Bell Potter
SECURITIES LIMITED

Research

Date of issue

10.07.08

InitiatingCoverage

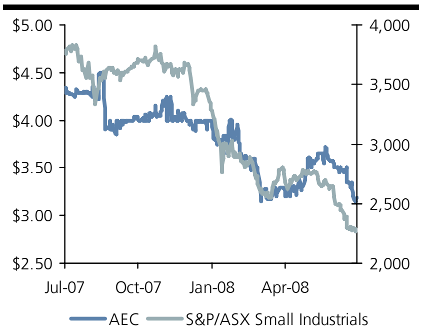
INVESTMENT DATA

Share Price	**$3.20**
Issued Capital	
Ordinary shares	**25.3m**
Options/other	**0.8m**
Fully diluted	**26.1m**
Market Capitalisation	**$83.4m**
52-week low/high	**$3.1 / $4.5**
Valuation	**$4.39**
Price Target (12 months)	**$3.83**
Return on Equity (FY07)	**27.25%**

The top 20 shareholders owned 25.3% of shares on issue (as of July 31, 2007)

Year end Jun		**07a**	**08f**	**09f**	**10f**
Revenue	**$m**	26.2	37.8	58.1	59.7
EBITDA	**$m**	7.9	11.6	16.2	16.7
NPAT (adj)	**$m**	5.0	6.7	9.2	9.3
EPS (adj)	**¢**	24.0	29.4	34.2	34.6
EPS growth	**%**	-11.1	22.5	16.3	1.2
PER	**x**	13.3	10.9	9.4	9.2
EV/EBITDA	**x**	10.9	8.4	6.1	5.9
DPS	**¢**	22.0	24.0	26.0	28.0
Yield	**%**	6.9	7.5	8.1	8.8
Franking	**%**	100	100	100	100

Note: EPS is normalised for tax and one-off items



Important Disclosure: Bell Potter Securities Limited acted as manager of the February 2007 placement by Ammtec Limited and received fees for this service.

Martin Pretty

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Ammtec (AEC) — Buy

Testing the resource sector's metal

Perth-based Ammtec (ASX code: AEC) supplies metallurgical and mineral testing services to the mining industry. It helps mining companies process ore efficiently and has experienced substantial growth amid the current mining boom.

AEC has laboratories in Perth, Sydney, Adelaide and Burnie and is exposed to the gold, copper, iron, lead, zinc, nickel and uranium markets.

In February 2008 AEC acquired a complementary specialist engineering business servicing a similar customer base, MARC Environmental Solutions, for $12m (including $3m deferred). MARC supplies dust and fume control systems to the mining sector, designs laboratories and supplies laboratory equipment.

Exposure to Australian and global mine development cycle

AEC's metallurgical services are a vital component of mine feasibility studies. Some of the major clients or projects AEC has recently serviced include: gold and copper testing for Newcrest; gold projects for Newmont and Barrick Mines; iron ore and nickel for BHP Billiton; iron ore for Rio Tinto; copper for Universal Resources; and copper, lead and zinc for Xstrata.

This means the core services of AEC are positioned in the post-exploration and pre-construction part of the mining services cycle, with flow on work as miners seek to optimise their existing mine projects.

Australian based projects accounted for 78% of revenue in FY07. Test work from Africa, China and South East Asian countries accounted for a further 19%, while projects from 20 other countries made up the remainder.

Blend of organic expansion and acquisition growth

As well as acquiring MARC, which management has forecast will contribute $0.76m NPAT for four months trading in 2H08, AEC has also finished a significant expansion to its headquarters in the Perth suburb of Balcatta. AEC has spent $7.5m on a new assaying laboratory that will result in margin retention by bringing in-house assaying work previously contracted out as part of AEC's metallurgical work but will also generate a new revenue stream from commercial assaying services to AEC's customer base.

Healthy earnings growth profile

We project EPS growth of 23% in FY08, in conjunction with strong operating cash flow generation. In FY09 we expect 16% EPS growth. We view favourably AEC's cost structure as its main expense is staff and AEC has a history of training up unskilled recruits to perform the majority of tasks while overseen by a core group of senior metallurgists.

AEC's earnings can be volatile so there is risk to Bell Potter and management estimates but we note the company has not made any year-end announcement on earnings, indicating the result will not be materially different from guidance.

Initiating coverage with a Buy recommendation and $3.83 price target

We initiate coverage of AEC with a Buy recommendation. We have set a 12-month price–target of $3.83, a 13% discount to our DCF valuation but appropriate in our opinion in the current investment environment for a company of this size. This target is consistent with the application of a 10% discount to both peers' average historic P/E multiple and peers' FY09f EV/EBITDA multiples.

History

AEC was established in Perth in 1979 to conducts metallurgical and mineral testing for a range of base metals. The company has been listed on the ASX since 1994. From a small base it has achieved substantial growth despite an exposure to the cyclical nature of the resources industry and expenditure on exploration and mine development.

