2016

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Emeco Holdings Limited (ACN 112 188 815)

The 2016 Annual General Meeting of Emeco Holdings Limited will be held at Bendat Parent and Community Centre, 36 Dodd St, Wembley, Western Australia on Monday, 12 December 2016 at 10.00am (Perth time). Registrations will commence at 9.00am (Perth time).

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The Explanatory Memorandum to the Notice of Annual General Meeting provides additional information on matters to be considered at the meeting. The Explanatory Memorandum forms part of the Notice of Annual General Meeting.

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the resolutions contained in this Notice of Annual General Meeting and Explanatory Memorandum. If you are in any doubt about how to deal with this document, you should consult your financial, legal, taxation or other professional adviser.

The Directors unanimously recommend that you vote in favour of all Resolutions contained in this document.

The Independent Expert has concluded that the Transaction is fair and reasonable, and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

If you have any questions in relation to this document or the transactions set out in this document, you should contact Thao Pham on +61 8 9420 0222.

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EXPLANATORY MEMORANDUM

Important Information

Explanatory Memorandum

This Explanatory Memorandum has been prepared for Emeco Shareholders in connection with the Annual General Meeting (**AGM**) to be held on Monday, 12 December 2016. The purpose of this Explanatory Memorandum is to provide Emeco Shareholders with important information material for the purposes of deciding whether or not to approve the resolutions set out in the Notice of Annual General Meeting.

This Explanatory Memorandum forms part of the accompanying Notice of Annual General Meeting (**Explanatory Materials**) and should be read in conjunction with it.

Action to be taken by Emeco Shareholders

The Directors recommend that Emeco Shareholders read the Explanatory Materials carefully and in full before deciding how to vote on the Resolutions.

A Proxy Form is enclosed with the Explanatory Materials. This is to be used by Emeco Shareholders if they wish to appoint a representative (that is, a proxy) to vote in their place. All Emeco Shareholders are invited and encouraged to attend the AGM or, if they are unable to attend in person, to sign and return the Proxy Form to the Emeco Share Registry in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude an Emeco Shareholder from attending and voting at the AGM in person.

The Chairman intends to exercise all available proxies in favour of all Resolutions where possible.

Not an offer

The Explanatory Materials do not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this Notice does not constitute an offer, solicitation or sale to any U.S. person or in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (**Securities Act**), and neither such securities nor any interest or participation therein may not be offered, or sold, pledged or otherwise transferred, directly or indirectly, in the United States or to any U.S. person absent registration or an available exemption from, or a transaction not subject to, registration under the Securities Act.

Defined terms

Capitalised terms and abbreviations used in these Explanatory Materials are defined in the Glossary in Section 21 of the Explanatory Memorandum.

Letter from the Chairman

Dear Shareholder,

On behalf of the Directors of Emeco, I am pleased to invite you to attend the Annual General Meeting (**AGM**) of Emeco Holdings Limited (**Company**) to consider and vote on the resolutions required to implement the components of the recapitalisation of Emeco and acquisitions of Orionstone and Andy's announced on 23 September 2016, and resolutions required for general business.

As announced, Emeco has signed a binding Restructuring Support Agreement with a number of its major noteholders and the shareholders and creditors of Orionstone and Andy's. The Restructuring Support Agreement established a framework for the proposed recapitalisation of Emeco, the acquisitions of Orionstone and Andy's and a rights offer enabling existing Emeco Shareholders to further participate in the Company's future growth.

The Transaction is an important step forward for Emeco and provides the Company with significantly improved credit metrics and puts in place a longer term sustainable capital structure. With significantly lower leverage, improved interest coverage and potential for greater cash generation post-Transaction, Emeco has the financial platform to grow the business whilst continuing to provide our customers a quality service.

The Transaction also substantially increases the size and quality of the Company's fleet and reduces the Company's capital expenditure requirements going forward.

You and other Emeco Shareholders will have the opportunity to consider and approve the relevant components of the Transaction. The proposed Transaction Resolutions are the primary business of the AGM that this Explanatory Memorandum invites you to consider.

With the assistance of the Company's advisers, a strategic review was undertaken to evaluate and consider all options available. In coming to our recommendation to endorse the Transaction and the associated Transaction Resolutions, the Emeco Board has considered the following factors:

(a) The Emeco Board believes the Transaction is implementable and the best available option to maximise long term shareholder value

(b) Emeco's current capital structure is not sustainable long term and a restructuring is required to manage through the current difficult operating conditions with uncertain timing of a market recovery

(c) The Transaction is a comprehensive solution which materially reduces the Company's leverage and provides a sustainable capital structure to facilitate future growth

(d) The Transaction de-risks the Company's balance sheet, including terming out maturity from FY19 to FY22 and enhancing the Company's liquidity

(e) Through the acquisitions of Orionstone and Andy's, the Transaction provides significant potential for value creation through the realisation of synergies over time

(f) The Transaction significantly improves Emeco fleet configuration and age profile

(g) Through the Rights Offer, the Transaction provides Emeco Shareholders with the opportunity to further participate in the future upside of the Company and gain a share of the potential value creation opportunity

A list of reasons why you may consider voting for or against the proposed Transaction Resolutions is contained in Sections 2.1 and 2.2 respectively.

PPB Corporate Finance Pty Ltd has prepared an Independent Expert's Report in relation to the proposed Transaction Resolutions, which is set out in Annexure B and I encourage you to review it in its entirety. The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interest of shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

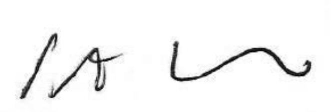
This Explanatory Memorandum includes the Notice of Annual General Meeting and the Independent Expert's Report. A Proxy Form also accompanies this Explanatory Memorandum. I encourage you to read this Explanatory Memorandum carefully and in full, as it contains information to assist you in making an informed decision about the proposed Transaction. This Explanatory Memorandum is also available on the Company's website, http://www.emeco.com.au/view/investors/. The Company's website also will allow you to access other materials that may be relevant to your consideration of the Transaction, such as the 23 September 2016 ASX announcement and associated presentation in relation to the Transaction.

During the AGM you will also be requested to consider and vote on a number of general business resolutions. Information on these resolutions is presented in this Explanatory Memorandum and the Notice of Annual General Meeting and I encourage you to also consider these resolutions when reading the document.

Together with my fellow Emeco Directors, we unanimously recommend that you vote in favour of all resolutions, including the Transaction Resolutions. Each Director intends to vote any Emeco Shares that they own in favour of these resolutions to the extent they are entitled to vote on those resolutions. The recommendation of the Emeco Board is subject to no superior proposal emerging.

We look forward to seeing you at the AGM and on behalf of the Emeco Directors, I thank you for your continued support.

Yours faithfully,



Peter Richards
Chairman
Emeco Holdings Limited

Transaction Resolutions

1. The Transaction

1.1 Overview

On 23 September 2016, Emeco entered into the Restructuring Support Agreement. The Restructuring Support Agreement establishes a framework for the Transaction. The terms of the Restructure Support Agreement are summarised in Annexure C.

The Transaction involves a number of elements, each of which are inter-conditional. The key elements are:

(a) each Emeco Noteholder will assign the principal owing to them under their Emeco Notes to Emeco Finance Pty Ltd under a creditor's scheme of arrangement and will instead receive an option of cash or a beneficial interest in Tranche B Notes and New Shares depending on elections they make under the terms of the scheme;

(b) the acquisition of two complementary businesses, Orionstone and Andy's; and

(c) a Rights Offer for Emeco Shareholders.

The Transaction was structured in an attempt to fairly divide the post-Transaction equity among the stakeholders of Emeco, Orionstone and Andy's and participants of the Rights Offer. The creditor claims being contributed in exchange for equity receive an amount of New Shares which, at an agreed upon valuation of the Combined Group, are equivalent in value to the face amount of the debt claims being contributed. The remaining New Shares are divided among the shareholders of the three companies based preliminarily on an "equity allocation percentage", which allocates value to each shareholder group based on their company's respective contribution to (i) pro forma FY16 Adjusted EBITDA and (ii) fair market value of the combined fleet of assets. Additionally the Restructuring Support Agreement provides for further closing-adjustments to allocate value to the respective shareholder groups based on any excess cash provided by each company, adjusted for any changes to targeted working capital amounts.

At the 2016 AGM, Emeco Shareholders will be asked to consider, and if thought fit, pass a series of resolutions to approve certain aspects of the Transaction. The passing of each of the resolutions 1 to 7 in this Notice of Annual General Meeting and Explanatory Memorandum (**Transaction Resolutions**) is a condition of the Transaction. The Transaction Resolutions are also inter-conditional, meaning that if any of those resolutions are not passed, all of them are taken to have been rejected by Emeco Shareholders. In that event, the Transaction Resolutions will not be implemented, regardless of whether any of the Transaction Resolutions have passed. There are a number of other conditions to the Transaction which are summarised in Annexure D.

This Explanatory Memorandum sets out important information relevant to each Emeco Shareholder's decision on the Transaction Resolutions.

1.2 Rationale for Transaction

If the Transaction is implemented, the Combined Group will have approximately 800 machines in its rental fleet, offering services on an enhanced scale. As compared to the current Emeco Group, the Combined Group will have a stronger balance sheet, a younger fleet and a more diverse customer base. The Combined Group will also have a long term capital structure in place, removing the need for refinancing until FY22.

Additional benefits anticipated include the following:

(a) The interest coverage ratio is expected to be 2.5x FY16 pro forma EBITDA (including cost synergies and certain adjustments for extraordinary items) for the Combined Group, up from 1.3x pre-Transaction for the Company.

(b) The debt to EBITDA ratio for the Company is expected to decrease from 7.2x (on a standalone basis pre-Transaction) to 4.4x, based on FY16 pro forma EBITDA (including cost synergies and certain adjustments for extraordinary items) post-Transaction for the Combined Group on a consolidated basis, with further deleveraging over time targeted from capital expenditure savings.

(c) Enhanced geographic and end market exposure with significant value creation potential.

(d) Significant cost and capital expenditure synergies.

These financial and operational benefits of the Transaction provide a strong platform from which the Combined Group may pursue opportunities for growth and value creation for Emeco Shareholders.

In deciding to pursue the Transaction and recommending that Emeco Shareholders vote in favour of the Transaction Resolutions, the Directors considered a variety of alternatives in order to stabilise the Company's balance sheet for long term value-maximisation. Those alternatives included:

(a) Pursuing a standalone restructuring with Emeco Noteholders. To guarantee the continued viability of the Emeco Group, such a transaction would necessarily have involved (among other things) a significant reduction in the principal amount owing under the Emeco Notes, being an amount materially in excess of the compromise proposed under the Emeco Noteholders' Scheme.

(b) A potential refinancing of the Company. However, due to a combination of factors, including significant challenges which the Company faces (due to factors such as its high debt to EBITDA ratio and the challenged nature of the industry in which the Emeco Group operates in), the Company has to date been unable to obtain a commitment to refinance the Company on terms acceptable to the Company.

(c) A potential capital raising for the funds required to repair the Company's balance sheet (as well as to operate the business, pay its financing costs and maintain the Company's fleet of rental equipment generally). Structuring alternatives explored included raising additional secured debt, unsecured debt, and equity. However, such capital raisings would not be possible due to the terms of the Company's existing finance documents, the amount of secured debt currently in place, and a lack of financier and investor support with the Company's present leverage.

If the Transaction does not proceed, the Company would have to pursue another method of addressing its debt and cash flow challenges without the benefit of the significant cost and capital expenditure synergies that are projected to be achieved through the Transaction. Absent a transaction, the Company would have concern with its ability to generate sufficient cash flows to meet its debt service and maturity requirements.

1.3 Restructured Emeco Board

Following completion of the Transaction, the Emeco Board will be restructured to include Ian Testrow, Peter Richards, and three directors nominated by Emeco Noteholders and Orionstone Creditors.

1.4 Summary of Transaction Resolutions

To facilitate implementation of the Transaction, Emeco Shareholders are being asked to consider and if thought fit, pass the resolutions on the following matters:

(a) The issue of New Shares as partial consideration in connection with the recapitalisation under the terms of the Emeco Noteholders' Scheme and merger with Orionstone and Andy's.

(b) The provision of financial assistance in connection with the Andy's Acquisition and the Orionstone Acquisition.

(c) The establishment of a new incentive plan for the Company's managers and the issue of performance shares to Mr Ian Testrow, a director, pursuant to this plan.

(d) The escrow of New Shares issued to parties to the Restructure Support Agreement.

These Transaction Resolutions are set out in full in the Notice of Annual General Meeting set out in Annexure A.

1.5 Indicative timetable

Event	Date
First court hearing for Emeco Noteholders' Scheme	2 November 2016
Deadline for receipt of voting direction forms	10:00am (Perth time) on 9 December 2016
Deadline for receipt of proxy forms for voting at AGM	10:00am (Perth time) on 10 December 2016
Record date for voting entitlement for AGM	10:00am (Perth time) 10 December 2016
AGM to consider Shareholder resolutions	12 December 2016
Emeco Noteholders' meeting to consider Emeco Noteholders' Scheme resolution	13 December 2016
Second court hearing for Emeco Noteholders' Scheme	15 December 2016
Scheme Effective Date	16 December 2016
Institutional offer component of Rights Offer commences	21 December 2016
Company conducts retail offer component of Rights Offer	28 December 2016
Completion Date -Transaction (other than the Rights Offer) effected	5 January 2017
New Shares issued on Completion Date to commence trading on the ASX on a normal (T+2) basis	6 January 2017

Note: All dates and times are references to the time in Sydney, Australia, unless otherwise stated. This timetable is indicative only. The Company has the right to vary the timetable set out above subject to the approval of such variation by the Court, ASIC and the ASX where required. Any variation will be announced to the ASX and notified on the Company's website: www.emecogroup.com.

2. Reasons to vote on the Transaction Resolutions

2.1 Reasons to vote in favour of the Transaction Resolutions

The reasons why the Emeco Shareholders may consider voting in favour of the Transaction Resolutions include:

(a) **Comprehensive recapitalisation plan providing a sustainable capital structure**

The Transaction will provide Emeco with a sustainable capital structure for the long term with reduced leverage, improved interest coverage, extended maturity to FY22 and increased liquidity as follows:

- De-risks the Company's capital structure by meaningfully reducing leverage, which is expected to be 4.4x FY16PF EBITDA (including cost synergies and certain adjustments for extraordinary items)
- Interest coverage ratio expected to be 2.5x FY16PF EBITDA (including cost synergies and certain adjustments for extraordinary items), up from 1.3x pre-Transaction
- Covenant lite senior secured note structure with extended maturity to FY22 replacing existing 144A notes maturing in March 2019
- Funds from the A$20m Rights Offer, with A$10m underwritten by First Samuel and Black Crane
- The stable liquidity supports the merger transition and implementation of strategic initiatives across the Combined Group.

(b) **Preserves shareholder upside and provides all Emeco Shareholders with the opportunity to participate**

Emeco Shareholders can further participate in the continued growth and success of the Company through the Rights Offer. The Transaction represents the best available and least dilutive option to maximise long term value for Emeco Shareholders over time while achieving Emeco's strategic objectives.

(c) **Compelling strategic rationale underpinning the acquisition of Orionstone and Andy's**

The increased scale, expanded equipment portfolio and operating efficiencies resulting from the acquisitions of Orionstone and Andy's leaves the Company well placed to continue providing customers with innovative equipment rental and technology solutions. The acquisitions are expected to generate significant cost synergies and substantially reduce Emeco's capital expenditure requirements going forward.

The acquisition of Andy's and Orionstone is compelling due to the following:

- Increased fleet capabilities and refreshed fleet age, improving the Combined Group's capability to create project opportunities
- Both Orionstone and Andy's have valuable expertise in the rental space and deep customer relationships
- The Combined Group is expected to generate significant cost synergies and capital expenditure saving.

(d) **Well positioned for long term growth**

The acquisition of Andy's and Orionstone provides:

- diversified geographic and end market exposure;
- the potential for significant value creation potential;
- significant cost and capital expenditure synergies;
- improved financial capacity to achieve growth and capitalise on any market recovery; and
- cash generation expected to continue to de-lever balance sheet with A$42m cash flow after financing costs forecast for FY18.

(e) **The Directors unanimously recommend that you vote in favour of the Transaction Resolutions, in the absence of a superior proposal**

The Directors acknowledge the merits of the Transaction which has the potential to create significant value for Emeco Shareholders and also to provide benefits for customers of the Combined Group, such as access to additional products and services. For the reasons set out in this Explanatory Memorandum, the Directors unanimously recommend that Emeco Shareholders vote in favour of the Transaction Resolutions.

While the Directors acknowledge that there may be reasons to vote against the Transaction Resolutions, they believe the advantages of the Transaction outweigh the disadvantages. In reaching their recommendation, the Directors have, among other things:

- assessed the Transaction having regard to Emeco's prospects if the Transaction does not proceed;
- assessed the strategic fit between the Company, Andy's and Orionstone;
- obtained advice from Emeco's financial advisers; and
- considered the Independent Expert's conclusion.

The Directors intend to cause any Shares in which they have a Relevant Interest to be voted in favour of the Transaction Resolutions in the absence of a superior proposal.

(f) **The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer**

PPB Corporate Finance Pty Ltd was engaged by the independent directors to prepare an independent expert's report for the Emeco Shareholders in respect of the proposed Transaction.

The Independent Expert reached the following conclusions:

- In the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer, the Transaction is fair and reasonable.
- The Proposed Transaction is in the best interests of shareholders.
- There are compelling reasons for shareholders to approve the Transaction.

The Independent Expert's Report is set out in full in Annexure B of this Explanatory Memorandum. You should read the Independent Expert's Report in its entirety as part of your assessment of the Transaction and before casting your vote in relation to the Transaction Resolutions.

(g) **No superior proposal has emerged since Emeco has entered into the Restructuring Support Agreement**

No superior proposal for Emeco has emerged since Emeco announced that it had entered into the Restructuring Support Agreement on 23 September 2016.

These potential advantages must be considered in light of the potential disadvantages of the Transaction, which are discussed in Section 2.2 below.

Emeco Shareholders are encouraged to obtain independent legal, financial and taxation advice in relation to their own individual circumstances. Emeco Shareholders are not obliged to follow the recommendation of the Directors and may decide to vote against the Transaction Resolutions.

2.2 Reasons not to vote in favour of the Transaction Resolutions

Reasons why Emeco Shareholders may consider voting against the Transaction Resolutions include:

(a) **You may disagree with the Directors' recommendation or the Independent Expert's conclusion**

Notwithstanding the unanimous recommendation of the Directors and the favourable conclusion of the Independent Expert, you may believe that the Transaction is not in your best interests.

Emeco Shareholders are not obliged to follow the unanimous recommendation of the Directors or agree with the Independent Expert's conclusion.

(b) **You may consider that there is the potential for a superior proposal to be made in relation to Emeco in the foreseeable future**

You may believe that there is a possibility that a superior proposal could emerge in the foreseeable future. However, the Directors note that, since the announcement of the Transaction on 23 September 2016, the Directors have not received or become aware of any superior proposal.

If a superior proposal is received prior to the AGM, this will be considered by the Directors in accordance with their fiduciary duties and the Directors will review their recommendation in relation to the Transaction.

The Directors will keep Emeco Shareholders fully informed if any superior proposal emerges before the AGM and advise you of any decision via an announcement to the ASX and notification on Emeco's website.

(c) **Your proportional holding in the Company will be diluted**

As a result of the New Shares to be issued pursuant to the Transaction, existing Emeco Shareholders are likely to hold low percentages of the Shares immediately following implementation of the Transaction, compared to the estimated holdings of the largest Shareholders who will receive New Shares as consideration under the Transaction. In aggregate, existing Emeco Shareholders will hold approximately 27.5% of the ordinary shares of the Combined Group excluding the effects of the Rights Offer after the Transaction. The two largest existing Emeco Shareholders, First Samuel and Black Crane, have agreed to underwrite 50% of the Rights Offer, which could potentially result in First Samuel and Black Crane obtaining a higher proportion of Shares depending on the level of participation from existing Emeco Shareholders in the Rights Offer. There are risks and protections associated with being a minority shareholder in an Australian public company.

(d) **The Transaction may trigger termination rights under contracts entered into for the Company's business**

There may be some counterparties to contracts with the Company or any of its subsidiaries who have rights to terminate those contracts as a result of the implementation of the Transaction. For example, the Company has 17 material customers who have a right to terminate their contract with the Company if the Emeco Noteholders' Scheme is implemented, as a result of the Emeco Noteholders' Scheme falling within the definition of "insolvency event" in the contract, or the customer having the right to terminate the contract for convenience. A similar risk extends to two of the Company's suppliers and one of its financiers. To the extent possible, the Company has discussed the rationale and impact of the Transaction with the relevant counterparty to mitigate this risk and sought confirmation where possible that they will not exercise their termination rights in respect of the contracts. To date, the Company has not received any indication that any counterparties will exercise such termination rights as a result of implementation of the Transaction.

These potential disadvantages must be considered in light of the potential advantages of the Transaction, which are discussed in Section 2.1 above.

3. Information on Orionstone

If the Transaction proceeds, then existing Emeco Shareholders will be shareholders in the Combined Group, which will include Orionstone as a wholly owned subsidiary of the Company. This Section provides information about Orionstone and its operations.

3.1 Overview

Orionstone, based in Mackay, Queensland, is a privately owned heavy earthmoving equipment supplier in Australia, with a fleet of over 300 assets located across the country. Orionstone has operations in Queensland, Western Australia and New South Wales.

Orionstone's customers produce commodities, including copper, gold, metallurgical coal, thermal coal, manganese and aluminium. Customers are primarily miners and contractors to the mining industry, including Rio Tinto, Glencore Xstrata, Chinova Resources, BHP Mitsubishi Alliance, HSE Group and Downer EDI. Orionstone also services the infrastructure and oil and gas industries.

Orionstone provides a variety of key services to its customers for which it generates revenue and earnings, including rental hire, mining project services and maintenance/operational support services. It also periodically generates revenue from the sale of equipment. Orionstone's cost base principally comprises parts, labour and tooling associated with maintaining earthmoving equipment and providing Orionstone's services. Its capital expenditure primarily consists of the purchase of equipment and replacement of major components over the life cycle of assets owned by Orionstone.

The business operates a fleet base of dump trucks, dozers, loaders, water carts, graders, excavators and other pieces of equipment with an average age of less than 15,500 hours and an approximate fair market value of A$94 million. The fleet is primarily comprised of several respected brands including Caterpillar, Hitachi and Komatsu and is deployed across customers, regions and industries to align with demand.

3.2 Business operations

Orionstone has several key service offerings, described below.

(a) **Rental**

Orionstone's core business is the rental of new and used heavy earthmoving equipment. The company provides customers with individual machines or equipment packages to service short, medium or long term needs on a "dry hire basis" where the customer provides the equipment operator, fuel, tyres and other items subject to wear. The rental business has been a service offered by Orionstone since its establishment. Equipment rental is relevant across the mining cycle, including in an environment where customers are seeking to manage costs, enabling customers with a means to better manage their cash flow, capital expenditure and balance sheets.

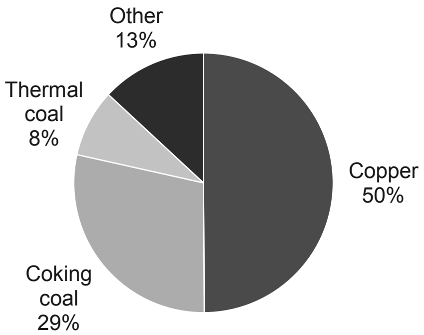
(b) **Maintenance and operational support services**

Orionstone also provides maintenance and operational support services. Maintenance services includes the provision of repair, equipment refurbishment and maintenance services to support the Orionstone rental fleet in addition to performing major maintenance on customer machines. Operational support services relate to the mobilisation and demobilisation of equipment (i.e. the transportation and lifting of equipment and components). Both these support services are usually provided in conjunction with dry hire rental services to customers.

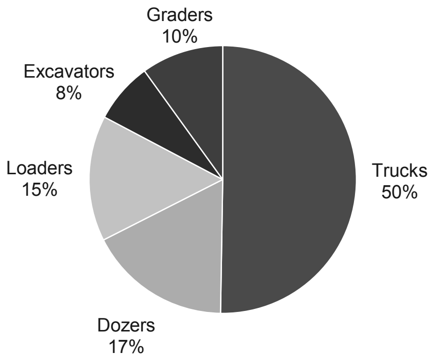
(c) **Equipment sales**

Orionstone routinely sells equipment as part of its ongoing fleet management efforts, which are designed to adjust the size and composition of the rental fleet to adapt to changing customer demands. Orionstone seeks to optimise the timing of equipment sales by taking into consideration future maintenance costs, rental demand patterns and re-sale prices.

Estimated revenue by commodity (FY16)

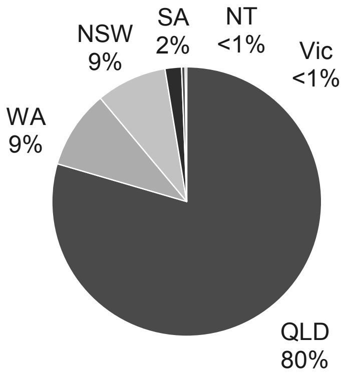


Fleet composition by asset class (FY16)



Note: Excludes other equipment which is fully described below.

Revenue by geography (FY16) (excluding non-rental revenue)



(d) **Equipment fleet**

Orionstone has a fleet by type of equipment that serves the mining sector and is primarily located in Queensland. Orionstone's fleet is currently comprised of:

(i) 96 trucks between 50 tonne and 240 tonne;

(ii) 33 dozers between 35 tonne and 150 tonne;

(iii) 29 loaders between 150 kW and 1200 kW;

(iv) 14 excavators between 20 tonne and 200 tonne; and

(v) 19 graders between 120 kW and 200 kW.

In addition, Orionstone has other auxiliary equipment including water carts (10 machines), scrapers (three machines), vehicles (55 machines), service trucks (seven machines), light towers (22 machines) and trailers, material handling and compaction equipment (eight machines) and articulated dump trucks 20 – 40 tonnes (four machines).

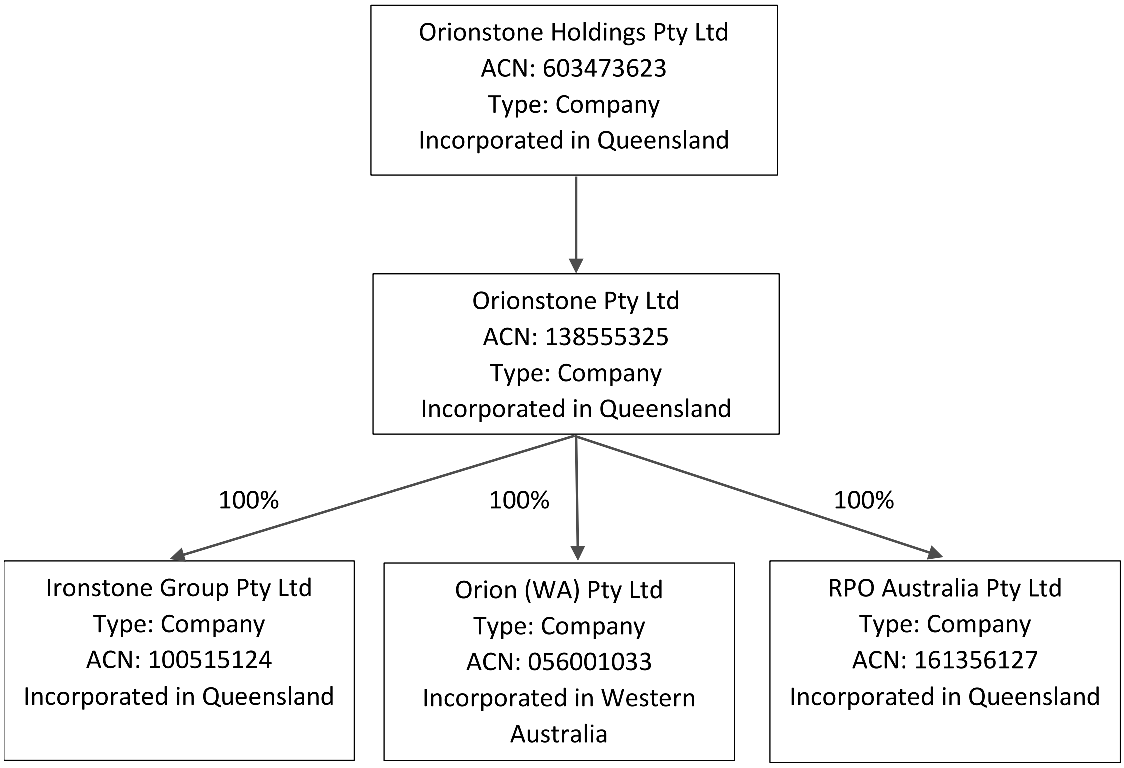
Orionstone's fleet is primarily located in Queensland where it has 156 machines with 20 machines, 55 machines and one machine in New South Wales, Western Australia and South Australia respectively. A number of machines (68) are moved between locations in different States. The fleet has an estimated fair market value of approximately $94.1 million and has an average age of approximately 15,454 hours as at 30 June 2016.

3.3 Board

The Orionstone Board consists of the following people:

Rupert Harrington	Non-executive Chairman
Ashley Fraser	Executive Director
Symon Vegter	Non-executive Director
Richard Harding	Non-executive Director

3.4 Corporate and capital structure



The issued capital of each company is as follows:

- Orionstone Holdings Pty Ltd – 309,000 fully paid B Class shares and 179,322,112 fully paid ordinary shares
- Orionstone Pty Ltd – 309,000 fully paid B Class shares and 179,322,112 fully paid ordinary shares
- Ironstone Group Pty Ltd – 10,000 fully paid ordinary shares
- Orion (WA) Pty Ltd – 2 fully paid ordinary shares
- RPO Australia Pty Ltd – 1 fully paid ordinary share

3.5 Historical financial information

The historical financial information in this Section has been derived from Orionstone's unaudited financial statements for the financial years ended 30 June 2015 and 30 June 2016. The historical financial information in this Section is a summary only and does not contain all the disclosures provided in an annual report in accordance with the Corporations Act.

(a) **Consolidated statement of profit or loss and other comprehensive**

Orionstone's consolidated statement of profit and loss for FY16 (unaudited) and FY15 (unaudited) is set out below.

	2016 $'000	2015 $'000
Equipment rental	**54,342**	65,253
Projects & maintenance services	**25,890**	4,315
Sale of rental requipment	**6,313**	13,914
Revenue from operating activities	**86,545**	83,482
Gain / (loss) on sale of other non-current assets	**-**	59
Interest revenue	**59**	189
Other revenue	**971**	77
Expenses	**87,575**	83,807
Cost of rental equipment sold	**(7,574)**	(13,453)
Repairs and maintenance	**(28,049)**	(6,231)
Employee expenses	**(15,258)**	(14,420)
Hire of equipment and labour	**(1,269)**	(1,109)
Finance costs	**(18,403)**	(20,416)
Depreciation, amortisation and impairment charges	**(103,433)**	(39,116)
Other expenses	**(9,130)**	(8,760)
Loss before income tax	**(95,541)**	(19,698)
Income tax benefit	**4,983**	6,114
Loss attributable to members of Orionstone Holdings Pty Ltd	**(90,558)**	(13,584)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Cash flow hedge - effective portion of changes in fair value	**228**	(1,658)
Related tax	**99**	498
Change in recognised deductible temporary differences	**(498)**	-
	(171)	(1,160)
Total comprehensive income attributable to the members of Orionstone Holdings Pty Ltd	**(90,729)**	(14,744)

(b) **Consolidated statement of financial position**

Orionstone's consolidated statement of financial position for FY16 (unaudited) and FY15 (unaudited) is set out below.

	2016 $'000	2015 $'000
Current Assets		
Cash and cash equivalents	**4,283**	8,051
Receivables	**12,785**	13,837
Inventories	**2,902**	3,681
Other assets	**918**	1,214
Current tax asset	**30**	342
Total Current Assets	**20,918**	27,125
Non-Current Assets		
Property, plant and equipment	**171,040**	260,837
Intangible assets	**-**	4,222
Deferred tax assets	**-**	26,571
Other assets	**224**	601
Total Non-Current Assets	**171,264**	292,231
Total Assets	**192,182**	319,356
Current Liabilities		
Payables	**12,655**	11,225
Borrowings	**146,592**	150,516
Provisions	**694**	599
Total Current Liabilities	**159,941**	162,340
Non-Current Liabilities		
Payables	**322**	826
Borrowings	**12,089**	14,588
Provisions	**43**	28
Deferred tax liabilities	**-**	31,058
Total Non-Current Liabilities	**12,454**	46,500
Total Liabilities	**172,395**	208,840
Net Assets	**19,787**	110,516
Equity	**93,079**	93,079
Contributed equity	**(1,331)**	(1,160)
Reserves	**(71,961)**	18,597
(Accumulated losses)/Retained profits	**19,787**	110,516

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

(c) **Consolidated statement of cash flow**

Orionstone's consolidated cash flow statement for FY16 (unaudited) and FY15 (unaudited) is set out below.

	2016 $'000	2015 $'000
Cash flow from Operating Activities		
Cash receipts in the course of operations	**97,449**	91,459
Cash payments in the course of operations	**(64,955)**	(52,771)
Interest received	**59**	189
Finance costs paid	**(18,403)**	(20,416)
Income taxes paid	**311**	(898)
Net cash provided by operating activities	**14,461**	17,563
Cash Flows from Investing Activities		
Payments for property, plant and equipment	**(16,558)**	(22,947)
Proceeds from disposal of property, plant and equipment	**6,313**	13,914
Proceeds from related party loans	**-**	14
Net cash (used in)/provided by investing activities	**(10,245)**	(9,019)
Cash Flows from Financing Activities		
Repayment of borrowings	**(4,000)**	(152,400)
Proceeds from borrowings, net of transaction costs	**1,298**	159,989
Payment of finance lease liabilities	**(5,281)**	(10,062)
Net cash used in financing activities	**(7,984)**	(2,473)
Net increase/(decrease) in cash and cash equivalents	**(3,768)**	6,071
Cash and cash equivalents at the beginning of the financial year	**8,051**	1,980
Cash and cash equivalents at the end of the financial year	**4,283**	8,051

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

4. Information on Andy's

If the Transaction proceeds, then existing Emeco Shareholders will be shareholders in the Combined Group, which will include Andy's as a wholly owned subsidiary of the Company. This Section provides information about Andy's and its operations.

4.1 Overview

Andy's is a privately owned equipment rental business based in Bendigo, Victoria. Andy's was established in 1989 and has since grown its operations to cover mining and civil customers located in South Australia, Victoria, New South Wales, Western Australia and the Northern Territory. Andy's has mining capabilities as well as a proven track record of delivering in large scale civil earthworks projects. The business of Andy's was owned by the Company from 2006 until 2010 when it was sold in order to release capital and refocus the Company on the core mining market.

Andy’s young fleet of 145 machines is complementary to the rental fleets of Orionstone and the Emeco Group and well suited to the continued roll out of the Company's EOS (Emeco Operating System) technology, which will assist with the effective deployment of that fleet as part of the Combined Group's operations. In addition, the bringing together of Andy's and the Company will result in a broader customer base and will allow the Combined Group to avoid certain replacement capital expenditure over the medium term as some of the Company's machines reach end of life.

Andy’s Managing Director and founder, Mr Andy Hoare, will remain with the Combined Group as General Manager – Business Development. Andy has 34 years of industry experience and has deep expertise in managing fully maintained mining operations and large scale earthmoving projects.

4.2 Business and operations

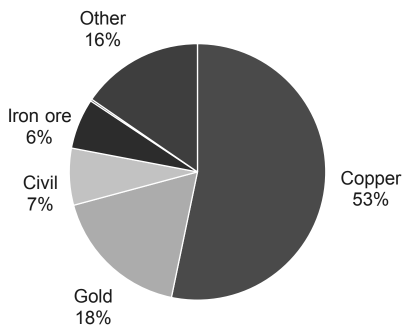
Andy’s generates earnings from three primary revenue streams: equipment rental (which comprises the majority of Andy’s revenue), maintenance services and equipment sales. Equipment rental includes both dry rental hire and wet rental hire, which includes the provision of a machine operator in addition to the equipment itself. Maintenance services involve Andy’s charging rental customers for the servicing of its own fleet or the servicing of a customer’s fleet. Equipment sales involves the sale of equipment when it is no longer required for the rental business or is being replaced by newer equipment.

Operating costs principally comprise parts, labour and tooling associated with maintaining earthmoving equipment. Capital expenditure principally comprises the purchase of equipment and replacement of major components over the asset’s life cycle while owned by Andy’s.

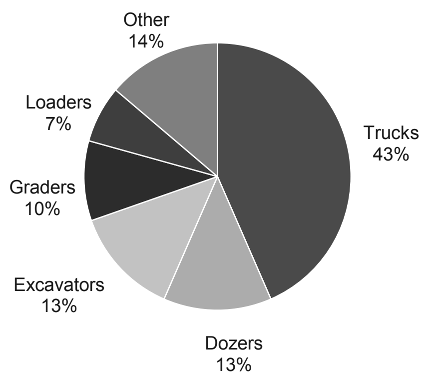
Andy’s has approximately 101 employees, including nine in administration and business development, 52 in rental operations, 33 in maintenance and seven in transport operations.

Andy’s operates in both the mining space, with significant copper, gold and iron ore customers as well as renting its fleet for civil projects.

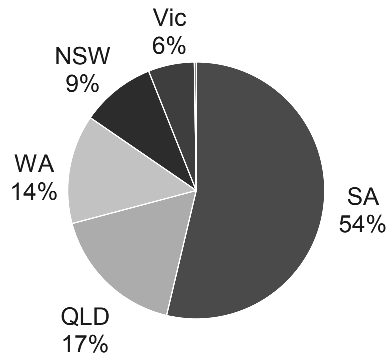
Estimated revenue by commodity (FY16)



Fleet composition by asset class (FY16)



Revenue by geography (FY16) (excluding maintenance, transport and sales revenue



4.3 Equipment fleet

Historically, Andy's fleet largely served the civil construction sector (i.e. its equipment is smaller in size). Since 2010, it has developed the capacity to provide earthmoving equipment to mining businesses by increasing the size of its equipment. Andy's fleet is currently comprised of over 145 machines located across the country including:

- 63 trucks between 50 tonnes and 150 tonnes;
- 19 dozers between 25 tonnes and 100 tonnes;
- 10 loaders between 150 kW and 500 kW;
- 19 excavators between 20 tonnes and 300 tonnes; and
- 14 graders between 120 kW and 200 kW.

The fleet has an estimated fair market value of approximately $72.7 million and has an average age of approximately 10,269 hours.

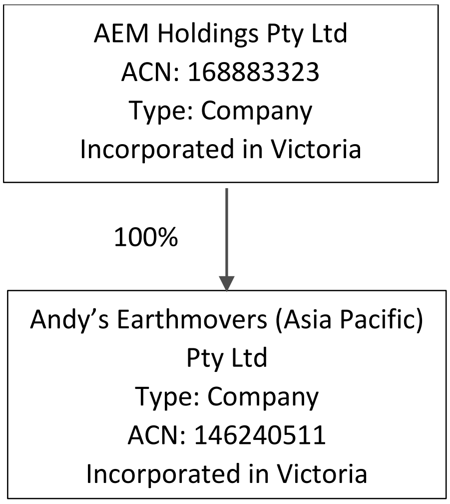
4.4 Board

The Andy's Board consists of the following people:

Andy Hoare	Managing Director
Trevor Sauvarin	Executive Director, sales and procurement
Barry Cook	Executive Director, maintenance

4.5 Corporate and capital structure

As at the date of this Explanatory Memorandum, Andy's had 20 million ordinary shares on issue held by its shareholder AEM Holdings Pty Ltd.



AEM Holdings Pty Ltd is predominantly beneficially owned and controlled by current and former Andy's employees and management.

4.6 Historical financial information

The historical financial information in this Section has been derived from Andy's unaudited financial statements for the financial year ended 30 June 2016. The audit process is currently ongoing.

The historical financial information in this Section is a summary only and does not contain all the disclosures that are usually provided in an annual report in accordance with the Corporations Act.

(a) **Statement of profit and loss**

Andy's statement of profit or loss for FY16 (unaudited) and FY15 is set out below.

A$'000	2016	2015
Rental Revenue	49,752	65,240
Equipment Sales	11,055	6,266
Maintenance Services	3,146	3,820
Total Revenue	**63,953**	**75,326**
Change in machinery and sales	(10,731)	(32,833)
Repairs and maintenance	(12,789)	-
Employee expenses	(5,188)	(6,428)
Hired in equipment and labour	(4,801)	-
Gross profit	**30,444**	**36,065**
Other income	775	2,681
Other expenses	(18,056)	(10,736)
Depreciation & amortisation expense	(15,781)	(15,245)
Finance income	-	133
Finance expense	(6,736)	(6,956)
Profit before tax	**(9,354)**	**5,941**
Tax benefit/(expense)	2,624	(1,778)
Net profit after tax	**(6,729)**	**4,163**

(b) **Statement of financial position**

Andy's statement of financial position for FY16 (unaudited) and FY15 is set out below.

A$'000	2016	2015
Assets		
Current assets		
Cash and cash equivalents	392	1,962
Trade and other receivables	16,085	20,187
Inventories	5,085	5,747
Freehold land and buildings held for sale	-	1,241
Other current assets	1,287	1,040
Current tax asset	-	865
Total current assets	**22,849**	**31,042**
Non-current assets		
Trade and other receivables	5,297	177
Property, plant and equipment	98,209	116,459
Deferred tax assets	-	417
Other non-current assets	93	-
Total non-current assets	**103,599**	**117,053**
Total assets	**126,448**	**148,095**
Liabilities		
Current liabilities		
Trade and other payables	5,776	5,809
Borrowings	83,904	95,406
Provisions	978	1,126
Other current liabilities	4,844	-
Total current liabilities	**95,502**	**102,341**
Non-current liabilities		
Borrowings	4,956	5,929
Deferred tax liabilities	-	7,058
Provisions	101	147
Total non-current liabilities	5,057	13,134
Total liabilities	**100,559**	**115,475**
Net assets	**25,889**	**32,620**
Equity		
Issued capital	5,000	5,000
Retained earnings	20,889	27,620
Total equity	**25,889**	**32,620**

(c) **Statement of cash flow**

Andy’s cash flow statement for FY16 (unaudited) and FY15 is set out below.

