

17 June 2014

ASX: RGX



ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

SECOND ACQUISITION IN THE INTERNET TRAVEL AND LEISURE INDUSTRY

The Directors of Red Gum Resources Limited (ASX : RGX; “**Red Gum**” or “the **Company**”) are pleased to announce that it has entered into a binding Heads of Agreement (**Agreement**) to acquire 100% of the issued capital of Keygate Holdings Pty Ltd (ABN 46 088 941 682), trading as **Asia Escape Holidays**. This agreement follows Red Gum’s announcement on 4 June 2014 of the acquisition of WA based Holiday Planet Pty Ltd (**Holiday Planet**) and that it was in advanced negotiations with additional travel groups as part of a travel business aggregation strategy as it shifts focus away from the resources sector.

Negotiations involving additional acquisitions in the travel industry are continuing as part of the Company’s travel business aggregation strategy to achieve scale, efficiencies and greater distribution.

Asia Escape Holidays is one of Australia’s largest privately owned travel wholesalers with a focus on destinations throughout Asia and the Indian Ocean rim, which has been operating for over 16 years and currently has annualized sales exceeding \$30 million. Asia Escape Holidays sells its wholesale program through a distribution of more than 3,000 retail travel agents throughout Australia.

In exchange for the Company acquiring 100% of the issued share capital of Asia Escape Holidays the Company proposes to issue, by way of consideration on a post-consolidation basis, 10,000,000 fully paid ordinary shares at a deemed issue price of \$0.20 each to Asia Escape Holidays’ shareholders together with cash consideration of \$1.5 million. Settlement of the Asia Escape Holidays acquisition is subject to the satisfaction of a number of conditions under the Agreement, including, without limitation, settlement of the Company’s acquisition of Holiday Planet occurring and shareholder approval.

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HIGHLIGHTS

- Acquisition of Asia Escape Holidays forms part of the travel business aggregation strategy and provides a significant expansion of the Company's proposed new growth platform, The Australian Travel Group.
- Asia Escape Holidays and Holiday Planet businesses generated combined sales revenue for the last financial year of circa \$65 million.
- Negotiations with additional travel groups are continuing as part of the travel business aggregation strategy to achieve scale, efficiencies and greater distribution.
- Asia Escape Holidays, with its profitable trading history, provides the perfect counterpart to Holiday Planet's on-line and high end retail leisure tourism focus, and provides Holiday Planet with distribution into its 3,000 Australian retail agents.
- Significant operating economies are anticipated to provide additional profit drivers as a result of Asia Escape Holidays and Holiday Planet's amalgamation into The Australian Travel Group.
- Mr Mason Adams, principal of Asia Escape Holidays, will join the board of the Company, following completion of the acquisition.

Acquisition of Asia Escape Holidays will be contemporaneous with regulatory and shareholder approvals for the Holiday Planet acquisition, announced on 4 June 2014. As then outlined in that announcement, a Prospectus will be lodged as part of the Company's undertakings to seek relisting as "The Australian Travel Group Limited" together with a capital raising of not less than \$3 million at \$0.20 per share to complement Red Gum's current cash balance of circa \$2.4 million. A priority share pool of \$1.5 million is proposed to be made available in the capital raising to Holiday Planet's 50,000+ customers.

Capital raised will be used, inter alia, to fund the Company's market expansion throughout Australia and the Singaporean cruise and leisure travel markets. Settlement of the Asia Escape Holidays acquisition is subject to the satisfaction of a number of conditions under the Agreement.



ABOUT THE COMPANY, POST TRANSACTION – “THE AUSTRALIAN TRAVEL GROUP”

Following completion of the proposed acquisition of Holiday Planet and Asia Escape Holidays, Red Gum intends to change its name to “The Australian Travel Group Limited”. The Australian Travel Group intends to grow, both through organic and Acquisition & Development processes, through five key business strategies and the acquisition of Asia Escape Holidays provides a linchpin to the Company’s near term growth. Each strategy is designed to further market penetration of the burgeoning **\$3 Billion Cruise Industry** with its 20% annual growth, of which Holiday Planet is already one of Australia’s biggest cruise-based tourism providers.

These key business strategies are:

Online

- Expansion of the current Holiday Planet internet sites including Holidays-Cruise-Flights & Hotels;
- Introduction in August 2014 of new Online Cruise Booking Engines to provide dynamic search-book-pay functionality across 90% of the global cruise lines;
- Introduction in late 2014 of new World Class Online Booking Engines across air travel, air & hotel packaging;
- New digital marketing campaigns to further grow electronic distribution; and
- Launch of a new website to cater specifically for the retiree & semi retiree market.

Wholesale

- Expansion of the current Asia Escape Holidays product into three new long haul destinations;
- Introduction of a series of new Luxury Programs; and
- Growth of the current Asia Escape Holidays retail distribution channel throughout the east coast markets of Australia.

Retail

- Expansion of the Holiday Planet Luxury Program throughout the east coast markets of Australia.



Corporate Travel

- Development of SME Corporate Travel offering 24/7 support.

Groups & Conventions

- Expansion to target Special Interest Groups, Sporting Groups, and Convention Travel.

The Executive Chairman of Holiday Planet Mr Alan Dodson stated “I have been associated with Mason Adams, principal of Asia Escape Holidays, for over 14 years and have been very impressed by his ability to work through the external peaks and troughs that affect the travel industry and his ongoing innovation and pro active approach to the introduction of new product. We are extremely excited by his decision to join forces as The Australian Travel Group. We share a common view that going forward as a listed entity this Group will have excellent opportunities for enhanced revenue growth by more effective broader based tapping of the trillion dollar global travel industry given our combined long established reputations for providing superior first class products and service.”

Dr Shaw, Chairman of Red Gum added that the proposed Asia Escape Holiday acquisition was “a further demonstration of the Board’s determination to regain its shareholder’s confidence and reinvigorate shareholder value following its recent decision to steer Red Gum into the on-line tourism sector.”

DJ Carmichael Pty Limited acted as Financial Advisor and Steinepreis Paganin acted as Legal Advisor for the transaction.

*** Ends***

For further information please contact:

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