries Ltd.

Easteel, established in 1953, is an Australasian leader in the provision of energy systems for industry with the products, skills, and capabilities to quickly complete turnkey systems for process heat and/or electricity generation across the region. Its product range extends from its Steampac™ packaged gas fired boilers manufactured in its own facilities, to the design, procurement and erection of licensed boiler plant to 200MW thermal. This combustion system is suitable for difficult to utilise biomass fuels. Other complementary activities are the Automation and Service divisions, both successful in their own right. Easteel exports its products into targeted niche markets.

This acquisition provides RCR with Australasian market leadership in energy systems, geographic diversification, new growth opportunities, synergies with Tomlinson Boilers and an increased product range.

The acquisition is effective from 1 July 2005 and the initial payment of \$7.4m will be satisfied by the issue of 4.271m RCR shares @ \$1.06 per share with the balance in cash. The shares will be held in escrow for a period of 12 months. The purchase price may be increased from \$7.4m by \$4 for each \$1 that the EBIT for the year ended 31 March 2006 exceeds \$2.3m to a maximum purchase price of \$9.8m at an EBIT of \$2.9m or higher.

Easteel Industries Ltd is expected to have sales in the range of \$28m-\$33m with an EBIT of \$2.8m for the current financial year ending in June 2006.

RCR will finance the cash component of the acquisition and the existing approximate \$3m debt in the business from internal resources and additional banking facilities.

This acquisition is subject to RCR confirming its bank financing, completing final due diligence and both parties agreeing formal documentation by 15 November 2005.

Acquisition of Newman Engineering

RCR is pleased to announce the acquisition, effective from 7 November, of the business and business assets of Newman Engineering for a total consideration of approximately \$4m.

Newman Engineering operates workshops and site maintenance contracts out of leased facilities in Mt Newman and Port Hedland.

The business employs approximately 40 people at its Newman facility and 25 people at its Port Hedland base and recorded sales of approximately \$10m in the past twelve months.

The purchase includes all plant and equipment valued at \$2.5m, stock, inventory and work in progress as well as an assignment of the leased premises including accommodation for the workforce.

This acquisition completes RCR's Pilbara expansion strategy with operating bases out of Karratha, Tom Price, Mt Newman, Port Hedland and Kalgoorlie for its Site Maintenance and Construction Division.

The acquisition is subject to both parties agreeing formal documentation and is effective from 7 November 2005 and will be satisfied by \$1.4m in cash, \$1.0m in assumed HP and finance leases and \$1.65m by the issue of 1.5m shares in RCR at \$1.10 per share. The shares will be held in escrow for a period of three months.

The cash and debt component of this acquisition will be funded from internal resources.

Capital Raising

The acquisition will initially be funded from RCR's internal resources and additional banking facilities. Following completion of the acquisitions, RCR intends to undertake a capital raising of in the order of \$15 million. Hartleys Limited has been appointed as Broker to the Offer, with pricing in respect of the capital raising to be determined by RCR in consultation with Hartleys.

RCR General Business

All of the Company's divisions are running well, with high levels of current work and a large number of outstanding tenders in a robust economic environment. The outlook across all market sectors in which RCR operates continues to be strong with organic growth continuing particularly strongly in our Site Maintenance and Construction Divisions.

*Agreement between RCR and Eastel is denominated in \$NZ. An assumed \$NZ/AUD exchange ratio of 1.0805 has been used in specifying the consideration in \$A in this announcement.

A handwritten signature in black ink, appearing to be 'JL', written over a horizontal line.

**JOHN LINDEN
MANAGING DIRECTOR**