A$’000	2016	2015
Cash flows from operating activities		
Receipts from customers	61,275	75,644
Payments to suppliers and employees	(49,341)	(52,331)
Interest received	60	133
Finance costs	(6,624)	(6,956)
Income tax paid	756	(690)
GST paid	529	-
Net cash provided by operating activities	**6,654**	**15,800**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	6,208
(Repayment)/advances from related parties	-	(627)
Purchase of property, plant and equipment	2,772	(10,721)
(Repayment)/advances from related parties	-	-
Net cash used in investing activities	**2,772**	**(5,140)**
Cash flows from financing activities		
Proceeds from borrowings	(10,997)	20,107
Repayment of borrowings	-	(30,425)
Dividends paid	-	-
Net cash provided by / (used in) financing activities	**(10,997)**	**(10,318)**
Net increase / (decrease) in cash held	**(1,571)**	**341**
Cash at beginning of financial year	1,962	1,621
Cash at end of financial year	**392**	**1,962**

(d) **Material changes in financial position since last accounts published**

There have been material changes to Andy’s financial position due to the signing of the Restructuring Support Agreement, associated impacts of the Transaction and the sale of some equipment under agreements with Andy’s creditors.

4.7 Strategy and outlook

Andy’s continues to service its key customers and has a successful strategy of understanding customer needs, assisting in the development of projects and assisting customer planning ahead of upcoming tenders that Andy's hopes to participate in.

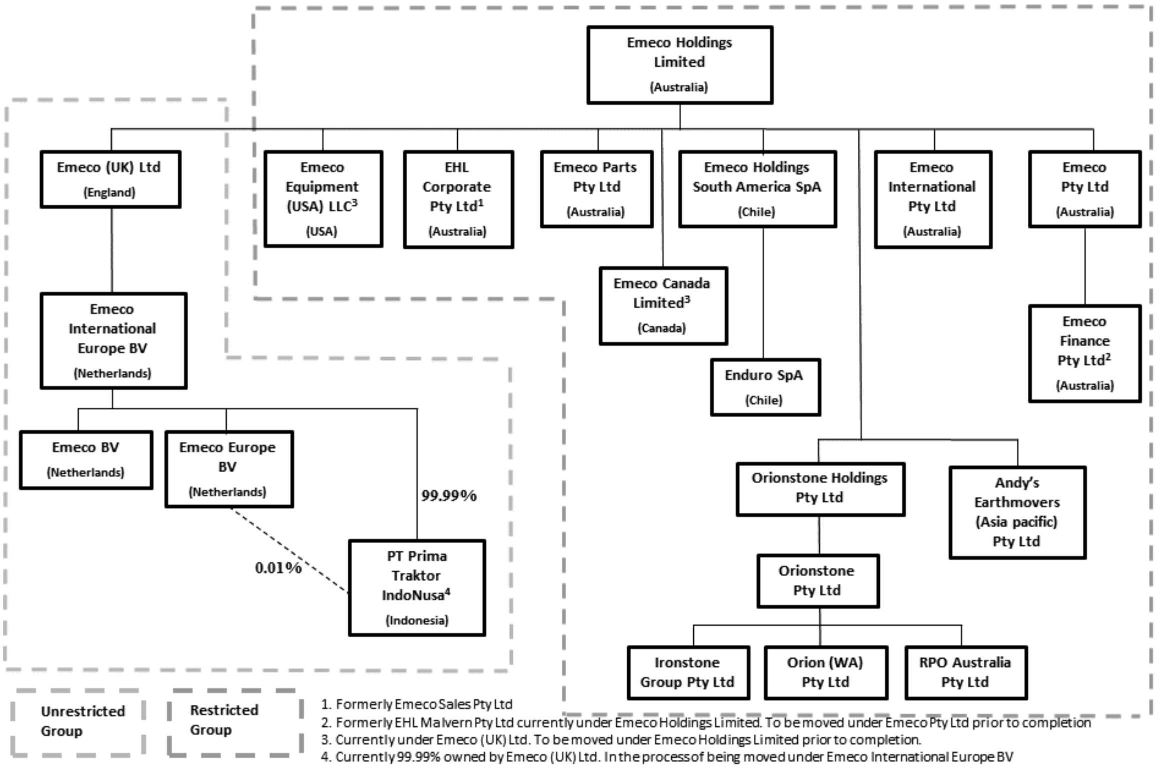
Andy's has generated significant business from government contracts on civil projects and continues to target land developments, road infrastructure and energy projects (particularly renewable energy projects such as wind farms).

Andy's has a strong pipeline of potential projects, particularly in the civil space and on mining projects where Andy's has a strong relationship with the miner and has been involved in development of the mine plan

5. Profile of the Combined Group

5.1 Profile of the Combined Group

If the Transaction is implemented, Emeco will remain listed on the ASX and will become the ultimate holding company of Orionstone and Andy’s. The following diagram reflects the proposed corporate structure of the Combined Group if the Transaction is implemented.



The vision for the Combined Group is to become a stronger, more efficient and more competitive equipment rental provider with a sustainable capital structure for the long term with reduced leverage, improved interest coverage and extended maturity.

The brand of the Combined Group is expected to be reviewed to reflect the strategy of the business, operational excellence and innovation in line with existing strategy which will be fast tracked through the merger.

Pro forma FY16 EBITDA generated by the Combined Group was A$87.0 million, and pro forma FY16 Adjusted EBITDA generated by the Combined Group was approximately A$110.4 million[1]. The Combined Group will have approximately 800 machines in its rental fleet, with an estimated fair market value as at 30 June 2016 of approximately A$434.1 million reflecting prevailing market conditions.

1 Pro forma FY16 Adjusted EBITDA is calculated as (i) the actual FY16 Adjusted EBITDA for each company, adjusted for certain extraordinary items, of A$95.4 million, plus (ii) an annualised run rate cost synergy of A$15.0 million.

The Combined Group is expected to have approximately A$490 million of gross debt on completion, significantly reducing the Company's leverage, which is expected to be 4.4x pro forma FY16 Adjusted EBITDA, down from 7.2x pre-Transaction, with further deleveraging expected over time assisted by significant capital expenditure savings.

5.2 Key benefits and rationale

The Combined Group is expected to be a stronger, lower cost and more competitive equipment rental company focused on reliably serving customers and developing innovative solutions.

Emeco believes that there are considerable potential strategic and financial benefits of the Transaction. Potential benefits of the Transaction include:

- increased fleet capabilities and refreshed fleet age, improving the Combined Group's capability to create project opportunities;
- both Orionstone and Andy's have valuable expertise in the rental space and deep customer relationships which can benefit the Combined Group as a whole;
- the Combined Group is expected to generate significant cost synergies and capital expenditure savings (see further information under "Company's post-combination intentions" in Section 5.6); and
- enhanced geographic and end market exposure.

5.3 Board and senior management

The Combined Group's executive team will be led by the Company's CEO and Managing Director, Ian Testrow. Orionstone's CEO, Ashley Fraser, and Andy's Managing Director, Andy Hoare, will be instrumental in the future of the Combined Group.

The Combined Group's board composition will reflect the Company's shareholder base upon completion of the Transaction and will consist of five directors:

- Peter Richards will continue as Chairman;
- Ian Testrow will continue as Chief Executive Officer and Managing Director; and
- three members which will be selected by Emeco Noteholders and Orionstone creditors.

5.4 Ownership and capital structure of the Combined Group

As part of the Transaction, the Company will issue New Shares to:

- existing Shareholders (under the Rights Offer or if that Shareholder is also an Emeco Noteholder who participates in the Emeco Noteholders' Scheme);
- Emeco Noteholders;
- Orionstone Shareholders;
- Orionstone Creditors;
- the Andy's Shareholder; and
- Andy's Creditors.

Set out below is the indicative post-Transaction shareholdings before the Management Incentive Plan is provided below:

	Shares (millions)	%
Existing Shareholders	600	25%
Participants in the partially underwritten Rights Offer	237	Up to 10%[2]
Electing Emeco Noteholders and Scheme Cash Funders	821	34%
Orionstone Shareholders	167	7%
Orionstone Creditors	333	14%
Andy's Shareholder	110	5%
Andy's Creditors	150	6%
Total	**2,419**	**100%**

The table above assumes no principal debt repayments between Commencement Date, and the Calculation Date, and assumes no Excess Cash is contributed by Orionstone and Andy’s. The Company is assumed to have Excess Cash of A$17.3 million on the Calculation Date. The table above also assumes full participation in the A$20 million Rights Offer.

5.5 Management Incentive plan

The Company will establish a Management Incentive Plan effective on or around the Completion Date and agree that 10% of the fully diluted equity of the Combined Group will be reserved for the Management Incentive Plan, up to 50% of this amount allocated to Ian Testrow.

5.6 Company's post-combination intentions

This Section sets out the present intentions of the Company in relation to Orionstone and Andy’s business, assets, operations and employees, in each case if the Transaction is implemented.

The intentions set out in this Section have been formed on the basis of facts and information concerning the Combined Group, its business, and the general business environment, which are known to the Company as at the date of this Explanatory Memorandum.

Final decisions regarding the matters set out below will only be made by the Company, following implementation of the Transaction after gaining a better understanding of Orionstone and Andy’s businesses and having regard to circumstances at the relevant time.

[2] If fully subscribed, New Shares issued in connection to the Rights Offer are expected to be less than or equal to approximately 10% of total Shares on issue, before the Management Incentive Plan.

Accordingly, it is important to recognise that the statements set out in this Section are statements of current intentions only, which may change as new information becomes available or circumstances change.

(a) **General review of Orionstone's and Andy's businesses**

If the Transaction is implemented, the Company intends to work quickly to integrate the businesses of Orionstone and Andy's, whilst continuing to operate these businesses. The Company's ability to do so will be reliant on the Company first gaining a better understanding of Orionstone's and Andy's businesses and processes.

(b) **Business integration**

The Company has formed a joint integration committee with Orionstone and Andy's and is conducting a review of Orionstone's and Andy's operations and assets covering strategic, financial and operational matters.

That review will continue after implementation of the Transaction and will give the Company a better understanding of Orionstone and Andy's businesses and therefore assist in the integration process and enable the Company to identify areas in which the Combined Group's businesses may be enhanced.

While the Company does not have any specific intentions in relation to the outcomes of the review, it may identify areas to optimise savings and identify other opportunities to improve the Combined Group's business. In addition, the Company notes that the existing businesses of the Company, Orionstone and Andy's are complementary and share some common requirements in terms of operations. Accordingly, it is expected that the process of integrating the three businesses will result in some changes to the Company's, Orionstone's and Andy's businesses but the nature and extent of such changes will depend on the outcome of the review described above.

The Company anticipates that the review is likely to be substantially completed within approximately six months of the Transaction being implemented.

Other than as set out above, the Company has no current intention to make major changes to the Orionstone and Andy's businesses. However, any final decisions in this regard will be made as part of the review referred to above.

(c) **Synergies**

In addition to revenue opportunities and capital expenditure synergies, the Combined Group is expected to generate gross cost synergies of A$15 million on a pro forma annualised basis in FY18 excluding one-off integration costs. An overview of synergies is provided below.

(i) Revenue opportunities

(A) Enhanced fleet capability better placed to serve customers positioned capture benefits of any market recovery.

(B) Significant opportunity to roll out the Company's EOS technology across the Combined Group's fleet and broader customer base.

(C) Enhanced management expertise and innovative product offering to widen customer value proposition and create new projects.

(ii) Overhead and cost reductions

(A) Focus on operational excellence to further reduce operating costs by standardising best practices across the Combined Group.

(B) Synergies are expected to be generated by:

(1) Removal of duplicate sites and operational overlap.

(2) Consolidating the Combined Group's employee base.

(3) Head office and shared services savings.

(4) Reduced repairs and maintenance expense through operational excellence initiatives.

(iii) Capital expenditure savings

Combined Group capital expenditure is expected to be materially reduced through:

(A) disposals of underutilised or idle fleet (fleet rationalisation); and

(B) savings of replacement capital expenditure (fleet optimisation) by using machines in the fleet to reduce the need for replacement machine purchases in the future.

There is a risk that synergies may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. Further detail regarding these risks is in Section 6.

(d) **Employees**

The Company will evaluate the future staffing requirements of the Combined Group as part of the integration process.

Subject to the outcomes of that process and review, some staffing requirements in Orionstone, Andy's and the Company may change, be reduced or be increased, however the Company will endeavour to minimise any disruption to Orionstone, Andy's and its employees.

The Company believes that the Transaction should offer benefits for Orionstone and Andy's employees by bringing together the businesses of three companies with the potential to create growth opportunities across the Combined Group.

5.7 Pro forma historical financial information

The pro forma historical financial information included in this Explanatory Memorandum is provided for illustrative purposes and, with the exception of matters noted in pro forma adjustments, has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The pro forma historical financial information is presented in an abbreviated form and does not include all of the disclosures, statements and comparative information required by the Australian Accounting Standards as they are applicable to annual financial reports prepared in accordance with the Corporations Act.

Due to the nature of pro forma information, the pro forma historical financial information is not represented as being indicative of the future financial performance or future financial position.

Forecast financial information

The Directors have given careful consideration as to whether or not a reasonable basis exists to prepare reliable and meaningful forecast financial information in relation to the Combined Group, other than the information about the Combined Group set out in this Explanatory Memorandum. The Emeco Board concluded that a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable to be of value to the Shareholders.

Historical and pro forma historical financial information

The pro forma historical financial information set out in this Section has been prepared from the following sources:

(a) for the Company, figures derived from the audited consolidated statement of profit or loss for the twelve month period ended 30 June 2016;

(b) for Orionstone, figures derived from the unaudited consolidated statement of profit or loss for the twelve month period ended 30 June 2016; and

(c) for Andy's, figures derived from the unaudited consolidated statement of profit or loss for the twelve month period ended 30 June 2016;

(together the **Combined Group unaudited pro forma statement of profit or loss**), and

(d) for the Company, figures derived from the audited consolidated statement of financial position as at 30 June 2016;

(e) for Orionstone, figures derived from the unaudited consolidated statement of financial position as at 30 June 2016;

(f) for Andy's, figures derived from the unaudited consolidated statement of financial position as at 30 June 2016 and

(g) other supplementary information as was considered necessary to reflect the pro forma adjustments (discussed below),

(together the **Combined Group unaudited pro forma statement of financial position**), (being collectively, the **Combined Group unaudited pro forma historical financial information**).

The Directors are responsible for the preparation and presentation of the Combined Group unaudited pro forma historical financial information.

The Combined Group unaudited pro forma historical financial information in this Section should also be read in conjunction with the risks set out in Section 6, the other information included in this Explanatory Memorandum, and also the accounting policies of Emeco as disclosed in its most recent annual financial report for the year ended 30 June 2016.

Emeco management has accounted for the acquisition of Orionstone and Andy's on a preliminary basis and has not had an opportunity to fully assess the fair value of the identifiable assets and liabilities of Orionstone and Andy's, and therefore the final purchase price allocations may change when the accounting has been finalised in accordance with AASB3 “Business Combinations” (**AASB 3**).

Given the nature of businesses acquired, the Directors do not expect any material goodwill and or intangibles will be recognised and believe any difference between the net assets and the consideration paid is likely to be attributable to the fair market value of the property, plant and equipment purchased.

Deloitte Corporate Finance Pty Limited has prepared and takes responsibility for the investigating accountant’s report in relation to the Combined Group unaudited pro forma historical financial information which has been included at Annexure F and all references to that information. Emeco Shareholders should consider the comments made in relation to the scope and limitations of that report.

The Combined Group unaudited pro forma historical financial information has been derived to provide Emeco Shareholders with an illustrative historical statement of profit or loss and historical statement of financial position of the Combined Group if the Emeco Noteholders' Scheme was Implemented at 30 June 2016.

The Combined Group unaudited pro forma historical financial information is not intended to reflect the financial performance or the financial position that would have actually resulted had the Emeco Noteholders' Scheme been completed on the dates indicated, or the results that may be obtained in the future.

If the Transaction had occurred in the past, the Combined Group’s financial performance and financial position would likely have been different from that presented in the Combined Group unaudited pro forma historical financial information.

Due to the nature of pro forma information, it may not give a true picture of the Combined Group’s historical financial performance and financial position. The Combined Group unaudited pro forma historical financial information is not represented as being indicative of Emeco’s view on its future financial performance or future financial position.

(a) **Basis of preparation**

The Combined Group unaudited pro forma historical financial information is provided for illustrative purposes and, with the exception of matters noted in Pro forma adjustments below, has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards.

The Combined Group unaudited pro forma historical financial information is presented in an abbreviated form and does not include all of the disclosures, statements and comparative information required by the Australian Accounting Standards as they are applicable to annual financial reports prepared in accordance with the Corporations Act.

The Combined Group unaudited pro forma statement of profit or loss and the Combined Group unaudited pro forma statement of financial position have been compiled by Emeco to illustrate the impact of the Emeco Noteholders' Scheme on Emeco’s financial performance and financial position for the Illustrative year ended 30 June 2016 as if the Emeco Noteholders' Scheme had taken place on 1 July 2015 for the purposes of the statement of profit or loss and 30 June 2016 for the purposes of the statement of financial position.

(b) **Pro forma adjustments**

The Combined Group unaudited pro forma historical financial information has been prepared for illustrative purposes only, to show the impact of the following:

(i) acquisition of 100% of the shares of Orionstone and Andy's by Emeco and preliminary assessment of purchase price accounting;

(ii) the extinguishment and refinancing of the debt outstanding under the Emeco Notes and Orionstone and Andy's finance documents.

(iii) new equity of $20 million and associated capital raising costs by Emeco; and

(iv) reversal of the close out of swap hedge instruments and the repurchase of debt.

(c) **Consistency of accounting policies**

In preparing the Combined Group unaudited pro forma historical financial information, the Company has undertaken a review to identify accounting policy differences where the impact was potentially material to the Combined Group and could be reliably estimated. No such material differences have been identified by the Company, however further accounting policy differences may be identified after the Implementation of the Transaction.

(d) **Combined Group unaudited pro forma statement of profit or loss**

Set out below is the Combined Group's unaudited pro forma profit and loss for the year ended 30 June 2016.

	Emeco $'000	Orionstone $'000	Andy's $'000	Combined unaudited pro forma $'000	Pro forma adjustments $'000	Total $'000
Rental Revenue	177,744	54,342	49,752	281,838	-	281,838
Equipment sales	5,472	6,313	11,055	22,840	-	22,840
Maintenance services	23,348	25,890	3,146	52,384	-	52,384
	206,564	86,545	63,953	357,062	-	357,062
Changes in machinery and parts	(8,921)	(7,574)	(10,731)	(27,226)	-	(27,226)
Repairs and Maintenance	(70,967)	(28,049)	(12,789)	(111,805)	-	(111,805)
Employee Expenses	(33,995)	(15,258)	(5,188)	(54,441)	-	(54,441)
Hired in Equipment and labour	(21,102)	(1,269)	(4,801)	(27,172)	-	(27,172)
Gross Profit	71,579	34,395	30,444	136,418	-	136,418
Other Income	1,791	971	775	3,537	-	3,537
Other Expenses	(25,770)	(9,130)	(18,055)	(52,955)	-	(52,955)
EBITDA	**47,600**	**26,236**	**13,164**	**87,000**	**-**	**87,000**
Impairment of non-current assets	(179,609)	(73,064)	-	(252,673)	-	(252,673)
Depreciation & amortisation expense	(69,342)	(30,369)	(15,781)	(115,492)	-	(115,492)
Finance Income (inc. FX Gain/Loss)	37,343	59	-	37,402	(28,612)	8,790
Finance Costs	(55,455)	(18,403)	(6,736)	(80,594)	32,125	(48,469)
Loss before tax	**(219,463)**	**(95,541)**	**(9,353)**	**(324,357)**	**3,513**	**(320,844)**
Tax benefit/(expense)	(5,926)	4,983	2,624	1,681	-	1,681
Net loss after tax	**(225,389)**	**(90,558)**	**(6,729)**	**(322,676)**	**3,513**	**(319,163)**

Notes to the Combined Group unaudited pro forma statement of profit or loss

The Combined Group unaudited pro forma statement of profit or loss has been presented as the aggregation of the historic statements of profit and loss for the Company, Orionstone and Andy's. The following pro forma adjustments have been included in the Combined Group unaudited pro forma statement of profit or loss as if the Emeco Noteholders' Scheme had occurred on 1 July 2015.

(i) **Finance Costs**

For the purpose of preparing the Combined Group unaudited pro forma statement of profit or loss interest expense of $32.9 million resulting in $48.5 million of interest charges which is made up of $43.7 million of interest charges that would have been incurred had the Scheme been in place from 1 July 2015 as well as the unwind of capitalised borrowing costs in the amount of $4.0 million and a further $0.8 million of interest charges related to existing finance leases.

The pro forma assumes an interest rate of 9.25% and Tranche B Notes with a face value of $472 million. The amount of interest could change depending on the final value of the Tranche B Notes issued and any hedging arrangements entered into.

(ii) **Finance Income (including foreign exchange gains and losses)**

Swap close out

Subsequent to 30 June 2016, Emeco has closed out interest rate swaps recorded at $18.9 million at 30 June 2016. The pro forma adjustment reflects a loss of $3.1 million on the derecognition of the derivative swap asset.

Repurchased Debt

During the year ended 30 June 2016, Emeco closed out certain interest rate swaps for A$48.2 million which was recognised as a gain on derivatives sold. The funds were used to purchase US$52.8 million face value of bonds for US$29.8 million resulting in a A$31.6 million gain on purchase. The close out of the swaps also resulted in the unwinding of the FX loss on the previously hedged notes of $42.1 million. The pro forma adjustment reflects the reversal of the net gain of $37.2 million.

Gain on debt forgiveness

Under the proposed Transaction total debt of $591.8 million is expected to be extinguished in exchange for the issue of new debt in the form of $472.0 million of Tranche B Notes and 1,337.8 million New Shares at $0.065 per share resulting in a gain on debt forgiveness of $32.8 million. If the actual share price or number of shares issued is different on the date of issue, the gain on debt forgiveness will change.

Transaction costs

Capitalised Transaction costs associated with the existing debt of $12.4 million have been written off. A further $8.7 million of transaction costs associated with the new debt facility have been written off, with the balance of the transaction costs ($20.3 million) being capitalised and amortised over the 5 year life of the debt. Total Transaction costs are expected to be $28.9 million, however the final amount may differ on completion.

Transactions not included in the Combined Group unaudited pro forma statement of profit or loss

The Combined Group unaudited pro forma statement of profit or loss does not include the following:

- the forecast reduction in operating costs as a result of the potential synergies generated by the Combined Group
- Tax, depreciation and amortisation: until such time as the acquisition accounting can be finalised and the formation of a tax consolidated group can be considered, the resulting tax consequences cannot be reliably determined and therefore no pro forma adjustments have been made to tax

Similarly, until such time as the acquisition accounting can be finalised and the assessment of the fair value of net assets acquired, the identification of intangible assets or resultant goodwill can't be completed. Accordingly, the change in depreciation expense that would result once fair values are attributed to individual items of property, plant and equipment and any additional amortisation charges resulting from finalised intangible asset values cannot be reliably determined.

(e) **Combined Group unaudited pro forma statement of financial position**

The Combined Group's unaudited pro forma statement of financial position is set out below.

	Emeco 30 June 2016	Andy's acquisition $'000	Orionstone acquisition $'000	Debt refinancing and capital raising $'000	Swap close out $'000	Combined Group unaudited pro forma $'000
Current Assets						
Cash assets	24,854	392	4,283	(9,126)	15,350	35,753
Trade Receivables	37,734	5,904	8,286	-	-	51,924
Derivative financial instruments	6,315	-	-	-	(6,315)	-
Inventories	5,333	5,086	2,902	-	-	13,321
Other current assets	1,832	1,279	3,596	-	-	6,707
Assets held for sale	30,728	-	-	-	-	30,728
Total Current Assets	106,796	12,661	19,067	(9,126)	9,035	138,433
Non-Current Assets						
Trade and other receivables	6,234	-	224	-	-	6,458
Derivative financial instruments	12,629	-	-	-	(12,629)	-
Intangibles and goodwill	2,344	-	-	-	-	2,344
Property, Plant & Equipmetn	280,182	84,289	155,162	-	-	519,633
Deferred Tax	19,507	-	-	-	148	19,655
Total Non-Current Assets	320,896	84,289	155,386	-	(12,481)	548,090
Total Assets	427,692	96,950	174,453	(9,126)	(3,446)	686,523
Current Liabilites						
Trade and other payables	38,035	6,604	11,646	-	-	56,285
Liabilities directly assoicated with assets classified as held for sale	883	-	-	-	-	883
Tax liabilities	-	4,016	-	-	-	4,016
Interest bearing liaibilities	4,579	72,649	2,602	(65,649)	-	14,181
Provisions	3,469	979	694	-	-	5,142
Total current liabilities	46,966	84,248	14,942	(65,649)	-	80,507
Non-current liabilities						
Interest bearing liabilities	373,239	5,107	148,198	(61,948)	-	464,596
Provisions	1,490	101	43	-	-	1,634
Total non-current liabilities	374,729	5,208	148,241	(61,948)	-	466,230
Total liabilities	421,695	89,456	163,183	(127,597)	-	546,737
Net assets	5,997	7,494	11,270	118,471	(3,446)	139,786
Equity						
Share capital	593,616	7,494	11,270	106,756	-	719,135
Reserves	12,505	-	-	-	(345)	12,160
Accumulated losses	(600,124)	-	-	11,716	(3,101)	(591,509)
Total Equity	5,997	7,494	11,270	118,471 -	3,446	139,786

Notes to the Combined Group unaudited pro forma statement of financial position

The following pro forma adjustments have been included in the Combined Group unaudited pro forma statement of financial position as if the Scheme had occurred on 30 June 2016.

(i) Acquisition of Orionstone and Andy's

The Combined Group unaudited pro forma statement of financial position has been prepared on a preliminary basis and presented using acquisition accounting principles as required by AASB 3. This standard requires that all identifiable assets (including intangible assets and deferred tax balances) and liabilities that meet certain recognition criteria should be recognised in the Combined Group unaudited pro forma statement of financial position at fair value at the date of acquisition.

Consideration paid for acquisition

The Company is expected to issue Shares for the acquisition of Orionstone and Andy's. A Share price of 6.5 cents has been assumed based on the average weighted price of Shares for the period 5 October 2016 to 11 October 2016. This gives rise to an acquisition price of $11.270 million for Orionstone and $7.494 million for Andy's. When the acquisition accounting is finalised, the Share price is likely to change to reflect the Company's Share price on the day the Transaction completes and the Shares are issued with a resultant change in the acquisition price paid for Orionstone and Andy's. Depending on the determination of the Equity Exchange value under the requirements of the Restructuring Support Agreement on completion date, the number of Shares issued may change in accordance with the provisions of the Restructuring Support Agreement.

Net assets acquired

For the purposes of preparing the Combined Group unaudited pro forma statement of financial position, it has been assumed that the carrying value of identified assets and liabilities are equal to their fair value at the acquisition date, except as noted below.

Orionstone – fair value adjustments have been recognised with respect to recoverability of certain trade receivables and property, plant and equipment. Adjustments have been made to the liabilities to reflect the expected liabilities at completion as agreed by all parties to the Restructuring Support Agreement.

Andy's - fair value adjustments have been recognised with respect to recoverability of certain trade receivables and property, plant and equipment. Adjustments have been made to the liabilities to reflect the expected liabilities at completion as agreed by all parties to the Restructuring Support Agreement.

The recognition of any intangible assets, including goodwill and the recognition of any deferred tax assets or liabilities which may arise as a result of the fair value adjustments is subject to Emeco finalising its fair value assessment of all assets and liabilities acquired as at the acquisition date.

As Emeco has not finalised the fair value assessment of all assets and liabilities as at the acquisition date, for the purposes of preparing the Combined Group unaudited pro forma statement of financial position, it has been assumed that there will be no separately identifiable intangible assets including goodwill and that any difference between the consideration paid and net assets acquired is attributable to the property, plant and equipment. This has resulted in an adjustment of $15.878 million and $13.920 million to the property, plant and equipment between the stand alone balance sheet and the fair value attributed to the property, plant and equipment of Orionstone and Andy's respectively.

The FMV of the rental fleet used for the purposes of the Restructuring Support Agreement differs to the amount recognised in the Statement of financial position pro forma. The book value of property, plant and equipment included in the Statement of financial position includes additional assets that were not included in the FMV for the purposes of the Restructuring Support Agreement. In addition the property, plant and equipment owned by Emeco is recorded at the higher of value in use and fair market value less cost to sell. The final value of property, plant and equipment may vary in the event the deemed purchase consideration changes at completion.

On finalisation of the acquisition accounting, the excess of the cost of the acquisition over and above the net fair value of the identifiable assets and liabilities should be recognised as goodwill. This goodwill amount will only be measured and recognised once the acquisition is completed.

Similarly, the identification and valuation of other identifiable intangible assets will not be possible until after the completion of the acquisition. Australian Accounting Standards allow a period of 12 months to finalise the accounting for fair value of assets and liabilities acquired from the date of acquisition.

Acquisition accounting – deferred tax

For the purposes of preparing the Combined Group unaudited pro forma statement of financial position and until such time as the acquisition accounting can be finalised and the formation of a tax consolidated group can be considered, the deferred tax consequences cannot be determined and therefore no pro forma adjustments have been made to tax other than the known tax effect of the closure of Emeco's interest rate swaps.

(ii) Debt refinance and Capital raising

Emeco Noteholders have the option to either receive their pro-rata share of New Shares and beneficial interests in Tranche B Notes or receive cash up to 50% of their outstanding debt. If the Emeco Noteholders elect to take the cash alternative, Emeco has entered into a Scheme Cash Funding Agreement whereby the Scheme Cash Funders will deposit funds into an escrow account to be applied by Emeco to make the cash payment to the cash electing Emeco Noteholder. The Scheme Cash Funders will receive the New Shares and Tranche B Notes the cash electing Emeco Noteholder would have otherwise received under the Emeco Noteholders' Scheme.

The pro forma adjustment assumes that either directly or indirectly all of the Emeco Notes will be extinguished through a pro-rata share of New Shares and beneficial interests in Tranche B Notes.

The pro forma statement of financial position has assumed the final Tranche B Notes owing will be $472.0 million. This could change if anticipated debt repayments are not made by Andy’s prior to the Completion Date. The Tranche B Notes will be issued in USD and therefore are subject to prevailing exchange rates. The pro forma statement of financial position assumes an exchange rate of 74.26 cents. Tranche B Notes have mandatory and voluntary repayment provisions. The pro forma adjustments assume the mandatory repayment provisions will not be triggered within the 12 months and no voluntary repayments will be made, accordingly the full amount of debt has been classified as non-current.

The final number of New Shares to be issued will be determined by reference to the Shareholder Equity Allocation Percentage as defined in the Restructuring Support Agreement and could change on Completion Date.

Under the proposed Transaction total debt of $591.8 million is expected to be extinguished in exchange for the issue of new debt in the form of $472.0 million of Tranche B Notes and 1,337.8 million New Shares at $0.065 per Share resulting in a gain on debt forgiveness of $32.824 million. If the actual Share price is different on the date of issue, the gain on debt forgiveness will change. In addition, a change to the exchange rate at transaction date will also result in a change to the value of debt extinguished.

Capitalised transactions costs associated with the existing debt of $12.439 million has been written off and $20.257 million of costs associated with the new debt facility have been capitalised, with the balance of the transaction costs ($8.669 million) being expensed. Total transaction costs are expected to be $28.9 million, however the final amount may differ on completion.

The pro forma adjustments assume there will be no draw down on the new revolving credit facility within the next 12 months.

The Company is expecting to raise $19.8 million of cash, net of Share issue costs, through the issue of 244.5 million Shares at $0.0847 per share pursuant to the Rights Offer. The fundraising has been partially underwritten to 50% and the pro forma adjustment assumes it will be fully taken up. The actual Share price or final number of Shares may be different on the date the Shares are issued.

(iii) Close out of interest rate swaps

Subsequent to 30 June 2016, Emeco has closed out interest rate swaps recorded at $18.944 million at 30 June 2016. The adjustment reflects the derecognition of the derivative swap asset, reversal of the cash flow hedging reserve and related deferred tax adjustment, recognition of costs associated with the close out and an increase in cash and cash equivalents.

6. Risks associated with the Transaction

6.1 Risks associated with the operations of the Combined Group

(a) **Access to and supply of used and new equipment**

In order to generate revenue and earnings, the Company requires access to new and used earthmoving equipment and parts. There are two key categories of capital spend which help generate revenue and earnings: stay in business (**SIB**) capital or growth capital. SIB capital is what is required to maintain the existing fleet in order to maintain revenue levels. This can be achieved through a combination of replacing end of life machines with new machines, or performing major component rebuilds with parts acquired to extend the life of a specific component (e.g. rebuild an engine). Growth capital refers to additional equipment that is purchased to increase the size of the fleet and grow revenue. In addition to capital parts are also required for maintaining the equipment as part of the day-to-day operations.

If the Company is unable in the future to secure adequate supplies of the required number of machines at appropriate prices or if the quality of the available machines is not acceptable, the Company's operational and financial performance may be adversely affected.

The Company's ability to source new replacement equipment is dependent on relationships and contracts with dealers for original equipment manufacturers (**OEMs**), as well as its ability to access the used market through brokers. The Company's relationship with OEM dealers, such as Caterpillar, Komatsu and Hitachi, are influenced by the volumes of machines and parts it purchases and the level of industry demand. The Company has access to a global broker network of which it participates both as a procurer and seller of equipment. This network provides the Company with the ability to access low-hour, used equipment at comparable prices when required.

The Company also sources equipment parts from both OEM and non-OEM providers to extend the useful life of its equipment, particularly when increased demand or pricing makes it difficult to source new or used equipment.

In addition, during troughs in the commodity cycle, OEMs typically shrink their production which can also lead to longer lead times when demand picks up due to the time taken to ramp up production. The Company's ability to access the global second hand market provides an alternative option to meet equipment demand.

The Company could be adversely impacted by any incidents affecting the ability of these manufacturers to produce and deliver mining equipment, including casualty events affecting production facilities, work stoppages or strikes, financial difficulties of our suppliers, transport disruptions, or other events or circumstances. It may be difficult to locate alternative manufacturers in the event of any disruptions which could have a material adverse impact on the Company's revenue.

Any change in the Company's relationships with these OEMs or brokers may result in a shortage of equipment and parts which would constrict the Company's ability to enter new contracts or fulfil existing contracts and adversely impact future earnings and financial performance.

(b) **Loss of key management personnel**

The Company depends on the continued employment and performance of senior executives and other key members of management. If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, business operations and the ability to implement the Company's strategies could be materially disrupted. The Company competes not only with other companies in the equipment rental industry, but also companies in the mining, resources, energy and infrastructure industries for the recruitment and retention of key executives and other employees with the appropriate technical skills and managerial experience necessary to continue to operate its business.

The loss of members of senior management or key employees could materially adversely impact the Company's business if it is unable to recruit suitable replacements in a timely manner.

There can be no assurance that the Company will be able to attract and retain skilled and experienced employees and, should it lose any of its key management personnel or fail to attract qualified personnel, its business may be harmed and its operational and financial performance could be adversely affected.

(c) **Integration risk and the realisation of synergies**

The long term success of the Combined Group will depend, among other things, on the success of the Emeco Board and senior management team in integrating the respective businesses. While it is expected that the respective businesses can add value to the Combined Group in part through the realisation of synergies documented in Section 5.6 of this Explanatory Memorandum, these expected synergies may not be realised due to various factors, including the risks that:

(i) integration may be subject to unexpected delays, challenges, liabilities and costs;

(ii) the anticipated efficiencies and benefits of integration may be less than estimated; and

(iii) there may be a loss of key personnel, customers, suppliers or other contractual arrangements within the Combined Group.

These risks may be realised because of factors including the required involvement of third parties in the achievement of synergies, possible differences in the management culture of the three businesses, an inability to achieve cost savings or the potential loss of key personnel.

If the integration of the respective businesses is not achieved in an orderly manner, and within the assumptions as stated in this Explanatory Memorandum, the expected synergies and benefits may be achieved only in part, or not at all. This could adversely impact the Combined Group's financial performance and position, and the future prospects of the Combined Group.

(d) **Ability to attract and retain skilled workers**

The Company's ability to remain productive, profitable and competitive and to implement planned growth initiatives depends on its ability to attract and retain skilled workers. The loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on the financial and operating performance of the Company.

The Company's maintenance workshop facilities are often in remote locations for close proximity to customers and sometimes requires employees to work in difficult conditions. As a result, there can be shortages of labour that make it challenging to recruit employees with relevant industry and technical experience who are willing to relocate or endure such conditions. In the past, this has resulted in cost increases for the supply of labour and management services.

The Company also expends significant resources training its employees. If the Company's employees choose to work for a competitor, the Company may not realise any benefits from its investment in their training.

Although less prevalent in the current environment given weaker market conditions, due to the cyclical nature of the industry, labour shortages during peak periods, combined with a high historical industry turnover rate and increased competition may affect the Company's ability to continue with or expand operations and may adversely impact its operational and financial performance. Skilled labour shortages could limit the Company's ability to grow or lead to a decline in productivity and an increase in training costs and adversely affect its safety record. Each of these factors could materially adversely impact the Company's revenue and, if costs increase or productivity declines, operating margins.

(e) **Fleet age risk**

Earthmoving equipment age is determined by the hours it has been utilised as opposed to the period of time since manufactured. In periods of high utilisation, equipment ages at a faster rate bringing forward any major components and replacement at end of life. Given the nature of the Company's operations, its fleet will age over time. As its fleet of rental equipment ages, the cost of maintaining such equipment, if not replaced within a certain period of time, may increase. Determining the optimal age of fleet equipment is subjective and requires estimates by management with asset management expertise. The Company has made estimates regarding the relationship between the age of its fleet rental equipment, the maintenance and repair costs, and the market value of used equipment.

Future operating and financial performance could be adversely affected because maintenance and repair costs may be higher than estimated and market values of used equipment may fluctuate and are generally lower as a piece of equipment ages. In addition, the cost of the new equipment used in its fleet may increase, and therefore the Company may spend more on replacement equipment. Any such cost increases could materially and adversely impact the operating and financial performance of the Company.

These risks may be heightened to the extent that the ageing of its fleet accelerates. The ageing of the Company's fleet could accelerate if it needed to continue to constrain capital expenditure on replacement equipment instead choosing to replace components to extend the useful life because of challenging market conditions and lower than historical rates of utilisation.

(f) **Residual value risk**

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

(i) the market price and availability for new equipment of a like kind;

(ii) wear and tear on the equipment relative to its age and the performance of preventive maintenance;

(iii) the time of year that it is sold;

(iv) the supply of used equipment on the market;

(v) the existence and capacities of different sales outlets;

(vi) the age of the equipment at the time it is sold;

(vii) the age of major component life in the equipment;

(viii) the equipment model and its market acceptability;

(ix) worldwide and domestic demand for used equipment; and

(x) general economic conditions.

The Company includes in revenue from continuing operations the difference between the sale price and the depreciated or impaired value of an item of equipment sold. Changes in assumptions regarding depreciation could change the Company's depreciation expense, as well as the gain or loss realised upon disposal of equipment.

Sales of the Company's used rental equipment at prices that fall significantly below projections or in lesser quantities than anticipated will have a negative impact on the future revenue, earnings and cash flows.

These risks may be heightened if the Company needs to sell equipment to better align the size of the fleet with utilisation rates because of challenging market conditions and lower than historical rates of utilisation. The Company reported A$18 million of proceeds in FY16 from the sale of equipment (A$14 million FY15). This was classified as other income.

(g) **Maintenance expenditure**

The Company is required to undertake periodic maintenance on its fleet in order to ensure it is suitable for its intended use when rented to customers.

If the level of maintenance expenditure required is higher than expected, it must be undertaken earlier than anticipated, or if there is a significant operational failure requiring unplanned maintenance expenditure, the operating and financial performance of the Company may be adversely affected.

(h) **Consolidation of customers and suppliers**

Consolidation in the industries of the Company's customers or suppliers may reduce its bargaining power with those customers or suppliers and lead to the Company transacting on less advantageous financial and commercial terms with those customers or suppliers.

It may also lead to the loss of such customers, which would adversely affect the Company's operational and financial performance.

(i) **Information systems risks**

The Company relies on computer, information, and communications technology and related systems in order to properly operate the administrative and compliance aspects of its business. From time to time, the Company experiences occasional system interruptions and delays.

The Company has processes in place to respond to system interruptions and delays. However, in the event it is unable to regularly deploy software and hardware, effectively upgrade its systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of its systems, the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, the Company's computer systems are subject to the risks of unauthorised access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorised access to the Company's and its customers' proprietary or classified information.

The Company relies on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on its information systems. The Company has devoted, and will continue to devote, significant resources to the security of its computer systems, however they may still be vulnerable to these threats.

A user who circumvents security measures could misappropriate confidential or proprietary information or cause interruptions or malfunctions in operations. As a result, the Company may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage the Company's reputation and have a generally material adverse effect on its operating and financial performance.

(j) **Mine site interruptions**

Mining operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond the control of the Company, including the following:

(i) prolonged heavy rainfall or cyclone;

(ii) geological instability, including strong seismic activity, landslides, mudslides, rockfalls, cave-ins, or conditions that threaten to result in such an event;

(iii) accidents or unsafe conditions;

(iv) issues with mine ventilation;

(v) equipment breakdowns;

(vi) industrial relations issues; and

(vii) scarcity of materials and equipment.

