

RESOURCE DEVELOPMENT GROUP LIMITED

ABN 33 149 028 142



Resource
Development
Group

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY STATEMENT

Extraordinary General Meeting to be held at the
Freemasons Hall
181 Roberts Road
Subiaco, WA 6108

on

24 February 2012 commencing at 10:00 am (WST)

This Notice of Extraordinary General Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

An independent expert's report is attached to this Notice, in Schedule 1 as required by ASX Listing Rule 10.1. The report concludes that the transaction the subject of Resolution 1 in this Notice of Meeting, is fair and reasonable to the Company's non-associated Shareholders, for the reasons set out in the report.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Extraordinary General Meeting of Shareholders of Resource Development Group Limited will be held at the Freemasons Hall, 181 Roberts Road, Subiaco WA 6108 on 24 February 2012 commencing at 10:00 am (WST).

SPECIAL BUSINESS

1. Approval for the Issue of Placement Shares to the vendors of Pacer Corporation Pty Ltd (Resolution 1)

To consider and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of listing rules 7.1 and 10.1 and for all other purposes, the Shareholders approve the issue of up to 20,000,000 Placement Shares to the vendors of Pacer Corporation Pty Ltd, for the purpose and on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will in accordance with Listing Rules 10.10.1 and 7.3 disregard any votes cast on Resolution 1 by a person who may participate in the proposed issue, namely the vendors of Pacer Corporation (Lightshare Investments Pty Ltd, Jon Wright, Timesfive Pty Ltd, Tobin Powell, and Jodie Teasdale) and an associate of those people, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Approval for the Issue of up to 30,000,000 Shares (Resolution 2)

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the issue of up to 30,000,000 Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: For the purposes of ASX Listing Rule 7.3, the Company will disregard any votes cast on Resolution 2 by a person who may participate in the proposed issue and any person who may obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Approval for the Issue of Securities under the 2012 Incentive Plan (Resolution 3)

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

"That the establishment and operation of an employee incentive plan be approved for the purposes of ASX Listing Rule 7.2 exception 9, to be called the Resource Development Group Limited Employee Incentive Plan 2012, for the provision of incentives to employees of the Company and its subsidiaries on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: For the purposes of ASX Listing Rule 7.2 exception 9 the Company will disregard any votes cast by any Director and any of their associates except a Director who is ineligible to participate in the plan. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Extraordinary General Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this Notice of Extraordinary General Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Extraordinary General Meeting or handed in at the Extraordinary General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5pm (WST) on 22 February 2012. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the Extraordinary General Meeting.

Enquiries

Shareholders may contact the Company Secretary, Ben Donovan, on (+61 8) 6460 0300 if they have any queries in respect of the matters set out in these documents.

By Order of the Board of Directors



Ben Donovan
Company Secretary

Dated this 16 day of January 2012

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Extraordinary General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company, which is material to a decision on how to vote on the resolutions in the accompanying Notice of Extraordinary General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Extraordinary General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

Commercial background to Resolution 1

By way of background, Resolution 1 proposed at the Meeting relates to the proposed acquisition of Pacer Corporation Pty Ltd, under a Share Option and Sale Agreement dated 11 March 2011 providing for payment of the purchase price to be satisfied by the issue of Shares. Details of the terms of subscription, and the changes in the capital structure and control of the Company are provided below under the heading Resolution 1.

Findings of the Independent Expert's Report on Resolution 1 – transaction is Fair and Reasonable

To ensure that the Shareholders are fully informed; the Company is providing Shareholders with:

- (a) certain information, which is set out below in the Explanatory Statement, and
- (b) an assessment of whether the premium for control being paid by Lightshare Investments Pty Ltd is considered by an independent expert to be fair and reasonable, or not, as required by Listing Rule 10.10 because the transaction involves the acquisition of a relatively substantial asset from a substantial shareholder of the Company.

The Company have engaged Gooding Partners to provide the independent expert's report included at the end of this Notice of Meeting in Schedule 1 concerning the proposed issue of the Placement Shares, under Resolution 1. It assesses whether the price paid for Pacer Corporation Pty Ltd and the issue of Placement Shares in particular to one of the vendors which is a substantial shareholder of the Company, Lightshare Investments Pty Ltd, is fair and/or reasonable. Before voting, Shareholders are encouraged to read the report in its entirety.

The independent expert's report concludes that the proposed acquisition of Placement Shares by Lightshare Investments Pty Ltd under Resolution 1, is fair and reasonable to the Company's non-associated Shareholders.

The report finds that the transaction is fair because the value of the consideration payable upon exercise of the option falls within a range of values for 100% of Pacer of \$2.75 million to \$3.9 million.

In their report Gooding Partners concludes that the transaction the subject of Resolution 1 is reasonable to non associated Shareholders for the reasons as identified on pages 5 of their report. Principally, that the non-associated shareholders will benefit from the proposed transaction due to:

- the benefits of future profits and earning per share flowing to RDG
- clear growth potential of the Pacer business
- synergies and management expertise that will assist the growth of Pacer
- access to additional customer base and the potential for this to assist growth in other business units of RDG.

The unassociated Directors of the Company recommend that Shareholders vote in favour of the transaction the subject of Resolution 1.

Item 1 - Approval for the Issue of Placement Shares to the vendors of Pacer Corporation Pty Ltd (Resolution 1)

Background

This Resolution relates to the proposed acquisition of Pacer Corporation Pty Ltd under a Share Option and Sale Agreement dated 11 March 2011 ("Option Agreement") between the Company and Lightshare Investments Pty Ltd, Jodie Teasdale and Jon Wright, as set out in the Company's Initial Public Offering prospectus.

The conditions of the Option Agreement comprise:

- an initial exercise price of the greater of :

- the price calculated by multiplying the annualised average EBIT calculated for the last 6 months before the Exercise Notice, by 3.5, or
 - \$1,500,000
- a post completion payment for each additional EBIT achieved by Pacer by the first anniversary date of completion, calculated by multiplying each \$1 of such annualized average EBIT by a multiple of 3.5.
 - the parties agree that the exercise price plus the post completion payment will be capped at \$3,000,000.
 - Both the exercise price and the post completion payment are to be made by way of issuing RDG shares to the shareholders of Pacer. The deemed issue price of the RDG shares is to be calculated as a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the date of exercise of the option by RDG, in the case of RDG shares to be issued as payment of the exercise price. In the case of RDG shares to be issued as the post completion payment, the deemed issue price of the RDG shares is to be calculated as a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the first anniversary of the completion date.