The company has funded its growth internally through to the current half year when it raised $14m of new equity, has consistently held a net cash position on the balance sheet (until FY07) and continued to generate cash even when the resources cycle turned down. It has acquired three metallurgical groups in NSW, SA and Tasmania in the past decade.

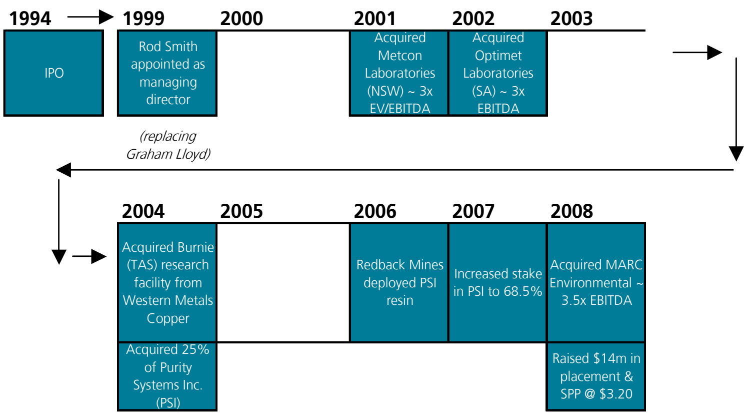
Profitability proven through the cycle

AEC has been profitable and cash flow positive in every year since its listing in 1994. Its exposure to the cyclicality of the resources sector resulted in a decline in earnings in the late 1990s when Australian exploration and mine development expenditure receded. But AEC remained profitable, generated free cash flow and positioned itself to take advantage of the recovery since that period, achieving compound EPS growth of 23% between FY04 and FY07. Growth was stymied in FY07 when AEC had a major test work program postponed by a client, leaving AEC with some incurred expenses not matched by revenue.

Steady hands at the helm

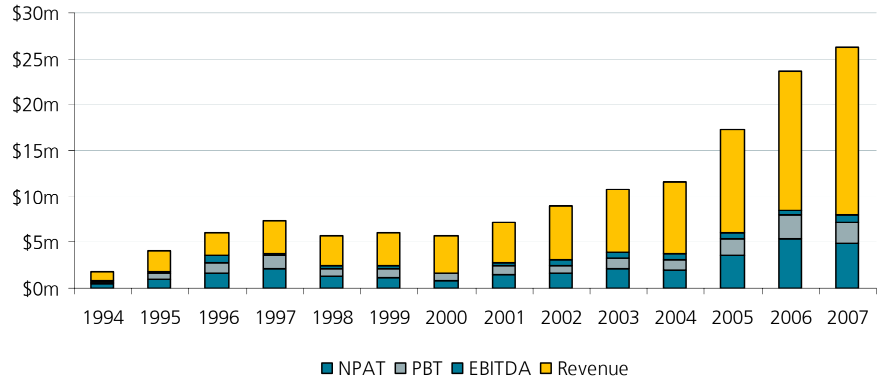
AEC has one of the most stable management teams to be found among ASX-listed entities. Managing director Rod Smith, a metallurgist by back ground, has been with AEC since 1985 and was appointed managing director in 1999. Executive director Hamid Sheriff has been with AEC since 1995. Non-executive director Graham Lloyd was AEC's founder and Mr Smith's direct predecessor. Executive Ron Grogan has been with AEC for 12 years. Financials have been managed on a contract basis by Sharyn Long since 1985.

Figure 1: AEC history timeline



Source: company data, Bell Potter estimates

Figure 2: Historical revenue and earnings



Source: Iress, Bell Potter estimates

Industry Background

Australia's mining technical services industry, including oil & gas, is estimated to be worth $1.6 billion a year in revenue (based on IBISWorld data). This is a very broad classification, however, and can be split out into a number of activities, including AEC's core metallurgical services but also featuring bulk assaying activities and other services.

AEC is the leading metallurgical services group in Australia and also services international companies. The competitive structure of the minerals laboratory industry has been changing over the past few years as private equity houses and international laboratory groups have taken to the task of consolidation.

Competition & consolidation

Historically AEC has faced metallurigcal competition from the likes of Independent Metallurgical Laboratories (IML), global competitor Outotec (a spin-off from Outokumpu with 196 Australian staff), more general global laboratory businesses like SGS and in-house labs. The mining services division of Downer EDI (ASX code: DOW) conducts metallurgical work in the mineral sands sector.

Private equity group CHAMP Ventures has recently led rationalisation in the broader minerals testing sector, having bolted on IML and commercial assayer Ultra Trace Geoanalytical to the Amdel assaying business CHAMP acquired when original owner Gribbles was sold to Healthscope (ASX code: HSP).