Interruptions to a customer's mining operations would limit the Company's revenue to any agreed fixed monthly charges. In addition, delays to the commencement of projects for which the Company has been contracted to provide rental equipment or maintenance services may occur as a result of the factors listed above or other factors beyond the control of the Company, such as the mining customer underestimating the lead time required to commence operations.

Interruptions to existing operations or delays in commencing operations experienced by customers may result in lost revenue and, in some circumstances, result in the Company incurring additional costs, which may have a material adverse effect on the Company's future financial performance.

(k) **Workplace safety**

The maintenance of mining equipment involves risks and dangers to the personnel involved, including the risk of personal injury and, in exceptional circumstances, loss of life associated with operating heavy machinery. Mining customers seeking rental solutions demand mining equipment to be in excellent operating condition and to have market leading safety features installed.

It is possible that there may be accidents in the future in the operation of the mining equipment the Company supplies, which could result in a deterioration of its safety record. The Company’s ability to supply safe rental equipment and onsite maintenance services to customers and to keep its employees safe is fundamental to the Company’s business in a number of respects, including:

(i) the Company's safety record is a key criterion that mining customers use when evaluating tenders for mining equipment rental and maintenance services, since mining customers must ensure their operations adhere to the highest safety standards; and

(ii) safety incidents may result in operations at the affected site being suspended while the incident is being investigated.

As a consequence, if the Company fails to supply equipment in excellent operating condition, conduct its onsite maintenance services in a safe manner or if accidents occur that are beyond its control, the Company may fail to win new contracts for equipment rental or maintenance services, fail to have existing contracts renewed, have existing contracts terminated or face increased competition if customers compare the Company’s safety to its competitors.

Any of these consequences could have a material adverse effect on the Company’s operating and financial performance.

(l) **Environmental risks**

Environmental management and compliance is an important part of the business of the Company’s customers. The Company works with its customers to ensure that its equipment and maintenance services operate in alignment with their onsite policies, management systems and procedures.

The Company’s actions or failures to act may result in the mining customers for which it performs services incurring environmental liability, regulatory penalties, or having licenses suspended, cancelled or subjected to additional conditions. Some of the Company’s customer contracts contain indemnities under which it is obliged to compensate the customer for certain losses resulting from environmental incidents for which the Company is responsible.

As a result, environmental incidents may result in the Company incurring substantial obligations to compensate its customers which could have a material adverse effect on the Company’s operational and financial performance.

6.2 Trading risks

(a) Industry and risks

A summary of selected major industry risks and risks relating to the Company is set out in this Section. It should be noted that these risks are in addition to the risks commonly faced by businesses, including financial, economic, counterparty, credit and regulatory risks, which may have adverse consequences on the Company.

The future performance of the Company, and the price of its Shares, will be influenced by a number of factors, which may be specific to the proposed Transaction, or to the Company, or of a general nature. Whilst some of these factors can be mitigated by the use of safeguards and appropriate systems and actions, some are outside the control of the Company and cannot be mitigated. The principal risks include, but are not limited to, those set out below.

Emeco Shareholders should be aware that holding Shares in the Company involves many risks, which may be different to the risks associated with holding shares in other companies.

(b) Market conditions

Demand for the Company's mining equipment rental services depends in significant part upon the level of earth moving activities conducted by its customers, which are mining companies or contract miners, in the movement of overburden and mined resource.

Due to the geographic and commodity mix of the Company's customers, revenues are indirectly exposed to the prices of gold, thermal and metallurgical coal, oil sands, iron ore and copper.

In FY16, 25% of revenues were generated from the provision of mining equipment rental services to thermal coal mining customers, 10% to coking coal mining customers, 19 % to copper mining customers, 19% to gold mining customers, 13% to oil sands mining customers, and 2% to iron ore mining customers.

Activity levels and results of operations are dependent on the production levels at the mines where equipment is used and the volume of earth moved under the relevant mine plans. Customers' mining activities and the volume of earth moved by them, either temporarily or long term, is influenced by many factors, including the global demand for commodities, current and expected commodity prices, general economic conditions, and the application and impact of the local regulatory environment.

If these drivers of earthmoving volumes are negatively impacted, this may lead to a decrease in the demand for the Company's equipment and the rental rates that the Company can charge of earthmoving volumes.

During the last 24 months, the mining sector in Australia, Chile, Canada and globally, has weakened as a result of weaker economic conditions globally and commodity prices. Mining companies have focused on cost reductions with a number of mining companies reducing costs and capital expenditure, resulting in lower earthmoving volumes and demand for the Company's rental equipment. As a result of this market weakness, the Company's rental revenue and financial performance have been negatively impacted.

The timing of any market recovery is uncertain and even in the case where market conditions recover, the corresponding increase in earthmoving volumes and improvement in the Company's performance may be significantly delayed or short term in nature due to other factors such as market competition, difficulty in achieving synergies or the loss of key personnel.

(c) **Competition**

There are two levels of competition that the Company experiences in the industry. The first is for the supply of equipment and if a customer would prefer to purchase equipment as opposed to rent equipment from a provider. The second level occurs when the customer has decided to pursue a rental solution as the Company operates in a highly competitive industry. There are a number of competitors, including contract miners and other earthmoving equipment rental suppliers, that currently provide services similar to those provided by the Company. These competitors may have significant additional capital, financial and other resources compared to the Company, impacting its ability to compete as successfully in the future as it has in the past. OEMs also compete directly with the Company.

The Company generally competes on the basis of, among other things, reliability, price, service offerings and the age, mix and relative attractiveness of its rental equipment fleet. There can be no assurance that customers will agree to renew expiring contracts on terms acceptable to the Company or at all.

(d) **Contractual risks**

The Company's revenue is dependent on winning new contracts and operates in an increasingly competitive market. It is difficult to predict whether and when new contracts will be awarded due to multiple factors influencing how customers evaluate potential service providers, such as rental rates, fleet quality, maintenance and safety standards, experience, reputation, customer relationships, financial strength, and ability to provide mining equipment rental services in a timely, safe, and cost-efficient manner.

Consequently, the Company is subject to the risk of losing new awards to competitors which will adversely impact its business, results of operations and financial position.

Operational and financial performance including cash flows may fluctuate from quarter to quarter depending on the timing and size of new contract awards.

Additionally, increased competition and softer market conditions have limited the Company's negotiating power with customers on contract terms where even if the Company is successful in obtaining new contracts and awards, the new contracts may increasingly deviate from the standard terms that the Company seeks to obtain.

Additionally, a significant portion of the Company’s revenues are subject to short term contracts with varying terms and substantially all of customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue. The term of the Company’s customer contracts typically ranges from two to 36 months. The early termination of a contract by one or more of the Company’s customers could have a material adverse effect on its business, results of operations and financial condition. If several of the Company’s customers were to terminate their relationship with us or fail to renew an expiring contract, the Company’s revenues and profits would be significantly adversely affected.

Furthermore, certain of the Company's material contracts contain provisions which allow a counterparty to terminate the contract as a result of the implementation of the Transaction or otherwise for convenience.

The Company has sought the support of all counterparties to material contracts that contain provisions of this sort. Negotiations with these counterparties are ongoing however, to date, no counterparties have indicated that they will terminate such contracts as a result of implementation of the Transaction.

6.3 Financing risk

(a) **Indebtedness**

If the Transaction is implemented, the Company's gross debt position is expected to be approximately $473 million of Tranche B Notes and approximately A$17 million of finance leases. Additionally, the Company may incur up to A$65 million under the new revolving credit facility. While this is a reduction of the Company's total gearing metrics from prior to implementation of the Transaction, this level of indebtedness still has important consequences for the Company and its Shareholders, including the following:

(i) requiring the Company to dedicate a material portion of its cash flow from operations to meet principal and interest payments thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

(ii) increasing the Company's vulnerability to adverse general economic or industry conditions, commodity prices and exchange rate fluctuations;

(iii) subjecting the Company to a number of covenants, which reduce its flexibility in planning for, or reacting to, changes in the Company's businesses or industry; and

(iv) placing the Company at a competitive disadvantage compared to its competitors that have less debt or are not subject to similar negative covenants.

(b) **Compliance with Tranche B Notes Terms**

The Company will be subject to multiple ongoing obligations and negative covenants relating to a wide variety of factual matters concerning the Company's assets and business under the terms of the Tranche B Notes. The negative covenants under the Tranche B Notes are customary for a high yield bond of this type and include limitations on the Company's ability to:

(i) make capital expenditures;

(ii) incur additional indebtedness and guarantee indebtedness;

(iii) pay dividends or make other distributions or repurchase or redeem capital stock;

(iv) prepay, redeem or repurchase certain debt;

(v) issue certain preferred stock or similar equity securities;

(vi) make loans and investments;

(vii) sell assets;

(viii) incur liens;

(ix) enter into transactions with affiliates;

(x) alter the businesses it conducts;

(xi) enter into agreements restricting its subsidiaries' ability to pay dividends; and

(xii) consolidate, amalgamate, merge or sell all or substantially all of its assets.

If these obligations and covenants are breached, this may result in the occurrence of an event of default. Additionally, the limitations described above may impact on the value of the New Shares following the consummation of the Transaction.

(c) **Debt servicing and refinancing risk**

The Tranche B Notes need to be fully repaid, renewed or refinanced on or before January 2022. The new revolving credit facility will need to be fully repaid, renewed or refinanced.

The ability of the Company to repay or reschedule the Tranche B Notes and the new revolving credit facility will ultimately be contingent on mining and exploration market activity, commodity prices, AU$/US$ exchange rate outcomes, achievement of integration plans and forecast synergies and the ability of the Company to source additional funds through debt and equity markets.

If market conditions deteriorate significantly against current projections a shortfall is likely.

Accordingly, in these circumstances there would be significant uncertainty as to the Company's ability to fully repay, refinance or reschedule the outstanding Tranche B Notes and the new revolving credit facility at their respective maturity dates and therefore the Company's ability to continue as a going concern.

As such, the Company would need to consider alternative financing arrangements prior to the maturity of those debt facilities, which may include refinancing or restructuring existing facilities, securing new facilities on acceptable terms or securing alternative funding (including potentially through raising additional shareholder equity). There is no guarantee that alternative financing arrangements would in these particular circumstances be successful.

(d) **Insurance risks**

Although insurance is maintained for ownership and rental of equipment within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. Insurance of all of the risks associated with equipment rental or maintenance services is not always available and, where available, the costs can be prohibitive. Furthermore the Company's insurance does not cover its fleet while it is rented at a customer's site and, in such circumstances, the Company is reliant on the customer's insurance policies or credit quality to compensate it in the event of a loss. If the Company incurs uninsured losses or liabilities, its operating and financial performance may be adversely affected.

(e) **Regulatory risks**

Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of Shares.

(f) **Claims, liability and litigation**

The Company may have disputes with counterparties in respect of major contracts, or may be exposed to customer or environmental, occupational health and safety or other claims. The Company may incur costs in defending or making payments to settle any such claims, which may not be adequately covered by insurance or at all. Such payments may have an adverse impact on the Company's profitability or financial position.

(g) **Foreign jurisdiction risks**

The Company currently has operations in Australia, Canada, Chile and may seek growth and expansion in additional markets, including in North and South America.

The Company's operations are subject to political, economic and other risks normally associated with the conduct of business in foreign countries as well as factors specific to the regions.

Some of the risks to which the Company is exposed, directly or indirectly, include among others:

(i) changes in foreign laws or regulations;

(ii) changes in laws and policies governing operations of foreign based companies;

(iii) changes in tax laws;

(iv) changes in mining policies;

(v) tax increases or claims by governmental entities;

(vi) labour disputes;

(vii) corruption;

(viii) transparency of the legal system;

(ix) retroactive tax or royalty claims;

(x) revocation of consents or approvals;

(xi) restrictions on the use of land and natural resources;

(xii) restrictions on production, supplies and essential services;

(xiii) export controls;

(xiv) expropriation or nationalisation of property;

(xv) inflation of costs that is not compensated by a currency devaluation;

(xvi) restrictions on the remittance of dividend and interest payments offshore;

(xvii) environmental controls and permitting;

(xviii) opposition to mining from environmental or other non-governmental organizations;

(xix) obtaining various approvals from regulators;

(xx) invalidation of government orders and permits;

(xxi) foreign exchange restrictions and currency fluctuations;

(xxii) changing political conditions, currency controls and governmental regulations that favour or require awarding contracts to local contractors or require foreign contractors to employ citizens of, purchase supplies from or use service providers from a particular jurisdiction;

(xxiii) loss due to civil strife, acts of war, guerrilla activities, acts of sabotage, territorial disputes;

(xxiv) insurrection and terrorism; and

(xxv) other risks arising out of foreign sovereignty issues.

Such risks could potentially arise in any country in which the Company operates, although risks may be higher in the developing countries in which the Company conducts some of its activities. These risks may divert investment in mining operations, which may adversely affect mining production activity and the demand for rental and maintenance services as well as adversely affecting the secondary market for used equipment.

The Company's operations in these areas also increases its exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, terrorism and governmental policies that may:

(i) disrupt operations;

(ii) require the Company to incur greater costs for security;

(iii) restrict the movement of funds or limit repatriation of profits;

(iv) lead to international sanctions; or

(v) limit access to markets for periods of time.

Risk assessments may also categorise threats as serious enough to require resort to public security forces, such as national police or military units on a near-permanent basis. In the event that continued operation in some countries compromises the Company's security or business principles, it may withdraw from these countries on a temporary or permanent basis. This could have a material adverse impact on the Company's financial and operating performance.

6.4 General risks associated with share ownership

(a) **Speculative nature of shareholding in the Company**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.

(b) **Equity capital market fluctuations**

The Shareholders should be aware that there are risks associated with holding shares in any company listed on the ASX. The value of Shares may rise above or drop below the current Share price depending on the financial and operating performance of the Company and external factors over which the Company and its Directors have no control. These external factors include:

(i) economic conditions in Australia and overseas which may have a negative impact on equity capital markets;

(ii) changing investor sentiment in the local and international stock markets specifically relating to the mining sector;

(iii) changes in domestic or international fiscal, monetary, regulatory and other government policies; and

(iv) developments and general conditions in the markets in which the Company operates and which may impact on the future value and pricing of shares in mining services companies.

(c) **Economic risk and external market factors**

Various factors including political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, foreign exchange rates, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may have an adverse impact on the Company's operating costs, profit margins and Share price. These factors are beyond the control of the Company and it cannot, to any degree of certainty, predict how they will impact on the Company.

Prolonged deterioration in general economic conditions could potentially have an adverse impact on the Company and its operations.

(d) **Foreign exchange risks**

The Company's operations are principally denominated in Australian dollars, Canadian dollars and U.S. dollars with financial reporting in Australian dollars.

For reporting purposes, the Company is exposed to fluctuations in the value of the Australian dollar versus other currencies. As its consolidated financial results are reported in Australian dollars, if the Company generates sales or earnings or has assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and its net assets.

The majority of the Company's debt (including all of the Tranche B Notes) will be denominated in U.S. dollars. Although steps may be undertaken to manage currency risk (for example via hedging strategies), adverse movements in the Australian dollar against the US dollar may have an adverse impact on the Company and result in an increase in the Company's debt in Australian dollar terms. For example, a weakening of the Australian dollar as compared to the U.S. dollar would have the effect of increasing the Australian dollar value of the U.S. dollar denominated debt. Combined with other factors, this could lead to a deterioration in the Company's operating and financial performance.

The Company is also exposed to foreign currency risk on equipment purchases, which are primarily denominated in U.S. dollars. The Company does not hedge its translated foreign currency exchange rate exposure in relation to operations.

The Company's investments in its subsidiaries and their earnings are also not hedged as these currency positions are considered long term in nature.

Fluctuations in foreign currency exchange rates may also make period to period comparisons of results of operations difficult.

(e) **Change in accounting or financial reporting standards**

Changes in accounting or financial reporting standards may adversely impact the reported financial performance of the Combined Group.

(f) **Litigation**

Like any business, disputes or litigation may arise from time to time in the course of the business activities of the Combined Group. There is a risk that any material or costly dispute or litigation could adversely affect the reputation, financial performance or value of the Combined Group.

(g) **War and terrorist attacks**

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

(h) **Negative publicity**

The Combined Group will be subject to the risk that negative publicity, whether true or not, my affect stakeholder perceptions of the Combined Group's past actions and future prospects. Being listed on the ASX means that the Combined Group will be subject to risks relating to market expectations for its business and financial and operating performance. If the Combined Group does not manage these expectations in an effective manner, it could give rise to loss of investor confidence in its business and management.

(i) **Changes in taxation laws**

Variation in the taxation laws affecting the Combined Group's operations could materially affect financial performance. The interpretation of these laws could also change, leading to a change in the taxation treatment of investments or activities.

7. The Transaction Resolutions

In the following Sections, specific detail on each of the Transaction Resolutions is provided. As noted above, the Transaction Resolutions are inter-conditional. This means that if any of them are not passed by the requisite majority, all of those resolutions will be taken to have been rejected by Emeco Shareholders and the Transaction will not be implemented, regardless of whether the other Transaction Resolutions have passed.

8. Resolution 1 – Issue of Shares in connection with the merger with Orionstone and Andy's

8.1 Background to Resolution 1

The background to the Transaction is set out in Section 1 above.

Resolution 1 seeks Emeco Shareholder approval for the issue of New Shares to:

(a) the Orionstone Shareholders, and Andy's Shareholder as consideration for the Orionstone Acquisition and the Andy's Acquisition respectively;

(b) the Orionstone Creditors and Andy's Creditors as the equity component of the consideration for the extinguishment of the Orionstone Creditors' and Andy's Creditors' claims against Orionstone and Andy's respectively.

As noted in Section 1.1 above, Orionstone Creditors and Andy's Creditors will be issued Tranche B Notes in addition to the New Shares in consideration for the extinguishment of their claims against Orionstone and Andy's respectively. No Emeco Shareholder approval is required to issue the Tranche B Notes.

ASX Listing Rule 7.1 requires a company to obtain shareholder approval if it issues, or agrees to issue, securities in the capital of the Company in any 12 month period that when aggregated total more 15% in number of the existing ordinary shares in the capital of the Company.

Immediately following the Transaction, the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder, and Andy's Creditors are expected to collectively hold approximately 31% of the total Shares on issue in Emeco, subject to dilution under the Management Incentive Plan.

8.2 Information required under ASX Listing Rule 7.3

The information set out below has been included in this Explanatory Memorandum to comply with the content requirements prescribed by ASX Listing Rule 7.3.

(a) **Maximum number of securities to be issued:** The number of Shares to be issued under this Resolution 1 will be capped at 1,350 million.

However, the actual number of New Shares to be issued to the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder, and Andy's Creditors pursuant to the Transaction is calculated according to the formula set out in the Restructuring Support Agreement and described below.

Based on the Shares on issue at the date of this Explanatory Memorandum, the expected number of Shares to be issued to the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder, and Andy's Creditors collectively is approximately 761 million New Shares.

The formula to calculate the ultimate number of New Shares to be issued under Resolution 1 provides that:

(a) Andy’s and Orionstone Shareholders receive less value (in the form of New Shares) where the fair market value of their rental equipment assets at the Calculation Date decreases relative to the fair market value as of the signing of the Restructuring Support Agreement due to the sale of equipment during this time period;
(b) Andy’s and Orionstone Shareholders receive more value (in the form of issuing New Shares) if the companies contribute excess cash to the Merged Group on the Calculation Date; and
(c) Andy’s and Orionstone Supporting Creditors receive less value (in the form of New Shares) if their Principal Outstanding at the Calculation Date (being the amount of indebtedness eligible to be converted into New Shares) has decreased since the date of the Restructuring Support Agreement.

The formula does this by capturing the key determinants of value of each of Emeco, Orionstone and Andy's, namely the fair market value of the equipment they hold, the contributed EBITDA by each company, the amount of debt each has and their respective excess cash balances. The value of these variables at the Calculation Date will impact the amount of New Shares that are issued under the Transaction.

<u>Formula (New Shares to Andy’s Shareholders and Orionstone Shareholders)</u>: The New Shares to be issued to shareholders of each of Andy’s and Orionstone under Resolution 1 will be calculated as the Shareholder Equity Allocation Percentage, multiplied by the Implied Transaction Equity Value, divided by the Issue Price.

The New Shares to be issued to shareholders of each of Andy's and Orionstone is determined by firstly calculating the Initial Shareholder Equity Allocation Percentage. This is the value attributed to each of the three Emeco, Andy's and Orionstone companies based solely on each company's respective FY16 EBITDA and the fair market value of its equipment, calculated as a percentage of the aggregate value of the combined three companies. Therefore, if any of the companies sell equipment prior to completion, its Initial Shareholder Equity Percentage will decrease and that of the other two companies will increase.

The Initial Shareholder Equity Allocation Percentage is then adjusted for the following in order to arrive at the Shareholder Equity Allocation Percentage for each company:

(a) Excess cash contributed to the Merged Group upon completion – The more cash a merger entity holds on completion, the greater the value received by its respective shareholders.
(b) The amount of Principal Outstanding converted to equity by the creditors of each of the three companies – The less debt the Merged Group assumes upon completion in respect of a merger entity, the greater the Implied Transaction Equity Value to be distributed according to the Shareholder Equity Allocation Percentage.

The Shareholder Equity Allocation Percentage is the basis on which we attribute value in the Merged Group (as represented by the Implied Transaction Equity Value) to the shareholders of Orionstone and Andy's.

The Implied Transaction Equity Value is the implied transaction equity value of the Merged Group based on the sum of:

(a) A$662,600,000, being the FY16 EBITDA of each of the three companies plus A$15,000,000 in assumed synergies, multiplied by a transaction multiple of 6x; and
(b) the combined excess cash contributed by Andy's, Orionstone, and Emeco;

less:

(c) the Total Debt Facilities of the three companies.

The Implied Transaction Equity Value can change where there are changes to the anticipated levels of excess cash or debt. These changes can in turn impact the amount of New Shares issued. Generally:

(a) If the Implied Transaction Equity Value is lower than anticipated as a result of:

    (i) lower than expected excess cash contributed by each/any of Emeco, Orionstone and Andy's; and/or
    (ii) greater than expected combined debt,

    it will correspond to a lower Issue Price and more New Shares issued.

(b) If the Implied Transaction Equity Value increases due to Emeco contributing greater than expected excess cash, the Issue Price will increase and the number of New Shares issued will decrease.

(c) If the Implied Transaction Equity Value increases due to Orionstone and/or Andy's contributing greater than expected excess cash, the Issue Price will remain unchanged and the number of New Shares issued will increase.

The number of New Shares issued to the shareholders of Orionstone and Andy's is their respective share of the Implied Transaction Equity Value divided by the Issue Price. Therefore, the number of New Shares ultimately issued to these shareholders is partly dependent on the Issue Price. See paragraph (c) below for further details on the Issue Price.

Set out below are worked examples of the application of this formula. There are further worked examples set out in Annexure E.

<u>Formula (New Shares to Andy's Creditors and Orionstone Creditors)</u>: The New Shares to be issued under Resolution 1 to creditors of each of Andy's and Orionstone will be calculated as each party's Principal Outstanding on the Commencement Date or the Calculation Date (whichever is lesser) multiplied by twenty percent (20%), divided by the Issue Price.

Essentially, the value of shares to be issued to these creditors will be 20% of the face value of its debt (capped at debt levels on the date of the Restructuring Support Agreement). In order to calculate the number of New Shares issued to these creditors, this value is divided by the Issue Price. See paragraph (c) below for further details on the Issue Price.

The number of New Shares ultimately issued to these creditors is partly dependent on the Issue Price. See paragraph (c) below for further details on the Issue Price.

<u>Worked Example:</u>

Set out below is a worked example of the application of the formulae outlined in this section 8. There are further worked examples set out in Annexure E.

	Andy's Shareholders	**Orionstone Shareholders**	**Emeco Shareholders**
Contributed FY16 EBITDA (% Contribution)	16%	28%	57%
Contributed FMV (% Contribution)	17%	22%	62%
Initial Shareholder Equity Percentage Allocation[1]	16%	25%	59%

1) Equally weights Contributed FY16 EBITDA and Contributed FMV

	Andy's Shareholders	Orionsotne Shareholders
Initial Shareholder Equity Percentage Allocation	16%	25%
x Adjustment Factor[(1)]	31%	31%
Pre-Excess Cash Shareholder Equity Allocation Percenta	**5%**	**8%**
Add: Excess Cash Contributed Percentage	-	-
Shareholder Equity Allocation Percentage	**5%**	**8%**
x Implied Transaction Equity Value (A$mm)	190	190
Implied Shareholder Equity Value (A$mm)	**$10**	**$15**
÷ Issue Price (A$)	$0.087	$0.087
New Shares Issued (mm)	**110**	**167**

Note: Equity Allocation Percentages & Implied Values reflect pre-Rights Offer estimate
1) Equal to 100% less the total equity allocation for contributed excess cash and equitization of Principal Outstanding by Supporting Creditors of each of the three companies

	Andy's Creditors	Orionstone Creditors
Principal Outstanding (A$mm)	$66	$145
x Twenty Percent (20.0%)	20.0%	20.0%
Principal Exchanged for New Shares (A$mm)	**13**	**29**
÷ Issue Price (A$)	$0.087	$0.087
New Shares Issued (mm)	**150**	**333**

The cap on the number of New Shares to be issued under this Resolution 1 is based on conservative assumptions regarding the variables affecting the actual number of Shares to be issued. Emeco anticipates the number of New Shares issued under this Resolution 1 being smaller than the cap. However, in the event that the number of New Shares to be issued to the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder, and Andy's Creditors calculated in accordance with the formula provided in the Restructuring Supporting Agreement is greater than the specified cap, then the Company will issue the shortfall in Shares using its 15% placement capacity.

(b) **Issue and allotment date of securities:** If the Transaction is implemented, the New Shares will be issued and allotted on the Completion Date. It is intended that the issue will occur no later than three months after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

(c) **Issue price of the securities:** The New Shares will be issued at a fixed price, subject to adjustments under the terms of the Restructuring Support Agreement to be calculated as at the Calculation Date as follows.

Formula (Issue Price): The Emeco Group Shareholder Equity Allocation Percentage multiplied by the Implied Transaction Equity Value and then divided by 599,675,707 (Fully Diluted Outstanding Emeco Shares pre-Transaction).

The Issue Price represents the value of a New Share pre-Transaction. This is calculated by taking the value of the Emeco Shareholders' portion of the Implied Transaction Equity Value divided by 599,675,707 (being the number of Emeco Shares on issue pre-Transaction).

The calculations for the Shareholder Equity Allocation Percentage and Implied Transaction Equity Value are stated above in paragraph (a).

Set out below is a worked example of the application of this formula.

Total Enterprise Value (per RSA)		**$662.6**
Less: Total Tranche B Debt		(472.5)
Less: Total Finance Leases		(17.0)
Implied Equity Value		**$173.1**
Plus: Emeco Excess Cash		17.3
Implied Transaction Equity Value		**$190.3**
Initial Shareholder Equity Percentage Allocation	-	59%
x Adjustment Factor[1]		31%
Pre-Excess Cash Shareholder Equity Allocation Percentage		**18%**
Add: Excess Cash Contributed Percentage		9%
Emeco Shareholder Equity Allocation Percentage		**27%**
x Implied Transaction Equity Value (A$mm)		190.3
Implied Equity Value to Emeco Shareholders (A$mm)		$52.3
÷ Outstanding Emeco Shares (mm)		599.7
Issue Price (A$)		**$0.087**

Note: Equity Allocation Percentage & Implied Equity Values reflect pre-Rights Offer estimate
1) Equal to 100% less the total equity allocation for contributed excess cash and equitization of Principal Outstanding by Supporting Creditors of each of the three companies

(d) **Persons to whom Emeco will issue the securities under Resolution 1:** The New Shares for which Emeco Shareholder approval is sought under Resolution 1 will be issued to the following persons:

Party	**New Shares Issued (mm)**	**Ownership Percentage (%)**
Andy's Shareholders	110.0	5.0%
Andy's Creditors	150.5	6.9%
Orionstone Shareholders	167.2	7.7%
Orionstone Creditors	333.3	15.3%
Total New Shares Issued Under Resolution 1	**761.0**	**34.9%**

Note: Ownership Percentages reflect estimated pre-Rights Offer figures

<u>Andy's Shareholders:</u> AEM Holdings Pty Ltd (ACN 168 883 323)

<u>Andy's Creditors</u>: includes financial institutions which have provided financing to Andy's and include Caterpillar Financial Australia Limited and Australia and New Zealand Banking Group Limited

<u>Orionstone Shareholders</u>: includes Mr. Ashley Fraser, Advent Private Capital and other Orionstone Shareholders

<u>Orionstone Creditors</u>: includes financial institutions which have provided financing to Orionstone and include Macquarie Bank Limited, Deutsche Bank, Bentham, Caterpillar Financial Australia Limited and Arkkan Opportunities Fund Ltd

No one of the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder, or the Andy's Creditors will hold in excess of 20% of the total Shares on issue in Emeco after being issued with their New Shares.

(e) **Terms of the securities:** The New Shares will be issued on the same terms and conditions as Emeco's existing Shares and rank equally with all other Shares then on issue.

(f) **Intended use of funds:** No funds are being raised for the issue of New Shares pursuant to Resolution 1. New Shares are being issued as consideration for the Orionstone Acquisition and the Andy's Acquisition, and as partial consideration for the extinguishment of the Orionstone Creditors' and Andy's Creditors' claims against Orionstone and Andy's, respectively.

(g) **Voting exclusion:** A voting exclusion statement is set out under Resolution 1 in the Notice of Annual General Meeting.

8.3 Effect of Emeco Shareholder approval of Resolution 1

If approved, Resolution 1 is expected to result in the approval of the issue of approximately 761 million Shares, subject to certain adjustments under the terms of the Restructuring Support Agreement. It will also mean the Shares issued are not counted towards the 15% limit under ASX Listing Rule 7.1, which restricts the issue of new capital in the next 12 month period without Emeco Shareholder approval.

9. Resolution 2 – Issue of Shares pursuant to the Emeco Noteholders' Scheme

9.1 Background to Resolution 2

As described in Section 1.1 above, Emeco proposes to enter into a creditors' scheme of arrangement with Emeco Noteholders. Under the scheme of arrangement, Emeco Noteholders assign their debts and claims of the Emeco Group under or in respect of the Emeco Notes to Emeco Finance Pty Ltd in consideration for:

(a) cash; or

(b) New Shares and Tranche B Notes,

as elected by each Emeco Noteholder.

Resolution 2 is for the purposes of obtaining Emeco Shareholder approval for the issue of New Shares to:

(a) the Emeco Noteholders that elect to receive New Shares and Tranche B Notes in accordance with the Emeco Noteholders' Scheme, if approved (**Electing Emeco Noteholders**); and

(b) the parties which make available to the Emeco Group the aggregate amount of cash payable by it under the Emeco Noteholders' Scheme in part repayment of the amount made available by them (**Scheme Cash Funders**).

Emeco Shareholder approval is not required to issue the Tranche B Notes to the Electing Emeco Noteholders or the Scheme Cash Funders.

Immediately following the Transaction, the Electing Emeco Noteholders and Scheme Cash Funders are expected to collectively hold approximately 34% of the total Shares on issue in Emeco subject to adjustments under the terms of the Restructuring Support Agreement and dilution from the Management Incentive Plan.

9.2 Information required under ASX Listing Rule 7.3

The information set out below has been included in this Explanatory Memorandum to comply with the content requirements prescribed by ASX Listing Rule 7.3.

(a) **Maximum number of securities that may be issued:** The number of Shares to be issued under this Resolution 2 will be capped at 1,350 million.

However, the actual number of shares to be issued to the Electing Emeco Noteholders and Scheme Cash Funders pursuant to the Transaction is calculated according to the formula set out in the Restructuring Support Agreement and described below.

Based on the Shares on issue at the date of this Explanatory Memorandum, the expected number of Shares to be issued to the Electing Emeco Noteholders and Scheme Cash Funders collectively under the Emeco Noteholders' Scheme is approximately 820 million New Shares.

The formula to calculate the ultimate number of New Shares to be issued to the Electing Emeco Noteholders and Scheme Cash Funders ensures that Emeco Noteholders and Scheme Cash Funders receive less value (in the form of New Shares) if the Emeco Noteholders' Principal Outstanding has reduced since the date of the Restructuring Support Agreement.

Formula (New Shares to Electing Emeco Noteholders): The par value of the Emeco Notes Outstanding on the Calculation Date, less the Emeco Swap Proceeds, calculated at the Prevailing Exchange Rate as at the Commencement Date multiplied by twenty percent (20%), divided by the Issue Price.

Essentially, the value of shares to be issued to the Electing Emeco Noteholders and Scheme Cash Funders will be 20% of the sum of the face value of its debt less the Emeco Swap Proceeds. In order to calculate the number of New Shares issued to these parties, this value is divided by the Issue Price.

The number of New Shares ultimately issued to Electing Emeco Noteholders and the Scheme Cash Funders is dependent on the Issue Price. See paragraph (c) below for further details on the Issue Price.

Set out below is a worked example of the application of this formula. There are further worked examples set out in Annexure E.

Par value of Emeco Notes Outstanding (US$mm)	$283
÷ FX Rate	0.7534
Par value of Emeco Notes Outstanding (A$mm)	**$375**
Less: Swap Proceeds (A$mm)	(17)
Sub-total	**$358**
x Twenty Percent (20%)	20%
Emeco Tranche B Equity Value (A$mm)	**$72**
÷ Issue Price (A$)	$0.087
New Shares (mm)	**820**

Note: Equity Value reflects pre-Rights Offer estimate

The cap on the number of New Shares to be issued under this Resolution 2 is based on conservative assumptions regarding the variables affecting the actual number of New Shares to be issued. Emeco anticipates the number of New Shares issued under this Resolution 2 being smaller than the cap. However, in the event that the number of New Shares to be issued to the Electing Emeco Noteholders and Scheme Cash Funders calculated in accordance with the formula provided in the Restructuring Supporting Agreement is greater than the specified cap, then the Company will issue the shortfall in Shares using its 15% placement capacity.

(b) **Issue and allotment date of securities:** If the Transaction is implemented, the New Shares will be issued and allotted to Electing Emeco Noteholders on the Completion Date. It is intended that the issue will occur no later than three months after the date of the AGM (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

(c) **Issue price of the securities:** The New Shares will be issued at a fixed price, subject to adjustments under the terms of the Restructuring Support Agreement to be calculated as at the Calculation Date as follows.

Formula (Issue Price): The Issue Price represents the value of a New Share pre-Transaction. This is calculated by taking the value of the Emeco Shareholders' portion of the Implied Transaction Equity Value divided by 599,675,707 (being the number of Emeco Shares on issue pre-Transaction).

The calculations for the Shareholder Equity Allocation Percentage and Implied Transaction Equity Value are stated above in paragraph (a) and in Section 8.2 paragraph (a).

Set out below is a worked example of the application of this formula.

Total Enterprise Value (per RSA)		**$662.6**
Less: Total Tranche B Debt		(472.5)
Less: Total Finance Leases		(17.0)
Implied Equity Value		**$173.1**
Plus: Emeco Excess Cash		17.3
Implied Transaction Equity Value		**$190.3**
Initial Shareholder Equity Percentage Allocation	-	59%
x Adjustment Factor[(1)]		31%
Pre-Excess Cash Shareholder Equity Allocation Percentage		**18%**
Add: Excess Cash Contributed Percentage		9%
Emeco Shareholder Equity Allocation Percentage		**27%**
x Implied Transaction Equity Value (A$mm)		190.3
Implied Equity Value to Emeco Shareholders (A$mm)		$52.3
÷ Outstanding Emeco Shares (mm)		599.7
Issue Price (A$)		**$0.087**

Note: Equity Allocation Percentage & Implied Equity Values reflect pre-Rights Offer estimate
1) Equal to 100% less the total equity allocation for contributed excess cash and equitization of Principal Outstanding by Supporting Creditors of each of the three companies

(d) **Persons to whom Emeco will issue the securities under Resolution 2:** The New Shares for which Emeco Shareholder approval is sought under Resolution 2 will be issued to the Electing Emeco Noteholders and Scheme Cash Funders.

Electing Emeco Noteholders

New Shares will be issued to each Electing Emeco Noteholder under the Emeco Noteholders' Scheme. The number of New Shares to be issued to an Electing Emeco Noteholder will be determined in accordance with the formula set out above (subject to dilution by New Shares issued under the Rights Offer and Management Incentive Plan as set out in Section 5.5 of this Explanatory Memorandum).

No Electing Emeco Noteholder will hold in excess of 20% of the total Shares on issue in Emeco immediately after being issued with their New Shares.

Scheme Cash Funders

Under the Emeco Noteholders' Scheme, Emeco Noteholders may elect to receive either Tranche B Notes and New Shares or an amount of cash (**Cash Consideration**) as consideration for extinguishing their claims (**Cash Electing Noteholders**). The maximum aggregate amount of cash that Emeco will be required to pay as Cash Consideration is approximately A$104 million. To satisfy its obligations with respect to the payment of the Cash Consideration, Emeco has entered into an agreement with certain parties who will provide the necessary funds.

In repayment of such cash funding, the Company will issue to the Scheme Cash Funders the New Shares and Tranche B Notes that the Cash Electing Noteholders would have otherwise been entitled to receive if they had not elected to receive the Cash Consideration.

(e) **Terms of the securities:** The New Shares will be issued on the same terms and conditions as Emeco's existing Shares and rank equally with all other Shares then on issue.

(f) **Intended use of funds:** No funds are being raised under the Emeco Noteholders' Scheme.

New Shares are being issued to Electing Emeco Noteholders as partial consideration for the compromise and extinguishment of the debts and claims owed by members of the Emeco Group to the Emeco Noteholders under or in respect of the Emeco Notes.

New Shares are being issued to the Scheme Cash Funders in repayment of the cash required to fund the cash consideration for the compromise and extinguishment of the debts and claims owed by members of the Emeco Group to the Cash Electing Noteholders under or in respect of the Emeco Notes.

(g) **Voting exclusion:** A voting exclusion statement is set out under Resolution 2 in the Notice of Annual General Meeting.

9.3 Effect of Emeco Shareholder approval of Resolution 2

If approved, Resolution 2 is expected to result in the approval of the issue of an approximately 820 million Shares, subject to certain adjustments under the terms of the Restructuring Support Agreement and will mean the Shares issued are not counted towards the 15% limit under ASX Listing Rule 7.1 for issued capital in the next 12 month period without Emeco Shareholder approval.

10. Resolution 3 – Approval of financial assistance in relation to the Orionstone Acquisition

10.1 Background to Resolution 3

The Orionstone Acquisition is part of a series of inter-conditional transactions proposed to be undertaken to implement the Transaction. The Transaction involves, among other things:

(a) the issue of interests in Tranche B Notes to (amongst others) the Orionstone Creditors as the debt component of the consideration for the extinguishment of the Orionstone Creditors' claims against Orionstone Pty Limited and as part of the consideration payable by Emeco for the shares in Orionstone;

(b) entry into a new revolving loan facility by the Combined Group; and

(c) entry into new hedging positions by the Combined Group,

Orionstone Financing

The Orionstone Financing will be secured by the assets of members of the Emeco Group, including Orionstone and its subsidiaries. The same security would support any future refinancing of some or all of the Orionstone Financing.

10.2 Relevant terms of the Orionstone Financing

Under the terms of the Orionstone Financing, Orionstone and its subsidiaries (which will become subsidiaries of Emeco following completion of the Orionstone Acquisition) will be required to guarantee the performance of the obligations of Emeco and its subsidiaries (as borrower and/or guarantor) under the Orionstone Financing (including the repayment of the face value and any interest payable under the Tranche B Notes) and provide security for those obligations.

These are customary requirements for such funding arrangements. It is expected that Orionstone will also give certain customary representations, warranties, and undertakings, and will grant the holders of Tranche B Notes, lenders of the new revolving loan facility and counterparties to the new hedging arrangements (together, "**Finance Parties**") and certain customary rights in the event that an event of default occurs (such as an Emeco party to the funding arrangements committing a material breach or becoming insolvent).

10.3 Financial assistance

Section 260A of the Corporations Act prohibits a company from financially assisting any person to acquire shares in that company or a holding company of that company, unless the assistance:

(a) does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors;

(b) is approved by shareholders under section 260B of the Corporations Act; or

(c) falls within a limited number of exemptions under section 260C of the Corporations Act, none of which apply to the Orionstone Acquisition.

As described above it is expected that Orionstone (among other parties) will guarantee and provide security for the obligations of the Combined Group under the Orionstone Financing, which may directly or indirectly assist Emeco to acquire shares in Orionstone. For example, by giving a guarantee and providing security, Orionstone may be taken to assist Emeco in acquiring shares in Orionstone under the Orionstone Acquisition which is inter-conditional with the series of transactions required to effect the Transaction, pursuant to which the Tranche B Notes (among other things) are being issued as partial consideration.

This assistance may constitute financial assistance to acquire shares in Orionstone for the purposes of section 260A of the Corporations Act as the Orionstone Financing would not otherwise occur but for the Transaction, of which the Orionstone Acquisition is a part. Orionstone will also seek the approval of its shareholders to give such financial assistance. This is typical practice in such circumstances.

10.4 Effect of the proposed financial assistance

As a result of participating in the arrangements in connection with the Orionstone Acquisition and the Orionstone Financing, Orionstone may:

(a) become liable as a guarantor for the guaranteed money, and may become subject to enforcement action by the Finance Parties in the event of a default under the Orionstone Financing over the security granted by Orionstone, the proceeds of which may be applied towards the repayment of the amounts owing under the Orionstone Financing or other finance documents;

(b) be required to give the customary representations, warranties and undertakings which may impose certain restrictions on its ability to:

  (i) grant further security over its assets or dispose of assets;

  (ii) make distributions to shareholders; and

  (iii) borrow money in the future or incur further financial indebtedness; and

(c) be required to make available directly or indirectly its cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the borrowers and/or other guarantors to comply with their payment and other obligations under the Orionstone Financing.