Information about Pacer Corporation Pty Ltd

Pacer Corporation Pty Ltd was founded in 2001, and provides engineering services to the resource and infrastructure industries. Pacer's expertise lies in project management, engineering design and construction. Pacer's financial performance has strengthened in the past twelve months significantly. This has been a key focus of the management group to ensure continued profitability in the future. Key clients have assisted this return to profitability and the future revenue flows from these key clients remains very strong. Pacer also utilises third party engineering services to complete engagements where additional expertise is required. This allows the end customer to have a one stop shop for a larger basket of engineering services.

Pacer currently has five shareholders holding 1,050 shares in total, being

Shareholders of Pacer	Number of shares beneficially owned	Percentage of total 1050 Shares on issue
Lightshare Investments Pty Ltd (Lightshare)	475	45.24%
Jon Paul Wright as Trustee for the J&B Wright Family Trust	330	31.43%
Timesfive Pty Ltd as trustee for A & C McCauley Family Trust	145	13.81%
Tobin Sinclair Walker Powell as trustee for the TSW & JA Powell Family Trust	50	4.76%
Jodie Anne Teasdale as trustee for the JA Teasdale Family Trust	50	4.76%

ASX Listing Rule 10.1

Lightshare is the major shareholder in RDG with a registered shareholding of 68,958,335 shares comprising approximately 67% of the issued equity at the date of this report, on the basis that there are currently 102,808,754 fully paid ordinary shares on issue in RDG. The shareholders of Lightshare are:

Shareholders of Lightshare	Number of shares beneficially owned	Percentage of total 1,334 shares on issue
Michael Begley – Quartz Trust	240	18%
Breffny Castle Pty Ltd ATF the O'Rourke Family Trust	240	18%
Jeffrey Brill – Brill Family Trust	240	18%
Omega Red Pty Ltd – Southport Family Trust	240	18%
Corrine Panzich – C&D Panzich Family Trust	240	18%
Troy Ventriss – Ventriss Family Trust	134	10%

One of the Lightshare shareholders, Jeffrey Brill, is a director of Resource Development Group. Another director of Resource Development Group, Damir Panzich, is the husband of a Lightshare shareholder, Corrine Panzich. Resource Development Group's chief financial officer Troy Ventriss is also a Lightshare shareholder.

Although this information is of interest, it should be noted that none of these positions trigger the application of Listing Rule 10.1. This is because Lightshare is not a related party of the Company. Lightshare does not control RDG, because it does not have enough practical influence to determine the outcome of decisions about RDG's financial and operating policies. None of Jeffrey Brill Damir Panzich or Troy Ventriss alone controls Lightshare, each of them votes independently of the other shareholders, and in their capacities as two of the five directors of Lightshare, Damir Panzich and Jeffrey Brill vote independently of one another at board meetings of Lightshare, and neither of them controls the RDG Board. Lightshare is therefore not a related party of Resource Development Group.

Lightshare is a substantial shareholder of Resource Development Group because it holds more than a 10% shareholding in the Company and therefore falls under the requirements of Listing Rule 10.1.3.

ASX Listing Rule 10.1.3 requires an entity to obtain the prior approval of shareholders if it acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder of the entity, which is defined to mean a person who holds a relevant interest of 10% or more in the entity. As Lightshare has a 67% equity holding in RDG, Lightshare is a substantial shareholder of RDG for the purposes of ASX Listing Rule 10.1.3.

For the purposes of ASX Listing Rule 10.1, an asset is deemed substantial if its value, or the value of the consideration paid, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules. As at 30 June 2011, Resource Development Group had equity interests (as defined in the ASX Listing Rules) of \$3.056 million. Given the assessed value of the consideration being offered is greater than 5% of the equity interests of Resource Development Group, the proposed acquisition is deemed to be substantial.

Independent Expert's Report

The independent expert's report included at the end of this Notice of Meeting in Schedule 1 concerns the proposed issue of the Placement Shares under Resolution 1, and whether the price paid by the Company is fair and/or reasonable.

Before voting Shareholders are encouraged to read the report in its entirety. The report concludes that the proposed acquisition of Pacer Corporation by the issue of Placement Shares to the Vendors of Pacer Corporation Pty Ltd including Lightshare Investments is fair and reasonable to the Company's non-associated Shareholders.

Current Capital Structure of Resource Development Group Limited (prior to implementation of any Resolutions at the Meeting)

Number	Class of Listed Security
102,808,754	Fully Paid Ordinary Share (ASX: RDG)

Shares on issue following the Placement assuming all resolutions are passed at this meeting.

Currently on Issue	Securities to be issued subject to Resolution	Party Receiving Securities	Number of new securities to be issued under the Resolution	New Securities on issue if all Resolutions passed
102,808,754	-	-	-	
	1	Vendors of Pacer Corporation Pty Ltd	Up to 20,000,000	Up to 122,808,754
	2	Placement	30,000,000	Up to 152,808,754

Summary of maximum possible capital structure assuming the passing of all resolutions under this Notice of Meeting

	Before Meeting Resolutions	After Meeting Resolutions
Total Shares on Issue*	102,808,754	152,808,754

ASX Listing Rule 7.1

Resolution 1 is also necessary in order to comply with the specific requirements of Listing Rule 7.1 which provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity, if the number of these securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period, without obtaining shareholder approval. Resolution 1 seeks approval for the issue of the Placement Shares in order to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

Under the terms of the Option Agreement if the option is exercised by the Company by 11 March 2012, the Company will be obliged to pay an exercise price of the greater of the price calculated by multiplying the annualised average EBIT calculated for the last 6 months before the Exercise Notice, by 3.5, or \$1,500,000. The exercise price payment is to be made by way of issuing RDG shares to the shareholders of Pacer. The deemed issue price of the RDG shares is to be calculated as a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the date of exercise of the option by RDG.

Since the option has not been exercised as at the date of this Notice of Meeting it is not possible to confirm the precise number of Shares which the Company will issue to the vendors of Pacer Corporation as payment of the exercise price. Approval is now sought for up to 20,000,000 Shares to be issued at a deemed issue price equivalent to a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the date of exercise of the option. The Shares will be issued to the vendors of Pacer Corporation on a pro rata basis according to their respective shareholdings in Pacer Corporation which are detailed in the table above.

The Placement Shares will rank equally with the other Shares currently on issue, the terms of which are already in the public domain.

