



asx/media release

27 October 2009

Campbell Brothers and PearlStreet agree 75 cents per share cash offer Campbell Brothers acquires option over 19.9% of PearlStreet shares

Campbell Brothers Limited and PearlStreet Limited today announced they have entered into a binding agreement under which PearlStreet's directors will unanimously recommend a cash takeover offer by Australian Laboratory Services Pty Ltd, a wholly owned subsidiary of Campbell Brothers, in the absence of a superior proposal. The offer will be for all of the issued share capital of PearlStreet, including shares issued following the exercise of PearlStreet options before the end of the offer period (Proposed Offer).

Perth based PearlStreet is the largest Non Destructive Testing (NDT) services provider in Australia. It provides testing, inspection, and asset care services to the energy, resources and infrastructure sectors. PearlStreet has over 500 employees across Australia, including engineers, scientists and technicians.

Campbell Brothers will offer PearlStreet shareholders a cash consideration of 75 cents per share, which represents a 142% premium to PearlStreet's 5 day volume-weighted average price (VWAP) of 31 cents prior to close of trading on 28 September 2009, the day prior to the announcement of PearlStreet's proposed recapitalisation. In addition, PearlStreet shareholders will retain the benefit of the final 2009 dividend of 1 cent per share.

The Proposed Offer for PearlStreet represents total consideration of approximately \$108.3 million, comprising \$63.7 million for equity¹ and \$44.6 million for net debt as at 30 June 2009.

Campbell Brothers' Proposed Offer will provide PearlStreet shareholders with the opportunity to realise a significant premium for all of their shares in cash.

Campbell Brothers has entered into binding option agreements with PearlStreet's major shareholder and Managing Director, Mr Anthony Wooles, in respect of 19.9% of PearlStreet's shares (on a fully diluted basis).

Greg Kilmister, Campbell Brothers' Managing Director commented:

"The acquisition of PearlStreet will provide Campbell Brothers with an excellent vehicle to grow its presence in the NDT market, and will complement our existing portfolio of testing businesses.

¹ Based on consideration under the Proposed Offer of 75 cents per share and PearlStreet ordinary shares on issue and an implied value for the options, in each case, as at 30 September 2009. The implied value for the options is calculated as the difference between the Proposed Offer price (i.e. 75 cents per share) and the exercise price (i.e. 36 cents per share).



It represents a significant step towards our goal of diversifying our analytical services business in terms of capabilities, as well leveraging our existing global footprint by expanding the NDT services to overseas markets.”

Mr David Eiszele, Chairman of PearlStreet commented:

“The board of PearlStreet considers that the Proposed Offer by Campbell Brothers, which represents a substantial increase to the premium offered in Campbell Brothers’ initial announcement on 1 October 2009, is in the best interests of all shareholders. The board unanimously recommends PearlStreet shareholders accept Campbell Brothers’ Proposed Offer, in the absence of a superior proposal. Each PearlStreet director will accept the Proposed Offer in respect of the shares they own or control, in the absence of a superior proposal.

Campbell Brothers is well placed to take the PearlStreet business to the next stage of its growth. The Proposed Offer will deliver significant benefits and opportunities for PearlStreet’s shareholders, staff and customers.”

The PearlStreet board’s formal response to the Proposed Offer will be contained in its target’s statement, to be sent to shareholders shortly.

After careful consideration, the PearlStreet board has decided to withdraw its recommendation of the previously announced recapitalisation proposal with Catalyst Investment Managers Pty Limited, as the board believes that Campbell Brothers’ Proposed Offer represents better value for PearlStreet shareholders. PearlStreet will therefore no longer proceed with the recapitalisation proposal.

The Proposed Offer will be subject to limited conditions, summarised in Annexure A, including a minimum 90% acceptance condition. The Proposed Offer will not be subject to any finance or due diligence conditions. The parties anticipate sending the offer documents to shareholders in the next two weeks.

The Bid Implementation Agreement (some of the key terms of which are summarised in Annexure B) contains customary no shop, no talk and break fee obligations and a right to match in the event of an alternative offer being made.

J.P. Morgan Australia Limited is acting as financial adviser and Minter Ellison is acting as legal adviser to Campbell Brothers. Argonaut is acting as financial adviser and Freehills is acting as legal adviser to PearlStreet.

For further information please contact:

Greg Kilmister Managing Director Campbell Brothers Limited Tel: +61 7 3367 7900	Anthony Wooles Managing Director PearlStreet Limited 08 9476 9600
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Annexure A – Conditions

The Proposed Offer is subject to the fulfilment of the following conditions.

- (a) **(Minimum acceptance condition)** Before the end of the Offer Period, the Bidder and its Associates have relevant interests in at least 90% (by number) of the Shares.
- (b) **(No Target Material Adverse Change)** During and at the end of the Offer Period (each inclusive), no event, matter, change or condition occurs, is announced or becomes known to the Bidder (whether or not it becomes public) where the event, matter, change or condition has had or could reasonably be expected to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target taken as a whole.
- (c) **(No prescribed occurrences)** During the period from the Announcement Date to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:
 - (i) the Target converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) the Target or any member of the Target Group resolves to reduce its share capital in any way;
 - (iii) the Target or any member of the Target Group enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) the Target or any member of the Target Group issues shares (other than as a result of the exercise of the Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) the Target or any member of the Target Group issues, or agrees to issue, convertible notes;
 - (vi) the Target or any member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) the Target or any member of the Target Group charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) the Target or any member of the Target Group resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of the Target or of any member of the Target Group is appointed;
 - (x) a court makes an order for the winding up of the Target or of a member of the Target Group;
 - (xi) an administrator of the Target or of any member of the Target Group is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) the Target or any member of the Target Group executes a deed of company arrangement; or



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- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the Target or a member of the Target Group.



