

## **BUILDMAX ACQUIRES DIESEL POWER FOR R565 MILLION TO ENTRENCH FOOTHOLD IN COAL MINING**

**JSE-listed Buildmax today strengthened the group's exposure to the mining, specifically coal, and construction sectors with the acquisition of Diesel Power Open Cast Mining (Pty) Limited ("Diesel Power") for up to R565 million.** Diesel Power is one of the largest independent opencast mining and earthmoving contractors in the country. The transaction follows the purchase of the Buildco group of companies ("Buildco") in December 2007, which repositioned Buildmax as a diversified supplier of construction materials, equipment and services to the construction and mining industries. Together the acquisitions are set to boost turnover to approximately R1,7 billion, making Buildmax a major competitor in its sector.

For more than 20 years Diesel Power has been an approved and registered contractor to all major coal mining and construction companies in South Africa, with a fleet of over 440 plant, trucks and mining vehicles. Michael Watson who currently owns and manages Diesel Power will continue heading the company post the acquisition and will hold a significant stake in the enlarged Buildmax.

Incoming CEO of Buildmax Paul de Klerk says the acquisition is a strategic accomplishment for the group. "Diesel Power is a recognised leader in opencast mining and bulk earthworks with an established reputation since the mid-1980's with all key players in the industry." He adds that Diesel Power will continue to operate under its own brand within the Buildmax group.

Following the acquisitions Buildmax will comprise two divisions - Equipment & Services and Construction Materials. "Diesel Power will significantly boost the Equipment & Services division (also consisting of Vukuza Earthworks which is part of Buildco) to make opencast mining services the major contributor to group revenue and earnings going forward."

De Klerk says the combined scale and capacity of Diesel Power and Vukuza will enable the group to capitalise on rising demand for coal worldwide. "Locally Eskom is set to be the driver of growth with immediate demand escalating in order to bring coal stockpiles at existing power stations to targeted levels." He adds that in the medium term this should increase further with additional coal required for the 'mothballed' power stations which are set to be recommissioned, and in the longer term to fuel the new power stations planned over the next 20 years.

Diesel Power also adds civils and bulk earthworks to Buildmax's offering, which de Klerk describes as a "competitive advantage". "A major constraint to growth in large mining and construction companies is the shortage of equipment. Diesel Power is an established major purchaser in South Africa of construction and mining equipment for the past 20 years, and a leading supplier to these industries."

The maximum purchase consideration of R565 million will be settled through a combination of cash and shares, subject to profit warranties for the years August 2007 to August 2009.

De Klerk expects a smooth integration of Diesel Power into the Buildmax group.

“Michael Watson will be a key executive of Buildmax and his ongoing leadership of the company is an important factor in the group’s strategy.” In addition to his stake in Buildmax he has also signed a five year service and restraint agreement. “Michael, together with the executive management of Buildco’s operations, will hold around 25% of the enlarged Buildmax.”

De Klerk concludes: “The Diesel Power and Buildco acquisitions have significantly enhanced Buildmax’s value proposition. Through industry leaders with strong brands, management and performance, Buildmax now offers a diverse range of materials, equipment and services to the mining and construction industries. While growth prospects in these industries are promising, the scale of the opencast coal mining activities particularly should generate sustainable growth for the group.”

The Diesel Power acquisition remains conditional on shareholder approval amongst other conditions. A circular in respect of the acquisitions and revised listings particulars, including details of a capital raising, will be posted to shareholders by the end of February 2008. The company continues to trade under cautionary.

Buildmax shares closed trade yesterday at R3,20 a share.

Ends.

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