Pacific Turbine announces agreement to acquire IAP Group

Pacific Turbine Brisbane Limited (‘Pacific Turbine’ or ‘Company’) today announced that it had entered into a conditional contract to acquire all of the shares in IAP Group Australia Pty Ltd (‘IAP Group’).

IAP Group is a niche aviation asset management company providing aircraft inventory support, encompassing:

- global supply of aviation parts; and
- global aircraft and engine financing and sales.

IAP Group was established in 1983.

IAP’s business operations are highly complementary to the Pacific Turbine’s business. Pacific Turbine has focussed on building its recurring earnings from engine financing activities from its base of international trade in turbine engines and related parts and specialist turbine engine repair and overhaul.
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The acquisition of IAP Group will enable Pacific Turbine to expand into new engine types in which IAP Group has considerable expertise and in aircraft in which IAP Group has airframe and in-house engineering expertise. The merger will create a larger and more diverse business and management team. Steve Ferris, the founder of IAP Group will take approximately 80 per cent of his consideration in the form of Pacific Turbine shares. He will hold approximately 25 per cent of the expanded group after further capital raising and the planned move to ASX in November 2006.

The key terms of the proposed acquisition, which is subject to shareholder approval, are as follows:
▪ purchase price of $12.9 million comprising payment of $2.5 million in cash and approximately 6.9 million ordinary shares in Pacific Turbine at $1.50 per share; and
• Steve Ferris, the founder and managing director of IAP Group will be appointed to the Board of Pacific Turbine, and retain his position as managing director of IAP Group.

The acquisition is subject to the fulfilment of several conditions, including shareholder approval. Shareholder approval will also be sought for a placement of shares to cover the raising of the sum of $2.5 million as the cash component of the acquisition consideration as well as a placement for the intended raising of approximately $2 million in working capital. A notice of meeting to consider the relevant resolutions will be dispatched to shareholders on or before 15 August 2006.

It is anticipated that completion of the acquisition will take place shortly after the shareholders meeting in mid September. Following completion it is anticipated that a prospectus will be issued to raise a further $8 million for additional working capital. This will coincide with the Company's planned transition from Newcastle Stock Exchange to Australian Stock Exchange in the second half of 2006.

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