No funds will be raised by the issue of the Placement Shares as result of their issue being an obligation under the terms of the Option Agreement following any exercise of the option.

None of the allottees of the Placement Shares are a related party of the Company.

The Placement Shares will be issued on one date and no later than three months following the date of the Meeting, if the option is exercised.

The Directors who have no personal interest in Resolution 1 recommend that Shareholders vote in favour of Resolution 1 to allow the Company to proceed with the acquisition of Pacer Corporation Pty Ltd.

Item 2 – Approval for the Issue of up to 30,000,000 Shares (Resolution 2)

Background to Resolution 2

The Company is seeking to acquire additional companies as part of its previously stated process of becoming a vertically integrated resource development company. To achieve this, the Company will require additional working capital and funds to purchase such businesses.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not without shareholder approval, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of these securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Approval is being sought under ASX Listing Rule 7.1 for the issue of up to 30,000,000 Shares to raise additional working capital.

If Resolution 2 is passed, following the issue of 30,000,000 Shares referred to above, the Company will still have the capacity to issue 15% of its expanded Share capital over the next 12 months as those Shares, once issued, will be excluded from the calculation under ASX Listing Rule 7.1 of the Company's 15% capacity to issue equity securities. The issue of the Shares referred to above must occur no later than 3 months, or such later date as permitted by ASX, from the date of the General Meeting.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares and Adviser Options:

- (a) the maximum number of Shares to be issued is 30,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued at price equal to at least 80% of the average market price for securities, calculated over the last 5 days on which sales in the Shares were recorded before the day on which the issue was made.
- (d) the Shares will be issued to an investor or investors who are exempt from securities disclosure requirements under the Corporations Act, and who are not a related party of the Company;
- (e) the Shares will rank equally with the other Shares currently on issue, the terms of which are already in the public domain, and
- (f) funds raised from the issue of the Shares will be used for general working capital purposes and to fund further acquisitions.

The Chairman intends to vote all available proxies in favour of Resolution 2.

Item 3 – Approval for the adoption of the Resource Development Group Limited Employee Incentive Plan 2012 (Resolution 3)

Resolution 3 seeks shareholder approval for a new incentive plan, being the Resource Development Group Limited Employee Incentive Plan 2012 ("**2012 Plan**"). The Board is responsible for administering the 2012 Plan in accordance with the 2012 Plan Rules and the terms and conditions of the specific grants to participants under the 2012 Plan.

In summary, eligible participants are all the employees of the Company or its subsidiaries (including all the Directors) who have not resigned or been given notice of termination of employment. Eligible participants will be invited by the Board to apply for an "Incentive" which is the right to subscribe for or purchase one Share. An Incentive is a conditional contract between the holder of the Incentive and the Company whereby the Company has contracted to issue a Share to the Incentive holder, the performance of which is conditional on certain performance related hurdles or "vesting conditions" being achieved by the Company's operational and financial performance.

Each Incentive will have an issue price and an exercise price, both of which could be nil, and will be subject to a set period within which it may be exercised, being no more than 10 years after the date the Incentive was issued.

An Incentive is capable of being exercised when any specified vesting conditions set out in the letter of invitation by the Board have been satisfied. The vesting conditions will be linked to the Company's operational and financial performance and the employees' completion of a certain amount of continuous employment with the Company or its subsidiaries.

When an Incentive is issued with a nil exercise price it is called a Performance Right. A certificate is issued by the Company for each Incentive applied for and issued. When the vesting conditions have been satisfied and if an Incentive is then exercised by the holder of the Incentive, the Company is obliged to issue one Share to the holder of the Incentive.

Different rules apply for the lapse of Incentives where an Incentive holder dies or termination of employment with the Company occurs for various reasons, or where a change of control occurs in relation to the Company as defined in the 2012 Plan. On a reconstruction of the Company's share capital or on a bonus issue taking place, the Incentives are adjusted appropriately.

The 2012 Plan permits unilateral amendment by the Company to the terms of Incentives which have been granted, in certain situations such as to take into account adverse tax effects, but generally the terms of grant of the Incentives require the agreement of the Company and the Incentive holder.

Any Shares issued under the 2012 Plan will rank equally with those traded on the ASX at the time of issue.

The Company's share trading policy set out in its corporate governance policies from time to time will apply to all holders of Shares upon exercise of Incentives, which means that during the specified black out periods, no Shares can be sold, transferred or disposed of.

Listing Rule 7.2 Exception 9

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period. Shareholder approval of the 2012 Plan is sought under Listing Rule 7.2 exception 9 so that any securities issued under the 2012 Plan will be excluded from the calculation of the maximum number of new securities that can be issued by the Company in any 12 month period (currently 15% of securities previously on issue) for a period of three years from the date of Shareholder approval. Shareholder approval for the establishment of the 2012 Plan will serve to limit the restrictive effect of Listing Rule 7.1 on any further issues of securities in the next 12 months, and the Shareholder approval remains effective for the next three year period.

The Board is not competent to consider or recommend Resolution 3 to Shareholders other than for the purpose of putting Resolution 3 to Shareholders in accordance with Section 195 of the Corporations Act. All of the Directors may be eligible to participate in the 2012 Plan and therefore all of the Directors and their associates are excluded from voting in relation to Resolution 3.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Extraordinary General Meeting	means the meeting convened by the Notice of Extraordinary General Meeting.
Associate	has the meaning given in the Corporations Act.
ASX	ASX Limited (ACN 008 624 691).
Board	Board of Directors.
Chairman	Mr Mel Ashton
Constitution	Constitution of the Company.
Company or Resource Development Group	means Resource Development Group Limited (ACN 149 028 142)
Corporations Act	Corporations Act 2001 (Cth).
Director	Director of the Company.
Explanatory Statement	the Explanatory Statement accompanying the Notice of Extraordinary General Meeting.
Gooding Partners	means Gooding Partners Chartered Accountants
Listing Rules or ASX Listing Rules	the listing rules of ASX.
Meeting	means the Meeting convened by this Notice of Extraordinary General Meeting.
Lightshare	means Lightshare Investments Pty Ltd (ACN 110 945 812)
Notice of Extraordinary General Meeting	the Notice of Extraordinary General Meeting accompanying the Explanatory Statement.
Pacer Corporation or Pacer	means Pacer Corporation Pty Ltd (ACN 128 004 688).
Placement Shares	means the Shares to be issued to the vendors of Pacer, the subject of Resolution 1.
Related Party	has the meaning given in the Corporations Act.
Share(s)	ordinary fully paid shares in the capital of the Company.
Shareholder	a holder of a Share.
Voting Power	has the meaning given in the Corporations Act.
WST	Western Standard Time as observed in Perth, Western Australia.