These customary representations, warranties and undertakings are given by all material entities in the Emeco Group as part of the terms of the Tranche B Notes.

10.5 Reasons for giving financial assistance

The main reason for the giving of financial assistance in connection with the Orionstone Acquisition is that the Orionstone Financing which is occurring as part of the consideration payable to various parties under the Transaction involve Orionstone providing the assistance to Emeco in the manner described in Section 10.3.

10.6 Requirement for approval by Emeco Shareholders

In addition, under section 260B(2) of the Corporations Act, if a company giving financial assistance will be a subsidiary of a listed Australian company immediately after the relevant acquisition of shares, the financial assistance must also be approved by a special resolution passed at a general meeting by the shareholders of the listed company.

As part of the Restructuring Support Agreement and as a condition for completion of the Transaction, it was also envisaged that Emeco Shareholder approval be obtained in relation to any financial assistance given by Orionstone and its subsidiaries.

Accordingly, it is an essential component of the overall transaction that Emeco Shareholders pass a special resolution pursuant to section 260B(2) of the Corporations Act approving the financial assistance at a general meeting.

11. Resolution 4 – Approval of financial assistance in relation to the Andy's Acquisition

11.1 Background to Resolution 4

The Andy's Acquisition is part of a series of inter-conditional transactions proposed to be undertaken to implement the Transaction. The Transaction involves, among other things:

(a) the issue of Tranche B Notes to (among others) the Andy's Creditors as the debt component of the consideration for the extinguishment of the Andy's Creditors' claims against Andy's as part of the consideration payable by Emeco for the shares in Andy's;

(b) entry into a new revolving loan facility by the Combined Group; and

(c) entry into new hedging positions by the Combined Group,

Andy's Financing

The Andy's Financing will be secured by the assets of members of the Emeco Group, including Andy's and its subsidiaries. The same security would support any future refinancing of some or all of the Andy's Financing.

11.2 Relevant terms of the Andy's Financing

Under the terms of the Andy's Financing, Andy's and its subsidiaries (which will be subsidiaries of Emeco following completion of the Andy's Acquisition) will be required to guarantee the performance of the obligations of Emeco and its subsidiaries (as borrower and/or guarantor) under the Andy's Financing (including the repayment of the face value and any interest payable under the Tranche B Notes) and to provide security for those obligations.

These are customary requirements for such funding arrangements. It is expected that Andy's will also give certain customary representations, warranties, and undertakings, and will grant the holders of the Tranche B Notes and the Finance Parties and certain customary rights in the event that the Emeco Group commits an event of default (such as committing a material breach or becoming insolvent).

11.3 Financial assistance

In accordance with section 260A of the Corporations Act, the requirements of which are set out in Section 10.3 of this Explanatory Memorandum, Andy's is prohibited from giving financial assistance in respect of the Andy's Financing unless Emeco Shareholders approve the assistance.

As described above it is expected that Andy's (among other parties) will guarantee and provide security for the obligations of the Combined Group under the Andy's Financing, which may directly or indirectly assist Emeco to acquire shares in Andy's. For example, by giving a guarantee and providing security, Andy's may be taken to assist Emeco in acquiring shares in Andy's under the Andy's Acquisition which is inter-conditional with the series of transactions required to effect the Transaction, pursuant to which the Tranche B Notes (among other things) are being issued as partial consideration.

This assistance may constitute financial assistance to acquire shares in Andy's for the purposes of section 260A of the Corporations Act as the Orionstone Financing would not occur but for the Transaction, of which the Andy's Acquisition is a part. Andy's will also seek the approval of its shareholders to give such financial assistance. This is typical practice in such circumstances.

11.4 Effect of the proposed financial assistance

As a result of participating in the arrangements in connection with the Andy's Acquisition and the Andy's Financing, Andy's may:

(a) become liable as a guarantor for the guaranteed money, and may become subject to enforcement action by the Finance Parties in the event of a default under the Andy's Financing over the security granted by Andy's, the proceeds of which may be applied towards the repayment of the amounts owing under the Andy's Financing or other finance documents; and

(b) be required to give the customary representations, warranties and undertakings which may impose certain restrictions on its ability to:

(i) grant further security over its assets or dispose of assets;

(ii) make distributions to shareholders; and

(iii) borrow money in the future or incur further financial indebtedness; and

(c) be required to make available directly or indirectly its cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the borrowers and/or other guarantors to comply with their payment and other obligations under the Andy's Financing.

These customary representations, warranties and undertakings are given by all material entities in the Emeco Group as part of the terms of the Tranche B Notes.

11.5 Reasons for giving financial assistance

The main reason for the giving of financial assistance in connection with the Andy's Acquisition is that the Orionstone Financing which is occurring as part of the consideration payable to various parties under the Transaction involve Andy's providing the assistance to Emeco in the manner described in Section 11.3 above.

11.6 Requirement for approval by Emeco Shareholders

In addition, under section 260B(2) of the Corporations Act, if a company giving financial assistance will be a subsidiary of a listed Australian company immediately after the relevant acquisition of shares, the financial assistance must also be approved by a special resolution passed at a general meeting by the shareholders of the listed company.

As part of the Restructuring Support Agreement and as a condition for completion of the Transaction, it was also envisaged that Emeco Shareholder approval be obtained in relation to any financial assistance given by Andy's and its subsidiaries.

Accordingly, it is an essential component of the overall transaction that Emeco Shareholders pass a special resolution pursuant to section 260B(2) of the Corporations Act approving the financial assistance at a general meeting.

12. Resolution 5 – Approval of Management Incentive Plan

12.1 Background to Resolution 5

The Company will establish a Management Incentive Plan as an incentive for Employees of Emeco which is designed to align their interests with the long term interests of Emeco Shareholders (**Management Incentive Plan**). Participation in the Management Incentive Plan will provide participants with an ongoing incentive to improve the Company's performance and return to Emeco Shareholders.

The Management Incentive Plan will be adopted by Emeco on or following completion of the Transaction and the purpose of Resolution 5 is to seek Emeco Shareholder approval for the purposes of ASX Listing Rule 7.2 exception 9.

12.2 ASX Listing Rule requirements

ASX Listing Rule 7.1 limits the issue of equity securities (including performance rights and options) to a maximum of 15% of a company's issued capital over a rolling 12 month period. There are a number of exceptions to rule 7.1, including exception 9 of ASX Listing Rule 7.2 which provides that securities granted under an employee incentive scheme are not required to be included in the 15% calculation where shareholders approve the grant of securities as an exception to ASX Listing Rule 7.1, and the approval is refreshed every three years.

If Resolution 5 is approved, securities or performance rights may be granted by Emeco in accordance with the approval up until the date which is three years after the date of this AGM and details of any securities or performance rights granted under the Management Incentive Plan will be published in Emeco's annual report for the year in which the they are granted.

12.3 Information required under ASX Listing Rule 7.2 exception 9

The information set out below has been included in this Explanatory Memorandum to comply with the content requirements prescribed by ASX Listing Rule 7.2 exception 9.

(a) **Summary of the terms of the Management Incentive Plan:** The rules of the Management Incentive Plan will be the same as or on terms substantially the same as Emeco's existing employee incentive plans (see Section 20 for further information). These rules of the Management Incentive Plan will be made available on Emeco's website and a summary is set out below.

Under the Management Incentive Plan, Emeco may make an offer of ordinary fully paid Shares subject to the satisfaction of certain service conditions (**Shares Award**).

Vesting

Service conditions relate to continuity of service with the Company during the period specified in the terms of the offer made to eligible participants (except in circumstances where the eligible participant leaves the Company due to death, total and permanent disability, retrenchment or retirement).

The Emeco Board may make a Shares Award at its discretion to any eligible participant (as defined by ASIC Class Order 14/1000), including full-time or part-time employees, Directors, contractors, casual employees and prospective participants (**Employees**).

Price

The issue price for the Shares the subject of a Shares Award is nil.

Voting rights and dividends

Employees will not be entitled to any voting rights or dividends payable in respect of Shares the subject of a Shares Award until the service conditions have been satisfied and the Employee is the beneficial owner of the Shares. See information under 'Trustee arrangements' below.

Change of control

In the event of a change in control of the Company (that is, the acquisition by a third party and its associates of greater than 50% of Shares), the Emeco Board has absolute discretion to decide that any Shares Award under the Management Incentive Plan is filled on an accelerated basis as at the date that any such change in control occurs.

Further, if there is an effective (but not an absolute) change of control of the Company, the Emeco Board may determine in its absolute discretion whether to waive any service conditions and immediately satisfy any existing Shares Award. For these purposes, effective control means the occurrence of an event which results in a third party and its associates having the capacity to determine the outcome of decisions on the financial and operating policies of Emeco.

Accelerated vesting

Shares Awards granted to Employees may also be accelerated in the event of death, total and permanent disability, retrenchment or retirement. If the Employee's employment with Emeco terminates prior to the expiry of the requisite vesting period for cause or as a result of resignation for any other reason, unsatisfied Shares Awards will immediately lapse (unless the Emeco Board determines otherwise).

Trustee arrangements

Shares issued or allocated under the Management Incentive Plan during any service or performance period will be held by the Emeco Employee Share Ownership Trust, a trust operated by an independent and professional trustee, Pacific Custodians Pty Ltd, until they are released to an Employee in accordance with their terms.

Suspension, termination or amendment

The Management Incentive Plan may be suspended, terminated or amended at any time by the Emeco Board, subject to any resolution of the Company required by the ASX Listing Rules.

(b) **Issues since last approval:** No Shares have been issued under the Management Incentive Plan to date.

(c) **Voting exclusion:** A voting exclusion statement is set out under Resolution 5 in the Notice of Annual General Meeting.

13. Resolution 6 – Approval of the issue of Shares under the Management Incentive Plan to the Managing Director and Chief Executive Officer

13.1 Background to Resolution 6

Resolution 6 seeks Emeco Shareholder approval for the issue of up to 210 million Shares to Mr Ian Testrow, the Managing Director and Chief Executive Officer, under the terms of the Management Incentive Plan.

The issue of Shares under the Management Incentive Plan is part of a series of inter-conditional transactions proposed to be undertaken to implement the Transaction in order to incentivise Mr Testrow to remain with the Company and align his interests with the long term interests of Emeco Shareholders.

The rules of the Management Incentive Plan are summarised in Section 12.3(a) of this Explanatory Memorandum and will be made available on Emeco's website.

The Shares will be issued subject to a retention condition that requires Mr Testrow to remain employed by the Emeco Group until the third anniversary of the Completion Date (except in circumstances where he leaves the Company due to death, total and permanent disability, retrenchment or retirement or the Company terminates Mr Testrow other than due to misconduct).

Emeco Shareholders should be aware that approval is not being sought for the purposes of the related party provisions contained in Chapter 2E of the Corporations Act, because the Emeco Board (other than Mr Testrow who is not able to make a recommendation due to his interest in his own resolution) considers that the grant of these pursuant to this Resolution 6 constitutes part of Mr Testrow's reasonable remuneration. In reaching this conclusion, the Emeco Board has had regard to a variety of factors including market practice and the remuneration offered to persons in comparable positions at comparable companies.

13.2 Information required under ASX Listing Rule 10.15

ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval by ordinary resolution prior to permitting the acquisition of securities under an employee incentive scheme by a director or an associate of a director. As Mr Testrow is the Company's Managing Director, the Company is seeking approval for the acquisition of these Shares by Mr Testrow under ASX Listing Rule 10.14 and for all other purposes.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Emeco Shareholders.

(a) **Maximum number of securities to be granted and price:** It is proposed that Mr Testrow will be issued up to 50% of the total number of Shares available through the Management Incentive Plan (up to a maximum number of 210 million Shares).

The Shares would be issued as part of Mr Testrow's remuneration and so there is no cash consideration payable by Mr Testrow (and accordingly no issue price) in connection with the issue of these Shares. As such, no loans will be provided by Emeco in connection with the grant of these Shares.

(b) **Details of prior issues or grants:** No prior issues or grants have been made under the Management Incentive Plan.

(c) **Entitlement to participate:** All eligible participants (as defined by ASIC Class Order 14/1000), including full-time or part-time employees, Directors, contractors, casual employees and prospective participants will be entitled to participate in the Management Incentive Plan.

(d) **Voting exclusion:** A voting exclusion statement is set out under Resolution 6 in the Notice of Annual General Meeting.

(e) **Date of grant:** If approved, the Shares Award will be made to Mr Testrow no later than 12 months after the AGM, subject to satisfaction of the service condition.

13.3 Accelerated vesting and termination benefits

Emeco Shareholder approval is also being sought for the potential future termination benefits under sections 200B and 200E of the Corporations Act should any of the Shares the subject of this Resolution 6 be granted as a result of termination of employment. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company if it is approved by shareholders under section 200E of the Corporations Act or an exception otherwise applies.

Details of the retirement benefits

Under the terms of the Management Incentive Plan, the Shares Award will vest on an accelerated basis in the event of Mr Testrow's death, total and permanent disability, retrenchment or retirement and the Shares will be transferred to Mr Testrow. If Mr Testrow's employment with Emeco terminates prior to the expiry of the 3 year performance period for cause or as a result of resignation for any other reason, the Shares Award will immediately lapse (unless the Emeco Board determines otherwise).

Where the Shares Award vests on an accelerated basis, the accelerated vesting of the Shares Award in these circumstances may be considered a benefit in connection with Mr Testrow's retirement from office and, therefore, within the scope of section 200B of the Corporations Act.

The benefit may fall within one of the recognised exceptions under the Corporations Act if the amount of the benefit is less than a prescribed multiple of the director's remuneration and if the nature of the benefit falls within one of the categories set out in the Corporations Act. However, in the event the Shares Award vest to Mr Testrow on an accelerated basis and such a benefit does not technically fall within any of the categories of exceptions set out in the Corporations Act, Emeco Shareholders are being asked to approve the accelerated vesting of Shares Award in these circumstances for the purposes of section 200E of the Corporations Act.

Value of the retirement benefits

The total value of the benefits to be approved by Emeco Shareholders cannot be determined in advance. This is because various matters will or are likely to affect the value, including the market price of Shares at the time that any Shares Award vests on an accelerated basis to Mr Testrow and the period that Mr Testrow has been employed during the vesting period.

If and when the Shares Award vests on an accelerated basis to Mr Testrow, the value of the benefit can be calculated by multiplying the number of Shares the subject of the Shares Award which vest by the market price of Shares at that vesting time.

The Company is seeking this approval to assist it meet its obligations to Mr Testrow under the Management Incentive Plan and to provide the Company with flexibility to continue to remunerate non-executive Directors fairly and responsibly, particularly in relation to its treatment of Shares granted under the Management Incentive Plan.

It should be noted that there is no current intention for Mr Testrow to vacate his role of Managing Director.

14. Resolution 7 – Approval for the Company to acquire Relevant Interest in Shares

14.1 Background to Resolution 7

Resolution 7 seeks Emeco Shareholder approval under item 7 of section 611 of the Corporations Act for Emeco to acquire a Relevant Interest in its own Shares as a result of entering into voluntary escrow arrangements with the counterparties to the Restructuring Support Agreement (**Escrowed Parties**) under the terms of the Restructuring Support Agreement. As the escrow arrangements empower Emeco to exercise a degree of control over the disposal of the shares held by the Escrowed Parties, Emeco will acquire a Relevant Interest in those shares, representing up to a possible maximum of 72.5% of the total Shares on issue (**Escrowed Shares**) following on the Completion Date for the Transaction.

Escrowed Parties include the Electing Emeco Noteholders, the Scheme Cash Funders, Andy's Shareholders, Orionstone Shareholders, certain Andy's Creditors (Caterpillar Financial Australia Limited and Australia and New Zealand Banking Group Limited) and certain Orionstone Creditors (including Macquarie Bank Limited and Caterpillar Financial Australia Limited).

14.2 Material terms of voluntary escrow arrangements

The Restructuring Support Agreement provides that an Escrowed Party may not dispose of:

(a) New Shares to any person who is not a party to the Restructuring Support Agreement or who has not otherwise agreed to be bound by the voluntary escrow arrangements set out in the Restructuring Support Agreement, for a period of 30 days from the Completion Date; and

(b) more than 50% of any New Shares that it holds on the date 30 days after the Completion Date to any person who is not a party to the Restructuring Agreement or who has not otherwise agreed to be bound by the voluntary escrow arrangements set out in the Restructuring Support Agreement, for a period of 60 days from the Completion Date,

or any shorter period which the Emeco Shareholders may approve.

With the exception of the holding lock described above, the Escrowed Parties will be entitled to all other rights applicable to holders of Shares in respect of the Escrowed Shares, including in relation to voting, entitlements to participate in pro rata offers to eligible Emeco Shareholders, bonus issues and dividends.

14.3 Corporations Act and ASIC policy requirements

Item 7 of Section 611

Section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after that acquisition, that person or any other person would have a Relevant Interest or voting power in excess of 20% of the voting shares in that company unless an exception applies. An exception in item 7 of section 611 provides that section 606(1) of the Corporations Act does not prohibit an acquisition of a Relevant Interest in the voting shares of a company if the company has agreed to the acquisition by resolution passed at a general meeting, at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an associate of that person.

This Section provides certain information to Emeco Shareholders so that they can make an informed decision in respect of Resolution 7.

In addition, the Independent Expert's Report in Annexure B provides an opinion to Emeco Shareholders regarding the proposed lock up of Escrowed Shares as part of its consideration of the overall effect of the Transaction. The Independent Expert has concluded that the lock up of the Escrowed Shares is not material as the Relevant Interest is only for a period of 60 days after the Completion Date and relates only to the trading of the Escrowed Shares and not any other rights attached to the Escrowed Shares including the voting rights.

ASIC policy

ASIC Regulatory Guide 74 Acquisitions approved by members (**RG74**) sets out ASIC guidance on the disclosure required and the voting restrictions imposed by item 7 of section 611 of the Corporations Act.

In addition to discussion of the statutory disclosure requirements under item 7 of section 611, paragraph RG74.25 sets out additional material information required by ASIC to be included in the explanatory materials to obtain shareholders' approval.

Importantly, paragraphs RG74.27 and RG74.31 provide that shareholders should be provided with an analysis of the proposed acquisition in the form of an independent expert report, which is standard market practice. Accordingly, the Emeco Board has engaged PPB Corporate Finance Pty Ltd to prepare an Independent Expert's Report and opine on whether the issue of Underwritten Shares is fair and/or reasonable to Emeco Shareholders who are not associated with Black Crane or First Samuel.

14.4 Information required under the Corporations Act and ASIC policy

By virtue of the holding lock, Emeco is deemed to be acquiring a Relevant Interest in its own Shares, however Emeco will not obtain any power to influence the exercise of any votes attaching to the Shares. Emeco (and its associates) will technically increase its voting power in the Company and acquire a Relevant Interest as Emeco will have enforcement rights in relation to the disposal of the Escrowed Shares pursuant to the holding lock. Information required under the Corporations Act and ASIC policy is set out below.

(a) **Identity of the parties acquiring the Relevant Interest:** Emeco Group.

(b) **Maximum extent of the increase in Emeco's voting power:** Emeco currently has no interest in any Shares. The maximum extent of Emeco's increase in voting power in the Company is 72.5% of the total Shares on issue.

(c) **Voting power that Emeco Group would have as a result of the holding lock:** Emeco will be deemed to have voting power of 72.5% in the Company, however as described above, Emeco will not obtain any power to influence the exercise of any votes attaching to the Shares. Rather its voting power results from a Relevant Interest arising due to entry into an agreement with the Escrowed Parties that restricts the disposal of Shares.

(d) **Maximum extent of the increase in the voting power of Emeco's associates in Emeco:** Any associate of Emeco will be deemed to have the same increase in voting power as Emeco, being 72.5%, due to the holding lock.

(e) **Voting power of Emeco's associates as a result of the holding lock:** Any associate of Emeco will be deemed to have the same voting power as Emeco, being 72.5%, due to the holding lock.

14.5 Independent Expert's Report

The Independent Expert's Report prepared for the purposes of opining on the Transaction also considers this Resolution 7 in satisfaction of the requirements of RG74. It sets out a detailed independent examination of the Transactions and proposed acquisition of a Relevant Interest by Emeco in its own Shares as a result of entering into the voluntary escrow arrangements to assist Non-associated Shareholders to assess the merits of and decide whether to approve Resolution 7 (and the Transaction Resolutions).

The Independent Expert has determined that the Transactions, including the acquisition of a Relevant Interest in Shares by Emeco as a result of the voluntary escrow arrangements, are fair and reasonable, and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

Business of Annual General Meeting and resolutions

15. Consideration of reports

The financial report, directors' report and auditor's report for the financial year ended 30 June 2016 will be presented for consideration. There is no formal resolution to be voted on in relation to this item of business.

16. Questions and comments

Following consideration of the reports, the Chairman will give Emeco Shareholders a reasonable opportunity to ask questions about, or comment on, the management of the Emeco.

The Chairman will also give Emeco Shareholders a reasonable opportunity to ask the auditor questions relevant to:

(a) the conduct of the audit;

(b) the preparation and content of the auditor's report;

(c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and

(d) the independence of the auditor in relation to the conduct of the audit.

Alternatively you can submit written questions to the auditor that are relevant to the content of the auditor's report or to the conduct of the audit. Written questions must be received no later than 3.00pm (Perth time) on 7 December 2016, by Link Market Services Limited (at the postal address or fax number for lodgement of proxies or by visiting www.linkmarketservices.com.au).

The Chairman will give the auditor a reasonable opportunity to answer any such written questions submitted by Emeco Shareholders. Any written questions submitted by Emeco Shareholders will be made available at the start of the AGM. Any written answer tabled by the auditor at the AGM will be made available as soon as practicable after the meeting.

17. Resolution 8 – Adoption of Remuneration Report

The Corporations Act requires Emeco Shareholders at the Company's AGM to vote on an advisory resolution that the Remuneration Report be adopted.

The vote on this Resolution 8 is advisory only and does not bind the Directors. However, under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings (known as the **Two Strikes Rule**), Emeco Shareholders will be required to vote at the second of those AGMs on a resolution on whether the Emeco Board should be put up for re-election (**Spill Resolution**). If the Spill Resolution is passed, then Emeco is required to hold another meeting within 80 days of the Spill Resolution at which all of the Directors (other than the managing Director) must stand for re-election.

Less than 25% of votes that were cast on the resolution to adopt the 2015 remuneration report at last year's AGM were against that resolution. Accordingly, while the vote on the Remuneration Report at this AGM may potentially be counted towards the Two Strikes Rule in the future, there will be no possibility that a Spill Resolution will be required to be put to Shareholders at the 2016 AGM and no Emeco Board spill can occur this year.

The Remuneration Report is contained in the directors' report included in the 2016 Annual Report at pages 25 to 37.

The Chairman will give Emeco Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

The Directors encourage all Emeco Shareholders to cast their votes on this advisory Resolution 8.

18. Resolution 9 – Re-election of Mr Peter Richards

18.1 Information on Mr Richards' experience

PETER RICHARDS (BCOM), AGE 57.

Appointment

Appointed as an Independent Non-Executive Director in June 2009 and elected as into the same office in the 2013 AGM for Emeco. Mr Richards was appointed as Chair of the Emeco board on 1 January 2016.

Board committee membership

Member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Skills and experience

Peter has over 35 years of international business experience with global and regional companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings Limited. During his time at Dyno Nobel, he held a number of senior positions with the North American and Asia Pacific business, before being appointed as Chief Executive Officer in Australia (2005 to 2008). Peter was a Non-Executive Director (2009 to 2015) of Bradken Limited and a Non-Executive Director (2009 to 2015) of Sedgman Limited.

Current appointments:

- Chairman of Cockatoo Coal Ltd (since 2014).
- Chairman of NSL Consolidated Limited (since 2014, Non-Executive Director since 2009).
- Non-Executive Director of Graincorp Limited (since 2015).

18.2 Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of his election.

19. Resolution 10 – Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2015 financial year

19.1 Background to Resolution 10

Resolution 10 seeks Emeco Shareholder approval for the allocation of 1,550,000 Performance Shares (as defined below) to Mr Ian Testrow, the Managing Director and Chief Executive Officer of the Company, under the terms of Emeco's employee incentive plan (**Employee Incentive Plan**). This proposed grant relates to the long term incentive award component of Mr Testrow's remuneration for the 2015 financial year before he was appointed CEO and Managing Director.

A summary of the rules of the Employee Incentive Plan was included in the Emeco Holdings Limited Notice of Annual General Meeting 2014, announced to ASX on 15 October 2014.

Performance shares granted under the Employee Incentive Plan (**Performance Shares**) are ordinary fully paid shares on issue that vest subject to satisfaction of certain performance and/or retention conditions.

In particular, for these Performance Shares to vest certain performance conditions must be satisfied and Mr Testrow must remain employed by the Company at least until the 20th trading day after the announcement of the Company's annual results for the financial year ended 30 June 2017 (except in circumstances where he leaves the Company due to death, total and permanent disability, retrenchment or retirement).

The performance conditions attaching to the grant of these Performance Shares will only be satisfied if the total shareholder return (**TSR**) of the Company, when compared with the TSR of a peer group of companies, is above a certain ranking. For these purposes, the TSR of all peer group companies, including Emeco, will be assessed by reference to the respective volume weighted average share price of each of these peer group companies during the 20 trading days following the release of the Company's full financial year results for 2014 and 2017 respectively. The Performance Shares to be allocated to Mr Testrow will only vest if a certain TSR performance is achieved, with the proportion of Shares vesting being determined as follows.

Emeco's comparative TSR	% of Performance Shares that vest
Up to 50.1 percentile	Nil
At the 50.1 percentile	50%
At 51st percentile	52%
Between 51st percentile and 75th percentile	Sliding scale
At or above 75th percentile	100%

Under the terms of the Employee Incentive Plan the Company may, and has made provision to, satisfy the proposed grant of Performance Shares by acquiring Shares on-market or by reallocating Shares previously held on behalf of Emeco employees who have left, or whose share entitlements have failed to vest. Therefore, the grant of the Performance Shares to Mr Testrow does not result in the issue of New Shares.

Shares acquired for the purposes of backing a grant of Performance Shares are held on the employee's behalf by a trustee until the satisfaction of any performance and/or retention conditions and their withdrawal from the Employee Incentive Plan.

Emeco Shareholders should be aware that approval is not being sought for the purposes of the related party provisions contained in Chapter 2E of the Corporations Act, because the Emeco Board (other than Mr Testrow who is not able to make a recommendation due to his interest in his own resolution) considers that the grant of these Performance Shares pursuant to this Resolution 10 constitutes part of Mr Testrow's reasonable remuneration. In reaching this conclusion, the Emeco Board has had regard to a variety of factors including market practice and the remuneration offered to persons in comparable positions at comparable companies.

19.2 Information required under ASX Listing Rule 10.15

ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval by ordinary resolution prior to permitting the acquisition of securities under an employee incentive scheme by a director or an associate of a director. Although this resolution is in respect of Performance Shares Awarded to Mr Testrow prior to becoming CEO and Managing Director, because Mr Testrow is now the Company's Managing Director, the Company is required to seek approval for the allocation of these Performance Shares by Mr Testrow under ASX Listing Rule 10.14 and for all other purposes.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Emeco Shareholders.

(a) **Maximum number of securities to be granted and price:** It is proposed that Mr Testrow will be allocated 1,550,000 Performance Shares (which are ordinary fully paid shares on issue that vest subject to satisfaction of certain performance and retention conditions as described in Section 19.1 above), being the equivalent of 50% of Mr Testrow's annual fixed remuneration as at 24 November 2014, which is the date that the offer of Performance Shares was made to Mr Testrow. The value of these Performance Shares has been determined by reference to the volume weighted average price of trading in Emeco's Shares (being the securities underlying the Performance Shares) during the 20 trading days following the release of Emeco's full financial year results for 2014, being 22 cents, and discounted to take into account the vesting conditions attaching to the grant of those Performance Shares.

The Performance Shares are being allocated as part of Mr Testrow's remuneration for the 2015 financial year and so there is no cash consideration payable by Mr Testrow in connection with these Performance Shares. As such, no loans will be provided by Emeco in connection with the grant of these Performance Shares.

The ordinary fully paid shares which support the Performance Shares are acquired on-market and held by the plan trustee. The trustee holds sufficient Shares to support this grant (as a result of other Performance Shares lapsing and becoming available for reallocation). No further market purchases are required.

(b) **Details of prior issues or grants:** At the annual general meeting held on 20 November 2014, Emeco Shareholders approved the grant of a total of 8,803,571 Performance Shares under the Employee Incentive Plan to the Company's former Managing Director and Chief Executive Officer, Mr Kenneth Lewsey, in respect of the 2014 and 2015 financial years. Resolution 10 also seeks the approval of Emeco Shareholders to the issue of Performance Shares under the Employee Incentive Plan to Mr Testrow in relation to the long term incentive award component of his remuneration for the 2015 financial year.

(c) **Entitlement to participate:** As the only executive Director, Mr Testrow is currently the only Director eligible to participate in the Employee Incentive Plan.

(d) **Voting exclusion:** A voting exclusion statement is set out under Resolution 10 in the Notice of Annual General Meeting.

(e) **Loans:** No loan will be provided to Mr Testrow for the acquisition of Performance Shares.

(f) **Date of grant:** If approved, the Performance Shares will be granted to Mr Testrow no later than 12 months after the AGM.

19.3 Accelerated vesting and termination benefits

As set out in Section 13.3 above, Emeco Shareholder approval is also being sought for the potential future termination benefits under sections 200B and 200E of the Corporations Act should any of the Performance Shares the subject of this Resolution 10 vest as a result of termination of employment.

The reasons for seeking approval for the potential termination benefits should any of the Performance Shares the subject of this Resolution 10 vest as a result of termination of employment, and the potential benefits that may accrue to Mr Testrow upon termination of his employment, are the same as for the issue of the Performance Shares the subject of Resolutions 6.

For the same reasons set out in relation to the issue of the Performance Shares the subject of Resolutions 6, the total value of the benefits to be approved by Emeco Shareholders under this Resolution 10 cannot be determined in advance.

It should be noted that there is no current intention for Mr Testrow to vacate his role of Managing Director.

19.4 Directors' recommendation

The Directors, other than Mr Ian Testrow (who makes no recommendation due to his personal interest in the outcome of this Resolution 10), recommend that Emeco Shareholders vote in favour of Resolution 10.

20. Resolution 11 – Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2016 financial year

20.1 Background to Resolution 11

Resolution 11 seeks Emeco Shareholder approval for the allocation of 13,021,703 Performance Shares to Mr Ian Testrow, Managing Director and Chief Executive Officer of the Company, under the terms of the Employee Incentive Plan as part of the retention incentive award component of Mr Testrow's remuneration for the 2016 financial year.

The Performance Shares the subject of this Resolution 11 are issued subject to a retention condition that requires Mr Testrow to remain employed by the Company until at least the day after the announcement of Emeco's annual results in 2018 (except in circumstances where he leaves the Company due to death, total and permanent disability, retrenchment or retirement).

With the exception of the TSR performance condition, all other terms and conditions relating to the issue of the Performance Shares are the same as those that apply to the Performance Shares the subject of Resolution 10.

Under the terms of the Employee Incentive Plan the Company may and will satisfy the proposed grant by acquiring the Shares on-market or by reallocating Shares previously held on behalf of Emeco employees who have left, or whose share entitlements have failed to vest. Therefore, the grant of the Performance Shares to Mr Testrow does not result in the issue of New Shares.

Shares acquired on behalf of participants on exercise of vested Performance Shares will be held on their behalf by a trustee pending their vesting and withdrawal from the Employee Incentive Plan.

Emeco Shareholders are being asked to consider the allocation of these Performance Shares to Mr Testrow for the purposes of ASX Listing Rule 10.14, the termination benefit provisions contained in sections 200B and 200E of the Corporations Act and for all other purposes.

For the same reasons set out in relation to Resolutions 6 and 10 above, Emeco Shareholder approval is not being sought to the grant of these Performance Shares for the purposes of the related party provisions contained in Chapter 2E of the Corporations Act as the Emeco Board (other than Mr Testrow who is not able to make a recommendation due to his interest in his own resolution), considers that the grant of these Performance Shares pursuant to this Resolution 11 constitutes part of Mr Testrow's reasonable remuneration.

20.2 Information required under ASX Listing Rule 10.15

For the same reasons set out in Section 19.2 above, the following information is provided to Emeco Shareholders for the purposes of ASX Listing Rule 10.15.

(a) **Maximum number of securities to be granted and price:** It is proposed that Mr Testrow will be allocated 13,021,703 Performance Shares, being the equivalent of 110% of Mr Testrow's annual fixed remuneration as at 29 January 2016, which is the date the offer of Performance Shares was made. The value of these Performance Shares has been determined by reference to the volume weighted average price of trading in Emeco's Shares during the 20 trading days following the release of Emeco's full financial year results for 2015, being 5.99 cents.

The Performance Shares are being granted as part of Mr Testrow's remuneration for the 2016 financial year and so there is no cash consideration payable by Mr Testrow in connection with the issue of these Performance Shares. As such, no loans will be provided by Emeco in connection with the grant of these Performance Shares.

The ordinary fully paid shares which support the Performance Shares have been acquired on-market and are held by the plan trustee. The trustee holds sufficient Shares to support the grant as a result of other Performance Shares lapsing and becoming available for reallocation.

(b) **Details of prior issues or grants:** At the annual general meeting held on 20 November 2014, Emeco Shareholders approved the grant of a total of 8,803,571 Performance Shares under the Employee Incentive Plan to the Company's former Managing Director and Chief Executive Officer, Mr Kenneth Lewsey, in respect of the 2014 and 2015 financial years.

(c) **Entitlement to participate:** As the only executive Director, Mr Testrow is currently the only Director eligible to participate in the Employee Incentive Plan.

(d) **Voting exclusion:** A voting exclusion statement is set out under Resolution 11 in the Notice of Annual General Meeting.

(e) **Loans:** No loan will be provided to Mr Testrow for the acquisition of Performance Shares.

(f) **Date of grant:** If approved, the Performance Shares will be granted to Mr Testrow no later than 12 months after the AGM.

20.3 Accelerated vesting and termination benefits

As set out in Section 13.3 above, Emeco Shareholder approval is also being sought for the potential future termination benefits under sections 200B and 200E of the Corporations Act should any of the Performance Shares the subject of this Resolution 11 vest as a result of termination of employment.

The reasons for seeking approval for the potential termination benefits should any of the Performance Shares the subject of this Resolution 11 vest as a result of termination of employment, and the potential benefits that may accrue to Mr Testrow upon termination of his employment, are the same as for the issue of the Shares or Performance Shares the subject of Resolutions 6 and 10 respectively.

For the same reasons set out in relation to the issue of the Shares and Performance Shares the subject of Resolutions 6 and 10 respectively, the total value of the benefits to be approved by Emeco Shareholders under this Resolution 11 cannot be determined in advance.

20.4 Directors' recommendation

The Directors, other than Mr Ian Testrow (who makes no recommendation due to his personal interest in the outcome of this Resolution 11), recommend that Emeco Shareholders vote in favour of Resolution 11.

21. Glossary

The meanings of the terms used in this Explanatory Memorandum are set out below.

Term	Meaning
Adjustment Factor	100% less (a) the Excess Cash Percentages; and (b) the Tranche B Equity Allocation Percentage.
AGM	annual general meeting.
Andy's	Andy's Earthmovers (Asia Pacific) Pty Ltd (ACN 146 240 511).
Andy's Acquisition	the acquisition by the Company of all the shares in Andy's.
Andy's Creditors	Australia and New Zealand Banking Group Limited and Caterpillar Financial Australia Limited.
Andy's Shareholder	a holder of fully paid ordinary shares in the capital of Andy's.
Annual Report	the Company's annual report comprising the financial report, the directors' report and the auditor's report for the relevant financial year.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) and, where the context requires, the financial market that it operates.
Black Crane	Black Asia Cranes Opportunities Fund.
Calculation Date	two business days after the Scheme Effective Date.
Cash Consideration	has the meaning set out in Section 9.2(d) of this Explanatory Memorandum.
Chairman	the Chairman of the AGM.
Closely Related Party	of a member of the Key Management Personnel means: • a spouse or child of the member; • a child of the member's spouse; • a dependent of the member or the member's spouse; • anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member in the member's dealings with the Company; • a company the member controls; or • a person prescribed by the Corporations Regulations 2001 (Cth).
Combined Group	the Company and its subsidiaries, including Orionstone and Andy's following the successful implementation of the Transaction.

Term	Meaning
Commencement Date	23 September 2016.
Completion Date	the date on which the last transaction under the Transaction is (other than the retail component of the Rights Offer) is effected.
Consolidation Parties	Andy's and Orionstone and a reference to **Consolidation Party** means either of them.
Constitution	the constitution of Emeco.
Corporations Act	Corporations Act 2001 (Cth).
Directors	members of the Emeco Board.
Electing Emeco Noteholders	has the meaning set out in Section 9.1 of this Explanatory Memorandum.
Emeco or Company	Emeco Holdings Limited (ACN 112 188 815).
Emeco Board	the board of directors of Emeco.
Emeco Group	Emeco and each of its Subsidiaries, and a reference to **Emeco Group Member** or a **member of the Emeco Group** is to Emeco or any of its Subsidiaries.
Emeco Indenture	the indenture dated 17 March 2014 in respect of the 9.875% senior secured notes due 2019 between the Emeco Note Trustee, the Emeco Note Issuer, Emeco and certain other members of Emeco Group.
Emeco Note Issuer	Emeco Pty Limited (ACN 112 227 728).
Emeco Note Trustee	The Bank of New York Mellon as the trustee under the Emeco Indenture.
Emeco Noteholders	holders of the Emeco Notes.
Emeco Noteholders' Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between the Emeco Note Issuer and the Emeco Noteholders.
Emeco Notes	the notes issued by the Emeco Note Issuer pursuant to the Emeco Indenture.
Emeco Notes Outstanding	the aggregate principal amount outstanding of the Emeco Notes, less the US$52.3 million (face value) Emeco Notes held by the Company (unless cancelled).
Emeco Share Register	means the register of members of Emeco maintained in accordance with the Corporations Act.
Emeco Share Registry	Link Market Services Limited (ACN 083 214 537).
Emeco Shareholder	a person who is registered as the holder of an Emeco Share in the Emeco Share Register.

Term	Meaning
Emeco Swap Proceeds	the net A$ cash proceeds actually received by the Emeco Note Issuer on the close out or termination of the Emeco Swap Transaction.
Emeco Swap Transaction	the swap transactions between the Emeco Note Issuer and Goldman Sachs Financial Markets Pty Ltd subject of the revised confirmations dated 8 January 2015 and 9 January 2015.
Emeco Tranche B Notes Participant	the Electing Emeco Noteholders and the Scheme Cash Funders.
Employee Incentive Plan	has the meaning set out in Section 19.1 of this Explanatory Memorandum.
Employees	has the meaning set out in Section 12.3 of this Explanatory Memorandum.
Escrowed Parties	has the meaning set out in Section 14.1 of this Explanatory Memorandum.
Escrowed Shares	has the meaning set out in Section 14.1 of this Explanatory Memorandum.
Excess Cash	the cash and cash equivalents balance of Emeco Group, Orionstone (and each of its subsidiaries) or Andy's (as the case may be) and converted as necessary to A$ at the Prevailing Exchange Rate on the Calculation Date
Excess Cash Contributed Percentage	in respect of Emeco, Orionstone and Andy's, its respective Excess Cash expressed as a percentage of the Implied Transaction Equity Value.
Excess Cash Percentage	the Total Contributed Excess Cash expressed as a percentage of the Implied Transaction Equity Value.
Explanatory Materials	the Notice of Annual General Meeting and Explanatory Memorandum.
First Samuel	First Samuel Limited (ACN 086 243 567).
FX Rate	the prevailing exchange rate on the Calculation Date.
Implied Transaction Equity Value	Emeco's implied transaction equity value assuming its acquisition of Andy's and Orionstone based on the sum of: (a) A$662,600,000; and (b) the Total Contributed Excess Cash; less (c) Total Debt Facilities.
Independent Expert	PPB Corporate Finance Pty Ltd.

Term	Meaning
Independent Expert's Report	the report to be issued by the Independent Expert in connection with the resolutions seeking Emeco Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act.
Initial Shareholder Equity Allocation Percentage	means, in respect of each of Andy's, Emeco and Orionstone: (a) for Emeco, 59.2%; (b) for Orionstone, 24.6%; and (c) for Andy's, 16.2% subject to certain adjustments per the terms of the Restructuring Support Agreement on the Calculation Date.
Issue Price	the Emeco Group Shareholder Equity Allocation Percentage multiplied by the Implied Transaction Equity Value and then divided by 599,675,707.
Key Management Personnel	has the same meaning as in the accounting standards. Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors.
Management Incentive Plan	has the meaning set out in Section 12.1 of this Explanatory Memorandum.
New Share	a Share to be issued and allotted pursuant to the Transaction.
Non-associated Shareholders	Emeco Shareholders that are not associated with the Transaction.
Orionstone	Orionstone Holdings Pty Ltd (ACN 603 473 623).
Orionstone Acquisition	the acquisition by the Company of all the shares in Orionstone.
Orionstone Creditors	certain creditors of Orionstone who are parties to the Restructuring Support Agreement.
Orionstone Shareholder	a holder of fully paid ordinary shares in the capital of Orionstone.
Performance Shares	the ordinary fully paid Shares that may vest subject to certain conditions being fulfilled under the Management Incentive Plan or the Employee Incentive Plan as set out in Section 19.1 of this Explanatory Memorandum.
Prevailing Exchange Rate	on the relevant date, the Bloomberg AUD-USD/CAD/CLP/other currency cross rate (mid-point) at 3pm Australian Eastern Standard Time.