But international laboratory group Bureau Veritas (Euronext code: BVI) has taken consolidation to the next level. Having out-bid Campbell Brothers (ASX code: CPB) for coal testing group CCI Holdings (formerly ASX code: CHL) in 2007, it topped that off in May 2008 with the circa-$420m purchase of Amdel from CHAMP.

Another European player, UK-listed Intertek Group, entered the fray in April 2007 when it acquired assay group Genalysis Laboratory Services for $56m.

CPB operates a laboratory group with a significant exposure to the minerals sector but does not compete in the metallurgical market. International laboratory giant SGS does compete with AEC in some areas and employs a total of 15,800 employees across the Asia-Pacific (but across a full spectrum of industries, with minerals representing only 12% of revenue globally).

Distinguishing between metallurgical services & bulk commercial assaying

It is important to distinguish between metallurgical studies and assaying. The latter is the basic analysis of ore samples to determine the quantity of metals or minerals in it.

CPB, Ultra Trace and Genalysis (all highlighted above) are among the leaders in the assaying field. But these businesses are commoditised in nature with little "value-add", while metallurgists provide important, detailed analysis required for minerals processing.

Metallurgical studies require assaying but are focused on working out the most effective and efficient way to process and handle ore.

AEC has always conducted assaying in the course of conducting its metallurgical studies but in FY09 will be providing an expanded assaying service that provides a quicker turn-around than commercial assayers are currently achieving. It is unlikely that AEC will seek to compete head-on with these players, instead offering a high-end assaying service to its current client base, with rapid turnaround times and premium fees.

Expansion into dust extraction/collection and laboratory servicing

Environmental requirements mean that dust extraction/collection has become a significant consideration when planning and constructing processing infrastructure for mining projects. Recent acquisition MARC Environmental Solutions provides fans, blowers, conveyor equipment and also offers maintenance services

MARC also designs and implements analytical laboratories, which involves dust collection systems, fume cabinets, assay equipment etc. As more mining projects are developed, we expect demand for dust extraction and lab equipment will increase.

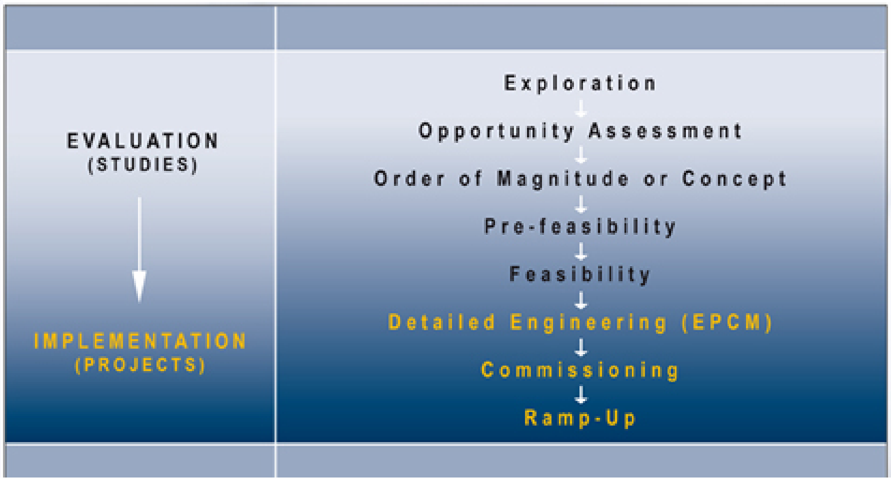
Industry Background (cont.)

In Figures 3 & 4, below, we provide some context to the phases of mine development in which AEC primarily participates.

Figure 3 is a typical flow-chart of the mine development cycle. AEC would most typically be involved in the pre-feasibility and feasibility phases.

Figure 4, which relates to the pre-feasibility study for the Moto Gold Project, is a real-world example of how AEC contributes to mine development.

Figure 3: Mine Project Phases



Source: SKM Consulting

Figure 4: Contributors to the Moto Gold Project pre-feasibility study

Cube Consulting	Geological database management, interpretation & validation Resource Estimation Mine design & scheduling, & mine capital & op cost estimates
IML / Ammtec	Metallurgical testwork
Lycopodium	Metallurgical interpretation & process plant design Infrastructure design Project Implementation Capital & op cost estimation
Knight Piesold	Site geotechnical & hydrological assessment, tails dam design Hydropower assessment Road upgrade assessment
SGS Ghana	Environmental Assessment

