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12 August 2011

**The Adviser, Listings (Perth)  
ASX Compliance Pty Ltd**

Dear Sir

**Proposed Acquisition of the entire issued and paid- up capital of PrimeARC Group Pty Ltd and group companies ("Proposed Acquisition")**

### **1. Introduction**

During the past few months the Board of Directors of Millepede International Limited ("the Company") have been evaluating several potential acquisitions in the heating, ventilation and air-conditioning (HVAC) market (Please refer to the ASX announcement dated 8<sup>th</sup> February 2011 concerning Cool D'Fine Pte Ltd). Following these evaluations the Board has identified the strategic merits of the Proposed Acquisition while it is reviewing the potential for the future acquisition of Cool D'Fine Pte Ltd as both companies are in the same industry.

In this regard the Company is pleased to announce that it has entered into a legally binding Heads of Agreement ("HOA") with PrimeARC Group Pty Ltd ("PAG") based on the terms set out in this document.

PAG is a specialist provider of heating, ventilation and air-conditioning (HVAC), refrigeration (R) and energy efficiency (EE) systems in Australia. PAG has executed a suite of legally binding purchase agreements for well established HVAC, R and EE companies operating within Australia, with additional operations in the MENA region and USA.

PAG's specialist focus includes energy efficient air conditioning, refrigeration for the food cold chain, as well as a developing portfolio of solar thermal and advanced energy efficiency technologies.

The Proposed Acquisition is subject to the following key conditions:

1. Reciprocal due diligence being conducted to the satisfaction of both parties;
2. Both parties entering into a final agreement in respect of the acquisition;
3. The Company observing ASX Listing Rule 11.1.3 and meeting the requirements of Chapters 1 & 2 of ASX Listing Rules as if it were applying for admission to the Official List of ASX;
4. MPD providing a continuing Director if required by PAG; and



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5. The shareholders of the Company approving resolutions to:

- consolidate the shares of the Company at an appropriate ratio so that the share price post consolidation is at least 40 cents per share;
- issue such number of ordinary shares in the issued capital of the Company deemed fully paid at a post consolidation issue price of at least 40 cents per share to effect the acquisition and planned capital raising;
- approve of the Company's proposed change in the nature of its activities; and,
- approve of the Company's proposed change of name to PrimeARC Group Ltd.

The notice of meeting setting out details of the above resolutions will include an independent expert's report in respect of the proposed acquisition.

If shareholders approve the above resolutions trading of the Company's securities will be suspended until the Company complies with Chapters 1 & 2 of the Listing Rules.

The indicative timetable is as follows;

Lodge prospectus with ASIC & ASX	: early October
Dispatch of notice of meeting	: mid October
General meeting to approve above resolutions	: mid November
Suspension of trading pending re-compliance with Chapters 1&2:	mid November
Prospectus offer period	: mid November to mid January
Allotment of Vendors shares & capital raising shares	: late January 2012
Dispatch of holding statement of post consolidated shares	: late January 2012
Re- compliance with Chapters 1 & 2 and re-instatement to official list on a post consolidated basis	: late January 2012

Subsequent to the completion of the Proposed Acquisition:

- the PAG group subsidiaries will be 100%-owned subsidiaries of the Company;
- the composition of the Board will be changed. The anticipated composition of the Board will include Mr Matthew May (Chair), Mr David Yule (MD), Mr John Coulson (NED) and Mr John Fick (NED). Further appointments will be announced at a later date when details are finalized;
- The Company will focus on the business of PAG upon completion of the Proposed Acquisition.



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## 2. Purchase Consideration

The purchase consideration for the Proposed Acquisition based on a willing-buyer and willing-seller basis, shall be an amount equal to approximately A\$24 million ("Purchase Consideration"). The Purchase Consideration shall be satisfied by the issue of that number of post consolidation shares in the capital of the Company to the Vendors that is equal in value to the Purchase Consideration, determined on a pre-consolidated issue price of A\$0.005 each which is thereafter consolidated on the same basis that other shares in the capital of the Company are consolidated with shareholder approval, so that they are deemed fully paid at an issue price of at least 40 cents each ("Consideration Shares").