Annexure B – Bid Implementation Agreement

1. Summary of exclusivity arrangements

1.1. Prohibitions

PearlStreet must not and must use its best endeavours to ensure that its directors and representatives do not, directly or indirectly:

- (a) solicit or initiate any proposal or discussions by any person to make a Competing Proposal or communicate an intention to do any such things;
- (b) knowingly encourage any proposal or discussions by any person to make a Competing Proposal;
- (c) participate in any negotiations or discussions or provide any information to any person with respect to any offer or proposal to make a Competing Proposal;
- (d) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal; or
- (e) disclose any information about the business or affairs of PearlStreet to a third party (other than a government agency) other than:
 - (i) in the ordinary course of ordinary business; or
 - (ii) as required by law; or
 - (iii) under PearlStreet's existing contractual obligations; or
 - (iv) in the ordinary course of making normal presentations to brokers, portfolio investors and analysts.

However, paragraphs (c), (d) and (e) do not apply if compliance with the relevant clause would, in the opinion of the PearlStreet board reasonably formed in good faith, be likely to constitute a breach of any of the duties of the PearlStreet directors.

1.2. Ceasing existing discussions

PearlStreet and its directors and representatives must cease any existing discussions or negotiations relating to:

- (a) any Competing Proposal (including the proposal by Catalyst Investment Managers Pty Ltd); or
- (b) any transaction that may reduce the likelihood of the success of the Proposed Offer (including the previously announced recapitalisation proposal).



PearlStreet agrees that it will release Campbell Brothers from its standstill and other restrictions to the extent necessary to allow Campbell Brothers to make the Proposed Offer.

1.3. Obligations to notify

PearlStreet must immediately notify Campbell Brothers in writing of:

- (a) any approach, inquiry or proposal made to PearlStreet or its directors or representatives, regarding a potential Competing Proposal; and
- (b) any request for information relating to PearlStreet or any of its businesses or operations which PearlStreet has reasonable grounds to suspect may relate to a Competing Proposal,

unless to do so would, in the opinion of the PearlStreet board reasonably formed in good faith, be likely to constitute a breach of any of the duties of the PearlStreet directors.

1.4. Exceptions from complying with exclusivity arrangements

PearlStreet will not be obliged to comply with the exclusivity arrangements to the extent that a court or the Takeovers Panel determines that they:

- (a) constitute a breach of duty by the PearlStreet board or PearlStreet; or
- (b) constitute unacceptable circumstances within the meaning of the Corporations Act 2001; or
- (c) would be unlawful for any other reason.

1.5. End of solicitation period

PearlStreet's obligations under the exclusivity arrangements cease if:

- (a) Campbell Brothers fails to make offers pursuant to an off market takeover bid under Chapter 6 of the Corporations Act 2001 to acquire all PearlStreet shares on terms not less favourable to PearlStreet shareholders than the announced terms; or
- (b) Campbell Brothers withdraws the Proposed Offer; or
- (c) the Proposed Offer closes without satisfying any defeating conditions.

2. Break Fee

2.1. When payable



PearlStreet must pay Campbell Brothers a break fee of \$700,000 (excluding GST) if at any time after the date of this announcement either:

- (a) any PearlStreet director withdraws or changes their recommendation that PearlStreet shareholders accept the Proposed Offer, including due to the directors or any of them recommending a superior proposal;
- (b) a condition of the Proposed Offer is breached or not fulfilled and this is materially contributed to by any action or inaction of PearlStreet;
- (c) PearlStreet is in material breach of any of its obligations under the Bid Implementation Agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by PearlStreet within 10 business days of receiving written notice from Campbell Brothers identifying the breach;
- (d) PearlStreet is in material breach of any of the representations and warranties provided by it under the Bid Implementation Agreement; or
- (e) the proponent of a Competing Proposal acquires voting power of more than 10% in PearlStreet including some or all of the shares owned or controlled by a PearlStreet director.

2.2. Payment

If PearlStreet is obliged to pay the break fee to the other party, it must do so within 5 business days of receipt of a demand from Campbell Brothers for the payment of that fee.

2.3. Exceptions

To the extent that a court of the Takeovers Panel determines that any obligation of PearlStreet:

- (a) constituted, constitute or would constitute, a breach of the fiduciary duties or statutory duties of a PearlStreet director; or
- (b) constituted, constitute or would constitute, unacceptable circumstances within the meaning of the Corporations Act 2001; or
- (c) was, is or would be, unlawful for any other reason,

PearlStreet will not be required to pay the Break Fee.

3. Definitions

In this Annexure B:



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Competing Proposal means a bona fide proposal or offer by any person with respect to any transaction (by purchase, scheme of arrangement, takeover bid or otherwise) that may result in any person (or group of persons) other than Campbell Brothers or its related entities:

- (a) acquiring voting power of more than 50% in PearlStreet or any subsidiary of PearlStreet; or
- (b) acquiring an interest in all or a substantial part of the assets of PearlStreet or any subsidiary of PearlStreet.