Source: Moto Goldmines

Industry Outlook

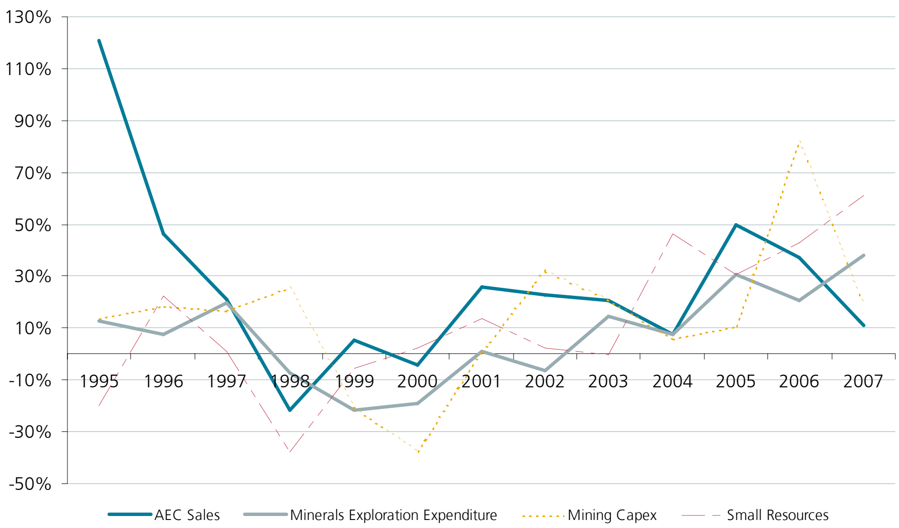
Exploration expenditure a lead indicator

Quarterly exploration data confirms expectations that there has been a significant rise in the amount of money being invested in exploration for metals and minerals, with expenditure (ex-oil) in the nine months to March '08 up 43% year-on-year domestically.

AEC's services are most often required at the feasibility study stage of a mining project—after exploration has occurred but before development commences. Advice on the most efficient and economical processing and handling of the ore is required from AEC so that process design engineers such as Lycopodium (ASX code: LYL) can select, design and cost the required processing plant.

Figure 5 (below) demonstrates a reasonable level of correlation between AEC's growth and the status of national exploration expenditure, mine capex and equity markets (which provide funding for the latter two factors and typically reflect commodity price expectations).

Figure 5: AEC sales & key industry drivers (year-on-year growth)



Source: ABS, Iress, Bell Potter estimates

ABS surveying indicates industry expects 2H08 year-on-year growth of 88% for minerals exploration expenditure (expectations for 1H08 were fractionally lower than the actual).

Commodity pricing and equity markets are important parts of the picture

There is a high level of correlation between year-on-year growth in the S&P/ASX Small Resources Index and growth in exploration expenditure six months later. We believe this is not only because equity markets respond to strong commodity prices but also because significant capital is required to conduct exploration and capital markets tend to be open for business when markets have generated positive returns. Explorers may more easily raise funds in buoyant markets and then those funds are deployed in future quarters.

However, at the end of the day, without strong demand for commodities, neither capital market activity or exploration would occur.

AEC has historically sourced the largest portion of its work from the gold sector (typically 40% of group revenue), followed by copper/lead/zinc (19% in FY07), nickel (19%) and iron ore (11%). The outlook for AEC, is, therefore, dictated to some extent by price expectations for these metals, which in turn drives exploration and development activity. Forecasts for these metals remain bullish in relation to historical pricing.

Industry Outlook (cont.)

ABARE's view on the outlook is summarised as:

- Strong increases in China demand will continue to drive growth in energy and minerals markets through to 2013
- Significant new supply capacity is expected to be commissioned in the next few years, but energy and minerals projects will continue to be affected by labour and equipment supply restraints, high costs and long lead times
- Prices for energy and minerals commodities are generally projected to decline in real terms over the medium term but to remain above historical averages.

A report commissioned by the Minerals Council of Australia and published in late May 2008 by Access Economics calculates that dramatic production increases are required across key commodities if demand is going to be met by 2020. Iron ore production has to grow 54% above its 2006 scale, while nickel and zinc production must more than double.