Schedule 1: Independent Experts Report

Independent Expert's Report

**Prepared for Resource Development Group Limited
in relation to the proposed transaction to acquire 100% of
Pacer Corporation Pty Ltd**

23 December 2011

Contents Page

1 Introduction and purpose of our report.....	3
2 Opinion summary.....	5
3 Details of the proposed transaction	6
4 Basis of our evaluation	7
5 Valuation of Pacer Corporation Pty Ltd.....	9
6 Assessment of the transaction.....	10
7 Conclusion	11

Appendices

Appendix A – Qualifications, disclaimers and consent	12
Appendix B.....	13

1 Introduction and purpose of our report

This report has been commissioned by RDG for the purposes of ASX Listing Rule 10.1, which regulates transactions between RDG and people in a position of influence in relation to RDG. RDG proposes to acquire an asset from a group of vendors, one of whom is a substantial shareholder of RDG. This fact, together with the relatively substantial value of the asset being acquired, triggers the application of ASX Listing Rule 10.1.3.

Resource Development Group Limited (RDG) has an option to acquire 100% of the shares in Pacer Corporation Pty Ltd (Pacer) from the current shareholders of Pacer (the proposed transaction). The current shareholders of Pacer are:

Shareholders of Pacer	Number of shares beneficially owned	Percentage of total 1050 Shares on issue
Lightshare Investments Pty Ltd (Lightshare)	475	45.24%
Jon Paul Wright as Trustee for the J&B Wright Family Trust	330	31.43%
Timesfive Pty Ltd as trustee for A & C McCauley Family Trust	145	13.81%
Tobin Sinclair Walker Powell as trustee for the TSW & JA Powell Family Trust	50	4.76%
Jodie Anne Teasdale as trustee for the JA Teasdale Family Trust	50	4.76%

Lightshare is the major shareholder in RDG with a registered shareholding of 68,958,335 shares comprising approximately 67% of the issued equity at the date of this report, on the basis that there are currently 102,808,754 fully paid ordinary shares on issue in RDG.

The shareholders of Lightshare as at the date of this report are as follows:

Shareholders of Lightshare	Number of shares beneficially owned	Percentage of total 1,334 shares on issue
Michael Begley – Quartz Trust	240	18%
Breffny Castle Pty Ltd ATF the O’Rourke Family Trust	240	18%
Jeffrey Brill – Brill Family Trust	240	18%
Omega Red Pty Ltd – Southport Family Trust	240	18%
Corrine Panzich – C&D Panzich Family Trust	240	18%
Troy Ventriss – Ventriss Family Trust	134	10%

One of the Lightshare shareholders, Jeffrey Brill, is a director of RDG. Another director of RDG, Damir Panzich, is the husband of a Lightshare shareholder, Corrine Panzich. RDG's chief financial officer Troy Ventriss is also a Lightshare shareholder. Although this information is of interest, it should be noted that none of these positions trigger the application of Listing Rule 10.1. This is because none of those shareholders alone controls Lightshare, each of them votes independently of the other shareholders, and in their capacities as two of the five directors of Lightshare, Damir Panzich and Jeffrey Brill vote independently of one another at board meetings of Lightshare. Lightshare is therefore not a related party of RDG.

ASX Listing Rule 10.1.3 requires an entity to obtain the prior approval of shareholders if it acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder of the entity, which is defined to mean a person who holds a relevant interest of 10% or more in the entity. As Lightshare has a 67% equity holding in RDG, Lightshare is a substantial shareholder of RDG for the purposes of ASX Listing Rule 10.1.3.

For the purposes of ASX Listing Rule 10.1, an asset is deemed substantial if its value, or the value of the consideration paid, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules. As at 30 June 2011, RDG had equity interests (as defined in the ASX Listing Rules) of \$3.056 million. Given the assessed value of the consideration being offered is greater than 5% of the equity interests of RDG, the proposed acquisition is deemed to be substantial.

As required under ASX Listing Rule 10.1, the proposed transaction is subject to prior shareholder approval. Listing Rule 10.10 states that the notice convening the shareholders' meeting required under Listing Rule 10.1 must include a report on the transaction from an independent expert.

The independent expert's report must state whether, in the expert's opinion, the transaction is fair and reasonable to the RDG shareholders not associated with Lightshare (the non-associated shareholders). Accordingly, the directors of RDG have requested Gooding Partners Chartered Accountants to prepare a report which satisfies this requirement.

We understand this report will accompany a Notice of General Meeting incorporating an Explanatory Memorandum to be sent to shareholders of RDG, who will be asked to vote on the proposed transaction at a General Meeting of RDG to be held prior to 11 March 2012. This report is not intended for, nor should it be used for any other purpose without our prior written consent.

Limitation of scope

Users of this report should have regard to the qualifications, disclaimers and consents contained in Appendix A. All amounts referred to in this report are in Australian dollars.

2 Opinion summary

In forming our opinion as to whether the proposed transaction is fair and reasonable to the non-associated shareholders of RDG, we have had regard to the consideration payable at completion and as a post completion payment, upon exercise of the option, and the value of 100% of Pacer.

It is our opinion that the proposed transaction to acquire 100% of the shares in Pacer is fair and reasonable to the non-associated shareholders of RDG.

Quantitative assessment (fairness)

In forming our opinion as to the fairness of the proposed transaction, we have concluded that the value of the consideration payable upon exercise of the option falls within our range of values for 100% of Pacer of \$2.75 million to \$3.9 million (refer to Appendix B).

Accordingly, in our opinion the transaction is fair to the non-associated shareholders of RDG.

Qualitative assessment (reasonableness)

On a qualitative basis, the proposed transaction is considered reasonable to the non-associated shareholders of RDG, as it is our opinion, that the non-associated shareholders will benefit from the proposed transaction due to:

- the benefits of future profits and earning per share flowing to RDG
- clear growth potential of the Pacer business
- synergies and management expertise that will assist the growth of Pacer
- access to additional customer base and the potential for this to assist growth in other business units of RDG.

If the option is not exercised because RDG shareholder approval is not obtained, the option will lapse on 11 March 2012 and RDG will then have no contractual rights to acquire Pacer on the terms of the share option and sale agreement dated 11 March 2011. The parties would be required to renegotiate terms for the acquisition of Pacer with there being no certainty of a commercially acceptable outcome for RDG.