Term	Meaning
Principal Outstanding	(a) in respect of each Emeco Noteholder, the amount of principal owing to such Emeco Noteholder pursuant to the Emeco Notes; (b) respect of an Orionstone Creditor, the amount of principal (and any accrued but unpaid interest, costs, fees and expenses not paid on the Completion Date) owing to such Orionstone Creditor pursuant to the Orionstone current finance documents including any amount owing to an Orionstone hedge counterparty following the close-out or termination of any derivative position (including in relation to floating-to-fixed interest rate swaps, cross currency interest rate swaps and forward exchange rate swaps) in respect of which an Orionstone Group member is the counterparty; and (c) in respect of an Andy's Creditor, the amount of principal (and any accrued but unpaid interest, costs, fees and expenses not paid on the Completion Date) owing to such Andy's Creditor pursuant to the Andy's current finance documents and the terms of the Restructuring Support Agreement.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act but does not include anything which would not be a relevant interest under sections 609(6) or 609(7) of the Corporations Act.
Restructuring Support Agreement	the document entitled "Restructuring Support Agreement" entered into between, among others, Emeco, the Emeco Note Issuer, Orionstone and Andy’s and dated 23 September 2016.
RG74	ASIC Regulatory Guide 74 *Acquisitions approved by members*.
Rights Offer	a rights offer to raise, subject to the Completion Date occurring, up to A$20,000,000 in cash as set out in Annexure C paragraph (a)(ix) of this Explanatory Memorandum.
Scheme Cash Funders	has the meaning set out in Section 9.1 of this Explanatory Memorandum.
Scheme Cash Recipients	has the meaning set out in Section 9.1 of this Explanatory Memorandum.
Scheme Effective Date	the date on which the order of the Court made under section 411(4)(b) of the Corporation Act in relation to the Emeco Noteholders’ Scheme is lodged with ASIC and becomes effective under section 411(10) of the Corporations Act.
Scheme Meeting	the meeting of Emeco Noteholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Emeco Noteholders' Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Term	Meaning
Scheme Noteholder	an Emeco Noteholder as at the Scheme Effective Date solely in its capacity as a holder of Emeco Notes, notwithstanding the disposal or transfer of any right under the Emeco Indenture or any agreement to dispose of or transfer any such right entered into by that person before or after that time.
Securities Act	United States Securities Act of 1933, as amended.
Share	a fully paid ordinary share in the capital of Emeco.
Shares Award	has the meaning set out in Section 12.3.
Shareholder Equity Allocation Percentage	in respect of the shareholders of each of Andy's, Emeco Group and Orionstone Group, the Initial Shareholder Equity Allocation Percentage multiplied by the Adjustment Factor, plus its Excess Cash Contributed Percentage
Spill Resolution	has the meaning set out in Section 17 of this Explanatory Memorandum.
Subsidiary	has the meaning given in the Corporations Act.
Supporting Creditors	certain creditors of Emeco, Orionstone and Andy's who are parties to the Restructuring Support Agreement.
Total Contributed Excess Cash	the aggregate Excess Cash of Andy's, Emeco Group and Orionstone (and Orionstone's subsidiaries).
Total Debt Facilities	the sum of the par value of: (a) the Principal Outstanding on the Calculation Date less the Emeco Swap Proceeds multiplied by 80%; plus (b) the Emeco Swap Proceeds; plus (c) the aggregate of equipment financing owed by Emeco and the Consolidation Parties on the Calculation Date; converted as applicable to A$ at the Prevailing Exchange Rate on the Commencement Date.
Tranche B Notes	the senior secured notes maturing FY22 replacing the Emeco Notes pursuant to the Emeco Noteholders' Scheme.
Tranche B Equity Allocation Percentage	the Tranche B Equity Value as a percentage of the Implied Transaction Equity Value.

Term	Meaning
Tranche B Equity Value	the sum of: (a) an amount equal to the lesser of the par value of the Andy's Creditors' Principal Outstanding on the Calculation Date and the Andy's Creditors' Principal Outstanding on the Commencement Date, multiplied by 20%; (b) an amount equal to the par value of the Emeco Tranche B Notes Participants' Principal Outstanding on the Calculation Date (converted to A$ at the Prevailing Exchange Rate on the Commencement Date) less the Emeco Swap Proceeds, multiplied by 20%; and (c) an amount equal to the lesser of the par value of the Orionstone Creditors' Principal Outstanding on the Calculation Date and the Orionstone Creditors' Principal Outstanding on the Commencement Date, multiplied by 20%.
Transaction	the transaction described in paragraph (a) of Annexure C of this Explanatory Memorandum
Transaction Resolution	Resolutions 1 to 7 (inclusive) as set out in the Notice of Annual General Meeting.
TSR	total shareholder return.
Two Strikes Rule	has the meaning set out in Section 17 of this Explanatory Memorandum.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2016 annual general meeting (**Annual General Meeting**) of Emeco Holdings Limited (**Emeco** or **Company**) will be held at Bendat Parent and Community Centre, 36 Dodd St, Wembley, Western Australia on Monday, 12 December 2016 at 10.00am (Perth time).

BUSINESS OF MEETING

In addition to the ordinary business considered at an AGM, Emeco Shareholders are asked to consider and if thought fit, pass the resolutions set out below (**Transaction Resolutions**) in relation to the proposed recapitalisation of the Company and the acquisitions of Orionstone and Andy's (**Transaction**).

The Transaction Resolutions are conditional on each other. If any of the Transaction Resolutions are not passed by the requisite majority, none of the other Transaction Resolutions will be implemented regardless of whether the other Transaction Resolutions have passed.

Information on the Transaction Resolutions is set out below and in the Explanatory Memorandum (of which this Notice of Annual General Meeting forms a part).

DEFINED TERMS

Unless otherwise defined in this Notice of General Meeting, capitalised terms used in this Notice of Annual General Meeting have the same meanings as set out in the Glossary to the Explanatory Memorandum (of which this Notice of Annual General Meeting forms a part).

TRANSACTION RESOLUTIONS

Resolution 1: Issue of shares in connection with the merger with Orionstone and Andy's

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Transaction Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the proposed issue of fully paid ordinary shares in the Company to the Orionstone Shareholders, Orionstone Creditors, Andy's Shareholder and Andy's Creditors at an issue price and on other terms described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any associates of such person. However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

See "Notes on Voting" below.

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 1. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 1.

The Independent Expert has prepared an Independent Expert's Report in relation to the proposed Transaction Resolutions (set out in Annexure B). The Independent Expert has concluded that the Transaction is fair and reasonable, and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

Refer to Section 8 of the Explanatory Memorandum for further information.

Resolution 2: Issue of shares pursuant to the Emeco Noteholders' Scheme

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Transaction Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the proposed issue of fully paid ordinary shares in the Company under the Creditors' Scheme calculated in accordance with the method and on the terms described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any associates of such person. However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

See "Notes on Voting" below.

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 2. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 2.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

The Independent Expert has prepared an Independent Expert's Report in relation to the proposed Transaction Resolutions (set out in Annexure B). The Independent Expert has concluded that the Transaction is fair and reasonable, and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

Refer to Section 9 of the Explanatory Memorandum for further information.

Resolution 3: Approval of financial assistance in relation to the Orionstone Acquisition

To consider and, if thought fit, to pass the following resolution as a special resolution:

*"That, subject to the passing of all other Transaction Resolutions, for the purpose of section 260B(2) of the Corporations Act and for all other purposes, approval is given for the financial assistance to be provided by Orionstone Holdings Pty Ltd (**Orionstone**) and each wholly owned subsidiary of Orionstone in connection with the Orionstone Acquisition and the Orionstone Financing or any refinancing thereof as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."*

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 3. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

Refer to Section 10 of the Explanatory Memorandum for further information.

Resolution 4: Approval of financial assistance in relation to the Andy's Acquisition

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to the passing of all other Transaction Resolutions, for the purpose of section 260B(2) of the Corporations Act and for all other purposes, approval is given for the financial assistance to be provided by Andy's Earthmovers (Asia Pacific) Pty Ltd in connection with the Andy's Acquisition and the Andy's Financing or any refinancing thereof as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 4. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 4.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

Refer to Section 11 of the Explanatory Memorandum for further information.

Resolution 5: Approval of Management Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Transaction Resolutions, for the purpose of ASX Listing Rule 7.2 exception 9 and for all other purposes, approval is given for:

(a) the establishment of a plan, to be called the Management Incentive Plan; for the provision of incentives to management of the Company; and

(b) the issue of Performance Shares under the Management Incentive Plan,

in accordance with the terms of the Management Incentive Plan initialled by the Chairman for the purposes of identification and described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director who is eligible to participate in the Management Incentive Plan and any associates of such person. However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

See "Notes on Voting" below.

Directors' recommendation

The Directors (other than those Directors eligible to participate in the Management Incentive Plan abstaining) unanimously recommend that Emeco Shareholders vote in favour of Resolution 5. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 5 (with any Directors eligible to participate in the Management Incentive Plan abstaining).

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 5.

Refer to Section 12 of the Explanatory Memorandum for further information.

Resolution 6: Approval of the issue of Shares to the Managing Director and Chief Executive Officer, Ian Testrow

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"*That, subject to the passing of all other Transaction Resolutions, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the allocation of no more than 210 million Shares to Mr Ian Testrow, the Managing Director and Chief Executive Officer of the Company, pursuant to the terms of the Management Incentive Plan, as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.*"

Voting Exclusion Statement

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast on this resolution by

(a) any Director who is eligible to participate in the Management Incentive Plan and any associates of such person; and

(b) if ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in the employee incentive scheme by anyone else, by that person and any associates of such person;

(c) as proxy by any member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel, who is not directed how to vote.

However, the Company need not disregard a vote if:

(d) in the case of a person described in (a), (b) or (c) above, it is cast by:

(i) a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or;

(ii) the person chairing the meeting as proxy (expressly or by default) for a person who is entitled to vote, without being directed how to vote; and

(e) in the case of a person described in (d) above, it is cast by the person chairing the meeting as proxy and the chair is expressly authorised to exercise the proxy even if the resolution is connected with the remuneration of a Key Management Personnel.

See "Notes on Voting" below.

Directors' recommendation
The Directors, other than Mr Ian Testrow (who makes no recommendation due to his personal interest in the outcome of this Resolution 6), recommend that Emeco Shareholders vote in favour of Resolution 6.

Refer to Section 13 of the Explanatory Memorandum for further information.

Resolution 7: Approval for the Company to acquire Relevant Interest in Shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to the passing of all other Transaction Resolutions, for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given to the Company for the acquisition by the Company of a Relevant Interest in the Escrowed Shares as a result of the voluntary escrow arrangements under the Restructuring Support Agreement as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting."

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 7. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 7.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 7.

The Independent Expert has prepared an Independent Expert's Report in relation to the proposed Transaction Resolutions (set out in Annexure B). The Independent Expert has concluded that the Transaction is fair and reasonable, and in the best interests of Non-associated Emeco Shareholders, in the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer.

Refer to Section 14 of the Explanatory Memorandum for further information.

BUSINESS OF ANNUAL GENERAL MEETING AND RESOLUTIONS

ITEMS OF BUSINESS

A. Consideration of reports

To receive and consider the financial report, the directors' report and the auditor's report of Emeco for the financial year ended 30 June 2016.

B. Questions and comments

Emeco Shareholders as a whole will be given a reasonable opportunity to ask questions about or comment on the management and audit of the Company.

ITEMS FOR APPROVAL

Resolution 8: Adoption of Remuneration Report

To consider and if thought fit, to pass the following as an advisory resolution of Emeco Shareholders:

"*That the remuneration report for the financial year ended 30 June 2016 be adopted.*"

The Remuneration Report forms part of the directors' report (included in the 2016 Annual Report at pages 25-37).

Voting Exclusion Statement

In accordance with the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of the following persons:

(a) a member of the Key Management Personnel for the Company, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if:

(c) the person does so as a proxy that specifies how the proxy is to vote on the Resolution; or

(d) the person is the Chairman and has been appointed as a proxy (expressly or by default) without being directed how to vote on the Resolution; and

(e) in either case, the vote is not cast on behalf of a person described in (a) or (b) above.

Resolution 9: Re-election of Mr Peter Richards

To consider and if thought fit, to pass the following as an ordinary resolution:

"*That Mr Peter Richards, who retires as a Director by rotation in accordance with the Constitution, and being eligible for re-election, is elected as a Director.*"

Directors' recommendation

The Directors unanimously recommend that Emeco Shareholders vote in favour of Resolution 9. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 9.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 9.

Refer to Section 18 of the Explanatory Memorandum for further information.

Resolution 10: Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2015 financial year

To consider and if thought fit, to pass the following as an ordinary resolution:

"*That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the allotment of 1,550,000 Performance Shares to Mr Ian Testrow, the Managing Director and Chief Executive Officer of the Company, as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.*"

Voting Exclusion Statement

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast on this resolution by

(a) any Director who is eligible to participate in the Management Incentive Plan and any associates of such person; and

(b) if ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in the employee incentive scheme by anyone else, by that person and any associates of such person;

(c) as proxy by any member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel, who is not directed how to vote.

However, the Company need not disregard a vote if:

(d) in the case of a person described in (a), (b) or (c) above, it is cast by:

   (i) a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or;

   (ii) the person chairing the meeting as proxy (expressly or by default) for a person who is entitled to vote, without being directed how to vote; and

(e) in the case of a person described in (d) above, it is cast by the person chairing the meeting as proxy and the chair is expressly authorised to exercise the proxy even if the resolution is connected with the remuneration of a Key Management Personnel.

See "Notes on Voting" below.

Directors' recommendation

The Directors (other than Mr Testrow, who makes no recommendation due to his personal interest in the outcome of the Resolution) recommend that Emeco Shareholders vote in favour of Resolution 10. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 10.

Refer to Section 19 of the Explanatory Memorandum for further information.

Resolution 11: Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2016 financial year

To consider and if thought fit, to pass the following as an ordinary resolution:

"*That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the allotment of 13,021,703 Performance Shares to Mr Ian Testrow, the Managing Director and Chief Executive Officer of the Company, as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting.*"

Voting Exclusion Statement

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast on this resolution by

(a) any Director who is eligible to participate in the Management Incentive Plan and any associates of such person; and

(b) if ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in the employee incentive scheme by anyone else, by that person and any associates of such person;

(c) as proxy by any member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel, who is not directed how to vote.

However, the Company need not disregard a vote if:

(d) in the case of a person described in (a), (b) or (c) above, it is cast by:

  (i) a person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or;

  (ii) the person chairing the meeting as proxy (expressly or by default) for a person who is entitled to vote, without being directed how to vote; and

(e) in the case of a person described in (d) above, it is cast by the person chairing the meeting as proxy and the chair is expressly authorised to exercise the proxy even if the resolution is connected with the remuneration of a Key Management Personnel.

See "Notes on Voting" below.

Directors' recommendation

The Directors (other than Mr Testrow, who makes no recommendation due to his personal interest in the outcome of the Resolution) recommend that Emeco Shareholders vote in favour of Resolution 11. Each of the Directors holding Shares in the Company intends to vote in favour of Resolution 1.

Refer to Section 20 of the Explanatory Memorandum for further information.

INFORMATION FOR SHAREHOLDERS

Availability of the Annual Report

As permitted by the Corporations Act, a printed copy of the Annual Report comprising the financial report, the directors' report and the auditor's report of the Company for the financial year ended 30 June 2016 has been sent only to those Emeco Shareholders who have elected to receive a printed copy. For those Emeco Shareholders who have not elected to receive a printed copy, the Annual Report is available online on the Company's website at: http://www.emeco.com.au/view/investors/annual-reports.

NOTES ON VOTING

(a) **Determination of entitlement to attend and vote**

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations 2001 (Cth), Emeco has determined that you will be entitled to attend and vote at the Annual General Meeting if you are registered as a holder of Emeco Shares as at 10:00am (Perth time) on 10 December 2016. If you are not registered as a holder of Emeco Shares as at this time, you will not be entitled to attend or vote at the meeting as an Emeco Shareholder.

(b) **How to Vote**

You can vote in either of two ways:

- by attending the Annual General Meeting and voting in person or by attorney, or in the case of corporate Emeco Shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the Annual General Meeting on your behalf, either by using the proxy form accompanying the Explanatory Memorandum (of which this notice forms part) or electronically by visiting www.linkmarketservices.com.au.

Voting in person, by attorney or by corporate representative

If possible, you should arrive at the meeting venue by 9:00am (Perth time) so that your shareholding can be checked against the Emeco Share Register and your attendance noted. You must register your attendance on arrival.

If you wish to attend the Annual General Meeting by attorney, evidence of the appointment and non-revocation of such attorney must be received by the Emeco Share Registry by no later than 10:00am (Perth time) on 10 December 2016. Attorneys should be bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Annual General Meeting.

A representative of a company attending the meeting should bring to the Annual General Meeting a letter or certificate evidencing their appointment, unless previously given to the Emeco Share Registry. Further details in respect of appointing a proxy are set out in the instructions under 'Appointment of Proxy' Form" which forms part of the proxy form enclosed with this Notice. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – www.linkmarketservices.com.au Select the "Investor Services" tab and click on Forms.

Voting by proxy

- Emeco Shareholders are entitled to appoint a proxy to attend the Annual General Meeting and vote on their behalf. If an Emeco Shareholder is entitled to attend and cast two or more votes at the Annual General Meeting, the Emeco Shareholder may appoint two proxies and may specify the proportion or the number of votes that the proxy may exercise. If no such proportion or number is specified, each proxy may exercise half of the Emeco Shareholder's votes. Fractions of votes will be disregarded.
- A proxy does not need to be an Emeco Shareholder.
- If a proxy is not directed how to vote on a resolution, the proxy may vote, or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on a resolution, that person is directed not to vote on the Emeco Shareholder's behalf on the resolution and the shares the subject of the proxy appointment will not be counted in determining the required majority.
- Emeco Shareholders who return their Annual General Meeting Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Annual General Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Annual General Meeting, the chairman of the Annual General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Annual General Meeting, the company secretary or any other officer of Emeco will be used to support the resolutions.
- Completed proxy forms should be sent to the Emeco Share Registry by:
  - mailing it to Link Market Services Limited using the reply paid envelope;
  - posting it to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
  - lodging it online at Link Market Services Limited's website, www.linkmarketservices.com.au. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website;
  - facsimile to Link Market Services Limited at 02 9287 0309 (from within Australia) or +61 2 9287 0309 (from outside Australia); or
  - hand delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, New South Wales.

To be effective, proxy forms must be received by Link Market Services Limited as set out above or by the Company at its registered office at Level 3, 71 Walters Drive, Osborne Park, Western Australia 6017 by no later than 10:00am (Perth time) on 10 December 2016. Proxy forms received after this time will be invalid.

- The Annual General Meeting Proxy Form must be signed by the Emeco Shareholder or the Emeco Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney or the power itself must be received by 10:00am (Perth time) on 10 December 2016. If sent by fax, the power of attorney must be certified.

- In the case of joint Emeco Shareholders, the name of any one of the joint Emeco Shareholders may be shown on the Annual General Meeting Proxy Form and any one of the joint Emeco Shareholders may sign the Annual General Meeting Proxy Form. If more than one of the joint Emeco Shareholders are present personally or by duly authorised representative, proxy or attorney, only the vote of the holder whose name appears first in the Emeco Share Register counts.

Voting by Corporate Representative

- An Emeco Shareholder, or proxy, that is a corporation and entitled to attend and vote at the Annual General Meeting may appoint an individual to act as its corporate representative.
- Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act 2001 (Cth) and be lodged with Emeco before the Annual General Meeting or at the registration desk on the day of the Annual General Meeting.
- If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been noted by the Emeco Share Registry.

Voting by Attorney

- An Emeco Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint an attorney to attend and vote at the Annual General Meeting on the Emeco Shareholder's behalf.
- An attorney need not be a shareholder of Emeco.
- The power of attorney appointing the attorney must be duly signed and specify the name of each of the Emeco Shareholder, Emeco and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.
- To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

PPB Advisory

Emeco Holdings Limited

Independent Expert's Report and Financial Services Guide

Proposed acquisitions and recapitalisation

3 November 2016

PART 1: FINANCIAL SERVICES GUIDE

PPB Corporate Finance Pty Ltd

PPB Corporate Finance Pty Ltd (ABN 13 130 176 911) ("PPB") is the licensed corporate finance business of PPB Advisory. PPB is a wholly owned subsidiary of PPB Pty Ltd, trading as PPB Advisory (ABN 67 972 164 718). PPB Advisory provides strategic and financial advisory services to a wide range of clients. PPB's contact details are as set out on our letterhead.

Engagement

PPB has been engaged by the independent directors ('Independent Directors') of Emeco Holdings Limited ('Emeco' or the 'Company') to prepare this Independent Expert's Report ('IER' or 'Report'). This IER will accompany the Notice of Meeting and Explanatory Memorandum provided by the directors of Emeco ('Directors') to the shareholders of the Company ('Shareholders') to assist them in deciding whether to approve the proposed acquisitions and recapitalisation of the Company ('Proposed Transaction').

Financial Services Guide

This Financial Services Guide ('FSG') has been prepared in accordance with the Corporations Act, 2001 (Cth). It provides important information to help retail investors make decisions regarding the general financial product advice included in the IER; the services we offer; information about PPB; the dispute resolution process and our remuneration.

PPB holds an Australian Financial Services Licence (No. 344626) ('Licence'). PPB is required to issue to you, as a retail client, a FSG in connection with our IER.

PPB is licensed to provide financial services

The Licence authorises PPB to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

You have not engaged PPB directly, but have received this IER because it accompanies the Notice of Meeting and Explanatory Memorandum you have received from the Directors. Our IER includes details of our engagement and identifies the party who has engaged us.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide any personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposed Transaction, as described in the Notice of Meeting and Explanatory Memorandum, may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Remuneration

PPB will receive a fee of approximately $250,000 (plus GST and disbursements) based on commercial rates. PPB will not receive any fee contingent upon the outcome of the Proposed Transaction and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

All of our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PPB or PPB Advisory but any bonuses are not directly connected with individual assignments and in particular are not directly related to the engagement for which our IER was provided.

PPB does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that PPB is licensed to provide.

Independence

PPB is not aware of any actual or potential matter or circumstance that would preclude it from preparing this IER on the grounds of independence under regulatory or professional requirements. In particular, PPB has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission.

Complaints resolution

PPB is required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PPB Corporate Finance Pty Ltd, GPO Box 5151, Sydney NSW 2001.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS").

FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PPB is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Email: info@fos.org.au
Web: www.fos.org.au

PART 2: INDEPENDENT EXPERT'S REPORT

3 November 2016

The Independent Directors
Emeco Holdings Limited
Level 3
71 Walkers Drive
OSBORNE PARK WA 6017

Dear Independent Directors

Independent Expert's Report and Financial Services Guide

Introduction

PPB Corporate Finance Pty Ltd ('PPB') has been engaged by the independent directors[1] ('Independent Directors') of Emeco Holdings Limited ('Emeco or 'the Company') to prepare an independent expert report ('IER' or 'Report') for the shareholders of Emeco ('Shareholders') in relation to a proposed recapitalisation and issue of shares through a series of transactions ('Proposed Transaction'). The Proposed Transaction is described below. The series of transactions are inter-conditional.

Our opinions expressed in this Report are as at 23 September 2016 ('Valuation Date').

The Proposed Transaction

On 23 September 2016, Emeco announced that, subject to shareholder approval, the directors of Emeco ('Directors') had signed a binding restructuring support agreement ('RSA') with certain major financiers of Emeco and the major creditors and shareholders of Orionstone Holdings Pty Ltd ('Orionstone') and Andy's Earthmovers (Asia Pacific) Pty Ltd ('Andy's'). The RSA sets out the key terms of the Proposed Transaction, which comprises:

- the acquisition of Orionstone through the exchange of 100% of the ordinary shares of Orionstone for the issue of 7% of the ordinary shares ('Shares') in Emeco (on a post transaction basis) ('Orionstone Acquisition')
- the acquisition of Andy's through the exchange of 100% of the ordinary shares of Andy's for the issue of 5% of Shares in Emeco (on a post transaction basis) ('Andy's Acquisition')
- a debt for equity swap whereby the claims of the holders of the notes ($373 million[2]) ('Emeco Noteholders'), Orionstone's creditors and Andy's creditors will be compromised and extinguished in exchange for Shares in Emeco on a fully diluted basis[3] as follows:
  - Emeco Noteholders – 34%
  - Orionstone's creditors - 14%
  - Andy's creditors - 6%

[1] Directors that are not associated with the Proposed Transaction
[2] Based on exchange rate at 23 September 2016
[3] After the Pro-rata Rights Offer and assuming full take up and before the management incentive plan and subject to adjustments prior to completion under the terms of the RSA

- new senior secured notes for $473 million with a 5 year maturity and cash interest of 9.25% per annum ('New Notes')

  (the New Notes and Shares referred to together as the 'Equity Exchange')

- equity raising by way of Pro-rata rights issue ('Pro-rata Rights Offer') for $20 million, to be underwritten to $10 million by Emeco's substantial shareholders, First Samuel Limited ('First Samuel') and Black Cranes Asia Opportunities Fund ('Black Crane') (together the 'Underwriters'). Black Crane will underwrite 20% and First Samuel 80% of the $10 million
- cancellation of all commitments under its asset backed loan that is due to expire in December 2017
- entry into a new revolving loan facility agreement
- the restructure of existing security arrangements and entry into new security arrangements.

  (the cancellation of all commitments, entry into a new revolving loan facility agreement and the restructure of existing and entry into new security arrangements, together referred to as the 'Loan Restructure').

The parties to the RSA have agreed with Emeco that any Shares in Emeco issued pursuant to the Equity Exchange will be subject to a voluntary escrow arrangement for a period of up to 60 days ('Lock-Up').

The Equity Exchange, Pro-rata Rights Offer and the Loan Restructure (collectively referred to as the 'Proposed Transaction'), are inter-conditional.

The Proposed Transaction is also conditional on the approval of Emeco Noteholders through a creditors' scheme of arrangement ('Creditors Scheme').

Further details in relation to the Proposed Transaction are provided in Section 1 of this report.

Purpose of this report

Section 606 of the Corporations Act (cth) 2001 ('Act') prohibits a person from acquiring a relevant interest in a public company where that person already has a voting right in excess of 20% and their voting right would increase further. Section 611 allows non associated shareholders to waive the Section 606 prohibition by passing a resolution at a general meeting. As set out in Section 1, the Proposed Transaction may result in:

- Emeco Noteholders, already owning 4.4%[4] being issued with an additional 34% of Shares that could result in an increase in their interest to more than 20% being approximately 35%[5]
- Emeco having a relevant interest of 66%, by virtue of the Lock-Up for 60 days.

Under the Proposed Transaction, the issue of Shares to Emeco Noteholders may result in these parties each acquiring relevant interests of more than 20% of Emeco's issued capital.

Therefore, these issues of Shares require the approval of the shareholders of Emeco that are not associated with the Proposed Transaction ('Non-Associated Shareholders') in accordance with item 7 of Section 611 ('Section 611') of the Act.

Although Black Crane and First Samuel, the Underwriters of the Pro-rata Rights Offer, have existing ownership interests of 15.0% and 19.3% respectively, each of their interests will be diluted to less than 10% of the Combined Group, after the Proposed Transaction.

The Independent Directors have requested PPB to provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to, and in the best interests of, the Non-Associated Shareholders.

[4] Percentage interest before the Proposed Transaction
[5] On a fully diluted basis assuming full take up of the Pro-rata Rights Offer

This report is to be included in the Explanatory Memorandum and Notice of Meeting to be sent to the Shareholders and has been prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. PPB and PPB Advisory, including any members or employees thereof, are not responsible to any person, other than the Non-Associated Shareholders and Emeco, in respect of this report, including for any errors or omission however caused.

This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Memorandum and Notice of Meeting.

Basis of evaluation

We have prepared this report having regard to the Australian Securities and Investments Commission ('ASIC') Regulatory Guides ('RG'), especially RG 111 *Contents of experts reports* ('RG 111') and RG 112 *Independence of experts* ('RG 112') and RG 74 *Acquisitions approved by members*.

RG 74 indicates that the IER should be prepared in accordance with the guidance provided in RG 111 that states that an expert should focus on the purpose and outcome of the transaction rather than the legal mechanism to effect the transaction. RG 111 provides guidance in relation to a range of transactions.

In considering the Proposed Transaction we have had regard to the economic substance of the Proposed Transaction and that the series of transactions comprising the Proposed Transaction are inter-conditional. As such, the series of transactions (collectively referred to as the Proposed Transaction) must be considered together as it is not possible for one to occur without all of the others.

To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Transaction is either fair and reasonable (in the best interests), not fair but reasonable (in the best interests), or neither fair nor reasonable (not in the best interests), as set out in RG 111.

ASIC's interpretation of RG 111 suggests that we consider the Proposed Transaction as follows:

- the Proposed Transaction is fair, if the value of a share in the entity prior to the Proposed Transaction (on a control basis) is equal to or less than the value of a share in the entity following the Proposed Transaction (on a minority interest basis)
- the Proposed Transaction is reasonable, if it is fair, or, despite not being fair, after considering other significant factors, there are sufficient reasons for shareholders to vote for the Proposed Transaction.

The analysis as explained above requires that the Proposed Transaction be evaluated as if it was a takeover of Emeco by Emeco Noteholders and the Underwriters. However:

- no element of the Proposed Transaction will result in Non-Associated Shareholders being provided any consideration by Emeco
- Emeco will be merging its operations with Orionstone and Andy's and issuing Shares to the shareholders of Orionstone and Andy's
- following the Proposed Transaction, shareholders of Emeco will continue to hold the same or a greater number of shares in Emeco, being the combined group including the businesses of Emeco, Orionstone and Andy's ('Combined Group'), although the value and trading price of those shares is likely to be impacted by the Proposed Transaction.

Given that Non-Associated Shareholders can elect to participate in the Pro-rata Rights Offer or not, we have assessed the fairness of the Proposed Transaction on the basis that a shareholder does not participate in the Pro-rata Rights Offer.

A Non-Associated Shareholder may consider alternative approaches to assessing the merits of the Proposed Transaction. Therefore, in our reasonableness assessment, we have considered the position of a shareholder that elects to participate in the Pro-rata Rights Offer.

Further details on the basis of evaluation are set out in Section 2.3 of our detailed report.

Our IER is provided to Shareholders for the above purposes only, and should not be used or relied upon for any other purpose, nor should it be disclosed to or discussed with any other party without our prior written consent (except relevant statutory authorities or your professional advisors, acting in that capacity, provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents).

Our Report is subject to the limitations and disclosures set out in Section 0 of the Report.

Summary and conclusion

In our opinion, in the absence of a superior offer, and on the basis that a Shareholder *does not participate* in the Pro-rata Rights Offer, the Proposed Transaction is fair and reasonable as far as Non-Associated Shareholders are concerned. Further, we consider the Proposed Transaction to be in the best interests of Non-Associated Shareholders.

Since the debt for equity swap with the Emeco Noteholders, Orionstone's creditors and Andy's creditors, is subject to a Creditors Scheme and is part of the Proposed Transaction that we have assessed as being fair and reasonable, we are also of the view that the Creditors Scheme is in the best interest of Non-Associated Shareholders as a whole.

We have assessed whether the Proposed Transaction is fair by comparing our fair market value of a share in Emeco before the Proposed Transaction to the fair market value of a share in Emeco after the Proposed Transaction.

There are compelling reasons for the Non-Associated Shareholders to approve the Proposed Transaction as they will be clearly better off if the Proposed Transaction proceeds. In accordance with RG 111 the expert is to consider these reasons and the position of a Non-Associated Shareholder that *does participate* in the Notes Offer, as part of the reasonableness assessment of the Proposed Transaction.

Emeco has been experiencing significant financial pressures mostly due to the decline in certain mining sectors in Australia, declining share prices and its significant levels of debt. The Company's current asset backed loan is due to expire in December 2017 and the Notes are due to expire in March 2019. Emeco requires a substantial reduction in its debt and additional capital if it is to generate future earnings growth in the business. Both will occur if the Proposed Transaction proceeds.

Our opinion should be read in conjunction with the remainder of this letter and our detailed Report that is attached.

The Proposed Transaction is fair

We have assessed whether the Proposed Transaction is fair by comparing our valuation of a share in Emeco before the Proposed Transaction to the value of a share in Emeco after the Proposed Transaction.

We have assessed the fairness of the Proposed Transaction on the basis that a Shareholder does not participate in the Pro-rata Rights Offer. We have also considered the position of a Shareholder that does participate in the Pro-rata Rights Offer as part of our reasonableness assessment.

In Section 14 of our Report, we set out our fairness assessment.

On the basis that a Shareholder does not participate in the Pro-rata Rights Offer, our fairness assessment indicates that the fair market value of an issued Share after the Proposed Transaction, on a pro-forma fully diluted basis ('Pro-forma Number of Shares'), is within the range of the fair market value of an issued Share before the Proposed Transaction.

A Shareholder that *does not participate* in the Pro-rata Rights Offer will continue to hold their Shares. By virtue of the Proposed Transaction, if all Shareholders elect not to participate in the Pro-rata Rights Offer, their interests, excluding the Underwriters, will be diluted from 65.7% to 17.1% of the total issued Shares of the Company (compared to 22.5% if they do participate).

On the basis that a shareholder *does not participate* in the Pro-rata Rights Offer, we have assessed the fair market value of an issued Share in Emeco:

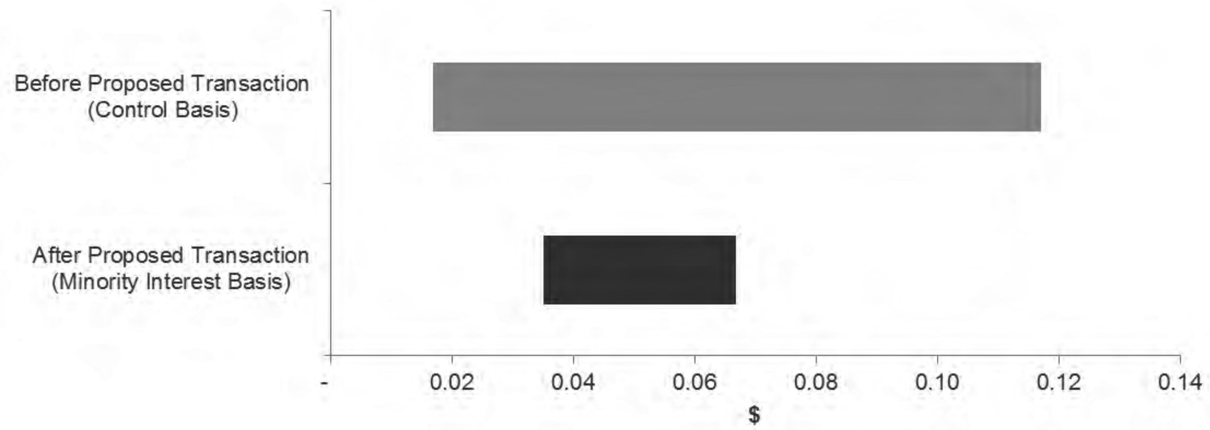
- before the Proposed Transaction, on a control basis, to be in the range of $0.017 (1.7 cents) to $0.117 (11.7 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of $0.035 (3.5 cents) to $0.067 (6.7 cents).

Comparison of value before the Proposed Transaction is on a control basis and after the Proposed Transaction is on a minority basis.

The Lock-Up, that forms part of the Proposed Transaction, gives Emeco a relevant interest of 66% of the Shares on issue after the Proposed Transaction. The relevant interest is only for a period of 60 days after completion of the Proposed Transaction and relates only to the trading of the shares and not any other rights attached to the shares including the voting rights. As such, we consider that the impact on Non-Associated Shareholders is not material.

A summary of our fairness assessment is set out Section 14

Figure 1: Fairness summary – Proposed Transaction



Source: PPB Analysis

On the basis that a Shareholder *does not participate* in the Pro-rata Rights Offer, our assessed fair market value of an issued Share after the Proposed Transaction is within the range of the fair market value of an issued Share before the Proposed Transaction. Therefore, we have determined that the Proposed Transaction is fair to a Shareholder that does not participate in the Pro-rata Rights Offer, according to RG 111.

RG 111 recommends that the Proposed Transaction is assessed on the basis that Emeco is subject to a change of control transaction. This reflects the possibility that Shareholders, in approving the Proposed Transaction, may give up the opportunity to realise a control premium.

Our assessment involves comparison of the underlying value with the 'consideration' to be received by Shareholders, where that consideration is deemed to be shares in Emeco after the Proposed Transaction. For the purposes of the comparison, we have valued the Shares after the Proposed Transaction on a minority interest basis (trading value) and compared it to the value of the Shares before the Proposed Transaction on a control basis.

We have assessed the value of the Shares after the Proposed Transaction using the sum of the parts approach, which assesses the value of each of Emeco, Orionstone and Andy's separately. Under this approach, each business is considered on the basis of similarities in products, growth prospects, and in some respects, demand drivers.

The sum of the parts approach, therefore, provides a flexible valuation approach to take account of these factors, which are likely to vary across the different businesses. We have not included the value of potential synergies arising from the acquisition of Orionstone and Andy's. RG 111.11 states that any special value of the 'target' to a particular 'bidder' (eg synergies that are not available to other bidders) should not be taken into account.

We have applied a control premium of 30% in our analysis, however a control premium effectively represents the outcome of pricing decisions in change of control transactions. The trading price of Emeco Shares on the ASX will not incorporate a control premium, in the absence of any takeover offer.

The Proposed Transaction is reasonable

We have assessed whether the Proposed Transaction is reasonable after consideration of the following:

Advantages

Shareholder participation in Pro-rata Rights Offer

Non-Associated Shareholders will have the ability to participate in the Pro-rata Rights Offer that could result in them holding an interest of up to 22.5%[6] of the issued Shares after the Proposed Transaction.

In the event that the Rights are not subscribed for by Shareholders they will be subscribed for by the Underwriters (up to $10 million). This could result in Shareholders holding up to 17% and the Underwriters holding up to 14%.

Shareholders are being offered favourable value for the debt to equity swap

The pricing of the debt to equity swap is favourable to Non-Associated Shareholders because the total value of the Shares being issued is at a discount of between 24% and 60% to the debt being swapped.

Reduced leverage

The Proposed Transaction offers an opportunity for Emeco to reduce financial leverage.

The Proposed Transaction will also result in the combined net debt of Emeco, Orionstone and Andy's reducing by approximately $114 million which would result in the Combined Group's:

- interest coverage ratio[7] increasing from 1.3 times to 2.5 times FY16 pro-forma EBITDA
- net debt to EV will decrease from 90% to 72% as compared to the average of its peers of 45%[8]
- interest rate (coupon) decreasing from 9.875% to 9.25%[9].

The reduced financial leverage may not provide significant cash benefits in the current low interest rate environment, however the lower leverage could more easily allow Emeco to capitalise on growth opportunities that may emerge in the future.

Impact of Emeco's highly leveraged capital structure on its Share price

Our analysis suggests that Shares in Emeco are trading at a discount (this is also implied by our valuation per Share on a minority interest basis). Although it is difficult to definitively attribute this to any specific factor, we assume that, like its peers, the market is downgrading Emeco due to its high level of gearing, cash flow constraints and its aging fleet. As such, the Proposed Transaction provides an opportunity for Emeco to reduce its gearing, reduce the average age of its rental fleet (which reduces capital expenditure and alleviates cash flow constraints) and may result in a re-rating of Emeco's Shares with the discounting being removed or reduced.

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[6] Non-Associated Shareholders held an interest of 65.7% before the Proposed Transaction
[7] Calculated based on 30 June 2016 financial position
[8] Average calculated based on an 80% confidence interval
[9] Based on new senior secured notes per RSA

Condition of fleet assets

The age and condition of the rental fleet assets of Orionstone and Andy's, which are being acquired by Emeco, are superior to Emeco's rental fleet assets. This will reduce Emeco's need for capital expenditure compared to Emeco's capital expenditure requirements before the Proposed Transaction.

Alternative options

Our consideration of the alternatives suggests that the Proposed Transaction is the superior option available to Emeco as far as Non-Associated Shareholders are concerned. The Directors have appointed advisers to evaluate the alternatives and they have considered a number of options, including:

- sale of all or part of the Company
- scrip based acquisitions and strategic alliances
- restructure of debt and equity raisings.

The Proposed Transaction allows the participation of Shareholders and enhances Emeco's operating platform through the acquisition of Orionstone and Andy's.

Continue as a Shareholder

Shareholders will continue to hold their Shares in Emeco.

Dilution of Earnings Per Share

We estimate that the Proposed Transaction will result in EPS being diluted in the short to medium term but will be accretive over the longer term. However, this is not unusual for a transaction of this type and does not result in a transfer of value, so long as a shareholder participates fully in the Pro-rata Rights Offer.

Alignment of interests of debt providers (Emeco Noteholders)

There is likely to be greater alignment between the interests of Emeco Noteholders and Non-Associated Shareholders through common ownership of the same instrument (ordinary Shares in Emeco).

From a control perspective, the Proposed Transaction does confer additional control, through their 34% interest and two seats on the board.

Synergies with the acquisition of Orionstone and Andy's

The Directors have estimated that there are potential synergies to be achieved over time through the acquisition of Orionstone and Andy's mainly due to expected cost savings of $15 million per annum.

Underwriting fee at market

The Pro-rata Rights Offer is being underwritten for a fee of 7% of the amount underwritten ie $10 million, paid in shares at the issue price. Based on our analysis of non-renounceable rights issues since January 2013, the underwriting fee is within the range of underwriting fees, albeit towards the higher end of the range.

Support of Emeco's major shareholders

Emeco's largest two shareholders, Black Crane (15.0%) and First Samuel (19.3%) indicate their support for the Proposed Transaction through their willingness to underwrite the Pro-rata Rights Offer to the extent of $10 million.

Emeco's third largest shareholder, in its capacity as a note holder, Ascribe (4.4% interest before the Proposed Transaction) is supporting the Proposed Transaction through its agreement to a debt for equity swap for $473 million[10] of New Notes at an interest rate of 9.25% for 34% of the issued Shares in Emeco.

Recommendation of Independent Directors

In the Explanatory Memorandum, the Independent Directors state that they recommend the Proposed Transaction.