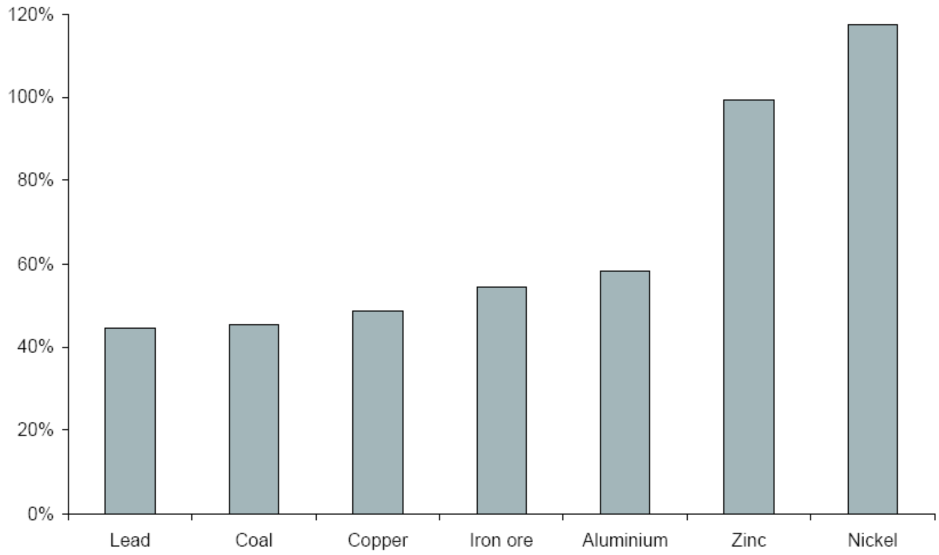
Exploration and development expenditure is required if Australia is to take advantage of the demand requirements. Attractive commodity pricing is clearly enticing higher expenditure and the federal government's Geoscience Australia is furthering the exploration cause with seismic surveys, gravity surveys and airborne electromagnetic surveys that can significantly increase the opportunities for new mineral discoveries. This agency believes it has already provided information pointing to potentially significant mineralisation in the Broken Hill region, SA's Gawler region, WA's Kalgoorlie/Boulder district, the Tanami Desert on the WA/NT border, Queensland's Mount Isa/Cloncurry/ Charters Towers region and gold-bearing regions in central Victoria.

Australian minerals testing market through the eyes of the global players

It is clear from recent M&A activity that global laboratory groups have been enticed by the prospects for growth in services to the mining industry globally and in Australia. Bureau Veritas recently commented in its March quarter results announcement that its acquisition of Amdel "opens sizeable outlets in the high-growth mining industry market".

Intertek's commented in its CY07 results in March that "the global demand for minerals is accelerating due to rapid industrialisation and increasing development in emerging economies. This growth leads to increased demand for testing services at the point of extraction and inspection at the point of shipment." Intertek highlighted Australia as a key location for servicing the mining industry, justifying its acquisition of Genalysis, which then led to a seven year contract with Fortescue Metals Group (ASX code: FMG) to provide analytical testing of mine samples.

Figure 6: Industry production increase required by 2020



Source: Access Economics

Earnings Forecasts

We are projecting 23% EPS growth in FY08, to be followed by 16% EPS growth in FY09 before earnings flatten out. Growth in FY08 has been driven by the ramp-up of mine development expenditure and a minor contribution from the MARC acquisition.

Forecasting AEC's earnings is, however, far from an exact science. There is some volatility, as demonstrated by the step-back in annual NPAT to $4.85m in FY07 from $5.4m in FY08, even though the compound growth from FY05 to FY07 was still 18% a year.

In FY09 we see growth coming from three key areas:

- expected further increases in mine development expenditure
- the first full-year contribution from MARC
- the ramp-up of the assaying laboratory, which will improve margins by cutting AEC's requirements for external assaying and should generate additional business from AEC clients in an assaying market that currently has little excess capacity.

Management guidance

AEC has typically only provided earnings guidance in the last month of a reporting period but this year it set out FY08 targets when it announced the MARC acquisition and associated capital raising.

Excluding MARC, AEC projected 19.5% revenue growth to $31.5m and a 27% improvement in EBITDA to $10.2m. In addition to this, MARC is expected to contribute $4.2m revenue and $1.1m EBITDA for the four months from March 1, 2008.

In total, management has targeted reported NPAT of $6.56m, which would equate to a pro-forma estimate of $8.1m if the MARC contribution was annualised.

We note that AEC has not revised projections during the past month, an action we would expect if the result was shaping up as significantly different from current guidance.

Attractive EBITDA margins

In the past AEC has achieved EBITDA margins as high as 38% (1H06) but we assume that margins in the metallurgical business flatten out just below 30% in future years. MARC's EBITDA margins are expected to be slightly lower at around 27% so Bell Potter's overall group forecast features a decline in margins in FY09.

We believe EBITDA margins have been constrained in FY08 due to the significantly higher head count we understand AEC has amassed as it prepares to ramp up its new assaying laboratory in FY09, as well as costs potentially associated with the WA gas shortage (AEC hired gensets to cope).

It is possible our metallurgical margin assumptions may prove conservative in the short-term if recent consolidation activity results in less aggressive pricing from competitors.

Staffing the key to margins

As a services group AEC's key asset is its skilled employees. Staff numbers have grown from 53 at the end of FY02 up to about 230 at the end of 2H08. Staff expenses have generally equated to about 45% of AEC's revenue.

Most of AEC's staff are trained internally and have no formal qualifications, with circa-36 employees being university-qualified metallurgists. We understand metallurgists have experienced wage rises at a compound rate of about 10% in Western Australia in recent years.

The ability to recruit "off the street" and train staff gives AEC an advantage over other mining services businesses, such as engineering consultants, who must compete to attract skilled staff from a tight pool.

We believe AEC has ramped up staff numbers in 2H08 as it prepares to ramp up its assaying laboratory, thus limiting the requirement for further staff expansion in FY09.