## 3. Proforma Capital Structure

The capital structure of the Company after the Consideration Shares are issued, is estimated to be as follows:

Existing shares	273,796,059
Consideration shares	4,800,000,000
Capital raising share placement	1,100,000,000
Corporate advisory fees	273,000,000
Total shares pre-consolidation basis	6,446,796,059
<b>Total</b> post consolidation shares after completion	<b>80,584,950</b>

The above is based on an assumption of a bid price of A\$0.005 per share and a consolidation ratio of 1 post consolidation share for every 80 existing shares. Assuming a post-consolidation share price of not less than A\$0.40 per share, the total market capitalization of the Company is anticipated to be approximately A\$32.2 million, noting that the Vendors would hold approximately 74.45% of the issued capital of the Company. The exact number of shares after consolidation depends on the trading price of the Company's securities prior to consolidation and it should be noted that the above estimate is likely to change.



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## 4. About PAG

### 4.1 Overview of PAG

PrimeARC Group is an Australian business combining established operations in air-conditioning and refrigeration (HVAC+R). PrimeARC takes a new approach by integrating low grade waste heat recovery and renewable solar thermal collection to provide very energy efficient systems.

PrimeARC Group is acquiring 3 existing businesses including new technologies to form a dynamic group to offer the market energy efficient HVAC+R solutions. The core businesses have operated successfully for more than 12 years, have established customers, have specialized products that are considered market leaders in their markets and are being readied for expansion with new capital and focused management.

PrimeARC Group companies provide technology, products and services nationally through facilities in major capital cities. Its solutions are used in commercial and residential buildings, fresh food distribution, and industrial process sectors.

Market research shows that energy prices are rising rapidly in G20 countries, and the experience in Australia is typical. Existing HVAC+R installations are large electricity consumers, and energy price trends are driving owners to seek savings in operating costs. For example, the International Energy Agency estimates that more than \$20 trillion needs to be invested into alternative energy projects over the next 22 years, and up to \$45 trillion in new investments needed to reduce carbon emissions by 2050. PrimeARC is working within this market space.

PrimeARC Group is positioned to exploit the key market drivers impacting on the HVAC+R+EE industry:

- rapidly rising energy costs;
- smart grid, energy efficiency and green energy;
- food chain security, and cold chain infrastructure shortages;
- commercial, residential and resources sector construction, including remote housing;
- onshore/offshore resource platform needs; and,
- energy infrastructure replacement needs.

For more information on PAG, please visit [www.primearc.com.au](http://www.primearc.com.au)

### 4.2 Pro-forma Consolidated Financial Highlights

Projected revenue for 2011 : A\$ 19m

Estimated EBIT for 2011 : A\$ 4m

PAG subsidiary's financial statements are currently being audited.

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## 5. Rationale for the Proposed Acquisition

The Board of Directors of the Company believes that the Proposed Acquisition is in the interest of shareholders of the Company for the following reasons:-

1. **Strong reputation** - PAG's subsidiaries are each leading providers of heating, ventilation and air-conditioning, and refrigeration systems in Australia;
2. **Positive industry outlook** - there is a worldwide expansion in the requirements for energy efficient HVAC and a global demand for enhanced cold chain refrigeration systems. The scale of requirements for energy efficiency across thermal systems is large and growing rapidly. The Proposed Acquisition will allow the Company to participate in this fastest-growing sectors of the HVAC+R+EE industry;
3. **Established track record** - PAG subsidiaries have been able to record strong growth in its revenue and net profit during the past few years;
4. **Global market participation** - PAG subsidiaries have already engaged in MENA, Asia and USA markets;
5. **Strong governance and management** - PAG management team has strong industry experience across public company management, international business and specific industry experience of HVAC, R and power utilities; and have the skills to manage subsequent M&A growth activity consistent with PAG company strategy and,
6. **Strong financial position** - PAG, with its subsidiaries, has a strong balance sheet, positive operating cash flows and minimal borrowings.

The Company will make such further announcements relating to the Proposed Acquisition when appropriate.

For more information on the Proposed Acquisition, please contact Mr Sam Di-Giacomo at 0451 835 944 .

Yours sincerely  
Millepede International Limited  
On behalf of the Board

Director