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[10] $304 million in relation to Emeco, $169 million in relation to Orionstone and Andy's

Disadvantages

Significant dilution

Non-Associated Shareholders' interests will be significantly diluted from 65.7% to between 17.1% and 22.5% after the Proposed Transaction as:

- Underwriters may have an interest of up to 14.2% of the issued Shares
- Emeco Noteholders may have an interest of up to 35.6% of the issued Shares
- Orionstone's and Andy's shareholders may have an interest of up to 7.3% and 4.8% of the issued Shares, respectively
- Orionstone's and Andy's creditors may have an interest of up to 14.5% and 6.5% of the issued Shares, respectively.

Change in operating activities

By virtue of the acquisition of Orionstone and Andy's, the nature of the operating activities of Emeco will change, albeit not materially. Shareholders that sought to invest in the equity of Emeco due to its specific risk profile and exposures may need to re-evaluate their investment in Emeco due to the changes in exposures presented by Emeco after the Proposed Transaction.

No alternatives

If the Proposed Transaction is not approved, the Proposed Transaction will not proceed and there is a significant risk that the Company may be unable to source replacement funding for the $373 million[11] Notes that expire in March 2019 and the $75 million asset backed loan that expires in December 2017. The asset backed loan is critical to the operating liquidity of the business.

The Directors would need to immediately focus on a standalone restructuring solution and begin negotiations with the Emeco Noteholders. Based on the Directors' investigations to date, any other possible transaction may be materially more dilutive to Shareholders than the Proposed Transaction. In addition, implementing an alternative transaction may be extremely difficult given the challenging operating conditions and continuing volatility across the mining industry.

The upcoming asset backed loan and bond maturities, in conjunction with Emeco's high leverage and deteriorating asset values (due to Emeco's aging fleet and underinvestment in capital expenditure ('capex') caused by cash constraints) raises serious concerns as to whether or not Emeco has the ability to continue to meet its debt service requirements in the short to medium term.

If the Proposed Transaction is not approved, the share price of Emeco may fall below the current share price ($0.063 per share on 14 October 2016).

Cost of the Proposed Transaction

The Directors have advised that the legal and professional adviser fees of approximately $29 million will be borne by the Company. If the Proposed Transaction does not proceed, Shareholders will not benefit from any potential upside.

In addition, there is an underwriting fee of 7% of the total shares issued in respect of the $10 million Pro-rata Rights Offer being underwritten, regardless of the percentage take up by Shareholders.

[11] Based on exchange rate at 23 September 2016, or $381 million converted at 30 June 2016, USD denoted notes of $282.7 million, 9.875% 144A notes ('Notes') due on March 2019

Creditors Scheme

If the Creditors Scheme is approved by the Court, then any subordinate claims of existing Shareholders will be released. Subordinate claims are defined as:

- a claim for a debt owed by the company to a person in the person's capacity as a member of the company (whether by way of dividends, profits or otherwise)
- any other claim that arises from buying, holding, selling or otherwise dealing in shares in the company.

One implication of this release is that existing Shareholders will be unable to commence proceedings against the Company in relation to claims arising prior to the implementation of the Creditors Scheme.

Shareholders are being offered unfavourable pricing for the Pro-rata Rights Offer

Based on an issue price of the Pro-rata Rights Offer of 8.7 cents per share[12], it represents a 39% premium to the current share price of 6.3 cents on 14 October and a 31% to 150% discount to our assessed value of the Combined Group.

Other factors

If the Proposed Transaction is not approved, the Share price of Emeco may not rise from the current trading price because the Company has no alternative plans. The Directors will need to continue to investigate sources of alternative funding for the current asset backed loan that expires in December 2017 and the $373 million Notes (with cash interest of 9.875% per annum) expiring in March 2019.

The Directors have investigated numerous options to alleviate the funding pressures. The Proposed Transaction is, in the view of the Independent Directors, the most beneficial to Shareholders in the Company's current circumstances.

Other matters

PPB has prepared the FSG in accordance with the Act. The FSG is set out in Part 1 of this document.

The decision of whether or not to accept the Proposed Transaction is a matter for each Shareholder to decide, based on their own views as to the value of Emeco and their own expectations about future market conditions, the future performance of Emeco, risk profile and investment strategy.

If Shareholders are in any doubt as to the action that they should take in relation to the Proposed Transaction, they should seek their own professional advice.

This letter should be read in the context of our full report that is attached.

Yours faithfully

PPB Corporate Finance Pty Ltd

Campbell Jaski
Director

Fiona Hansen
Authorised Representative
AR Number 246371

[12] The issue price of the Pro-rata Rights Offer of 8.7 cents per share is based on the Implied Transaction Equity Value and Issue Price as defined in the Explanatory Memorandum

Contents

Appendices

All references to $ in this report are Australian dollars unless stated otherwise

1. Summary of the Proposed Transaction

1.1 The Proposed Transaction

On 23 September 2016, Emeco announced that subject to Shareholder approval, the Directors had signed a binding restructuring support agreement ('RSA') with certain major financiers of Emeco and the major creditors and shareholders of Orionstone Holdings Pty Ltd ('Orionstone') and Andy's Earthmovers (Asia Pacific) Pty Ltd ('Andy's'). The RSA sets out the key terms of the Proposed Transaction.

The RSA establishes the framework for a proposed recapitalisation of the Company, the acquisition of Orionstone and Andy's and a Pro-rata Rights Offer that enables Shareholders to participate in the future growth of the Company. As part of the Proposed Transaction, the Directors expect to refinance the USD282.7 million[13], 9.875% 144A notes ('Notes') due on March 2019 and the $75 million asset backed loan expiring in December 2017.

The Directors expect that the Proposed Transaction will provide the Company with a capital structure that will support long term growth, reduce leverage, improve interest coverage and extend debt funding maturity through to financial year 2022.

The expanded scale of the Company's acquisition of Orionstone and Andy's will bring operating efficiencies. The Directors expect the acquisitions to bring significant cost synergies and will reduce Emeco's capital expenditure requirements in the near future.

The RSA sets out the key terms of the Proposed Transaction that comprises:

- the acquisition of Orionstone through the exchange of 100% of the ordinary shares of Orionstone for the issue of 7% of the ordinary shares ('Shares') in Emeco (on a post transaction basis) ('Orionstone Acquisition')
- the acquisition of Andy's through the exchange of 100% of the ordinary shares of Andy's for the issue of 5% of Shares in Emeco (on a post transaction basis) ('Andy's Acquisition')
- a debt for equity swap whereby the claims of the holders of the notes ('Emeco Noteholders'), Orionstone's creditors ('Orionstone Creditors'), Andy's creditors ('Andy's Creditors') will be compromised and extinguished in exchange for senior secured notes and Shares in Emeco on a fully diluted basis as follows:
  - Emeco Noteholders – 34%
  - Orionstone's Creditors - 14%
  - Andy's Creditors - 6%
- new senior secured notes to be issued by Emeco Finance Pty Ltd for $473 million with a 5 year maturity and cash interest of 9.25% per annum ('New Notes')

  (New Notes and Shares referred to together as the 'Equity Exchange')
- equity raising by way of a Pro-rata Rights Offer for $20 million, to be underwritten to $10 million by Emeco's two largest shareholders, First Samuel (80%) and Black Crane (20%) ('Underwriters'). The underwriting fee will be 7% of the $10 million underwritten amount, paid in Shares at the issue price, as well as reasonable fees and expenses not to exceed $100,000 aggregated
- cancellation of all commitments under its asset backed loan that is due to expire in December 2017
- entry into a new revolving loan facility agreement
- the restructure of existing security arrangements and entry into new security arrangements

[13] Converted at 30 June 2016, USD denoted notes $282.7 million, 9.875% 144A notes ('Notes') due on March 2019 and $75 million asset backed loan expiring in December 2017

(the cancellation of all commitments, entry into a new revolving loan facility agreement and the restructure of existing and entry into new security arrangements, together referred to as the 'Loan Restructure').

The parties to the RSA have undertaken to Emeco that any Shares in Emeco issued pursuant to the Equity Exchange will be subject to a voluntary escrow arrangement for a period of up to 60 days ('Lock-Up').

The Equity Exchange and Pro-rata Rights Offer and the Loan Restructure (collectively referred to as the 'Proposed Transaction'), are inter-conditional.

Full details of the Proposed Transaction are included in the Explanatory Memorandum and Notice of Meeting prepared by the Directors, to which this Report forms part.

1.2 Impact on Shareholders

If Shareholders do not participate in the Pro-rata Rights Offer, their equity interests will be diluted. Table 1 summarises the impact on shareholdings after the Proposed Transaction.

Table 1: Impact on shareholdings after the Proposed Transaction

	Shareholder *does not participate* in Pro-rata Rights Offer		**Shareholder *does participate* in Pro-rata Rights Offer**	
	Number of shares millions	**Interest**	**Number of shares millions**	**Interest**
Existing Emeco Shareholders	600	26.0%	600	24.8%
Emeco Noteholders	820	35.6%	820	33.9%
Orionstone Shareholders	167	7.3%	167	6.9%
Orionstone Creditors	333	14.5%	333	13.8%
Andy's Shareholders	110	4.8%	110	4.5%
Andy's Creditors	150	6.5%	150	6.2%
Rights issue participants	123	5.3%	237	9.8%
Total	**2,304**	**100%**	**2,418**	**100%**

Source: PPB analysis

1.3 Rationale for the Proposed Transaction

The Directors' rationale in pursuing the Proposed Transaction was based on a number of factors:

- Emeco, like many similar companies exposed to the mining industry in Australia, have been impacted by declining commodity prices, the slow-down in mining activity and hence demand for their services. In addition, share prices have also declined. Emeco's market capitalisation declined from $46 million in December 2015 to $32 million on 23 September 2016[14]. This has further increased Emeco's relatively high gearing. After the Proposed Transaction. Emeco will be a large equipment rental business with approximately 800 machines in its rental fleet, offering services on an enhanced scale, with a stronger balance sheet, more capable fleet and more diverse customer base.
- Specific financial benefits sought are:
  - refinancing will be extended to FY22
  - interest coverage ratio is expected to be 2.5 times based on FY16 pro-forma earnings before interest tax depreciation and amortization ('EBITDA') for the Combined Group, up from 1.3 times before the Proposed Transaction for Emeco

[14] Source: Capital IQ

- debt to EBITDA ratio for the Company is expected to decrease from 7.2 times (on a standalone basis before the Proposed Transaction) to 4.4 times, based on the FY16 pro-forma EBITDA (including cost synergies) after the Proposed Transaction for Emeco on a consolidated basis, with further deleveraging over time from expected capital expenditure savings.

- The larger and stronger platform will enable Emeco to pursue opportunities for growth and to create value for all key stakeholders including enhanced geographic and end market exposure with significant value creation potential.
- The average age of the Emeco rental fleet will be reduced.
- The Directors have appointed several corporate advisers over the last two years to explore and evaluate various strategic alternatives and to explore a range of options to recapitalise the Company. In February 2016, the Directors appointed a corporate advisor to evaluate a debt restructuring as envisaged by the Proposed Transaction. The Proposed Transaction is considered by the Directors to be the best option to maximise long term value for Shareholders.

The Directors believe that the Proposed Transaction is the best available option for Emeco, at the current time, because it will create a sustainable capital structure with debt funding extended to FY 2022, it allows participation by Shareholders through the Pro-rata Rights Offer and significantly enhances Emeco's scale, geographic and service diversification through the acquisition of Orionstone and Andy's.

1.4 Conditions precedent

The Proposed Transaction is subject to a number of conditions precedents including:

- Approval of the Proposed Transaction by Emeco Noteholders through a creditors' scheme of arrangement ('Creditor's Scheme').
- Execution of share sale purchase agreements for the acquisition of Orionstone and Andy's.
- Execution of the indenture governing the new senior secured notes.
- Emeco entering into an agreement for a new revolving loan facility.
- Preparation of an independent expert's report ('IER') by an independent expert.
- Security arrangements for all new and existing facilities will be in place after completion of the Proposed Transaction.
- Execution of an underwriting agreement with the Underwriters.
- Shareholder approval at a general meeting for:
  - the issue of new Shares (ASX Listing Rule 7.1)
  - the issue of new Shares to Ian Testrow, Chief Executive Officer, pursuant to the new management equity incentive scheme plan (ASX Listing Rule 10.11)
  - approvals to issues of Shares as an exception to Section 606 (Section 611), specifically the:
    - Emeco Noteholders potential to acquire a relevant interest in more than 20% of Emeco's issued capital
    - acquisition by Emeco of a relevant interest in more than 20% of Emeco's issued capital by virtue of the Lock-Up period
  - approval for the giving of financial assistance by Orionstone and Andy's.
- Various regulatory approvals such as Foreign Investment Review Board, Australian Competition and Consumer Commission, ASIC and the ASX.

Full details of all the conditions precedent are included in the Explanatory Memorandum and Notice of Meeting prepared by the directors, to which this Report forms part.

2. Scope of the report

2.1. Purpose and scope

The Directors have appointed PPB to prepare this Report to express an opinion as to whether the Proposed Transaction is fair and reasonable to (and in the best interests of) Non-Associated Shareholders, as a whole.

This Report has been prepared at the request of, and for the benefit of, the Directors and for the benefit of Non-Associated Shareholders, to assist the Directors in fulfilling their obligations to provide Non-Associated Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction and to decide whether to agree to the resolutions set out in the Explanatory Memorandum and Notice of Meeting.

This Report is to accompany the Explanatory Memorandum and Notice of Meeting to be sent to Shareholders.

Our IER has been prepared in accordance with APES 225 Valuation Services ('APES 225') issued by the Accounting Professional & Ethics Standards Board. As required under APES 225, we confirm that we are independent of the Directors, Emeco, Orionstone, Andy's and the major Shareholders of Emeco.

2.2. Regulatory requirements

Although there is no requirement for an independent expert report for the Proposed Transaction as a whole, pursuant to the Act, or the ASX listing rules, the Directors have engaged PPB to prepare an independent expert report setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to, (and in the best interests of) the Non-Associated Shareholders.

Corporations Act

The Proposed Transaction requires the approval of the Non-Associated Shareholders in accordance with item 7 of Section 611 of the Act.

Section 606 of the Act prohibits a person from acquiring a relevant interest in a public company where that person's voting power increases from 20% or below to in excess of 20% or, if that person already has a voting power in excess of 20%, their voting power would increase further.

The Proposed Transaction will result in:

- Emeco Noteholders acquiring a relevant interest of more than 20% of Emeco's issued capital
- acquisition by Emeco of a relevant interest in more than 20% of Emeco's issued capital by virtue of the Lock-Up
- the potential for the Underwriters of the Pro-rata Rights Offer to acquire a relevant interest of 20% or more of Emeco's issued capital.

Emeco will also have a relevant interest of more than 20% of Emeco's issued capital during the Lock-Up period. Under Section 608(3) of the Act, a relevant interest arises where a person has the power to control the disposal of securities (for example, as a result of the Lock-Up arrangements in the Proposed Transaction). Section 608(9) of the Act provides that a body corporate can have a relevant interest in its own securities.

Accordingly, Emeco is seeking Shareholder approval for the issue of Shares as a result of the Proposed Transaction.

ASIC Regulatory Guides

ASIC Regulatory Guide RG 111 *Content of expert reports* and RG 76 provide guidelines for an expert preparing an independent expert report. RG 112 *Independence of experts* deals with the independence of the expert.

We confirm that we are independent under the requirements of RG 112.

RG 111 provides guidance in relation to the content of independent expert's reports for a range of transactions. It notes that an expert should focus on the economic substance rather than the legal mechanism of the transaction. Recent correspondence from ASIC indicates that in a transaction where shareholders will be left with a diluted interest in an expanded entity and forego the possibility of receiving a control premium in the future, and where the transaction consists of shares being issued in exchange for vending in a business, the transaction should be analysed as if it were a scrip takeover bid.

In considering the Proposed Transaction, we have had regard to the economic substance of the Proposed Transaction, and that they are inter-conditional. As such, the series of transactions comprising the Proposed Transaction must be considered together as it is not possible for one to occur without any of the others.

To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have considered whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as provided by RG 111. In respect of takeover bids, RG 111 provides that:

- the criteria to analyse a control transaction should consider if the offer is 'fair' and if it is 'reasonable'. 'Fair and reasonable' is not regarded as a compound phrase
- an offer is considered to be 'fair' if the value of the consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the 'target' when making this comparison
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 recommends that we consider the Proposed Transaction as follows:

- the Proposed Transaction is fair, if the value of a Share in the Company before the Proposed Transaction (on a control basis) is equal to or less than the value of a Share in the Company after the Proposed Transaction (on a minority interest basis)
- the Proposed Transaction is reasonable if it is fair, or despite not being fair, after considering the other significant factors, there are sufficient reasons for Non-Associated Shareholders to vote for the Proposed Transaction in the absence of any alternative transaction.

2.3. Our approach

Although this IER is not required under the Act or under the ASX Listing Rules, we have followed the guidance of the relevant Regulatory Guides in the preparation of this Report.

Fairness

The approach set out in RG 111 recommends that the independent expert should assume that Non-Associated Shareholders are:

- 'selling' their Shares in Emeco
- 'receiving' new Shares after the Proposed Transaction.

In 'selling' their Shares, Non-Associated Shareholders are ceding control. Therefore RG 111 recommends the valuation of the Shares before the Proposed Transaction to be undertaken on a control basis. In the Non-Associated Shareholders receiving new Shares after the Proposed Transaction, we are to assume that the Non-Associated Shareholders will no longer have control, and therefore have a minority interest in Emeco. Consequently, the valuation of the shares after the Proposed Transaction is to be undertaken on a minority interest basis.

The approach of RG 111 recommends the Proposed Transaction be assessed as a takeover. However:

- no part of the Proposed Transaction will result in Non-Associated Shareholders being offered consideration
- the business operations of Emeco will not change in any material respect, aside from the acquisition of Orionstone and Andy's and the effect of expanding Emeco's operations
- after the Proposed Transaction, Non-Associated Shareholders will still hold their Shares in Emeco, being the combined group of Emeco, Orionstone and Andy's businesses ('Combined Group'), although the value and the likely trading price may change, as they will be impacted by the Proposed Transaction.

Whilst this approach is line with the guidance of ASIC, it may not necessarily be the only approach Non-Associated Shareholders should consider when assessing the Proposed Transaction.

We have also had regard to other potential approaches in assessing the merits of the Proposed Transaction, as part of our reasonableness assessment. This considers other factors relevant to the Proposed Transaction from the perspective of Non-Associated Shareholders.

We have also considered whether Emeco Noteholders, Emeco and the Underwriters will be paying any premium for control.

Reasonableness

In forming our opinion, we have considered the advantages and disadvantages to the Shareholders if the Proposed Transaction proceeds. ASIC suggests the factors that an expert should consider when determining whether an offer is reasonable, should include the following:

- substance of the Proposed Transaction
- the level of the underwriting fee
- the financial situation and solvency of the entity
- opportunity costs
- the alternative options available to the Company and the likelihood of those options occurring
- the entity's bargaining position
- whether there is selective treatment of any security holder, particularly the related party
- implications of the Proposed Transaction on leverage, complexity of the capital structure, Share price and earnings per Share
- alternatives available to Non-Associated Shareholders
- other factors related to capital structure and opportunities for growth of the Company.

RG 111.15 states that the value of the securities that comprise the offer should be determined ignoring that the target may be in financial distress.

RG 76 recommends an independent expert assess a related party transaction as if it was a control transaction. Therefore, where an independent expert assesses whether or not a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E or LR 10.1), there should be a separate assessment of whether the transaction is 'fair' and 'reasonable'.

2.4. Definition of value

Fair market value

The assessment of whether the Proposed Transaction is fair and reasonable to Shareholders, as a whole, necessarily involves determining the fair market value of the issued Shares of Emeco.

For the purposes of our opinion, the term *"fair market value"* is defined as:

"*the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length"*.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Valuation date

Our opinion expressed in this Report is as at 23 September 2016 ('Valuation Date').

2.6. Shareholders' decision

This IER has been prepared specifically for the Directors and the Shareholders. PPB and PPB Advisory, including any members or employees thereof, are not responsible to any person, other than the Non-Associated Shareholders and Emeco, in respect of this report, including for any errors or omission however caused.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual Shareholders.

Individual Shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual Shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for Shareholders based on their own views as to the value of Emeco and their expectations about future market conditions, Emeco's performance, and risk profile and investment strategy.

If Shareholders are in doubt as to the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

PPB has prepared a Financial Services Guide ('FSG') in accordance with the Act. The FSG is included as Part 1 of the Report.

2.7. Consent and other matters

This IER is to be read in conjunction with the Explanatory Memorandum and Notice of Meeting, and is prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

PPB's opinion is based on economic, market and other external conditions prevailing at the date of this Report. These conditions can change significantly over a relatively short period of time.

This Report has been based on financial and other information provided by Emeco in relation to the Proposed Transaction. PPB has considered and relied upon this information.

PPB consents to the issue of this Report in its form and context and consents to its inclusion in the Explanatory Memorandum and Notice of Meeting.

Refer to Section 0 for limitations and disclosures regarding the basis of preparation and use of this Report.

2.8. Sources of information

In preparing this Report, we have relied on information as summarised in Appendix B, some of which was provided by Emeco and some was obtained from public sources.

All documents relied on in support of our opinion are either referred to in the body of this Report, identified by way of footnote, or are referred to in the appendices to this Report.

We have had discussions with Management in relation to the Proposed Transaction, operations, financial position and outlook for Emeco.

3. Overview of Emeco

3.1. Brief history

Emeco was founded in 1972 in West Australia as a local earth moving equipment supplier. The business grew to establish its presence in Australia and is now a global earthmoving equipment rental business with operations in Australia, Chile and Canada.

Emeco's key business milestones and expansion into new locations are summarised in Table 2.

Table 2: Summary key milestones

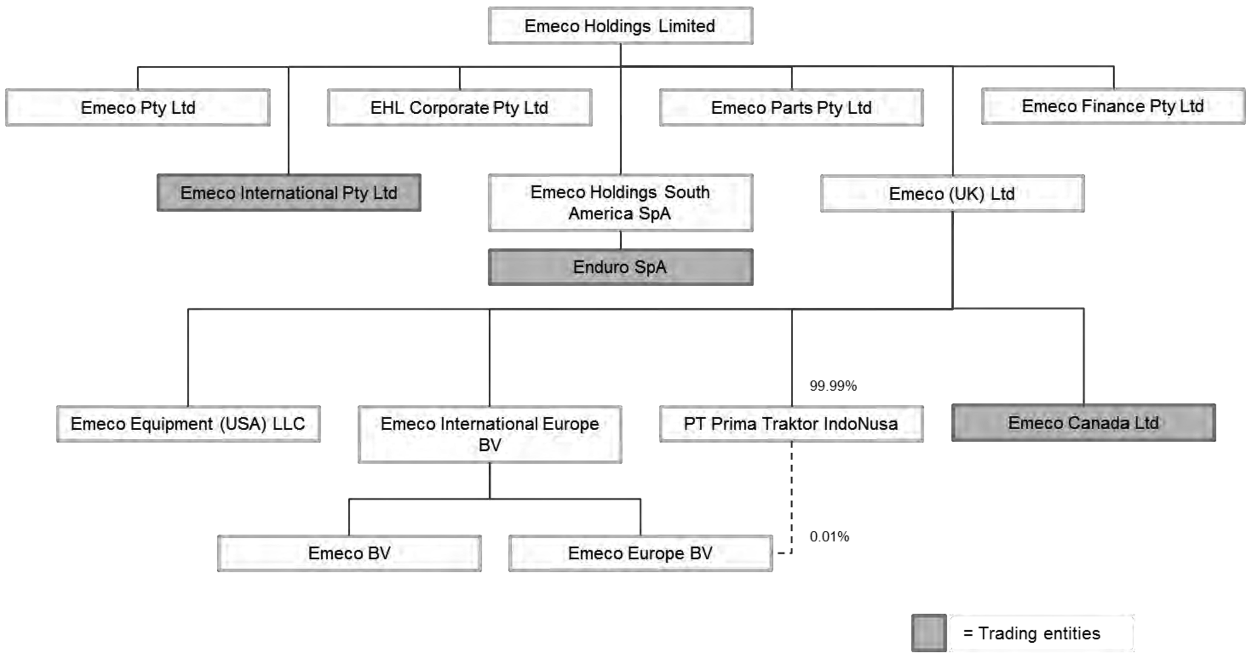
Date	Key milestones
1985	New South Wales business established
1992	Operations established across Australia
2000	Established operations in Indonesia
2003	Established operations in United States
2004	Established operations in Netherlands
2005	Acquired businesses in Canada and Europe, and expanded activities in the United States
2006	Listed on the Australian Securities Exchange
2007	Acquired independent earthmoving equipment rental, sales and parts companies in Europe, Australia and the United States
2010	Closure of under-performing assets as a result of a global strategic review
2012	Established operations in Chile
2014	Closure of business in Indonesia
2016	Entered into partnership with Canadian company Heavy Metals Equipment Rentals to combine fleet resources

Source: Emeco Group website (http://www.emecogroup.com/view/about-emeco/history) 7 October 2016

3.2. Group structure

The Emeco group structure is summarised in Figure 2.

Figure 2: Group structure



Source: Data Room developed by Emeco, Emeco's Legal Advisors and Emeco's Corporate Advisors
(all entities are 100% owned unless otherwise stated)

3.3. Business operations

Emeco is an equipment rental business, specialising in earthmoving solutions to mining companies and contractors. The business sells under-utilised equipment in addition to its two main equipment rental offerings.

Maintained dry rental

Emeco supply the equipment as well as a supporting maintenance team. The maintenance service is either provided onsite full-time or through a field service arrangement.

Dry rental

Emeco supply's the equipment, which join the customer's existing fleet and are maintained by the customer's existing maintenance team.

Equipment for sale

In addition to equipment rental, Emeco sells its machines, where they are no longer required, to businesses operating in the civil construction and mining industries.

3.4. Historical financial performance

The audited consolidated financial performance of Emeco for the financial year ended 30 June 2014 ('FY14'), 30 June 2015 ('FY15') and 30 June 2016 ('FY16') is summarised in Table 3.

Table 3: Summary of Emeco's financial performance

$'000	FY14 Audited	FY15 Audited	FY16 Audited
Rental revenue	205,368	206,718	177,744
Equipment sales	8,145	2,788	5,472
Maintenance services	27,582	31,925	23,348
	241,095	**241,431**	**206,564**
Change in machinery and parts	(14,443)	(11,780)	(8,921)
Repairs and maintenance	(84,727)	(99,216)	(70,967)
Employee expenses	(42,931)	(43,608)	(33,995)
Hired-in equipment and labour	(13,142)	(22,411)	(21,102)
Gross profit	**85,852**	**64,416**	**71,579**
Other income	1,084	512	1,791
Other expenses	(20,872)	(32,072)	(25,770)
EBITDA	**66,064**	**32,856**	**47,600**
Impairment of assets	(201,543)	(30,836)	(179,609)
Depreciation & amortisation expense	(78,128)	(98,804)	(69,342)
Finance income	6,081	2,781	79,345
Finance expense	(48,632)	(52,260)	(55,455)
FX gain/(loss)	4,781	(16,332)	(42,002)
Profit/(Loss) before tax	**(251,377)**	**(162,595)**	**(219,463)**
Tax benefit/(expense)	27,206	39,464	(5,926)
Net profit/(loss) after tax	**(224,171)**	**(123,131)**	**(225,389)**

Source: Emeco Annual Report for the years ended 30 June 2014, 30 June 2015 and 30 June 2016

Our comments on the financial performance of Emeco are as follows:

Revenue

Revenue for each of Emeco's service offerings is summarised in Table 4.

Table 4: Summary revenue

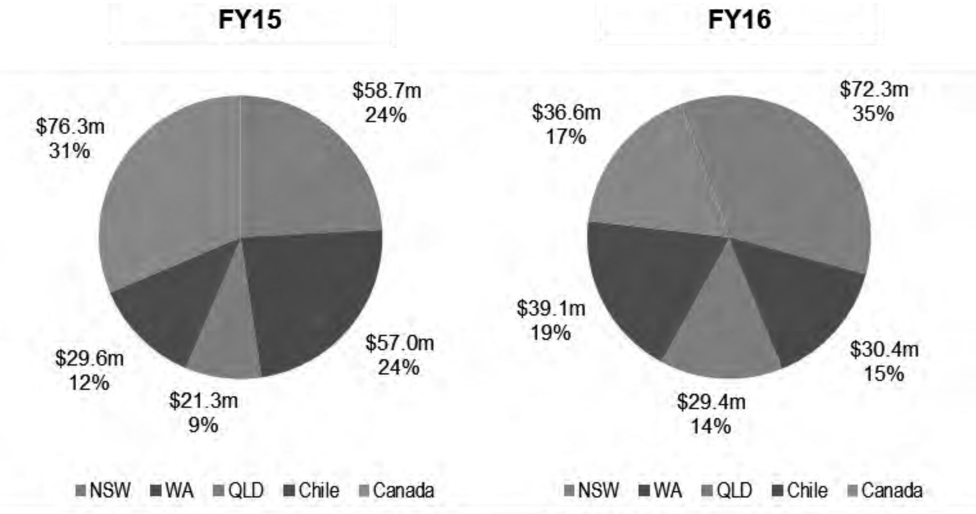
	FY14 $'000	FY15 $'000	FY16 $'000	*FY15 v FY14 %*	*FY16 v FY15 %*
Rental revenue	205,369	206,718	177,744	*0.66%*	*(14.02%)*
Equipment sales	8,145	2,788	5,472	*(65.77%)*	*96.27%*
Maintenance services	27,582	31,925	23,348	*15.75%*	*(26.87%)*
Total revenue	**241,096**	**241,431**	**206,564**	***0.14%***	***(14.44%)***

Source: Emeco Annual Financial Report for the years ended 30 June 2014, 30 June 2015 and 30 June 2016

Revenue declined during FY16 as Emeco's customers shifted their focus towards maximising efficiencies and reducing costs because of:

- challenging market conditions caused by the decline in commodity prices
- sustained low global oil prices impacting demand for ancillary services and equipment hire.

Figure 3: Revenue by region



Source: 2016 full year results information pack 31 August 2016

Australia

Australian operating revenues decreased by $4.9 million (3.6%) to $132.1 million (FY15: $137.0 million). This was due to a material decline in revenues from WA operations ($26.6 million or 46.7%), following the completion of major projects during FY15 and an inability to continue this work in the competitive market.

Largely offsetting the decline in WA's revenue was strong growth in both NSW and QLD of $13.6 million (23.2%) and $8.1 million (38%) respectively. NSW growth is attributed to contract extensions with several major customers and increased operating utilisation from 56% in FY15 to 59% in FY16. QLD growth relates to the full year benefit of contracts won late in FY15 and improving operating utilisation.

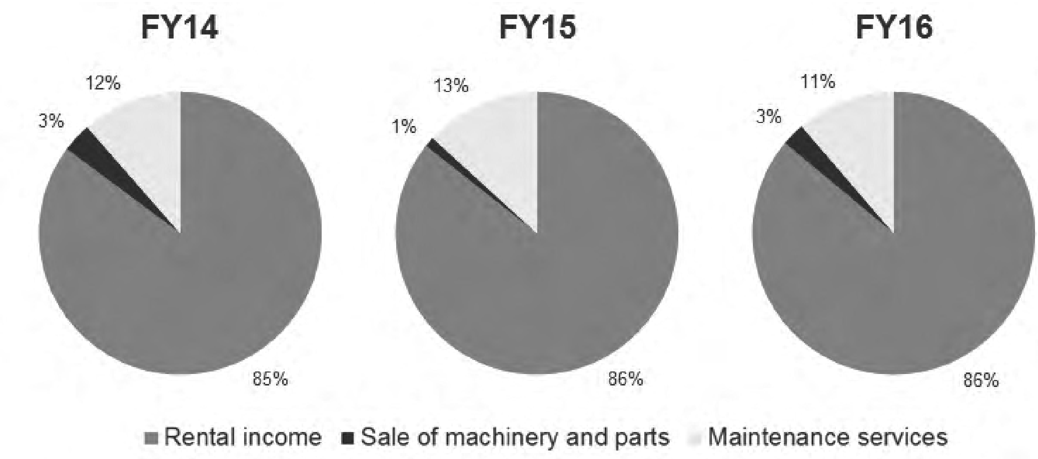
Canada

Canadian revenues halved in FY16 ($76.3 million to $36.6 million), following the sustained lower oil price, which caused oil sands producers to delay reclamation works. Additionally, during the second half of FY16 Canada was adversely affected by bushfires and this caused the oil sands industry to close for two months.

Chile

Revenues (commenced in July 2015) in Chile improved following the formation of a new partnership to complete a five year project at Antofagasta Minerals' ('AMSA') Encuentro mine, leading to a $9.5 million or 32.1% increase in revenues (FY16: $39.1 million).

Figure 4: Relative revenue contribution by service line



Source: Emeco Annual Financial Report for the years ended 30 June 2014, 30 June 2015 and 30 June 2016

Revenue mix remains relatively unchanged between FY14 and FY16 in each of Emeco's service lines.

Operating costs

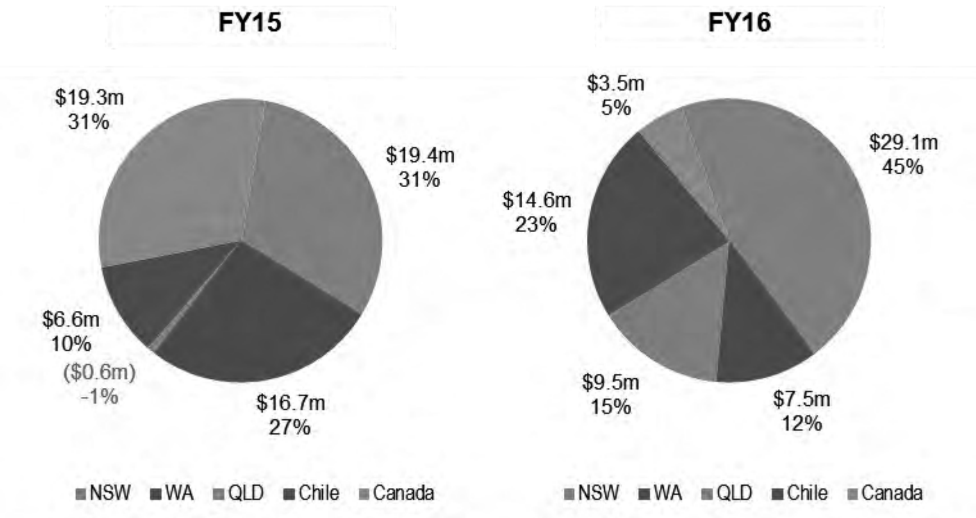
Phase two of Project Fit, a cost saving initiative, led to a further reduction in operating costs of $13.1 million during FY16. Total sustainable annual cost reductions from Project Fit are estimated to be $26.7 million per annum.

Repairs and maintenance expenditure in FY16 reduced by 28.4% to $71.0 million (FY15: $99.2 million), this decline was partly attributed to a $14.1 million one-off cost incurred during FY15 to prepare assets for rental.

Employee costs also reduced by 22.0% during FY16 to $34.0 million (FY15: $43.6 million), following a reduction of 82 employees to 254.

EBITDA

Figure 5: EBITDA by region



Source: Emeco Annual Financial Report for the years ended 30 June 2014, 30 June 2015 and 30 June 2016

Australia

Australian EBITDA improved by almost 30% during FY16 to $46.1 million (FY15: $35.5 million) as a result of improving operating efficiencies and overall reduction in operating costs.

Canada

Canadian operations saw EBITDA reduce by $15.8 million (81.9%), attributed to the sustained low oil price and closure of the oil sands industry for almost two months due to severe bushfires in the region.

Chile

Chile generated a positive EBITDA of $9.5 million in FY16, following a loss in FY15 of $0.6 million. The improvement in performance is attributed to increased revenues of $9.5 million and overall improved margins (greater cost efficiencies).

Impairment of intangible assets

Emeco carried out impairment testing during FY16 as a result of continued challenging market conditions, which led to impairments totaling $179.6 million. Impairments comprised an $11.5 million write-down of inventory and a $168.2 million impairment of property, plant and equipment ('PP&E').

The total impairment recognised to the three cost generating units was $163.2 million, specifically:

- $23.4 million – Australian rental
- $97.4 million – Canada rental
- $42.4 million – Chile rental.

The impairments reflect increased discount rates (which reduces the present value of estimated future cash flows), designed to reflect current market conditions. Additionally, Canada's large impairment takes into account the restructure of operations in response to sustained low oil prices.

Other

Finance income increased significantly as a result of hedge gains of $47.0 million (FY15: $2.5 million) and discounts on repurchased debt of $31.7 million. Foreign exchange losses increased by $25.7 million to $42.0 million, which is mostly attributable to unrealised foreign exchange movements.

3.5. Historical financial position

The consolidated financial position of Emeco as at 30 June 2014, 30 June 2015 and 30 June 2016 is summarised in Table 5.

Table 5: Summary of Emeco's financial position

$'000	30-Jun-2014 Audited	30-Jun-2015 Audited	30-Jun-2016 Audited
Current assets			
Cash	41,830	27,800	24,854
Trade receivables	78,154	60,272	37,734
Derivatives	5	12,761	6,315
Inventories	8,161	20,931	5,333
Assets held for sale	39,922	32,328	30,728
Other current assets	3,066	2,134	1,832
Total current assets	**171,138**	**156,226**	**106,796**
Non-current assets			
Trade and other receivables	772	5,375	6,234
Derivatives	2,749	38,282	12,629
Intangibles and goodwill	175	1,641	2,344
Property, plant and equipment	573,528	482,351	280,182
Deferred tax	0	24,880	19,507
Total non-current assets	**577,224**	**552,529**	**320,896**
Total assets	**748,362**	**708,755**	**427,692**
Current liabilities			
Trade and other payables	53,095	45,363	38,035
Derivative financial instruments	2,546	0	883
Interest bearing liabilities	4,316	5,484	4,579
Provisions	2,694	3,652	3,469
Total current liabilities	**62,651**	**54,499**	**46,966**
Non-current liabilities			
Derivative financial instruments	10,187	1,663	0
Interest bearing liabilities (Notes)	339,458	418,487	373,239
Deferred tax	11,025	10,884	0
Provisions	1,069	1,751	1,490
Total non-current liabilities	**361,739**	**432,785**	**374,729**
Total liabilities	**424,390**	**487,284**	**421,695**
Net assets	**323,972**	**221,471**	**5,997**
Equity			
Share capital	593,616	593,616	593,616
Reserves	(22,612)	2,590	12,505
Retained earnings	(247,032)	(374,735)	(600,124)
Total equity	**323,972**	**221,471**	**5,997**

Source: Emeco consolidated financial statements for the year ended 30 June 2014, 30 June 2015 and 30 June 2016

We make the following comments in relation to the financial position of Emeco.

Cash balances declined as a result of operating losses reported in each period and financing. The majority of the cash earned from operations has been used to pay interest. It is factually incorrect to just refer to operating losses that include non-cash amounts.

Property, plant and equipment reduced by $293.3 million to $280.2 million between 30 June 2014 ($573.5 million) and 30 June 2016. This can be attributed to:

- significant impairment losses recognised across FY15 ($23.9 million) and FY16 ($168.2 million) as a result of challenging market conditions
- Emeco divesting its fleet to improve its capacity usage and a decrease in fleet utilisation
- disposals totalling $14 million in FY15 and $0.4 million in FY16. Additionally, assets held for sale in FY15 and FY16 were $14.6 million and $24.2 million
- other movements relate to depreciation, additions and foreign exchange movements.

Independent equipment valuers, Hassalls, performed desktop valuations on Emeco's fleet as at 23 June 2016. The combined fair value of Emeco's fleet was assessed as $271 million. We note the book value of plant and equipment as at 30 June 2016 was $265 million, which is set out in Table 6.

Table 6: Summary property plant and equipment

$'000	Book value	Fair market value
Freehold land and buildings	2,142	2,142
Leasehold improvements	934	934
Plant and equipment	264,637	270,788
Leased plant and equipment	9,198	9,198
Furniture, fixtures and fittings	62	62
Office equipment	340	340
Motor vehicles	1,127	1,127
Sundry plant	1,742	1,742
Total property, plant and equipment	**280,182**	**286,333**

Source: Emeco consolidated financial statements and independent valuation report

Derivative assets (current and non-current) increased $48 million to $51 million between 30 June 2014 and 30 June 2015 and reduced to $18.9 million at 30 June 2016. This was a result of Emeco entering into USD currency interest rate swap facilities to hedge its exposure to foreign exchange risk from its operations in Australia given the debt is USD denominated. The decrease in swap value between 30 June 2015 and 30 June 2016 was a result of Emeco partially closing out the mark-to-market interest rate swaps to buy back bonds.

Net assets declined by 32% between 30 June 2014 and 30 June 2015, and a further 97% between 30 June 2015 and 30 June 2016, which was mostly attributable to the decline in property, plant and equipment discussed above.

Table 7 summarises Emeco's financial indebtedness (interest bearing liabilities) as at 30 June 2016.