Valuation

We have initiated coverage of AEC with a price target of $3.83, representing 20% upside on the last closing price of $3.20.

Our DCF valuation is higher at $4.39 (WACC: 13.7%), as is the valuations implied by the capitalisation of FY09f EPS at a 10% discount to AEC's peers ($4.04 based on 11.8x).

But in the current market environment we have set our price target with reference to FY07 historic earnings, applying the peers' average historic P/E of 16x and a 10% discount. This price target is in-line with the valuation implied by the capitalisation of FY09 EBITDA at a 10% discount to AEC's peers ($3.88 based on 7.1x EV/EBITDA).

We believe a 10% discount is warranted due to the volatility in AEC's earnings and its size.

Domestic comparisons

AEC has few listed peers but none are direct competitors. Campbell Brothers (ASX code: CPB) is a major provider of laboratory services but its services to the minerals industry revolved primarily around assaying rather than metallurgical studies. CCI Holdings, a Queensland-based laboratory business focused on the coal industry, was listed but was acquired and taken private s previously discussed. Other non-laboratory companies exposed to the feasibility phase include Lycopodium (ASX code: LYL), Ausenco (ASX code: AAX) and WorleyParsons (ASX code: WOR).

There is also one relevant peer for the MARC business, being laboratory equipment design company Essa Australia (ASX code: ESS).

International comparisons

AEC does hot have a group of obviously comparable stocks listed on the ASX or on a foreign market. Only one listed company comes close: Swiss group SGS (Societe Generale de Surveillance). SGS is a larger, more diversified testing group. It has a substantial minerals business and directly competes with AEC in Australia but also supplies services to industries such as agriculture, petroleum, consumer products, logistics, power, telecommunications and transport.

London-listed Intertek, which has been active corporately in Australia, is a another point of comparison highlighted previously, as are Bureau Veritas and Outotec. All of these global peers are considerably larger than AEC.

Figure 7: AEC's forward multiples relative to local and global peers

Company/sector	P/E		EV/EBITDA		EV/Sales	
	FY08	FY09	FY08	FY09	FY08	FY09
Coffey	8.2x	7.3x	5.9x	5.5x	0.6x	0.5x
Lycopodium	13.6x	11.9x	8.3x	7.4x	1.3x	1.1x
Essa	9.5x	7.9x	5.6x	4.7x	1.0x	0.8x
Campbell Brothers	18.3x	14.9x	10.9x	8.8x	1.7x	1.6x
Intertek Group (LSE)	16.1x	14.7x	9.4x	8.5x	1.8x	0.5x
Bureau Veritas (Euronext)	16.8x	14.4x	11.8x	10.4x	2.0x	1.1x
SGS (Swiss)	18.3x	16.3x	10.2x	9.2x	2.2x	0.8x
Outotec (Helsinki)	14.4x	11.5x	7.9x	6.4x	1.0x	1.6x
Average	14.4x	12.4x	8.7x	7.6x	1.5x	1.0x
Median	15.2x	13.1x	8.8x	7.9x	1.5x	1.0x
Ammtec	**10.9x**	**9.4x**	**8.4x**	**6.1x**	**2.5x**	**1.6x**

Key Risks

Risk of a general decline in mining project activity

While the outlook does currently appear very positive for mining services providers, there is risk that an economic downturn in China and/or other developing nations could reduce demand for commodities, flowing through to pricing and the attractiveness of investing in new mine projects. Alternatively, unexpected supply increases could shift the global market and make Australian exploration and development less attractive.

Period-to-period earnings volatility

There is some volatility with regard to AEC's profitability, as demonstrated by the step-back in annual NPAT to \$4.85m in FY07 from \$5.4m in FY08, even though the compound growth from FY05 to FY07 was still 18% a year. This can partly be explained by the fact that part of AEC's revenue is lumpy as it is linked to the hiring out of pilot plant and partly due to sudden chances in customer requirements. The decline in profitability in FY07 came despite strong revenue growth as a result of clients placing already-commenced test work programs on hold.

Dependence upon key staff

AEC's key asset is its staff. The company is dependent upon the skills, experience and relationships of its staff. It is also dependent upon the capacity to deploy a sufficient number of staff to complete demanded work. Should any of its key staff leave the company, there may be a negative impact upon AEC. The impact may be more significant if key employees leave to work for a competitor. AEC has a tradition of training its own staff but requires experienced staff in order to pass on the required knowledge and skills.

Competition

Information on AEC's competitors is limited. AEC directly competes with international groups SGS and Outotec but these companies, although publicly listed, do not provide specific information on their Australian minerals testing and metallurgical business (in particular SGS' Perth-based Lakefield Oretest). Another competitor, IML, now has a greater depth of resources from which to draw after being acquired by Amdel, in turn acquired by Bureau Veritas.

