



13 September 2011

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

BERKLEE LIMITED (ASX CODE: BER)

STRATEGIC ALLIANCE

Berklee Limited wishes to update the market in relation to the restructure announced on 31 August 2011.

Berklee and aftermarket exhaust group Mercury Mufflers have been in discussions regarding the formation of a strategic alliance (**alliance**). The parties having signed a Memorandum of Understanding are now in negotiations to finalise an agreement which is intended to be signed within the next two weeks.

On signing of the agreement the alliance confers rights to the parties in respect of product manufacture and distribution. Berklee also achieves significant progress in exiting its current distribution activities.

At present the manufacturing and distribution operations of the parties are as follows:

- Berklee manufactures the Berklee brand exhaust product and uses its own network of six distribution centres, Undacar Parts, to distribute that product nationally across Australia, and
- The Mercury group manufactures the Mercury brand exhaust product and distributes that product in the States of New South Wales, Queensland and Western Australia using its own distribution.

Under the alliance the following manufacturing and distribution arrangements are to apply:



BERKLEE LIMITED
A.B.N. 80 004 661 205
MANUFACTURERS OF
AUTOMOTIVE EXHAUST SYSTEMS
AND PARTS

REGISTERED OFFICE:
265-285 Learmonth Road, Wendouree,
Ballarat, Victoria, Australia
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- Berklee is to continue to manufacture its Berklee brand product and is granted the rights to manufacture the Mercury brand exhaust product, and
- Mercury is to continue to distribute the Mercury brand product and is granted the rights to distribute the Berklee brand product in the states of New South Wales, Queensland and Western Australia.

The implementation of the alliance is to occur progressively over a period of approximately six months. This is to enable:

- Berklee to wind down operations at its three Undacar Parts branches, Brisbane, Perth and Sydney and transition sales and marketing to Mercury, and
- Mercury to phase out of production operations at its only plant (Buderim, Queensland) and transfer product manufacture to the Berklee facility in Wendouree, Victoria.

Berklee and Mercury are leading brands in the Australian aftermarket exhaust industry. The Berklee name was established in 1963 by the company's founder the late Adrian van Berkel and Mercury Mufflers (Aust) Pty Ltd formerly known as Underwood (Aust) Pty Ltd was established in 1952 by the co-founders, John and Molly Underwood.

Key benefits of the strategic alliance:

- Value creation for shareholders and customers
- Each party is focussing on one core activity to derive greater economy of scale
- The parties are joining forces to more effectively take on the competition
- Increased customer satisfaction from a broader service offering with access to two market leading brands
- Retention of Australian made high quality product and supporting design and development capability

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- Strong sales and marketing team with extensive industry knowledge and experience to drive sales and increase market share

Signed *Edward van Berkel*

Edward van Berkel
Company Secretary



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