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## Company Announcement

### Collaboration with Colas

We are delighted to advise that the SAMI Group and Colas SA have established a formal collaborative relationship. Colas SA is a publicly listed French based holding Company that operates internationally through businesses primarily focussed on specialty bitumen activities. This follows more than 15 years of technical exchanges between our respective organisations – indeed a long term mutual “courtship”.

You will be aware that the SAMI Group has, over the last two years, refocussed its business and now trades under the banner SAMI Bitumen Technologies, a name more reflective of its main activities. This year, SAMI celebrates 30 years of manufacturing PMB’s, Emulsions and other specialty bitumen products in Australia. These bitumen manufacturing activities are undertaken in plants located in Sydney, Brisbane, Perth and soon in Melbourne. Manufacturing activities remain SAMI’s core business with a number of exciting new products and processes in various stages of development and release to the marketplace.

In recent years, there have been bitumen supply disruptions in Australia and growing uncertainty in regard to continuity of supply through traditional refining channels, as well as concerns about the quality of some product. With bitumen being the major raw material input to our manufacturing processes, these have been critical issues for us and so we took a strategic decision a number of years ago to plan for and invest in bitumen import facilities in key markets. Today, SAMI Bitumen Technologies is the only independent bulk bitumen supplier in Australia, operating import facilities in Perth and Melbourne, with construction of an import facility underway in Brisbane.

SAMI has made significant financial commitments over recent years to constructing new and upgraded PMB/Emulsion plants as well as the new bitumen import facilities. There are also other planned capital intensive projects on the drawing board. Obtaining access to additional funding sources has therefore been an important element of a business plan focussed on better servicing the changing needs of our business partners.

Further, there are significant fundamental risks and challenges specific to the “big ticket” bitumen import process, going well beyond financial factors, which now have to be managed. These issues include maintaining continuity of supply in difficult world refining markets, applying technical know-how to ensure the highest product quality standards and obtaining timely access to limited bulk shipping resources.

As a direct outcome of an intensive business review process, SAMI and Colas have together taken this important decision to establish a formal collaborative relationship between our organisations. Beyond strengthening our technical and operational business partnership, Colas has also made a substantial equity investment in the SAMI Group. Importantly, the founding shareholders of SAMI, the Ward Family, remain significant shareholders, together with new shareholders Colas, indicating their ongoing commitment to and confidence in our continuing growth and success.

Therefore, SAMI is moving forward with access to an array of strategically important resources available through our new Colas relationship, supporting our prime business objectives:

- Maintaining SAMI’s position of **focus** and **independence** in the marketplace, thereby protecting the specific interests of our major road paving industry business partners, delivering to them quality assured and best performing bitumen related products and services
- Continuing our emphasis on development of new bitumen technologies
- Managing key business risks more effectively with the benefit of Colas’ strategic resources
- Accessing additional funding sources to bring to reality opportunities to further support our business partners

Formed in France in 1929 to develop a new Emulsion technology for road surfacing or “Cold Asphalt”, that product gave Colas its name. In many ways, the genesis and ongoing business hallmarks of our respective organisations are strikingly similar. SAMI was originally formed to develop a new polymerised bitumen road paving technology – Stress Absorbing Membrane Interlayer, or more commonly “SAMI” - that process providing our Company name.

The Colas Group is a highly regarded global bitumen technology organisation, involving itself in many aspects of road construction activities, with an emphasis on bitumen supply and associated technologies. As it is now doing in Australia through the collaboration with SAMI, in the Asian Region Colas has concentrated its activities on bitumen supply, specialty bitumen manufacture and bulk shipping.

An important element of this strategy has been the recent investment by a Colas subsidiary in constructing a new bitumen refinery located in Malaysia, capable of producing in excess of 1 million tonnes of bitumen per annum. Additionally, Colas subsidiaries own and operate 7 bulk hot bitumen vessels in the region. Therefore, while SAMI will maintain its existing effective supply relationships with other major refiners and shippers, a strategic benefit of this new SAMI/Colas relationship will be a greater assurance of maintaining continuity of bitumen supply and shipping, even during periods of capacity shortages in the region.

Access to Colas' world leading bitumen technologies is a further very important "heart and soul" aspect of our new collaboration, building on SAMI's own position of technical leadership in the Australian marketplace. We are confident that this will deliver significant additional benefits to SAMI's business partners.

We have attached an extract from the Colas 2007 Annual Report that provides specific insight in regard to their strategy in the Asia region, highlighting some key aspects of the reasoning behind the SAMI/Colas collaboration.

For your further reference, Colas operates around the world in 40 countries, has Revenues of 12 Billion Euros (A\$20 Billion), employing 66,000 employees across 1,400 separate business units. Most Colas businesses operate with local management and retain their distinctive cultures while drawing on Colas Group resources as appropriate. In that context, we are especially pleased to advise that SAMI Bitumen Technologies has retained all members of its current Senior Executive team, each of whom is entirely committed to this new relationship going forward.

We also wanted to take this opportunity to confirm the situation with regards to the contracting activities, previously trading as SAMI Road Services, which were originally part of a single integrated SAMI corporate entity. You may be aware that about 18 months ago, SAMI commenced the process of separating those contracting activities into a stand alone corporate entity. Concurrent with the change in the structure of the SAMI Bitumen Technologies business outlined above, the takeover of that contracting business by SRS Roads Pty Limited has now been completed. Any questions about SRS Roads should therefore be directed to that company's Executive Directors, Ian Swanston and Wayne Jupp.

For SAMI Bitumen Technologies, this is an exciting and welcome new phase in our ongoing development. The "fit" between the SAMI and Colas organisations is truly unique and will provide us with access to a portfolio of extraordinary business building resources. With the focus of all our highly skilled employees, we look forward to continuing to partner with leading road paving industry businesses, adding value in the areas of SAMI's specialised activities:

- Bitumen import terminals and bitumen supply
- Manufacture and supply of bitumen PMB's, Emulsions and other specialty products
- Research, product innovation and quality assurance laboratory services
- Technical support to our business partners

## **Extract from Colas 2007 Annual Report Chairman's Interview**

And in Asia, what is your standpoint?

In Asia, we are developing with a different business model: that of bitumen trading. Colas buys bitumen, stores it, transforms it and then sells it to customers who perform road works. We do this type of business in Thailand, Vietnam, India, Malaysia, Indonesia, China and soon in Australia.

The bitumen market – and it is important to underline the fact that we are one of the world's biggest buyers – is very dependent on China. This country weighs heavily on prices, which vary according to its road construction needs. Bitumen prices also depend on the price of crude oil from which it is refined and on the refining policies of oil companies as they decide, with an eye on prices, to favour heavy fuel oil or bitumen. This strategy can spark shortages in bitumen supplies, as was the case last year, and put pressure on prices. This is why we made the decision to free ourselves from these variations via our bitumen refinery in Malaysia, which started running at the end of last year.