Margin erosion

AEC has a history of high gross and EBITDA margins—higher than most of its peers— but high inflation in its key costs, particularly wages, would represent a considerable threat to its earnings. The company has recently digested wage increases due to the increased demand for skilled labour that has been caused by the current resources boom.

Non-core investment

AEC also owns a 68.5% stake in US-based resin developer Purity Systems Incorporated. This business has not reported any substantial sales but AEC has flagged that several plants involving the recovery of copper and nickel are considering use of Purity Systems' resin. There is a risk that PSI could be a drain on earnings and management time.

Ammtec (AEC)
As at 10/07/2008

Recommendation: Buy

Share price:	$3.200
Market cap:	$83.4m

Income Statement

Year end June 30	2006A	2007A	2008F	2009F	2010F
Revenue	$24m	$26m	$38m	$58m	$60m
EBITDA	8.33	7.88	11.61	16.21	16.69
EBITA	7.99	7.15	10.32	14.34	14.52
Amortisation	-0.19	0.00	0.00	0.00	0.00
EBIT	7.80	7.15	10.32	14.34	14.52
Interest	0.05	-0.01	-0.77	-1.25	-1.28
Abnormals	0.03	0.04	0.00	0.00	0.00
Pre-tax profit	7.89	7.18	9.54	13.09	13.24
Tax	-2.46	-2.33	-3.08	-3.93	-3.97
Reported net profit	**5.42**	**4.85**	**6.47**	**9.16**	**9.26**
Adjusted net profit	**5.63**	**5.00**	**6.68**	**9.16**	**9.26**

(adjusted net profit = pre-tax profit before abnormals and goodwill minus tax at marginal rate)

Cashflow

Year end June 30	2006A	2007A	2008F	2009F	2010F
Reconciliation					
Net profit	$5.42m	$4.85m	$6.47m	$9.16m	$9.26m
Amortisation	0.19	0.00	0.00	0.00	0.00
Depreciation	0.34	0.73	1.29	1.87	2.17
Change in working capital	0.32	0.59	-1.63	-1.79	-0.30
Other	0.24	-0.04	0.00	0.00	0.00
Net operating cashflow	6.50	6.13	6.13	9.25	11.14
Investing cashflow					
Sale/purchase of PPE	-2.50	-4.23	-5.40	-3.51	-3.60
Investments & acquisitions	0.00	-0.37	-12.74	-1.00	-1.00
Other	0.03	0.04	0.02	0.00	0.00
Net investing cash flow	-2.47	-4.56	-18.12	-4.51	-4.60
Financing activities					
Issue of shares	0.91	0.55	7.18	0.00	0.11
Buy backs	0.00	0.00	0.00	0.00	0.00
Dividends paid	-3.42	-4.51	-3.25	-6.77	-7.31
Debt	0.00	0.00	9.06	2.56	0.71
Others	-0.25	-0.36	0.00	0.00	0.00
Net financing cash flow	-2.77	-4.32	12.99	-4.21	-6.49
FX impact					
Net change in cash held	**1.26**	**-2.75**	**1.00**	**0.54**	**0.04**

Balance Sheet

Year end June 30	2006A	2007A	2008F	2009F	2010F
Assets					
Cash assets	$2.72m	$0.00m	$1.00m	$1.54m	$1.58m
Receivables	3.64	4.75	6.85	9.87	10.14
Inventories	0.28	0.16	0.20	0.28	0.27
Other	0.10	0.12	0.17	0.24	0.24
Total current assets	6.73	5.03	8.22	11.93	12.24
Plant and equipment	9.00	14.57	22.90	24.54	25.97
Investment	0.32	0.64	0.64	0.64	0.64
Intangible assets	4.71	4.71	16.21	16.21	16.21
Deferred tax assets	0.43	0.58	0.58	0.58	0.58
Total non-current assets	14.47	20.52	40.35	41.98	43.41
Total assets	**21.21**	**25.54**	**48.57**	**53.91**	**55.65**
Liabilities					
Short term debt	0.33	0.59	0.59	0.59	0.59
Payables	0.60	1.65	2.10	2.74	2.70
Current tax liabilities	0.74	0.33	0.43	1.18	1.19
Provisions & other	0.92	1.13	1.13	1.14	1.13
Total current liabilities	2.59	3.69	4.26	5.64	5.61
Long term debt	0.68	2.15	14.21	15.77	15.48
Deferred tax liabilities	0.32	0.32	0.32	0.32	0.32
Provisions	0.14	0.20	0.20	0.20	0.20
Total non-current liabilities	1.14	2.67	14.72	16.29	16.00
Total liabilities	**3.73**	**6.36**	**18.98**	**21.93**	**21.61**
Net assets	**17.48**	**19.19**	**29.59**	**31.98**	**34.04**
Equity					
Contributed equity	9.94	10.55	17.73	17.73	17.84
Reserves & outside equity	0.00	0.76	0.76	0.76	0.76
Retained earnings	7.54	7.87	11.09	13.48	15.44
Total equity	**17.48**	**19.19**	**29.59**	**31.98**	**34.04**
Diluted shares on issue	20.78	21.29	26.81	26.81	26.81
Weighted ave diluted shares	20.82	20.77	22.73	26.81	26.81