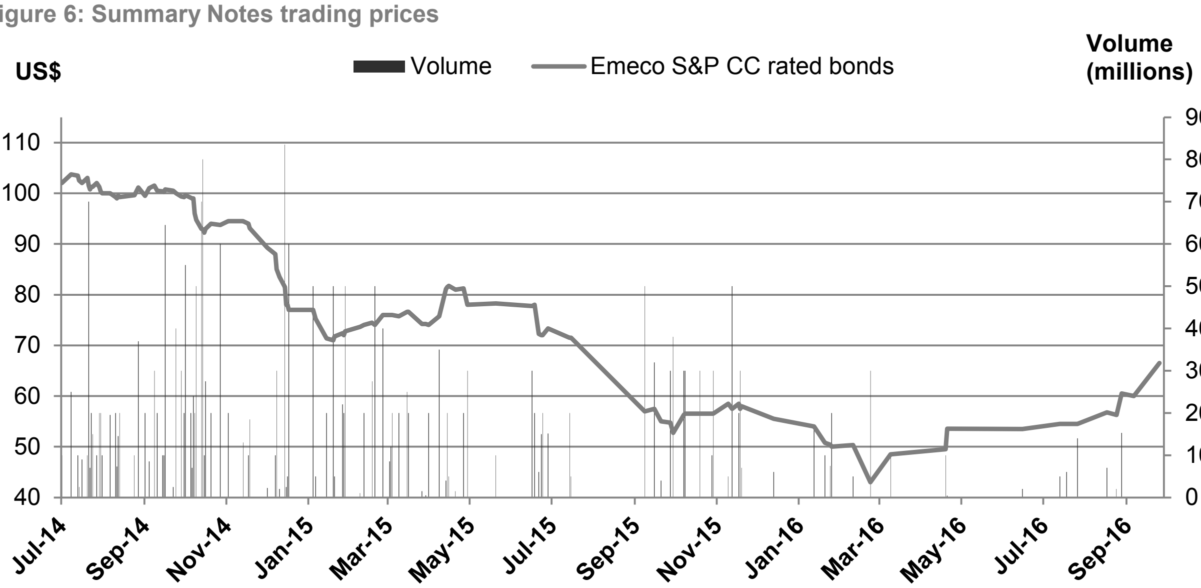
Table 7: Summary of Emeco's interest bearing liabilities

Interest bearing liability	$'000
Current liabilities	
Other financing	535
Lease liabilities – secured	4,044
Non-current liabilities	
Notes issued – secured	380,716
Lease liabilities	4,962
Less: Notes discount and debt raising costs	(12,439)
Total interest bearing liabilities	**377,818**

Source: Emeco Annual Financial Report for the year ended 30 June 2016

Emeco raised USD335 million in the 144A bond market in FY14. The value of these bonds fluctuated between 30 June 2014 and 30 June 2016 due to the decline in value of the AUD against the USD. Before the announcement of the Proposed Transaction, the Notes were trading as low as USD 43, and the day immediately preceding the announcement of the Proposed Transaction, USD 60. To the extent that the Proposed Transaction is not implemented, we would expect the pricing of the bonds to decrease well below the pre-announcement prices, implying zero equity value and very material concerns in the marketplace with Emeco's ability to continue to trade.

Figure 6: Summary Notes trading prices



Source: Bloomberg

Emeco also has an asset-backed bank loan for $75 million. However, as at 30 June 2016, the facility was not drawn (although $11.5 million of bank guarantees were utilised).

3.6. Audit report

The auditors provided unqualified audit opinions for Emeco's 30 June 2014, 30 June 2015 and 30 June 2016 financial statements.

3.7. Forecast financial performance

Management advised that the Company has not provided any formal guidance in respect of expected EBITDA for FY17. However Management has implied, during investor meetings, that an EBITDA of around $60 million would be achievable in FY17.

3.8. Business outlook

In the challenging market conditions, Emeco has declared its main objectives are to pursue efficiency gains and strictly manage its capital. Generally, Emeco has stated that its focus is to:

- reduce maintenance costs (eg by extending component life and improving labour productivity)
- improve market share (eg through use of technology investments and through strategic partnerships).

More specifically in each market, Emeco has cited the following business performance initiatives and market conditions in the short to medium term:

Australia

Utilisation of $21.5 million of equipment transferred from Canada to meet demand in Queensland and New South Wales.

Continued oversupply of equipment in the market means a recovery in rental rate is unlikely in the medium term.

Canada

Stabilise operations following a business restructure and aim to improve equipment utilisation as a result of a partnership with one of Emeco's peers.

Market conditions not expected to improve in the medium term and while oil prices remain low.

Chile

Leverage the shift of fleet back to the Encuentro mine in Chile during FY17 to generate continuing operations for an additional 3 years.

Potential opportunities as capital constrained copper miners look to outsource their fleet requirements.

3.9. Directors

Table 8 summarises the experience of the directors of Emeco at the date of this Report.

Table 8: Directors

Name	Position	Brief resume
Peter Richards	Chairman and Independent Non-Executive Director	Appointed independent non-executive director in June 2010. Appointed chairman in January 2016. Over 25 years of international business experience with global businesses
Ian Testrow	Managing Director and Chief Executive Officer	Joined Emeco in October 2005 and appointed managing director in August 2015. Over 20 years' experience in mining and civil sector, including building Emeco's presence in Canada
John Cahill	Independent Non-Executive Director	Appointed independent non-executive director in September 2008. Over 25 years' experience working across various positions in the energy utility sector
Dr Erica Smyth	Independent Non-Executive Director	Appointed independent non-executive director in December 2011. Over 30 years' experience in the minimal and petroleum industries. Awarded lifetime achievement award for contribution as part of the Women in Resources Awards 2010 by the Chamber of Mines and Energy Western Australia

Source: Data Room provided by Emeco, Emeco's legal advisors and corporate advisors, Emeco Group website (http://www.emecogroup.com/view/about-emeco/board) 7 October 2016

3.10. Capital structure

Emeco had 599 million ordinary Shares on issue at Valuation Date. Table 9 summarises Emeco's performance shares on issue as at Valuation Date.

Table 9: Emeco's performance shares on issue

Long term incentive plan	Issued	Number of instruments	Exercise price	Contractual life of performance shares/rights
Performance shares/rights	2013 - 2015	10,677,087	Nil	3 years
Performance shares/rights	2016	38,612,893	Nil	3 years
	Total	**49,289,980**		

Employee share ownership plan	Issued	Number of instruments	Exercise price	Contractual life of performance shares/rights
ESOP	n/a	49,831	n/a	n/a

Source: Management, 30 June 2016 Emeco annual report

3.11. Top 10 Shareholders

Table 10 summarises the top ten ordinary Shareholders of Emeco as at Valuation Date.

Table 10: Top 10 Shareholders

Rank	Shareholder	Number of Shares	% of total
1	First Samuel	115,990,208	*19.34*
2	Black Cranes Asia Opportunities Fund	89,665,150	*14.95*
3	EHL ESOP Trust	31,635,654	*5.28*
4	American Securities	26,110,490	*4.35*
5	Realindex Investments	20,622,062	*3.44*
6	Dimensional Fund Advisors	15,151,036	*2.53*
7	Mr Jeffery P Rose	12,500,000	*2.08*
8	Franklin Templeton Investments	10,188,913	*1.70*
9	LSV Asset Mgt	8,811,094	*1.47*
10	Mr Hong Keong Chiu & Ms Yok Kee Khoo	7,751,114	*1.29*
	Subtotal	**338,425,721**	***56.43***
	Other shareholders	261,249,986	*43.57*
	Total shares on issue	**599,675,707**	***100***

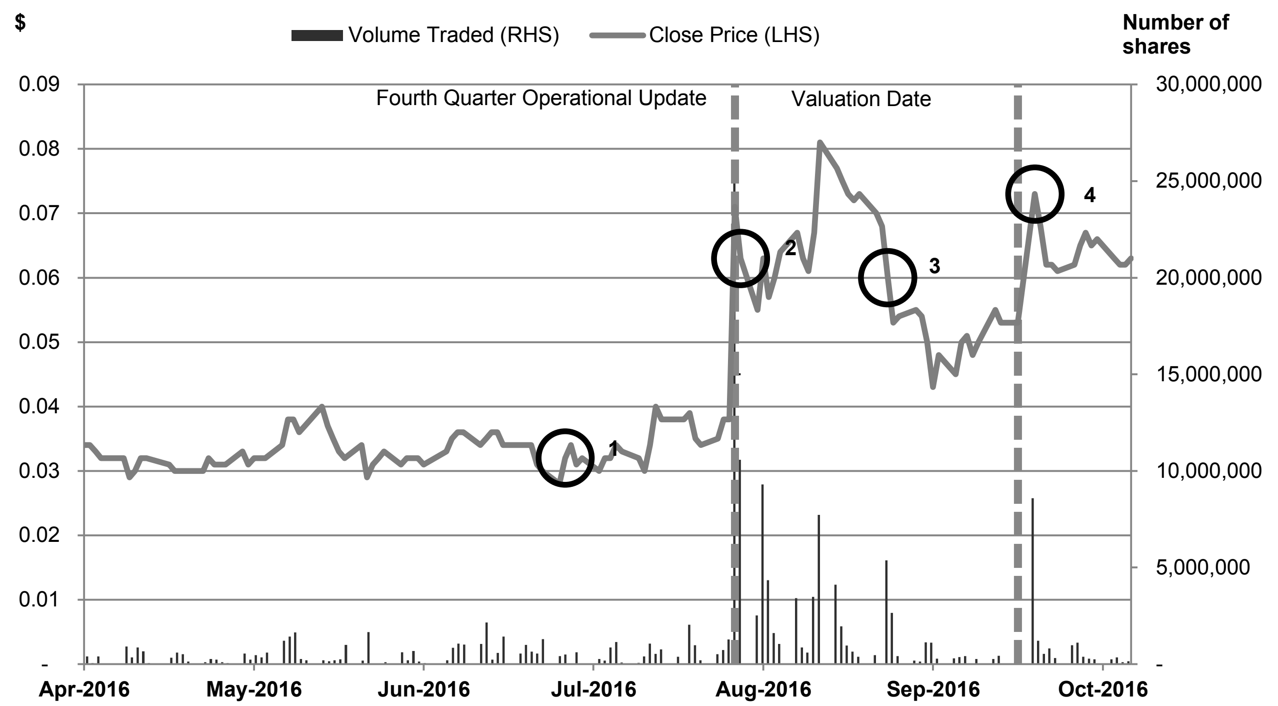
Source: Management
(the above table only uses the legal ownership as disclosed in the annual report and not beneficial ownership)

We also note that Management and the Directors own 6.05% of the issued Shares.

3.12. Share price performance

Figure 7 illustrates the movements in the Share price and volumes traded during 11 April 2016 and 13 October 2016 (approximately a six month period). Emeco's Shares traded in the range of 2.8 cents to 8.1 cents during this period. Table 11 summarises the key events that occurred during this period.

Figure 7: Emeco's historical share performance



Source: Capital IQ

The key events impacting the Share price are as follows:

Table 11: Key events related to historical Share performance

Date	Volume traded	Price change	Title of ASX announcement	Label
6-Oct-16	273,010	-3.0%	Approval of Extension of Time to Hold AGM	
4-Oct-16	1,115,870	4.8%	Fitch Credit Rating Downgrade	
27-Sep-16	1,203,890	-6.8%	S&P Credit Rating Downgrade - Response to Press Speculation	
26-Sep-16	8,587,590	37.7%	S&P Credit Rating Downgrade	4
			Presentation: Recapitalisation and Merger	
21-Sep-16	-	0.0%	Trading halt	
6-Sep-16	124,930	-1.8%	Fitch Credit Rating Downgrade	
31-Aug-16	5,368,460	-11.8%	2016 Full Year Results Presentation	3
			Emeco Reports FY16 Operating EBITDA of $54.2 million	
			2016 Corporate Governance Statement	
			2016 Annual Report to shareholders	
			Appendix 4G - Key to Corporate Governance	
			Appendix 4E - FY16 Preliminary Final Report	
4-Aug-16	25,667,270	86.8%	Fourth Quarter Operational Update	2
2-Aug-16	725,000	8.6%	Appendix 3Y - Change of Director's Interest Notice - Ian Testrow	
5-Jul-16	488,780	14.3%	Resignation of Executive Director, Finance	1

Source: Capital IQ and PPB analysis, Emeco Website, ASX website

Since the announcement of the Proposed Transaction, Emeco's Share price has increased by approximately 19% from 5.3 cents to 6.3 cents, as illustrated in Table 12.

Table 12: Quoted Share price increase since announcement of Proposed Transaction

Date	Traded days	High price ($)	Low price ($)	Close price ($)	% change from 23/09/2016	Comment
23/09/2016	0	-	-	0.0530	-	Announcement date, Shares didn't trade due to trading halt
26/09/2016	1	0.0840	0.0600	0.0730	38	First day of trading after announcement
13/09/2016	14	0.0650	0.0620	0.0630	19	Most recent period of trading since announcement

Source: Capital IQ, PPB analysis

Table 13 summarises Emeco's volume weighted average price ('VWAP') before the Valuation Date. Emeco Shares traded in the range of 4.3 cents to 8.5 cents during this period.

Table 13: VWAP analysis prior to 23 September 2016

Trading period to 23-Sep-16	VWAP ($)	High price ($)	Low price ($)	Cumulative volume traded	% of issued Shares
5 days	0.0537	0.0550	0.0510	680,240	0%
10 days	0.0508	0.0550	0.0450	2,045,230	0%
15 days	0.0497	0.0550	0.0430	4,877,410	1%
30 days	0.0665	0.0850	0.0430	37,896,320	7%

Source: Capital IQ
Notes:
The Proposed Transaction was announced on 23 September 2016

Table 14: VWAP analysis after 23 September 2016

Trading period to 29-Sep-16 & 6-Oct-16	VWAP($)	High price ($)	Low price ($)	Cumulative volume traded	% of issued Shares
5 days	0.0709	0.0840	0.0600	11,138,990	2%
10 days	0.0693	0.0840	0.0600	14,201,960	2%

Source: Capital IQ

We note the quoted Share price both before and after the announcement of the Proposed Transaction may not reflect fair market value because:

- the volume of Shares traded indicates that the liquidity of Emeco's Shares was limited over the period considered
- the free float represents a maximum of 65% of total Shares on issue

Emeco's last trading day prior to announcement of the Proposed Transaction was 20 September 2016. Accordingly, the quoted Share prices may not reflect all available information and the market sentiment immediately prior to the Valuation Date.

4. Overview of Orionstone

4.1. Brief history

Orionstone Pty Ltd was incorporated in 2009 to supply earthmoving equipment solutions to businesses in Australia. The company has achieved significant growth since its incorporation, as a result of an investment by Advent Capital Pty Ltd and the acquisition of other related businesses.

Table 15 summarises key milestones in the last ten years.

Table 15: Summary of key milestones

Date	Key milestone
2003	Ironstone incorporated as a rental business in Mackay, Queensland
2009	Orionstone incorporated in Queensland as joint venture between Orion WA and Ironstone Group
2011	Advent Private Capital Pty Ltd $68 million investment in Orionstone secured
2011	Acquired 100% of Orion WA and Ironstone Group
2013	Acquired Tracfin, a finance brokering business
2014	New $154 million private placement debt secured
2015	Announced a proposal for a merger with Emeco Holdings Limited, which did not progress

Source: IBISWorld Company Report – Orionstone and Orionstone website (http://www.orionstone.com.au/about-us)

4.2. Group structure

Orionstone (parent entity) owns 100% of the shares in the following subsidiaries through its wholly owned subsidiary Orionstone Pty Ltd:

- Ironstone Group Pty Ltd (Australia)
- Orion (WA) Pty Ltd (Australia)
- RPO Australia Pty Ltd (Australia).

4.3. Business operations

Orionstone is a heavy earth moving equipment supplier, based in Mackay. It services the major mining regions in Australia, including Queensland, Western Australia and New South Wales.

Orionstone has a fleet of approximately 300 machines. The business provides equipment rental solutions to mining and construction businesses. The company also sells equipment no longer required and offers remote maintenance services to its customers.

The fair market value of Orionstone's equipment was $94 million as at 15 July 2016.

Orionstone's customers are diversified across a number of commodities, including copper, gold, metallurgical coal, thermal coal, manganese and aluminium. Customers are primarily miners and contractors to the mining industry, including:

- Rio Tinto
- Glencore Xstrata
- Chinova Resources
- BHP Mitsubishi Alliance
- HSE Group
- Downer EDI.

The company also services the infrastructure and oil and gas industries. Orionstone has held long-standing relationships with many of its customers and has a strong track record of repeat business due to high performance levels.

Orionstone's expenses principally comprise parts, labour and tooling associated with maintaining earthmoving equipment and providing services.

Its capital expenditure primarily consists of the purchase of equipment and replacement of major components over the life cycle of assets owned by the company.

The business operates a versatile fleet base of dump trucks, dozers, loaders, water carts, graders, excavators and other pieces of equipment with an average age of less than 16,000 hours and an approximate fair market value of $94 million. The fleet is comprises several recognised brands including Caterpillar, Hitachi and Komatsu.

4.4. Orionstone's fleet

Orionstone has a fleet by type that serves the mining sector comprising:

- 96 trucks between 100 tonne and 240 tonne
- 33 dozers between 35 tonne and 150 tonne
- 29 loaders between 150 kW and 1200 kW
- 14 excavators between 20 tonne and 200 tonne
- 19 graders between 120 kW and 200 kW.

4.5. Historical financial performance

The audited consolidated financial performance of Orionstone for the year ended FY14 and the unaudited consolidated financial performance for the years ended FY15 and FY16 are summarised in Table 16.

Table 16: Summary of Orionstone's financial performance

$'000	FY14 Audited	FY15 Unaudited	FY16 Unaudited
Rental revenue	73,253	65,253	54,342
Equipment sales	32,918	13,914	6,313
Maintenance services	5,344	4,315	25,890
	111,515	**83,482**	**86,545**
Change in machinery and parts	(33,629)	(13,453)	(7,574)
Repairs and maintenance	(11,109)	(6,231)	(28,049)
Employee expenses	(15,883)	(14,420)	(15,258)
Hired in equipment and labour	(2,329)	(1,109)	(1,269)
Gross profit	**48,565**	**48,269**	**34,395**
Other income	4,961	77	971
Other expenses	(11,523)	(8,760)	(9,130)
EBITDA	**42,003**	**39,586**	**26,236**
Impairment intangible assets	(12,738)	(3,418)	(73,064)
Depreciation & amortisation expense	(25,178)	(35,698)	(30,369)
Finance income	151	189	59
Finance expense	(15,767)	(20,416)	(18,403)
Gain/(loss) on sale of assets	(31)	59	-
Profit/(Loss) before tax	**(11,560)**	**(19,698)**	**(95,541)**
Tax benefit/(expense)	2,863	6,114	4,983
Net profit/(loss) after tax	**(8,697)**	**(13,584)**	**(90,558)**

Source: annual reports of Orionstone for years ending 30 June 2014 (audited), 30 June 2015 (unaudited) and 30 June 2016 (unaudited)

We make the following comments on the consolidated financial performance of Orionstone.

Revenue for each of Orionstone's service offerings is summarised in Table 17 below and the revenue contribution to the group from each service is illustrated in Figure 8 immediately below.

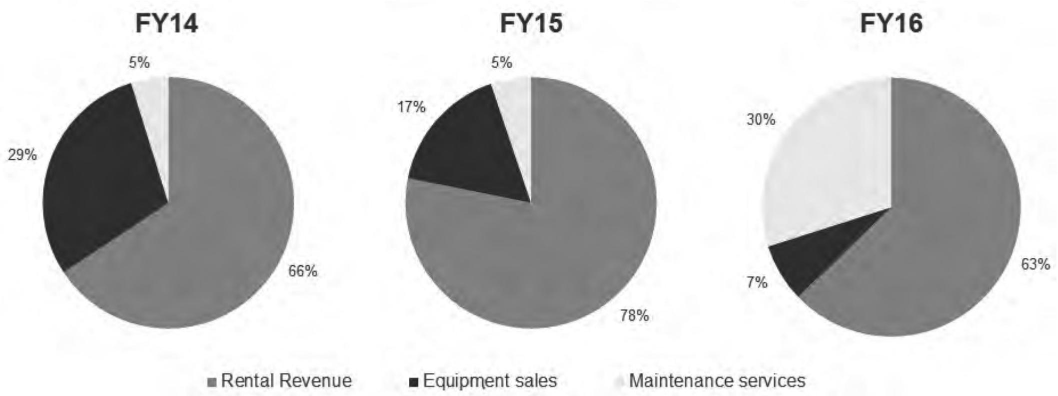
Table 17: Summary of revenue for each of Orionstone's service offerings

	FY14 $'000	FY15 $'000	FY16 $'000	*FY14 v FY15 %*	*FY15 v FY16 %*
Rental revenue	73,253	65,253	54,342	*(10.92%)*	*(16.72%)*
Equipment sales	32,918	13,914	6,313	*(57.73%)*	*(54.63%)*
Maintenance services	5,344	4,315	25,890	*(19.26%)*	*500.00%*
	111,515	**83,482**	**86,545**	***(25.14%)***	***3.67%***

Source: Financial information provided by Emeco Management for Orionstone and PPB analysis

Revenue composition is as shown in Figure 8.

Figure 8: Revenue contribution for each of Orionstone's service offerings



Source: Financial information provided by Emeco for Orionstone and PPB analysis

Revenue decreased from $112 million in FY14 to $87 million in FY16, with the most notable change between FY14 and FY15. The decline in financial performance can be attributed to the economic slump in the mining industry.

Repairs and maintenance expenditure increased in FY16 by $21.8 million to $28.0 million (FY15: $6.2 million). Due to the challenging market conditions within the mining industry, businesses have tended to invest in existing assets (increasing repairs and maintenance) in order to reduce large capital outlays for new equipment.

Additionally, due to the closure of mines in recent years the resale value of yellow goods reduced and therefore operators have held onto existing equipment for longer. This is highlighted by the reduction in revenue from equipment sales.

As a result of the above, EBITDA reduced from $48.6 million in FY14 to $26.2 million in FY16.

Impairments recognised in FY16 totalled $73.1 million (FY15: $3.4 million), comprising:

- $68.9 million – plant and equipment
- $4.2 million – goodwill.

Plant and equipment (fleet) assets reflect market price information and periodic independent asset valuations.

As a result of the above, operating losses were reported in each of the three periods.

4.6. Historical financial position

The audited consolidated financial position of Orionstone as at 30 June 2014 and unaudited consolidated financial position as at 30 June 2015 and 30 June 2016 are summarised in Table 18.

Table 18: Summary of Orionstone's financial position

$'000	30-Jun-2014 Audited	30-Jun-2015 Unaudited	30-Jun-2016 Unaudited
Current assets			
Cash	1,980	8,051	4,283
Trade receivables	13,220	13,837	12,785
Inventories	3,794	3,681	2,902
Current tax asset	-	342	30
Other current assets	855	1,214	914
Total current assets	**19,849**	**27,125**	**20,918**
Non-current assets			
Intangibles and goodwill	4,222	4,222	-
Property, plant and equipment	280,276	260,837	171,040
Deferred tax	15,932	26,571	-
Other assets	1,164	601	224
Total non-current assets	**301,594**	**292,231**	**171,264**
Total assets	**321,443**	**319,356**	**192,182**
Current liabilities			
Trade and other payables	10,727	11,225	12,655
Borrowings	98,919	150,516	146,592
Tax liabilities	39	-	-
Provisions	615	599	694
Other current liabilities	226	-	-
Total current liabilities	**110,526**	**162,340**	**159,941**
Non-current liabilities			
Other payables	-	826	322
Borrowings	58,596	14,588	12,089
Deferred tax	27,050	31,058	-
Provisions	11	28	43
Total non-current liabilities	**85,657**	**46,500**	**12,454**
Total liabilities	**196,183**	**208,840**	**172,395**
Net assets	**125,260**	**110,516**	**19,787**
Equity			
Share capital	93,079	93,079	93,079
Reserves	32,181	-1,160	-1,331
Accumulated losses	-	18,597	-71,961
Total equity	**125,260**	**110,516**	**19,787**

Source: Orionstone consolidated financial statements for the year ended 30 June 2016 (and prior year comparatives)

We make the following comments on the consolidated financial position of Orionstone.

Property, plant and equipment reduced by $109 million between 30 June 2014 and 30 June 2016. This follows a similar trend to that observed in Emeco's fleet. The fall in value is primarily due to the following factors, which have also impacted earthmoving equipment rental businesses generally, over the past two years:

- impairment losses related to rental plant and equipment
- divestment of equipment, primarily under utilised or surplus machines to improve capacity usage due to a decrease in fleet utilisation
- reduction in capital expenditure.

Table 19: Summary property plant and equipment

$'000	Book value	Fair market value
Land & buildings	643	643
Plant & equipment - rental	139,969	95,976
Plant & equipment - other	25,990	25,990
Capital work in progress (i)	4,438	4,438
Total property, plant and equipment	**171,040**	**127,047**

Source: Orionstone consolidated financial statements, independent valuation report

Orionstone reclassified the majority of its non-current borrowings during FY15. As such, current borrowings increased by 52% while non-current borrowings decreased by 75% during FY15. This reflects that in late March 2016 Orionstone and the lenders under its Syndicated Debt Facility ($144 million, excluding hedging), entered into a Standstill Agreement in early 2016.

The working capital ratio has reduced since 30 June 2014 from 0.18, 0.17 at 30 June 2015 and 0.13 as at 30 June 2016, the decline at 30 June 2016 is attributable to growth in current liabilities (borrowings) compared to 30 June 2014 and a decline in current assets during FY16 of $6.2 million.

4.7. Forecast financial performance

Management has not prepared budgets or forecasts in respect of FY17. However, Management is expecting to achieve EBITDA in the range of $22.8 million.

4.8. Business outlook

Orionstone's financial results for FY16 show that the company may be facing some financial difficulty in meeting its short-term obligations. We note the following points in support of our observation:

- The breach of loan covenants in FY15 allows financiers to call their lending for repayment as per the terms of the agreement. The change in reclassification to current liabilities may alert unaffected financiers to call their lending for immediate repayment and further expose Orionstone to liquidity risk. If the Proposed Transaction does not proceed, Orionstone would need to rely on the willingness of the Orionstone Creditors to entertain an alternative transaction or restructure in order to continue as a going concern.
- Property, plant and equipment owned by Orionstone (which comprise the majority of Orionstone's assets) had a fair market value of $94 million, as at 23 September 2016 (or $70 million in a forced sale situation). The decline in revenue from equipment sales, coupled with impairment charges, suggests that Orionstone's assets may not be easily saleable at a price that represents fair value. Furthermore, Orionstone may struggle to generate the cash required to repay its obligations under its Syndicated Debt Facility if it continues to experience financial difficulty, and if its lenders remove their support after the expiry of the current standstill arrangements.
- Orionstone has improved its inventory holding over the last three years and in FY16 was carrying $2.9 million compared with $3.7 million in FY15.

4.9. Directors

Table 20 summarises the experience of the directors of Orionstone at the date of this Report.

Table 20: Directors

Name	Position	Brief resume
Ashley Fraser	Managing Director and Chief Executive Officer	Founder of Orionstone. Over 15 years of industry experience
Rupert Harrington	Non-Executive Chairman	Executive Chairman of Advent Private Capital. 11 years of general management experience in the United Kingdom and Australia and almost 30 years of experience in private equity
Richard Harding	Non-Executive Director	Non-Executive Director of Orionstone since 2009
Symon Vegter	Non-Executive Director	Executive Director of Advent Private Capital

Source: IBISWorld Report – Orionstone, Advent Private Capital website and LinkedIn

4.10. Capital structure

The breakdown of the shareholding is set out in Table 21 and

Table 22 below:

Table 21: Shares on issue

Class	Number held
Ordinary	179,322,112
Class B	309,000
Total	**179,631,112**

Source: ASIC Company return

Table 22: Summary shareholders

Name	Number of shares	% held
Class B		
Graham Moohin	225,000	72.8%
Bruce Spence	15,000	4.9%
Deanne Du Barrie	15,000	4.9%
Paul Couchman	15,000	4.9%
Steven Morgan	15,000	4.9%
Alec Bruce	24,000	7.8%
Total Class B shares on issue	**309,000**	**100.0%**
Ordinary shares		
FGI Holdings Pty Ltd	42,772,985	23.9%
AMAF Securities Pty Ltd	42,772,985	23.9%
APC I Pty Ltd	32,828,244	18.3%
APC II Pty Ltd	28,995,146	16.2%
Fraser Family Securities Pty Ltd	14,223,640	7.9%
Richard Norman Harding	11,227,015	6.3%
APC III Pty Ltd	6,176,610	3.4%
Ashley Mark Fraser	152,687	0.1%
Graham Moohin	75,000	nm
Bruce Spence	5,000	nm
Deanne Du Barrie	5,000	nm
Paul Couchman	5,000	nm
Steven Morgan	5,000	nm
Alec Bruce	8,900	nm
Robert Danielle	5,000	nm
Steven Harvey	5,000	nm
Mark Argent	3,000	nm
Stephen Brown	1,000	nm
Andrew Mawer	900	nm
Other	54,000	nm
Total ordinary shares	**179,322,112**	**100.0%**

nm = not material

Source: ASIC Company return

5. Overview of Andy's

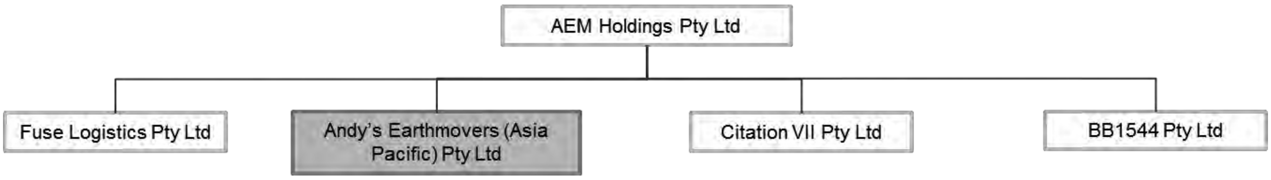
5.1. Brief history

Andy's is a privately owned company and was established in 1989 in Victoria as an equipment rental business. Since then, it has grown its operations to cover mining and civil customers. It has operations in South Australia, Victoria, New South Wales, Western Australia and the Northern Territory.

5.2. Group structure

The Andy's group structure is summarised in Figure 9.

Figure 9: Group structure



Source: Draft 'Project Sunrise' financial and tax due diligence report prepared by KPMG

5.3. Business operations

Andy's provides earth moving equipment rental across Australia. The head office is located at Big Hill, Victoria (10km south of Bendigo).

Andy's fleet of 145 machines is best suited to servicing mining and large scale earthworks projects. As well as equipment rental, Andy's supplies onsite workshops, refueling facilities and water trucks to assist on projects. The company sells equipment no longer required.

The fair market value of Andy's earthmoving equipment was $75.8 million[15] as at 23 September 2016.

Andy's revenue is derived from three major sources:

- equipment rental (which comprises the majority of Andy's revenue) - includes both dry rental hire and wet rental hire and the provision of a machine operator in addition to the equipment itself
- maintenance services – includes charging rental customers for the servicing of its own fleet or the servicing of a customer's fleet
- equipment sales - involves the sale of equipment when it is no longer required for the rental business or is being replaced by newer equipment.

Operating costs principally comprise parts, labour and tooling associated with maintaining earthmoving equipment.

Capital expenditure principally comprises the purchase of equipment and replacement of major components over the asset's life cycle while owned by Andy's.

Andy's has over 100 employees, including nine in administration and business development, 52 in rental operations, 33 in maintenance and seven in transport operations.

[15] Based on a Hassalls valuation dated 2 August 2016

5.4. Andy's fleet

Andy's fleet largely services the civil construction sector and since 2010 has developed the capacity to provide earthmoving equipment to mining businesses by increasing the size of its equipment. Andy's fleet is currently comprised of over 145 machines located across the country including:

- 63 trucks between 50 tonnes and 150 tonnes
- 19 dozers between 25 tonnes and 100 tonnes
- 10 loaders between 150 kW and 500 kW
- 19 excavators between 20 tonnes and 300 tonnes
- 14 graders between 120 kW and 200 kW.

5.5. Historical financial performance

The audited consolidated financial performance of Andy's for the financial year ended FY14, FY15 and the unaudited consolidated financial performance FY16 is summarised in Table 23.

Table 23: Summary of Andy's financial performance

$'000	**FY14 Audited**	**FY15 Audited**	**FY16 unaudited**
Rental Revenue	62,838	65,240	49,752
Equipment sales	14,413	6,266	11,055
Maintenance services	5,025	3,820	3,146
	82,276	**75,326**	**63,953**
Change in machinery and parts	(39,995)	(32,833)	(10,731)
Repairs and maintenance	-	-	(12,789)
Employee expenses	(5,341)	(6,428)	(5,188)
Hired in equipment and labour	-	-	(4,801)
Gross Profit	**36,940**	**36,065**	**30,444**
Other income	4,431	2,681	775
Other expenses	(8,695)	(10,736)	(18,056)
EBITDA	**32,676**	**28,010**	**13,163**
Depreciation & amortisation expense	(14,226)	(15,245)	(15,781)
Finance income	149	133	-
Finance expense	(7,748)	(6,956)	(6,736)
Profit/(Loss) before tax	**10,851**	**5,941**	**(9,354)**
Tax benefit/(expense)	(3,256)	(1,778)	2,624
Net profit/(loss) after tax	**7,595**	**4,163**	**(6,729)**

Source: Andy's Annual Financial Report for the year ended 30 June 2014, 30 June 2015 and financial information provided by Emeco for Andy's

We make the following comments in relation to the consolidated financial performance of Andy's.

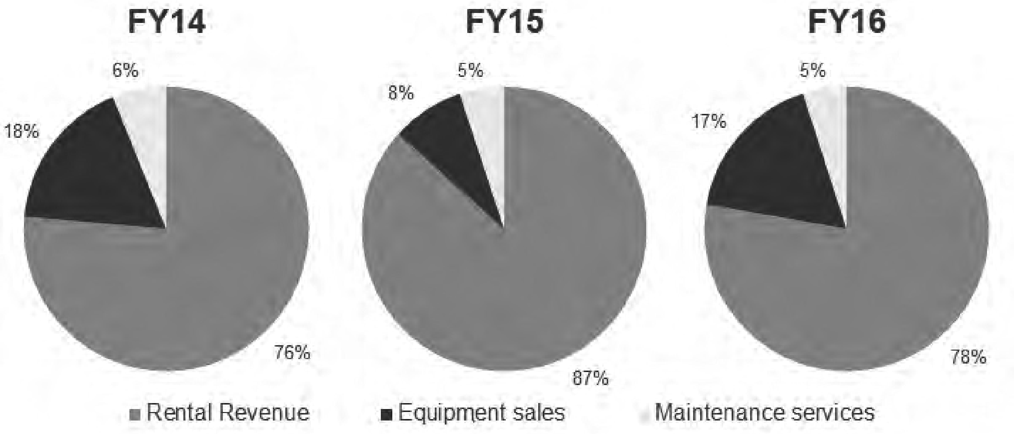
Revenue for each of Andy's service offerings is summarised in Table 24 and the relative revenue contribution from each service offering is illustrated in Figure 10.

Table 24: Summary of Andy's revenue

	FY14 $'000	FY15 $'000	FY16 $'000	*FY15 v FY14 %*	*FY16 v FY15 %*
Rental Revenue	62,838	65,240	49,752	*3.82%*	*(23.74%)*
Equipment sales	14,413	6,266	11,055	*(56.53%)*	*76.43%*
Maintenance services	5,025	3,820	3,146	*(23.98%)*	*(17.64%)*
	82,276	**75,326**	**63,953**	*(8.45%)*	*(15.10%)*

Source: Andy's Annual Financial Report for the year ended 30 June 2014, 30 June 2015 and financial information provided by Emeco for Andy's

Figure 10: Relative revenue contribution by service line



Source: Andy's Annual Financial Report for the year ended 30 June 2014, 30 June 2015 and financial information provided by Emeco for Andy's

The rental revenue generated by Andy's has reduced from $62.8 million in FY14 to $49.8 million in FY16. This is attributed to the decline in the mining industry over the same period, which has reduced demand for rental equipment and placed downward pressure on prices.

Andy's incurred repairs and maintenance expenditure in FY16 of $12.8 million (FY15: nil). Due to the challenging market conditions within the mining industry, businesses have tended to invest in existing assets (increasing repairs and maintenance) in order to reduce large capital outlays for new equipment.

EBITDA as a result of the above reduced from $32.7 million in FY14 to $13.2 million in FY16[16].

No impairments have been recognised during the period reported above. However, based on a recent independent valuation a possible impairment may be required totalling $15 million.

Andy's reported profits after tax in FY14 and FY15, and a loss after tax in FY16 (before any asset impairment).

The decline in Andy's financial performance can be attributed to similar trends noted in our analysis of Emeco and Orionstone.

[16] Before any normalisations

5.6. Historical financial position

The audited consolidated financial position of Andy's as at 30 June 2014, 30 June 2015 and the unaudited consolidated financial position 30 June 2016 is summarised in Table 25.

Table 25: Summary of Andy's financial position

$'000	30-Jun-2014 Audited	30-Jun-2015 Audited	30-Jun-2016 unaudited
Current assets			
Cash	1,621	1,962	392
Trade receivables	21,950	20,187	16,303
Inventories	6,956	5,747	5,085
Assets held for sale	-	1,241	-
Current tax asset	362	865	-
Other current assets	853	1,040	1,287
Total current assets	**31,742**	**31,042**	**22,849**
Non-current assets			
Trade and other receivables	-	177	5,390
Property, plant and equipment	127,026	116,459	98,209
Deferred tax	385	417	-
Total non-current assets	**127,411**	**117,053**	**103,559**
Total assets	**159,153**	**148,095**	**126,448**
Current liabilities			
Trade and other payables	9,439	5,809	5,776
Borrowings	21,623	95,406	83,904
Interest bearing liabilities	-	-	4,844
Provisions	1,029	1,126	978
Total current liabilities	**32,091**	**102,341**	**95,502**
Non-current liabilities			
Borrowings	90,031	5,929	-
Interest bearing liabilities	-	-	4,956
Deferred tax	5,434	7,058	-
Provisions	139	147	101
Total non-current liabilities	**95,604**	**13,134**	**5,057**
Total liabilities	**127,695**	**115,475**	**100,559**
Net assets	**31,457**	**32,620**	**25,889**
Equity			
Share capital	5,000	5,000	5,000
Retained earnings	26,457	26,457	20,889
Total equity	**31,457**	**32,620**	**25,889**

Source: Andy's Annual Financial Report for the year ended 30 June 2014, 30 June 2015 and financial information provided by Emeco for Andy's

We make the following further observations in relation to key changes in reported assets and liabilities.

Trade receivables (within current assets) decreased by $3.9 million between 30 June 2015 and 30 June 2016. This is mostly attributed to an agreement between Andy's and a key customer to defer payment into FY17 and, as a result, was reclassified to non-current assets ($5.1 million).

Property, plant and equipment decreased from $127.0 million as at 30 June 2014 to $98.2 million as at 30 June 2016. The decrease is attributed to the divestment of part of Andy's existing fleet as a result of weak market conditions.

Independent equipment valuers performed desktop valuations on Andy's fleet as at 23 June 2016. The combined fair value of Andy's fleet was assessed as $76 million. We note the book value of plant and equipment (earthmoving equipment) as at 30 June 2016 was $83 million. This implies that the assets were overstated by approximately $13 million and should be impaired.

Table 26: Summary property plant and equipment

$'000	Book value	Fair market value
Earthmoving equipment	83,389	75,840

Land & buildings	1,241	1,241
Motor vehicles	412	412
Office furniture and equipment	158	158
Other plant and equipment	6,336	6,336
Transport equipment	6,676	6,676
Total property, plant and equipment	**98,209**	**90,663**

Source: Andy's Annual Financial Report, independent valuation report

Andy's working capital ratio reduced significantly from 0.996 as at 30 June 2014 to 0.24 as at 30 June 2016, following non-current borrowings being reclassified in FY15. Borrowings remain classified as current, indicating that they are scheduled to fall due within the next 12 months.

5.7. Audit report

The audit report included an emphasis of matter where without modifying its opinion, Deloitte drew attention to total current liabilities as at 30 June 2015 exceeding total current assets by $77 million.

This condition, along with other matters as set forth in the audit report, indicate the existence of material uncertainty that may cast significant doubt on Andy's ability to continue as a going concern as at the date of the audit report, 11 March 2016.

5.8. Forecast financial performance

Management has not prepared budgets or forecasts for FY17, however they are expecting to achieve EBITDA of approximately $11.4 million.

5.9. Business outlook

Andy's financial performance and position suggests that it faces a significant challenge in meeting its future debt repayments as and when they fall due. We note the following observations in support of this observation:

- Andy's has historically breached lending covenants, which would enable its financiers to make a call under its facility agreements for immediate repayment of borrowings. Andy's reported a large balance under current borrowings in FY16 which is related to impending facility negotiations with financiers.
- Andy's has faced a substantial reduction in its working capital ratio due to the reclassification of its borrowings. We note that Andy's has lending facilities with several financiers, which may be affected by a decision to make a call under its facility agreements. In such circumstances, we would expect Andy's to struggle in raising the cash required to make repayments under its various lending facilities.
- Andy's has generated significant business from government contracts on civil projects and continues to target land developments, road infrastructure and energy projects (particularly renewable energy projects such as wind farms).
- Andy's has a strong pipeline of potential projects, particularly in the civil space and on mining projects where the company has a strong relationship with the miner and has been involved in development of the mine plan.

In summary, we expect that in a declining industry that is focussed on renting equipment to avoid large capital outlays, Andy may struggle in realising its assets in a timely manner to repay its financial obligations.

5.10. Directors and key management

Table 27 summarises the experience of the directors and key management at the Valuation date.

Table 27: Directors and key management

Name	Position	Brief resume
Andy Hoare	Executive Chairman and Managing Director	34 years of industry experience. Expertise in managing fully maintained mining operations and large earthmoving projects
Barry Cook	Executive Director and Regional Manager	16 years' experience in the construction and earthmoving industries. Joined Andy in 2006

Source: Andy's website – accessed 3 October 2016, ASX Release dated 23 September 2016 and LinkedIn

5.11. Capital structure

Andy's has 20 million ordinary shares on issue.

AEM holdings Pty Ltd, a company associated with Andy Hoare, holds 100% of the ordinary shares on issue.

6. Industry overview

We have referred to the latest applicable IBISWorld reports[17] and other publically available market publications as sources for our commentary on the earthmoving machinery and equipment rental industry in Australia ('Industry') as summarised in this section.

6.1. Introduction

The services provided by Emeco, Orionstone and Andy's are directly impacted by the mining and machinery rental and site preparation services industries.