3 Details of the proposed transaction

The details of the proposed transaction are set out more fully in the Explanatory Memorandum to which this report is attached.

In summary, under the proposed transaction, RDG has entered into a share option and sale agreement with the shareholders of Pacer Corporation Pty Ltd dated 11 March 2011 (the agreement) to acquire the following:

- 1050 ordinary shares in Pacer representing 100% of the issued capital of Pacer at the date of this report

Consideration for the proposed transaction will comprise:

- an initial exercise price of the greater of :
 - the price calculated by multiplying the annualised average EBIT calculated for the last 6 months before the Exercise Notice, by 3.5, or
 - \$1,500,000
- a post completion payment for each additional EBIT achieved by Pacer by the first anniversary date of completion , calculated by multiplying each \$1 of such annualised average EBIT by a multiple of 3.5.
- the parties agree that the exercise price plus the post completion payment will be capped at \$3,000,000.
- Both the exercise price and the post completion payment are to be made by way of issuing RDG shares to the shareholders of Pacer. The deemed issue price of the RDG shares is to be calculated as a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the date of exercise of the option by RDG, in the case of RDG shares to be issued as payment of the exercise price. In the case of RDG shares to be issued as the post completion payment, the deemed issue price of the RDG shares is to be calculated as a 15% discount to the volume-weighted average price of RDG shares traded in the last 30 days in which trades in RDG shares were recorded before the first anniversary of the completion date. The option has not yet been exercised and accordingly it is not possible to confirm in this report the number of RDG shares which will be issued upon completion of RDG's acquisition of Pacer, or in satisfaction of the post completion payment.

Should approval be gained from shareholders, the shares in Pacer will be transferred to RDG after the exercise price is paid. RDG will consolidate the results of Pacer effective from that date.

4 Basis of our evaluation

As discussed in Section 1, the purpose of this report is to set out our opinion as to whether the proposed transaction is fair and reasonable to the non-associated shareholders of RDG. The ASX Listing Rules and the Corporations Act 2001 do not provide any specific guidance as to the matters to be dealt with in an independent expert's report required under ASX Listing Rule 10.10.

However, the Australian Securities and Investments Commission (ASIC) have issued guidance in respect of the matters to be dealt with in similar reports required under section 611 of the Corporations Act 2001. Specifically, this guidance is provided in ASIC Regulatory Guide 74.

In our opinion, this guidance is relevant to independent expert's reports required under ASX Listing Rule 10.10. Accordingly, we have referred to the guidance provided by ASIC as to what constitutes "fair and reasonable" for the purposes of evaluating the proposed transaction.

In undertaking our assessment, we have considered the likely impact of the proposed transaction on the shareholders of RDG as a whole. We have not considered how the proposed transaction may affect individual shareholders. Individual shareholders have different financial circumstances and it is not practicable or possible to consider the implications of the proposed transaction on individuals as their respective financial circumstances are not known to us. Individual shareholders should seek their own professional advice.

Fairness and reasonableness

ASIC Regulatory Guide 74 requires, inter alia, that the expert consider all the circumstances surrounding the proposed transaction in determining whether it is fair and reasonable. It notes that comparison of the consideration offered with the value of the assets to be acquired or disposed is only one element of the assessment and further requires the expert to compare the advantages and disadvantages to non-associated shareholders should they approve or reject the proposed transaction.

Accordingly, while assessing the value impact of the proposed transaction on the non-associated shareholders (quantitative assessment) is an important element of this analysis it is not, of itself, the only determinant of our final opinion.

Valuation of Pacer

In assessing the proposed transaction, and in particular the value of the shares in Pacer being acquired, Adrian van Dam of Gooding Partners has prepared a valuation of Pacer Corporation Pty Ltd, pursuant to instructions from the Board of RDG (the Pacer valuation) not having a material personal interest in the proposed transaction (non associated RDG Directors). The Pacer valuation was prepared for the non associated RDG directors for inclusion in this report for the benefit of all non associated shareholders of RDG. The basis upon which the valuation was prepared is set out in the report and included at Appendix B to this report. We were instructed by the non associated RDG directors to value the shares in Pacer as an independent business operation for the purposes of this transaction.

Valuation of consideration

As discussed above, the consideration for the proposed transaction will be shares in RDG. An assessment of the consideration is included in Section 6 of this report.

5 Valuation of Pacer Corporation Pty Ltd

As a summary of the valuation report included at Appendix B we have considered various valuation techniques to form an opinion as to the value of Pacer. We have had regard to the historical and forecast performance of Pacer together with access to business plans and current and future tender summaries.

The valuation methodology adopted in our report was the capitalisation of future maintainable earnings. We tested this primary valuation method against the return on investment method.

Our valuation concluded that the value of 100% of Pacer on a marketable basis was in the range of \$2,750,000 to \$3,900,000 derived as follows:

	Minimum (\$)	Maximum (\$)
Future Maintainable Earnings	1,100,000	1,300,000
Capitalisation of earnings multiple (2.5 to 3.0 times)	2,750,000 – 3,300,000	3,250,000 – 3,900,000

6 Assessment of the transaction

We have assessed the transaction on the basis of a comparison of the RDG shares to be issued to the value of the 100% equity in Pacer.

Calculation of consideration

Details of the consideration to be paid are included in the share option and sale agreement and summarised in Section 3. In evaluating the proposed transaction we have assessed the potential consideration that would be paid if the option was exercised at the date of this report. As shareholder approval is required by ASX Listing Rule 10.1.3 before completion of the acquisition of Pacer occurs, the exercise date is likely to be after any shareholder approval is achieved, because completion must occur five business days after exercise of the option. As the consideration to be paid is based on the market value of the shares at the exercise date and on Pacer's earnings performance during the six months prior to exercise of the option, (details of how the RDG shares are to be valued is in Section 3) we have considered if the current market value of the RDG shares on the ASX is reflective of the value placed on the business of Pacer under various accepted valuation techniques. This is only required due to the number of trades of RDG shares on the ASX, and the fact that a large portion of the shares on issue are in escrow until May 2013.

In forming our opinion as to the fairness of the proposed transaction from a consideration point of view, we have concluded that the value of the consideration being offered in terms of the ASX listed market prices for RDG shares, falls within our range of values of RDG of \$18,505,575 million to \$25,702,188 million. Accordingly, in our opinion the consideration being offered as part of this transaction is fair to the non-associated shareholders of RDG.

