



Wednesday 23 December 2015

LETTER OF INTENT: PROPOSAL TO ACQUIRE CONTROLLING INTEREST IN PPK

PPK Group Ltd (**PPK**) has entered into a non-binding and conditional Letter of Intent (LOI) with a major State Owned Chinese mining equipment manufacturer (**Counter Party**) under which it is contemplated that the Counter Party will acquire a controlling interest in PPK through the placement of new shares.

Pursuant to the terms of the LOI, PPK is not at the present time permitted to disclose the identity of the Counter Party.

The Counter Party is in an advanced state of planning an entry into the Australian market.

The LOI provides that, subject to satisfactory due diligence, agreement on price and PPK shareholder and regulatory approvals:

- PPK will issue shares to the Counter Party pursuant to which the Counter Party will become a majority 51% shareholder of PPK;
- PPK must divest itself of all property and investment assets, and liabilities specific to those assets, so that upon completion of the placement PPK's sole continuing business is the manufacture and supply of key original equipment (**OEM**) products and technologies using its patents and intellectual property and the provision of maintenance and support services for diesel equipment used in the underground coal mining industry.

It is proposed that divestment of the property and investment assets and liabilities will be effected by, subject to shareholder and regulatory approvals, transferring those assets and liabilities by way of corporate restructure into an unlisted public company in which all PPK shareholders at the record date will hold shares in proportion to their shareholdings in PPK.

The agreed timetable in relation to due diligence and agreement on final terms is end February 2016. It is proposed that PPK shares remain suspended until the due diligence and negotiations with the Counter Party are finalised.

In the interim, in anticipation of and so as to expedite completion of an ultimately agreed transaction with the Counter Party, PPK will early in the new year make a formal ASX announcement in relation to the divestment of the property and investment assets and liabilities and proceed to convene a shareholders meeting to deal with required approvals. Assuming satisfactory due diligence and agreement on price a further shareholders meeting

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to approve the proposed placement will be convened as soon as practicable after formal binding Transaction Agreements have been entered into with the Counter Party.

The PPK directors are pleased to have reached this landmark position with the Counter Party as whilst globally, market conditions in both the general mining services and underground coal sectors remain challenging, the PPK board and management continue to work for the best possible outcome for all stakeholders.