Valuation Data

Year end June 30	2006A	2007A	2008F	2009F	2010F
Adjusted NPAT	5.63	5.00	6.68	9.16	9.26
Adjusted EPS	27.0c	24.0c	29.4c	34.2c	34.6c
EPS growth	44.4%	-11.1%	22.5%	16.3%	1.2%
P/E ratio	11.9x	13.3x	10.9x	9.4x	9.2x
OpCFPS	31.2c	29.5c	27.0c	34.5c	41.5c
Price/OpCFPS	10.3x	10.8x	11.9x	9.3x	7.7x
DPS	22.0c	22.0c	24.0c	26.0c	28.0c
Yield	6.88%	6.88%	7.50%	8.13%	8.75%
EV/EBITDA	9.8x	10.9x	8.4x	6.1x	5.9x

Profitability Ratios

Year end June 30	2006A	2007A	2008F	2009F	2010F
EBITDA/sales	35.2%	30.0%	30.7%	27.9%	28.0%
EBITA/sales	33.7%	27.2%	27.3%	24.7%	24.3%
Return on assets (avg.)	40.3%	30.6%	27.8%	28.0%	26.5%
Return on equity (avg.)	35.4%	27.2%	27.4%	29.8%	28.1%
Dividend cover	1.2x	1.1x	1.2x	1.3x	1.2x
Effective tax rate	31.2%	32.5%	32.2%	30.0%	30.0%

Liquidity & Leverage

Year end June 30	2006A	2007A	2008F	2009F	2010F
Net debt	-$1.71m	$2.74m	$13.80m	$14.82m	$14.49m
Net debt/equity	-9.8%	14.3%	46.6%	46.4%	42.6%
Interest cover	-164.9x	702.5x	15.0x	13.0x	13.0x

DCF Valuation

WACC = 13.7%
Terminal growth = 2.5%

	$m	$/share
Enterprise value	100.2	3.84
Net debt	-2.7	-0.10
60% PV of franking	17.0	0.65
NPV	**114.5**	**4.39**

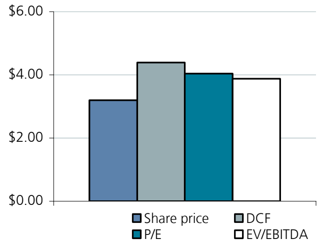
Comparisons

Company/sector	P/E FY08	P/E FY09	EV/EBITDA FY08	EV/EBITDA FY09
Coffey	8.2x	7.3x	5.9x	5.5x
Lycopodium	13.6x	11.9x	8.3x	7.4x
Essa	9.5x	7.9x	5.6x	4.7x
Campbell Brothers	18.3x	14.9x	10.9x	8.8x
Intertek Group (LSE)	16.1x	14.7x	9.4x	8.5x
Bureau Veritas (Euronext)	16.8x	14.4x	11.8x	10.4x
SGS (Swiss)	18.3x	16.3x	10.2x	9.2x
Outotec (Helsinki)	14.4x	11.5x	7.9x	6.4x
Average	14.4x	12.4x	8.7x	7.6x
Median	15.2x	13.1x	8.8x	7.9x
Ammtec	**10.9x**	**9.4x**	**8.4x**	**6.1x**

** consensus estimates used where Bell Potter estimates are unavailable*

AEC on peers' FY09 P/E	
EPS	34.20c
P/E (10% discount)	11.8x
Valuation per share	$4.04

AEC on peers' FY09 EV/EBITDA	
EBITDA	$16.21m
EV/EBITDA (10% discount)	7.1x
Enterprise value	$115.88m
- net debt	-$11.96m
Valuation per share	$3.88



Company Description

Ammtec (ASX code: AEC) is Australia's leading provider of metallurgical services. The company specialises in testing minerals and advising miners on the most effective processing and handling procedures. Metallurgical studies are among the key inputs into feasibility studies required by miners wishing to secure funding to commercialise a project. AEC operates metallurgical laboratories in Pert, Sydney, Adelaide and Tasmania. It also operates pilot plants that allow miners to test their proposed processing methodology and recently expanded its WA operations with a new assay laboratory. AEC recently acquired a specialist engineering company for $12m that focuses on laboratory design and installation (predominantly for the mining industry) and dust extraction systems.

Segment revenue

Year end June 30	2006A	2007A	2008F	2009F	2010F
Metallurgical services	23.61	26.21	33.59	41.22	40.68
MARC Environmental	0.00	0.00	4.20	16.83	18.94

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