7 Conclusion

On the basis of the above matters, we are of the opinion that the proposed transaction is fair and reasonable to the non associated shareholders of RDG.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Adrian van Dam', written in a cursive style.

Adrian van Dam
Partner

Appendix A

Qualifications, disclaimers and consents

Qualifications

Gooding Partners is a Chartered Accounting firm in Perth. Adrian van Dam, a partner of Gooding Partners and a member of the Institute of Chartered Accountants in Australia has had extensive experience in providing corporate financial advice and independent reports.

Declarations

I, Adrian van Dam do not have any interest in the outcome of the proposed transaction to be put to shareholders for approval under ASX Listing Rule 10.1.3. Gooding Partners is entitled to receive a fixed fee for the preparation of this report based on time spent at our normal hourly rates for this type of work and will be reimbursed for out of pocket expenses incurred. The fee payable to Gooding Partners is payable regardless of the outcome of the proposed transaction.

I, Adrian van Dam do not hold any shares in either Pacer or RDG and have not held any such beneficial interest in the previous two years.

Gooding Partners provides registered office facilities to both Pacer and Lightshare, along with annual professional accounting services to each of Pacer and Lightshare.

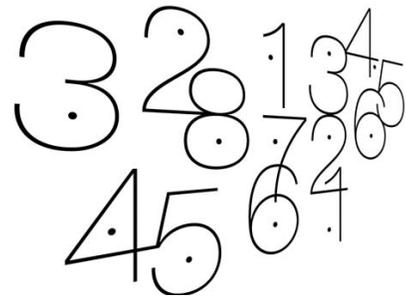
A draft of this report dated 23 December 2011 was presented to RDG for review of factual information contained in the report. No significant changes were made to this report as a result of that review.

Purpose of report

This report has been prepared at the request of the directors of RDG in order to assist the non associated shareholders in RDG in assessing the proposed transaction. This report was not prepared for any other reason and is intended to accompany the Explanatory Memorandum to be sent to the RDG shareholders. Accordingly, this report is included for those entitled to receive a copy of the Explanatory Memorandum by virtue of their shareholding in RDG only, and should not be distributed to any other person or entity without the prior consent of Gooding Partners. This report is to be included as an attachment to the Explanatory Memorandum and should not be included or referred to with or by any other document.

Appendix B

Valuation of Pacer Corporation Pty Ltd dated 21 December 2011 – prepared by Gooding Partners



GOODING Partners
chartered accountants

Valuation of

Pacer Corporation Pty Ltd

21 December 2011

Contents

1. Executive Summary	3
2. Scope and Purpose of the Valuation.....	4
3. Disclaimer	4
4. Valuation methodology	5
5. Valuation assumptions	7
6. Background information.....	7
7. Financial information	7
8. The Business.....	9
9. Valuation.....	10
10. Valuation of Pacer Corporation Pty Ltd	14
Appendix A - Source Information Provided	15
Appendix B – Statement by Valuer	16

1. Executive Summary

Valuation date	21 December 2011
Valuation range	\$2,750,000 - \$3,900,000
Valuation opinion	\$3,300,000
Primary Methodology selected	Capitalisation of Future Maintainable Earnings
Earnings multiple applied	2.5 to 3.0 times
Other methodologies tested	Return on Investment
Material assumptions	Business valued on a going concern basis
	All related party transactions are at fair market value
	Directors' remuneration at fair market value
	Full disclosure made of all material information

2. Scope and Purpose of the Valuation

We have been engaged to provide an independent valuation opinion on the business of Pacer Corporation Pty Ltd ('Pacer'). The valuation date for the report is 21 December 2011. The terms Pacer, the company and the business are used interchangeably throughout this report and refer to the same asset.

Our valuation process considers a range of valuation methodologies commonly accepted as being appropriate for the valuation of small to medium sized businesses. From these methodologies we have identified those that we consider most appropriate for assessment of the subject business. We have been provided with a range of financial and non financial information by representatives of Pacer. This includes information representing specific responses to enquires made of the company. The material information provided is identified in this report and or included in the appendices attaching to the report.

The engagement requires the provision of valuation services for Pacer for the purpose of ascertaining a value of the business for consideration as a result of a proposed transaction. The valuation will be based on the most recent set of financial statements and or management accounts provided, together with any forecasts provided by management.

The valuation of the company is to be undertaken assuming it was a going concern at the date of this report.

3. Disclaimer

This report has been prepared for and at the request of the current directors of Resource Development Group Ltd ('RDG') and for the purposes detailed above. It is not intended for broader publication or circulation and is not to be reproduced or used for any other purpose without my prior written consent in each specific instance. No other party should use or rely on this report and Gooding Partners, its partners and employees specifically disclaim any liability to any other party who acts on or relies on this report.

In preparing this report we have relied on source information provided to us by Troy Ventriss and Chee-Yui Soh of RDG together with Pacers external accountants and the vendors. In preparing this report we have relied on this information being accurate and complete and we have no reason to believe that this is not the case. Nonetheless, we

have not sought to verify this or conducted such fuller examination of all of the information to satisfy this position. We have no reason to believe that any material facts have been withheld from us but do not warrant that our enquiries have revealed all matters relevant to the valuation.

The preparation of this report relies on a level of financial forecasting. Such forecasting requires an estimate of future financial performance and position. In doing so we do not in any way warrant the accuracy of this forecast or that the actual results achieved by Pacer will meet this forecast. By their very nature future forecasts can be impacted by a wide range of events, which can not be identified in advance of their occurrence. Such financial forecasts are not capable of independent substantiation or verification. As such it is not possible to warrant the accuracy of the conclusions arrived at in the valuation opinion.

In the event that any additional information is provided to us after the date of this report or any variation in the information already provided then we reserve the right to review and amend any calculations or opinions provided in this report such that we consider necessary.

4. Valuation methodology

Determining a fair market value is normally achieved using one or more accepted valuation techniques. These techniques include but are not limited to:

- a) The net present value of the projected cash flows (Discounted Cash Flow Method);
- b) Net asset backing based on an orderly realisation of the assets;
- c) Industry market method.
- d) The capitalisation of future maintainable earnings;

The discounted cash flow method is normally considered a superior technical approach because it allows for fluctuations in future performance to be recognised. It also values the business on the basis of the future free cash flows generated. However, to utilise this methodology requires reliable long term cash flow forecasts. The nature of the business does not lend itself to the development of such forecasts and given the volatility in business performance in the past, it may be an inappropriate method to rely upon. On this basis we have decided not to apply this methodology.

The net asset backing method, whilst valuable as a comparison tool, is generally considered to be inappropriate for valuing businesses under a going concern concept. This method assumes that the value of the business rests in its underlying assets and that the value of those assets as recorded in the financial statements of the company is a reasonable reflection of the current value. Where a business holds significant amounts of fixed assets the valuation of those assets under a going concern concept may be at variance with their realisation value. Further the net asset backing method ignores goodwill considerations or the value of intellectual property, unless this has been recorded in the financial statements. Whilst appropriate to use as a check test method we do not consider this method to be appropriate as the primary valuation methodology as we consider a level of goodwill potentially exists within the business.

The industry market method may be used in industry sectors where there are a relatively large number of participants, sale of these businesses occur on a frequent basis and where the sale price is known to the broader public. In these sectors current market prices can be established for similar businesses and which allow for comparison with any features unique to the business under consideration. This can provide a basis for forming a reasonable market opinion. A market of this type does not exist for this business and therefore we have not chosen to use this method.

The capitalisation of future maintainable earnings is a reliable methodology to employ for mature profitable businesses. This method capitalises pre tax earnings and establishes a value for the enterprise. This method requires the determination of the future maintainable earnings of the business, assessment of an appropriate capitalisation rate and valuation of any assets surplus to the core business. This method is commonly used in the valuation of businesses and is appropriate where there has been sufficient trading history to establish business continuity and where it is reasonable to expect that the value of the business is likely to exceed the underlying value of the net assets.

For this reason we have adopted a capitalisation of earnings method approach to this valuation and then tested the outcomes against secondary valuation approaches.

5. Valuation assumptions

1. We have assumed that all expenses contained within the financial statements and tax returns have been recorded at a fair market value (with the exceptions noted in the calculations).
2. The business is to be valued on a going concern basis.
3. Assets, other than goodwill are recorded at their fair market value.
4. The financial statements of the business as provided to us reflect a full and complete disclosure of the financial operation and position of the business (with the exceptions noted in the calculation).
5. Forecasts provided are realistic expectations of the business in the coming years.

6. Background information

Pacer Engineers was founded in 2001, and provides engineering services to the resource and infrastructure industries.

Pacer's expertise lies in project management, engineering design and construction.

Pacer currently has five shareholders holding 1,050 shares in total. Lightshare Investments Pty Ltd is the largest of the five shareholders with a 45% holding. All shares are ordinary shares and are fully paid.

Pacer's financial performance has strengthened in the past twelve months significantly. This has been a key focus of the management group to ensure continued profitability in the future. Key clients have assisted this return to profitability and the future revenue flows from these key clients remains very strong.

Pacer also utilises third party engineering services to complete engagements where additional expertise is required. This allows the end customer to have a one stop shop for a larger basket of engineering services.

7. Financial information

Following is a summary of the financial performance and forecast performance of the company for the years ending June 2010 to 2014 inclusive. These summaries of financial

performance have been extracted from the management financial statements together with forecasts provided by management of the company.

Summary of Financial Performance

	2010	2011	2012	2013	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue	5,412	3,007	11,074	13,182	15,585
Gross Profit	276	753	2,121	2,525	2,985
Gross Margin	5%	25%	19%	19%	19%
Pre tax profit/(loss)	(72)	461	1,824	1,977	2,338
Add back:					
Interest – (net interest adjustment)	(2)	(3)	(12)	-	-
Abnormal income / expenses	-	-	-	-	-
Net adjustment to Owner's salaries	-	-	-	-	-
Adjusted EBIT	(74)	458	1,812	1,977	2,338

Notes to Financial Information

- The provided financials are for the years ended 30 June 2010 and 2011. The 2012 results are based on July to October 2011 actuals annualised for the full year. The annualised results are representative of the 2012 forecast provided. The 2013 and 2014 financial performance is based on management forecasts.*
- Management has advised that there were no abnormal income or expenses in the 2010 and 2011 years. Forecast years are based on management budgets and do not include any abnormal amounts.*
- The directors of Pacer are paid a commercial package, hence no adjustment has been made. The shareholders are not remunerated, and do not work in the business.*
- The normalised EBIT figures have not been adjusted for depreciation or amortisation as all of the assets owned and depreciated by the business are used to generate profits. It is assumed the depreciation is reflective of the useful life of the assets in use.*

5. *The interest adjustments include both interest income and interest expenses for the full year.*

8. The Business

From our discussions with Pacer we have established that Pacer is in a significant growth phase with large customers now forming the majority of the revenues. A significant change from the 2010 year has brought the company into profitability with a very positive outlook for future revenues.

Revenues have increased from a total of \$3m in 2011 to over \$3m for the first quarter of 2012. The gross margin and EBIT margins have also been maintained despite the rise in revenues.

Back ground information on the Business

1. The company has paid up capital of \$1,050,000.
2. The business maintains a portfolio of clients but also has several key clients, the top two clients accounted for 73% of the revenues in the first four months of the 2012 financial year.
3. The company sources new business from tender opportunities and referrals.
4. The company utilises external engineers when required on specific projects.
5. The business operates from Level 1, 53 Victoria Street, Bunbury in Western Australia.
6. Other than those disclosed in this report the management have advised that they are not aware of any claims or potential claims against the company, nor are they aware of any material events that may impact this report or the considerations contained herein.

9. Valuation

Calculation of Future Maintainable Earnings

Future maintainable earnings represent an estimate of the sustainable level of income that can be generated by the business in future years. Assessment of these earnings is normally based on a review of trading history over recent years and adjusted for any material changes that have occurred in the business. It is recognised that a significant investment has been made in the establishment of the business and the investment will be realised in profits generated over the coming years. As we have been provided with forecasts for the business we have used both historical data and the forecasts to estimate the future maintainable earnings of the business. The maintainable earnings are normalised as shown in section 6 of this report.

Gross revenue for the company is expected to grow over the next three financial years. Gross revenues recorded and forecast are:

2010	\$5,412,923
2011	\$3,007,147
2012	\$11,074,340
2013	\$13,182,500
2014	\$15,585,000

During the same period the normalised adjusted EBIT (earnings before interest and tax) were:

2010	\$(74,378)
2011	\$458,181
2012	\$1,812,125
2013	\$1,977,375
2014	\$2,337,750

The average monthly EBIT's earned during the last six months of the 30 June 2011 financial year were \$74,149 per month. The first 4 months of trading in the 2012 financial year recorded average monthly EBIT's of \$149,027 per month. This confirms that the company has continued to grow from it's very quiet start to the 2011 financial year.

The forecasts provided therefore appear to be a conservative view of the future given the current monthly EBIT's that are being achieved.

Month	Monthly EBIT
July 2010	(42,527)
August 2010	(18,783)
September 2010	(9,241)
October 2010	(4,453)
November 2010	30,878
December 2010	52,597
January 2011	23,200
February 2011	21,911
March 2011	53,326
April 2011	84,459
May 2011	191,000
June 2011	71,000
July 2011	145,111
August 2011	136,000
September 2011	244,000
October 2011	71,000

The past twelve months of trading (1 November 2010 to 31 October 2011) shows a EBIT of \$1,124,482 which equals to a monthly average of \$93,707.

Given the forecasts in place which are based on the tenders and known prospects of the business, we believe that the current EBIT run rate is an appropriate and conservative approach to calculating the future maintainable earnings.

Future Maintainable Income

Sustainable and profitable earnings flow from the business as it absorbs its initial establishment costs and achieves critical revenue mass. The company appears to have established a pattern of revenue growth to this point. Given the industry in which the company operates and the projects that are underway or proposed in the local market, continued growth can be expected. Allowing for uncertainty of forward global markets and trading conditions, we consider that based on the company's current position a reasonable estimate of future maintainable earnings would be in the range of \$1,100,000 to \$1,300,000.

Capitalisation of earnings multiple

To determine an appropriate earnings multiple we have considered a range of factors relating to the company, its industry segment and the markets it operates within. These factors include:

1. The nature of the goodwill of the business

The goodwill associated with the business is a mix of both location and brand goodwill. The availability of quality materials and personnel from Pacer to undertake projects throughout Western Australia has created goodwill in the business.

2. The nature of the business

The business operates in a highly competitive but mature market with the majority of trade being to larger businesses. Expertise is the key to this business, with knowledgeable employees providing additional scope for work.

The barriers to entry in this business are not based on capital expenditure, but rather relationships with customers, and ability to attract quality staff.

The size of the Western Australian resources industry provides a fantastic platform for engineering services. The size and number of projects underway in the state give great confidence in future revenue flows.

Global conditions are a factor in the resources industry as they can have an effect on both financing of projects and value for the end resource.

3. Liquidity

Because the business is privately owned there is no ready market for the business or equity shares in the business. As with all private businesses, this lack of liquidity necessitates a discount in the value of the business.

Capitalisation rates for small to medium sized private businesses are usually between 1 and 5 times normalised EBIT depending on the goodwill and contracts held by the business together with many other factors.

Considering all of the above factors, a capitalisation multiple in the range of 2.5 to 3.0 is considered appropriate for this business.

Capitalisation of Future Maintainable Earnings - Valuation calculation

	Minimum	Maximum
Future maintainable earnings	1,100,000	1,300,000
Capitalisation of earnings multiple	2,750,000 – 3,300,000	3,250,000 – 3,900,000

Assessing the Valuation against other Methodologies

Return on the investment

Having established a valuation range under capitalisation of future maintainable earnings methodology, we have given considerations on the Return on Investment (ROI). Return on Investment is a reasonable return that a buyer would expect from the business. Given the inherent risk nature of an investment in a business of this type a hurdle return rate of not less than 30% is considered appropriate. An alternate rate of 35% is also considered.

Return on Investment calculation is summarised below:

If required return is 30%		
Earning expectation	Required rate of return	Investment
\$1,100,000	30%	\$3,666,666
\$1,300,000	30%	\$4,333,337
If required return is 35%		
Earning expectation	Required rate of return	Investment
\$1,100,000	35%	\$3,142,857
\$1,300,000	35%	\$3,714,285

The assessment confirms the reasonableness of the valuation range under the capitalisation of future maintainable earnings method. The willingness to invest outside of this parameter would be influenced by the view of the investor on the growth prospects of the business.

10. Valuation of Pacer Corporation Pty Ltd

Based on our valuation of the business the summary position is as follows:

	Minimum	Maximum
	A\$	A\$
Future Maintainable Earnings	2,750,000	3,900,000
Return on Investment	3,142,857	4,333,333

The value is based in summary on the following factors:

- Current and expected future economic trading conditions.
- The nature of the market in which the entity operates.
- The location of the business in Western Australia
- The nature of the transaction ie. Private company
- The tenders and other known client work that is currently being contracted by the company.

We believe an appropriate valuation of Pacer Corporation Pty Ltd is in the range of \$2,750,000 to \$3,900,000. Whilst a valuation range is the most appropriate assessment of value for this business, to set a present valuation we have taken into account the factors notes above and established the business value at \$3,300,000. This valuation is as of 21 December 2011.



Adrian van Dam
Partner

Appendix A

Schedule of Source Information Provided

1. Financial statements for Pacer for the financial years ended 30 June 2008, 2009, 2010 and 2011.
2. Unaudited draft management accounts for varying periods up to 31 October 2011.
3. Various discussions and correspondence with management of Pacer.
4. Forecasts and business plans for Pacer Corporation.
5. Information made available through public registers including the Australian Taxation Office.

Appendix B – Statement by Valuer

Name of Valuer

Adrian van Dam

Professional qualifications and experience

I hold a Bachelor of Commerce Degree and am a Member of the Institute of Chartered Accountants. I have been an accountant in public practice for in excess of 10 years of which over 8 years have been working with the small medium business sector. I have significant experience in this sector covering most industry segments including retail and hospitality businesses.

I have provided valuation services to the SME sector for the last six years and during that time I have valued SME businesses in the following industry categories:

- Finance sector
- Wholesale fuels
- Retail
- Hospitality
- Professional services
- Motor vehicle industry
- Service and contractors industries
- Oil and Gas services

Statement of independence

This valuation has been prepared with regard to the standards provided under APES 225. The opinion provided is an independent opinion of value and in providing my opinion I do not consider that I have been influenced by any factors that would cause my independence to be influenced or comprised. Fees charged for this valuation have been calculated on the basis of the time, work and professional expertise required to provide this opinion. They have not been calculated on or were contingent upon in any way the outcome of the opinion provided.



Adrian van Dam

Partner – Gooding Partners

Date: 21 December 2011

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