In the mining industry, demand is primarily driven by the demand for haulage of commodities eg iron ore. The Australian mining industry has experienced a period of decline, as a result of reduced demand from China and India. This created an excess in supply and led to decline in commodity prices.

However, the industry is forecast to grow by 5.5% per annum between calendar year 2016 and 2021, as the demand for commodities returns.

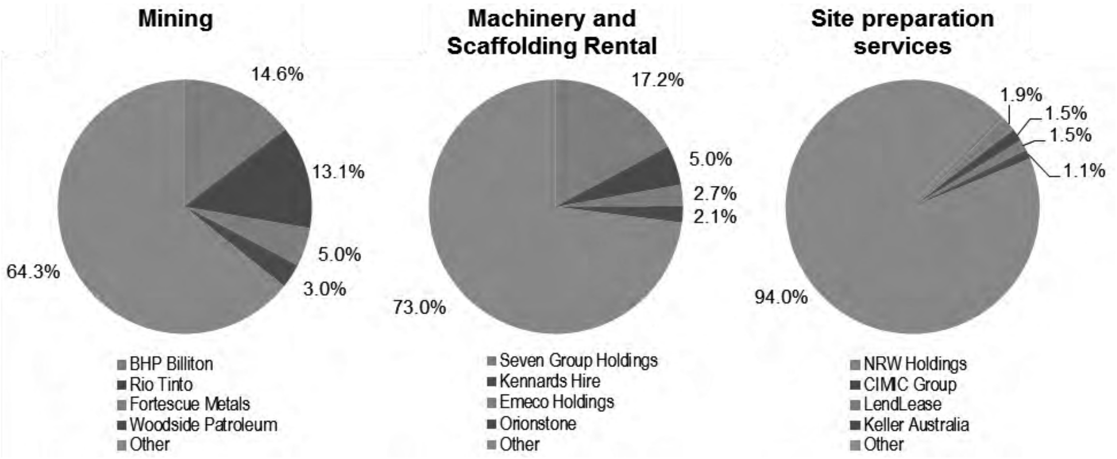
Machinery rental and site preparation services demand is largely driven by infrastructure projects and large scale development projects. In recent times, demand for site preparation services in the building industry has been subdued. However, demand from road and bridge construction projects is projected to increase by 2.9% over the next five years.

Overall, the industry is expected to contract in 2015-16 by 5.5%, with subdued growth forecast over the next five year growth of 1.2% per annum.

[17] IBISWorld reports – Mining in Australia Industry report – September 2016, IBISWorld reports – E3212 Site Preparation Services in Australia Industry report – June 2016 and IBISWorld reports – L6631 Machinery and Scaffolding Rental Mining in Australia Industry report – May 2016

Figure 11 summarises the players in each these industries and their respective market shares.

Figure 11: Summary of key industry players



Source: IBISWorld and PPB analysis

We have provided a brief commentary on these industries and factors which may impact growth.

6.2. Mining

Emeco, Orionstone and Andy's provide wet and dry equipment rental services to businesses in the Australian mining industry. The Australian mining industry has been experiencing a period of decline, with mining companies reducing production on the back of declining commodity prices. This has resulted in some mining companies moving away from expansionary programs and towards rebalancing of their portfolios and implementing cost-reduction initiatives.

This has adversely impacted businesses such as Emeco, Orionstone and Andy's, as they rely on the mining and construction industries to utilise their equipment. However, IBISWorld forecast the mining industry to return to growth over the next five years.

6.3. Machinery rental and site preparation services

The decline in the mining industry has reduced the demand for earthmoving equipment in recent years. Furthermore, demand from the building construction market has also been subdued and is projected to remain flat during 2016.

There is significant diversity in the 'machinery and scaffolding rental' and 'site preparation services' industries. The largest four businesses providing site preparation services (NRW Holdings Limited: 1.9%, CIMIC Group Limited: <1.5%, LendLease Group: <1.5% and Keller Australia: 1.1%) contribute less than 10% of industry revenue.

IBISWorld projected machinery rental industry revenues to grow by an annualised 2.0% to $5.1 billion by FY16. The forecast growth being largely predicated on commodity demand returning and an investment in large infrastructure projects.

7. Relevant economic factors

7.1. Introduction

Key economic factors which directly impact on the performance of Emeco, Orionstone and Andy's are:

- changes in commodity prices, and
- exchange rates.

These macroeconomic factors directly affect the mining industry ie their key customer base.

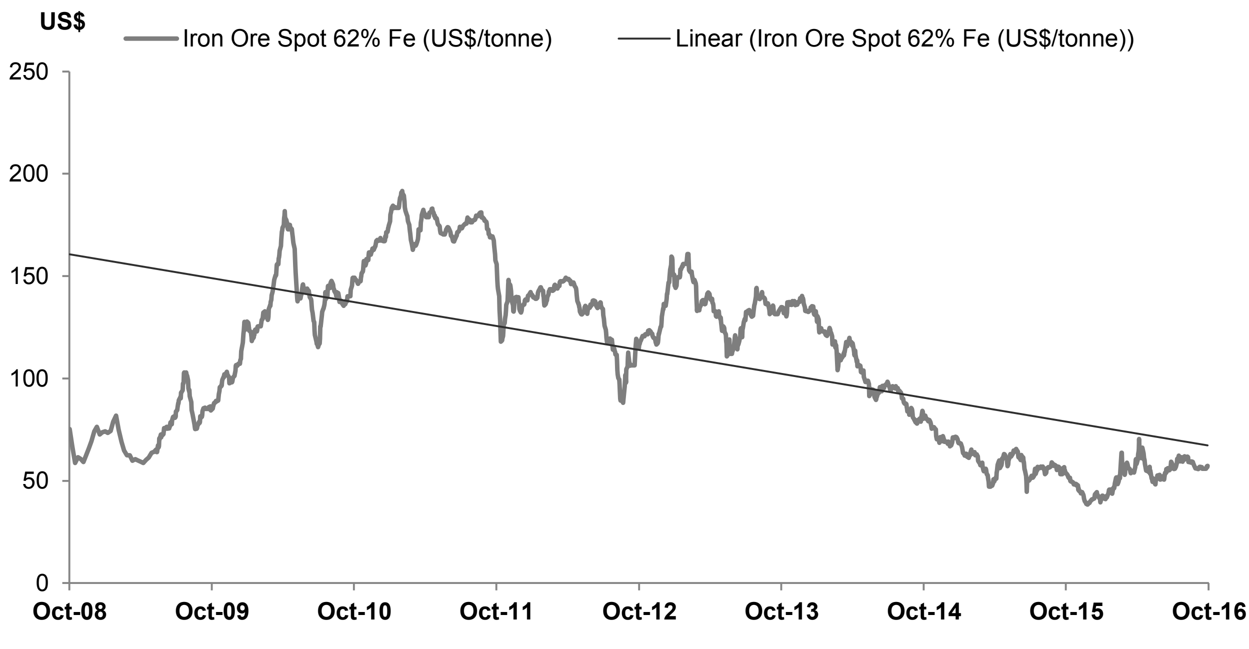
7.2. Commodity prices

Australia's resource (mineral, hydrocarbon and non-mineral reserves) rich land has historically allowed mining businesses in Australia to be price-competitive on a global scale. The mining industry in Australia has declined in recent years (particularly iron ore), due to a reduced demand from China (Australia's largest trading partner) and India. During the last 12 months, Australia's four major exports materially reduced in value[18]:

- iron ore (~50%)
- coking coal (~40%)
- thermal coal (~20%)
- LNG (~60%).

The reduction in demand from China and India has resulted in global oversupply and led to a decline in commodity prices, as highlighted in the Iron ore spot price graph below.

Figure 12: Summary iron ore prices



Source: Bloomberg

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[18] Explanatory Memorandum

The decline in commodity prices has led to some mining businesses reducing production volumes and implementing temporary production halts to curb losses. Additionally, a number of smaller mining producers have exited the market. This has directly and negatively impacted Emeco, Orionstone and Andy's businesses, by reducing demand (fleet and equipment utilisation) and ultimately profitability.

The demand outlook for commodities by large economies, such as China and India, is forecast to increase beyond 2016 and this should help to improve fleet utilisation and profitability.

The price of oil also affects Emeco, as it provides services into the oil sands industry. In the event the price of oil reduces, businesses within the oil sands industry receive less for the oil they extract, reducing profitability. This occurred during FY16 with the price of oil materially declining from approximately $60US/barrel to a low close in January 2016 of US$25/barrel and remaining low during FY16. This negatively impacted the oil-sands industry and Emeco was forced to restructure its Canadian operations to curb losses.

Compounding the sustained lower oil prices in Canada, was the severe bush fires which forced the closure of the industry for two months during the fourth quarter of FY16.

7.3. Exchange rate movements

Commodity prices are typically denominated in USD, therefore, a depreciation of the AUD against the USD has two key benefits:

- demand for exports increase, and
- local exporters receive higher revenues for sales denominated in USD.

In recent times, the AUD has weakened against the USD, however, this has been insufficient to offset the large decline in commodity prices. IBISWorld is forecasting the AUD to increase against the USD at a compound annual rate of 1.9% over the next five years, which may reduce export demand.

Emeco also has operations in Canada (extracting oil sands) and Chile (extracting copper), which accounted for $74.8 million (26%) of FY16 revenues and is therefore exposed to fluctuations in exchange rates between the Australian dollar, Canadian dollar, Chilean peso and US dollar.

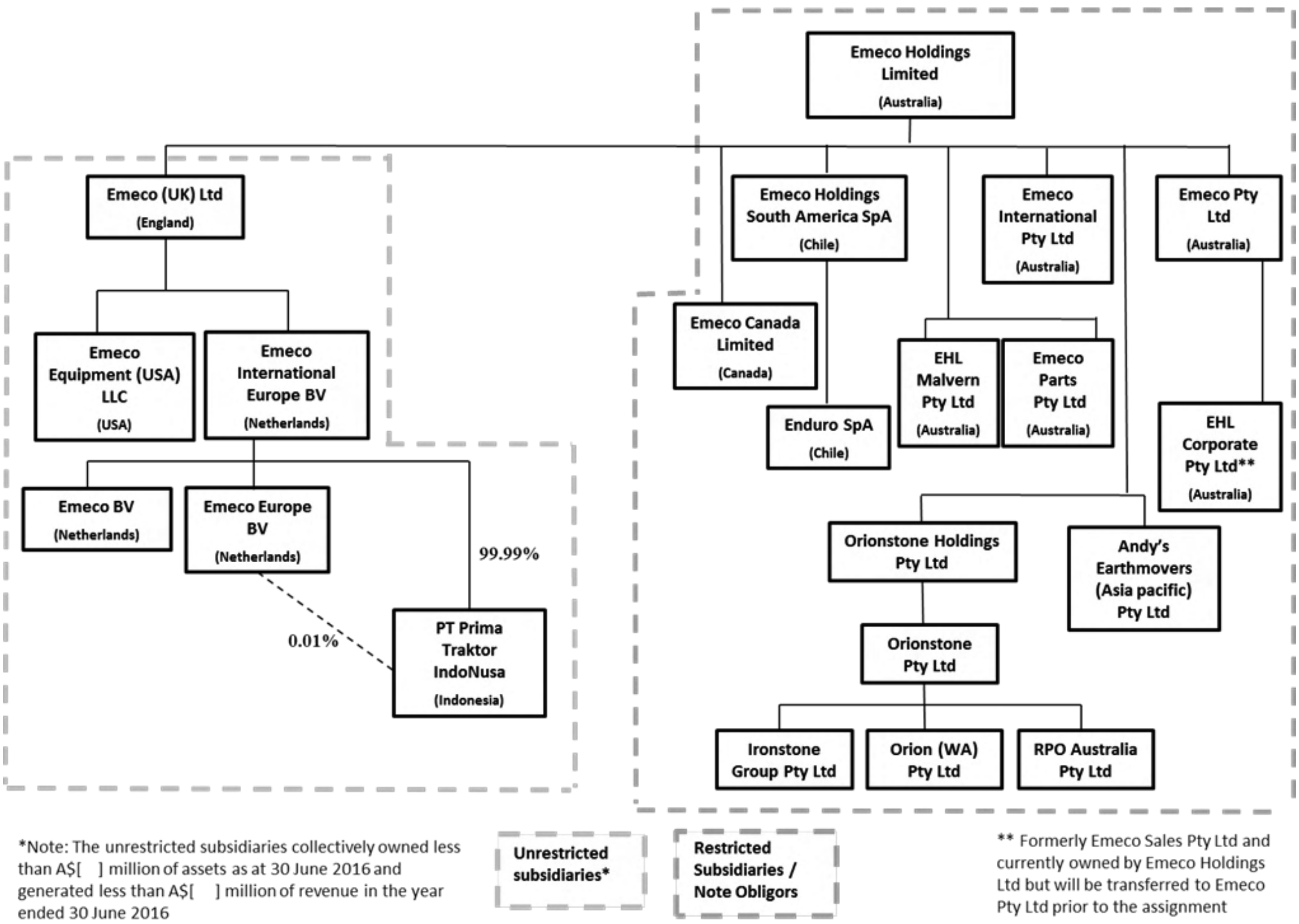
8. The Combined Group

8.1. Proposed Combined Group structure

If the Proposed Transaction proceeds, the Company will remain listed on the ASX and will become the ultimate holding company for Orionstone and Andy's.

Figure 13 below illustrates the group structure after the Proposed Transaction:

Figure 13: Summary Combined Group Structure



Source: Emeco ASX Release dated 23 September 2016, Explanatory Memorandum

The strategy for the Combined Group is to become an efficient and competitive equipment rental provider with a sustainable capital structure with the appropriate leverage and interest coverage.

The branding of the Combined Group is expected to be reviewed to reflect the strategy of the business, operational excellence and innovation.

Pro forma FY16 EBITDA of the Combined Group is $95.4 million. The Combined Group will have approximately 800 machines in its rental fleet, with a fair market value as at 30 June 2016 of $434.1 million reflecting prevailing market conditions.

The Combined Group is expected to have approximately $490 million of gross debt on completion[19], significantly reducing the Emeco's current leverage. It is expected to be 4.4 times pro forma FY16 EBITDA[20] compared to 7.2 times before the Proposed Transaction, with further deleveraging expected over time assisted by significant capital expenditure savings.

8.2. Shareholdings of the Combined Group

The shareholdings in the Combined Group, after the Pro-forma Rights issue and before the management incentive plan, is summarised in Table 28.

Table 28: Summary shareholdings

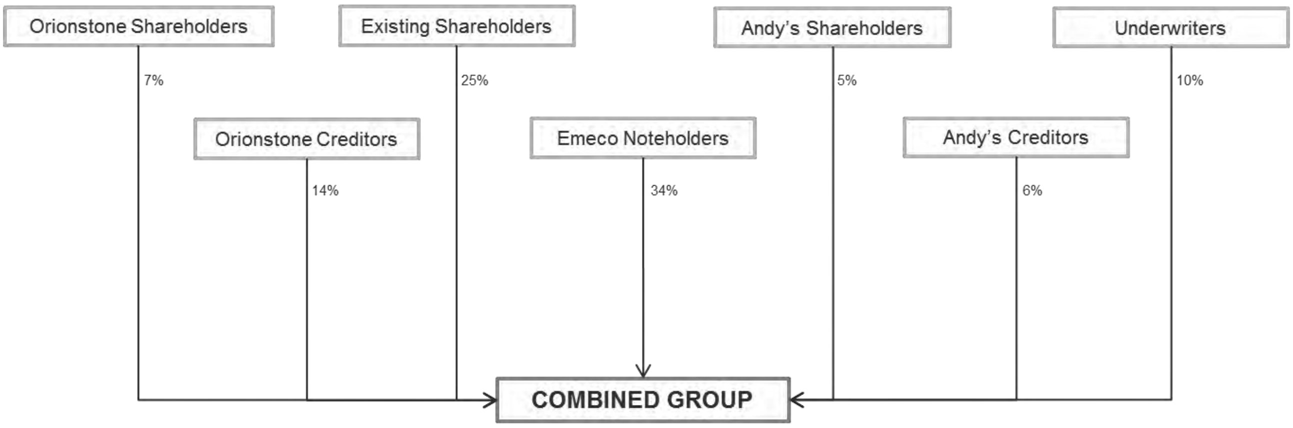
	Shareholder *does not participate* in Pro-rata Rights Offer		**Shareholder *does participate* in Pro-rata Rights Offer**	
	Number of shares millions	**% Interest**	**Number of shares Millions**	**% Interest**
Shareholders (excluding Underwriters)	394	17.1%	545	22.5%
Underwriters	328	14.2%	292	12.1%
Emeco Noteholders	820	35.6%	820	33.9%
Orionstone Shareholders	167	7.3%	167	6.9%
Orionstone Creditors	333	14.5%	333	13.8%
Andy's Shareholders	110	4.8%	110	4.5%
Andy's Creditors	150	6.5%	150	6.2%
Total	**2,304**	**100%**	**2,418**	**100%**

Source: PPB analysis

[19] Including finance leases of approximately $17.0 million
[20] Pro forma FY16 EBITDA is calculated as actual FY16 EBITDA for each company, plus estimated cost synergies of $15 million

Figure 14 below illustrates the ownership structure of the Proposed Transaction below:

Figure 14: Summary group structure



Source: Emeco ASX Release dated 23 September 2016

Shareholding percentages shown above are before the impact of the management incentive plan, are subject to adjustments prior to transaction completion under the terms of the RSA and are also dependent on the Pro-rata Rights Offer take-up.

8.3. Business operations

The Directors believe that there are considerable potential strategic and financial benefits for the Combined Group that include:

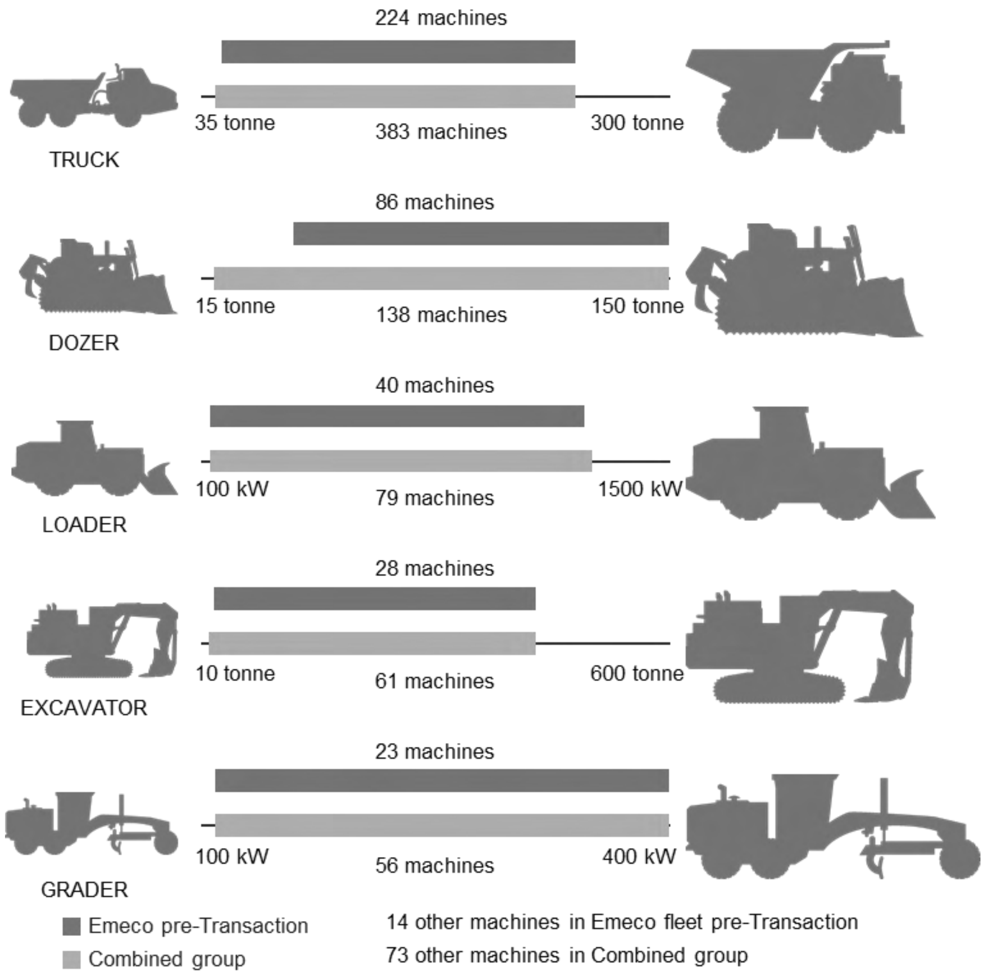
- valuable expertise in the rental space and deep customer relationships contributed by Orionstone and Andy's
- significant cost synergies and capital expenditure savings
- enhanced geographic and end market exposure
- increased fleet capabilities and refreshed fleet age, improving the Combined Group's capability to create project opportunities. Specifically, the Proposed Transaction will bring improvements to the age and condition of Emeco's current fleet.

The average age of Emeco's fleet is 23,353 hours, as compared to 15,819 hours for Orionstone and 10,269 hours for Andy. The average age of the after the Proposed Transaction fleet will be 18,003 hours.

There are 14 other major machines in the Emeco fleet before the Proposed Transaction. There will be 73 in the Combined Group.

Figure 15 illustrates the structure of fleet in the Combined Group, which will consist of approximately 800 machines:

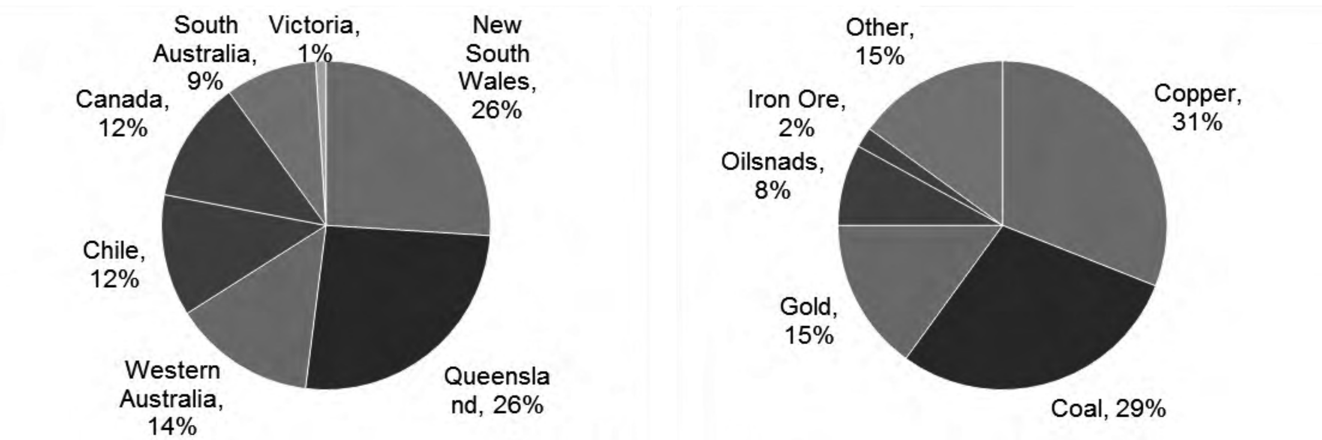
Figure 15: Combined Group fleet profile



Source: Emeco ASX Release dated 23 September 2016

Emeco has provided an indicative illustration of the revenue by geography and commodity in the Combined Group, which is summarised in Figure 16.

Figure 16: Indicative pro-forma revenue by geography and commodity (FY16)



Source: Emeco ASX Release dated 23 September 2016

8.4. Strategy

It is intended the merger will enable the Combined Group to provide a greater variety of vehicles across all ages, sizes and types. The Combined Group will have a more diversified exposure to customers, commodities and regions.

It is expected the Combined Group will use Emeco's Operating System ('EOS') technology across the Combined Group's fleet, meaning potential benefits for existing customers of Orionstone and Andy's.

The combined management experience may offer new revenue opportunities as existing relationships are shared.

Emeco will also be able to avoid certain replacement capital expenditure through utilising Andy's younger fleet.

8.5. Cost synergies

The Directors have estimated that there are potential cost and implementation synergies to be achieved over time through the acquisition of Orionstone and Andy's mainly due to expected cost savings of $15 million per annum. These will be achieved primarily through cost and capital expenditure savings, but potentially also through incremental revenue opportunities.

Earnings synergies

Table 29 summarises the earnings synergies estimated by the Directors in the pro forma year (FY16), which are consistent in the years following the Proposed Transaction.

Table 29: Summary of pro forma year earnings synergies

$'000	Combined Group
Headcount rationalisation	8,897
Footprint optimisation	3,156
Overheads	2,409
Other	336
Total	**14,797**

Source: Management, PPB analysis

Capex synergies

The Directors have identified annual capex synergies of between $11 million and $24 million, as set out in Table 30.

Table 30: Summary of Management estimated capex synergies

$'000	FY17	FY18	FY19	FY20	FY21
Fleet optimisation	6.9	13.7	13.7	6.9	-
Fleet rationalisation	4.5	5.4	10.5	9.0	10.6
Total	**11.3**	**19.1**	**24.2**	**15.8**	**10.6**

Source: Management

Management's capex synergy forecasts are estimates based on base case machine utilisation assumptions.

Acquisition of Orionstone

The Directors have identified earnings costs savings through consolidating:

- existing premises of the two entities in Mackay and certain depots
- the employee base
- overheads
- cross hire of machines.

The Directors have also identified capex savings as a result of the integration of Orionstone's younger fleet of machines.

The average age of Orionstone's fleet is 15,819 hours, which compares favourably with Emeco's 23,353 hours.

Acquisition of Andy's

The Directors have similarly identified earnings costs savings through consolidating:

- existing premises of the two entities in Mackay and Bendigo
- the employee base
- overheads
- cross hire of machines.

The Directors have also identified capex savings from Emeco being able to avoid certain replacement capital expenditure by using Andy's machines at the end of their life, rather than replacing those machines.

The average age of Andy's fleet is 10,269 hours, which compares favourably with Emeco's 23,353 hours.

8.6. Pro-forma financial performance

Table 31 summarises the earnings before and the pro-forma earnings and after the Proposed Transaction.

Table 31: Summary of the pro-forma earnings of Combined Group

$'000	Emeco	Orionstone	Andy	Combined unaudited pro forma
Rental revenue	177,744	54,342	49,752	281,838
Equipment sales	5,472	6,313	11,055	22,840
Maintenance services	23,348	25,890	3,146	52,384
	206,564	**86,545**	**63,953**	**357,062**
Changes in machinery and parts	(8,921)	(7,574)	(10,731)	(27,226)
Repairs and maintenance	(70,967)	(28,049)	(12,789)	(111,805)
Employee expenses	(33,995)	(15,258)	(5,188)	(54,441)
Hired in equipment and labour	(21,102)	(1,269)	(4,801)	(27,172)
Gross profit	**71,579**	**34,395**	**30,444**	**136,418**
Other income	1,791	971	775	3,537
Other expenses	(25,770)	(9,130)	(18,056)	(52,956)
EBITDA	**47,600**	**26,236**	**13,163**	**86,999**

Source: Emeco, Explanatory Memorandum and Notice of Meeting, PPB analysis

EBITDA figures included in the table above differ from pro-forma FY16 EBITDA shown in Section 8.1 due to normalisation adjustments for non-operating expenses and income

The Combined Group unaudited pro-forma financial performance has been presented as the aggregation of the historic profit and loss for Emeco, Orionstone and Andy's.

The Combined Group unaudited pro-forma financial performance does not include the:

- reduction in costs as a result of the potential pre-tax cost and implementation synergies generated by the Combined Group of $15 million
- transaction costs incurred by Emeco, Orionstone and Andy's of approximately $29 million after 30 June 2016 which have been treated as pre-acquisition expenses of the Proposed Transaction.

8.7. Pro-forma financial position

Table 32 summarises the balance sheet before and the pro-forma balance sheet and after the Proposed Transaction.

Table 32: Summary of the pro-forma balance sheet after the Proposed Transaction

$'000	Emeco balance sheet	Orionstone balances recognised on acq'n	Andy balances recognised on acq'n	Debt refinancing and capital raising	Swap close out and management incentive plan	Combined Unaudited Pro-forma
Current assets						
Cash	24,854	4,283	392	(9,126)	15,350	35,753
Trade receivables	37,734	8,286	5,904	-	-	51,924
Derivatives	6,315	-	-	-	(6,315)	-
Inventories	5,333	2,902	5,086	-	-	13,321
Other current assets	1,832	3,596	1,279	-	-	6,707
Assets held for sale	30,728	-	-	-	-	30,728
Total current assets	**106,796**	**19,067**	**12,661**	**(9,126)**	**9,035**	**138,433**
Non-current assets						
Trade and other receivables	6,234	224	-	-	-	6,458
Derivatives	12,629	-	-	-	(12,629)	-
Intangibles and goodwill	2,344	-	-	-	-	2,344
Investment in subsidiary		-	-	-	-	-
PP&E	280,182	155,162	84,289	-	-	519,633
Deferred tax	19,507			-	148	19,655
Total non-current assets	**320,896**	**155,386**	**84,289**	**-**	**(12,481)**	**548,090**
Total assets	**427,692**	**174,453**	**95,950**	**(9,126)**	**(3,446)**	**686,523**
Current liabilities						
Trade and other payables	38,035	11,646	6,604	-	-	56,285
Held for sale liabilities	883	-	-	-	-	883
Tax liabilities	-	-	4,016	-	-	4,016
Interest bearing liabilities	4,579	2,602	72,649	(65,649)	-	14,181
Provisions	3,469	694	979		-	5,142
Total current liabilities	**46,966**	**14,942**	**84,248**	**(65,649)**	**-**	**80,507**
Non-current liabilities						
Interest bearing liabilities	373,239	148,198	5,107	(61,948)	-	464,596
Provisions	1,490	43	101	-	-	1,634
Total non-current liabilities	**374,729**	**148,241**	**5,208**	**(61,948)**	**-**	**466,230**
Total liabilities	**421,695**	**163,183**	**89,456**	**(127,597)**	**-**	**546,737**
Net assets	**5,997**	**11,270**	**7,494**	**118,471**	**(3,446)**	**139,786**
Equity						
Share capital	593,616	11,270	7,494	106,756	-	719,135
Reserves	12,505	-	-	-	(345)	12,160
Accumulated losses	(600,124)	-	-	11,716	(3,101)	(591,509)
Total equity	**5,997**	**11,270**	**7,494**	**118,471**	**(3,446)**	**139,786**

Source: Emeco, Explanatory Memorandum and Notice of Meeting, PPB analysis

Basis of preparation of the pro-forma balance sheet after the Proposed Transaction

The pro-forma balance sheet after the Proposed Transaction has been extracted from the Explanatory Memorandum and is based on the Combined Group unaudited pro forma statement of financial position. It has been prepared on a preliminary basis and presented using acquisition accounting principles as required by AASB 3. The standard requires that all identifiable assets (including intangible assets and deferred tax balances) and liabilities that meet certain recognition criteria should be recognised in the Combined Group unaudited pro forma statement of financial position at fair value at the date of acquisition.

The figures in Table 32 may be different to those used in our valuation due to differences in assumptions such as exchange rates, expected pay down of debt and cash movements prior to the completion of the Proposed Transaction. Essentially, we used a forecast financial position, whereas the pro-forma balance sheet uses actual at 30 June 2016 and other anticipated transactions recognised according to the accounting standards.

Comments on the pro-forma balance sheet after the Proposed Transaction

- Adjustments have been made to certain Orionstone and Andy's trade receivables and plant, property and equipment to reflect fair market values. Adjustments have also been made to certain liabilities to reflect the expected liabilities at completion (as agreed by the parties).
- It is expected that debt of $586 million will be exchanged for the issue of new debt in the form of $473 million of Tranche B Notes and new Emeco Shares at 8.7 cents.
- Total transaction costs are expected to be approximately $29 million.
- Emeco is expecting to raise $20 million of cash, net of share issue costs, through the issue of Shares at 8.7 cents. The issue price of the Pro-rata Rights Offer of 8.7 cents per share is based on the Implied Transaction Equity Value as defined in the Explanatory Memorandum.
- Based on the number of shares being issued and the fair market value of the Orionstone assets of $11.27 million and Andy's assets of $7.494 million, the implied price per share is approximately 6.8 cents.

8.8. Directors and key management

The board of the Combined Group will consist of five directors, including:

- Peter Richards (who will continue as Chairman)
- Ian Testrow (who will continue as Chief Executive Officer and Managing Director)
- three members selected by Emeco and Orionstone creditors.

The management team of the Combined Group will retain leaders of the three separate entities. A summary of each leader's experience is detailed in Table 33.

Table 33: Directors and key management

Name	Position	Brief resume
Ian Testrow	Chief Executive Officer and Managing Director in Combined Group	Currently Chief Executive Officer and Managing Director of Emeco. 20 years of industry experience. Joined Emeco in October 2005.
Ashley Fraser	General Manager, Business Improvement in Combined Group	Current Chief Executive Officer and founder of Orionstone. Over 15 years of industry experience.
Andy Hoare	General Manager, Business Development in Combined Group	Current Managing Director and founder of Andy. 34 years of industry experience.

Source: Management

8.9. Management incentive plan

There will be a management incentive plan (on terms to be determined by the new directors) effective on or following the implementation date. About 10% of the fully diluted equity of the Combined Group will be reserved for the management incentive plan, with 40% of this amount allocated to Ian Testrow.

8.10. Change in risk profile

Emeco shareholders are currently exposed to risks specific to Emeco's underlying business operations. The Proposed Transaction is expected to change the risk profile of Emeco such that Emeco Shareholders are expected to:

- benefit from the enlarged asset and earnings base of the business and increased market presence in the Australian and overseas mining services sector
- benefit from the reduced leverage from 7.2 times net debt to EBITDA to 4.4 times following the Proposed Transaction. The reduced leverage will alleviate one of the biggest market concerns for Emeco before the Proposed Transaction, and likely allow Emeco to source further funding on more favourable terms going forward, reducing its financing risk
- benefit from the consolidation of Orionstone and Andy's and the aligned interest between the entities following the Proposed Transaction, rather than compete for each-others customers
- benefit from the cost synergies arising from the consolidation of the three businesses. Potential revenue synergies are also anticipated to be realised but have not been included in the synergy analysis
- be able to leverage Emeco's global presence, intellectual property, customer base, global reach and insights and enhance the businesses of Orionstone and Andy's
- extend the life of Emeco's aging rental fleet and utilise the excess capacity present in the Orionstone and Andy's businesses.

As such, Emeco shareholders will benefit from the anticipated lower risk of the Combined Group owing to its larger scale, aligned interests, more efficient operational structure, and stronger ability to access the capital market following the Proposed Transaction.

9. Valuation methodologies

9.1. Introduction

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. We have valued Emeco, Orionstone and Andy's assuming they are going concern businesses on a fair market value basis. Business valuers typically define fair market value as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay to the seller part, or all, of the special value that they expect to realise from the acquisition.

Our valuation has had regard to potential additional value resulting from estimated corporate cost savings that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to Emeco, Orionstone and Andy's. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

9.2. Valuation methodologies

RG 111 sets out the valuation methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share capital returns, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The following methodologies are included:

- discounted cash flow ('DCF') method and the estimated fair market value of any surplus assets
- capitalisation of future maintainable earnings ('CFME') method, capitalising the estimated future maintainable earnings or cash flows of the entity, using an appropriate earnings multiple, and adding any surplus assets
- ('NA') method, being the amount available for distribution to security holders on an orderly realisation of assets
- quoted price for listed securities, when there is a liquid and active market. This method is typically used as a cross check to any of the above methods
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets. This method is typically used as a cross check to any of the above methods.

Each of these methodologies may be appropriate in certain circumstances. The decision as to which method to apply generally depends on the nature of the business being valued, the availability of appropriate information and the methodology most commonly adopted in valuing such a business. Further details on these methodologies are set out in Appendix D to this report.

RG 111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

9.3. Methodology selected to value Emeco, Orionstone and Andy's

In determining the appropriate methodology to value Emeco, Orionstone and Andy's (all on a stand-alone basis), we have considered:

- whether they are going concern businesses
- the available valuation methodologies (refer Section 9.2)
- the nature of the operations of the companies
- the quality and availability of forecast financial information

- the actual financial performance for the financial years ended 30 June 2015 and 30 June 2016.

We have selected the CFME method as our primary valuation methodology because:

- the earnings are sufficient to justify a value exceeding the value attributable to the underlying net assets
- the businesses are operating as a going concern
- we have not been provided with robust long term financial forecasts
- the businesses are mature and have reported relatively consistently positive EBITDA.

We have used the following methodologies to cross check the reasonableness of our CFME assessment:

- quoted share price (Emeco)
- NA method (Emeco, Orionstone and Andy's)

We have not used the quoted share price as our primary methodology to value Emeco, because the quoted shares may not reflect the fair market value of the Company because:

- the Company's shares are thinly traded
- the Company was exploring restructuring options which is likely to have been reflected in the share price.

Refer to Section 3.12 for our analysis on share price performance.

We have not used the NA method as our primary methodology because this methodology generally provides a minimum value for a business. The NA method is relevant where:

- a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation
- it is a holding company
- all its assets are liquid (such as listed shares) or it holds significant property and plant and equipment or is considered 'asset rich'
- businesses are being segmented and divested
- assets are surplus to the core operating business.

We do not have the fair market values for all of the assets of the companies at the Valuation Date. The companies have been generating profits, although their profitability, in recent years, has been impacted by the volatility of the mining sector in Australia. Therefore the NA method would not represent the fair market value of the business as a going concern.

9.4. Selection of earnings metric

The CFME method can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, earnings before interest and tax ('EBIT') and net profit after tax ('NPAT'). EBITDA and EBIT multiples are commonly used in the context of control transactions where the capital structure is in the hands of the acquirer. In this regard, we have selected EBITDA as an appropriate measure of earnings for Emeco, Orionstone and Andy's as earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation, accounting policies and effective tax rates than multiples based on EBIT or NPAT.

9.5. Selection of valuation methodology for the Combined Group

As discussed in Section 1, the Proposed Transaction is to be evaluated as a control transaction where Non-Associated Shareholders will ultimately continue to hold Shares in Emeco, being the Combined Group of Emeco, Orionstone and Andy's.

Accordingly, whilst we have determined the value of an Emeco share before the Proposed Transaction on a stand-alone and control basis, we have determined the value of an Emeco share after the Proposed Transaction in the Combined Group on a minority basis. As such, we have deducted a minority interest discount from the controlling valuation to reflect a minority (portfolio) interest.

We have assessed the value of the Combined Group using the CFME method described above. Using this approach, we have determined the value of the Combined Group by:

- aggregating the fair market value of Emeco, Orionstone and Andy's businesses
- aggregating the fair market value of any other separately valued assets and liabilities
- excluding the estimated synergies and cost savings which may arise specifically from the Proposed Transaction, as appropriate
- deducting net debt.

As a cross check to our value derived using our primary valuation methodology, we have had regard to the trading prices of Emeco shares after the announcement of the Proposed Transaction. It is arguable that the share trading price of Emeco after the announcement may reflect the market value of the shares in the Combined Group, having regard to the public release of the terms of the Proposed Transaction and subsequent approvals by FIRB, the ACCC and other regulatory bodies of the transaction.

9.6. Reliance on specialist plant and equipment valuer

In determining the values of Emeco, Orionstone and Andy's, we have relied on the assessment and valuation undertaken by Steve Wall of Hassalls in relation to the value of the earthmoving equipment (rental fleet). In relying on the valuation, PPB has satisfied itself that Steve Wall, who was responsible for the preparation of the assessment and valuation report, has the required qualifications and experience to provide the valuation opinion contained herein, and has no pecuniary interest in the mining companies associated with the mining interest or associated entities.

PPB has obtained written consent from Steve Wall to refer to his assessment and valuation in this Report.

9.7. Selection of valuation methodology for plant and equipment

Hassalls adopted the market approach to determine the value of Andy's plant and equipment and placed greatest emphasis on the market (sales) for the valuation of Orionstone and Emeco plant and equipment.

9.8. Summary of plant and equipment valuations

Approach for the valuation of Andy's plant and equipment

Opinion:

Fair market value (as at 2 August 2016): $75.8 million (rounded)

Orderly liquidation value (as at 2 August 2016): $55.1 million (rounded)

Definitions used:

Fair market value – is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.

Orderly liquidation – is an opinion of the gross amount, expressed in terms of money, that typically could be realised from a liquidation sale, given a reasonable period of time (more than 6 months) to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.

The valuation was carried out on a 'desktop' valuation, meaning the appraisal relied on listings provided by Emeco and the assets were not physically inspected.

Approaches:

Approaches considered:

- Market approach – based upon the collection and analysis of recent sales and offering prices of similar pieces of machinery and equipment. If comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject machinery and equipment.

- Cost approach – based on the current replacement cost new, less adjustments for various elements of deterioration, technical obsolescence, functional deterioration and economic obsolescence.
- Income approach – also referred to as the income stream approach, is used to measure the present worth of the anticipated future economic benefits (including income) of the ownership of a group of assets, usually in the form of an ongoing business.

After consideration of the above approaches, the valuer used the market approach.

Approach for the valuation of Orionstone and Emeco plant and equipment

Orionstone

Opinion:

Fair market value (as at 15 July 2016): $96.0 million (rounded)

Orderly liquidation value (as at 15 July 2016): $70.0 million (rounded)

Emeco – Chile

Opinion:

Fair market value (as at 23 June 2016): $66.8 million (rounded)

Orderly liquidation value (as at 23 June 2016): $51.2 million (rounded)

Emeco – Australia and Canada

Opinion:

Fair market value (as at 23 June 2016): $204.0 million (rounded)

Orderly liquidation value (as at 23 June 2016): $151.6 million

Definitions used:

Fair market value – is considered to be broadly synonymous with market value or fair market value as commonly used by valuers. Property, plant and equipment valuers typically adopt the definition of market value contained within the International Valuation Standards published by the International Valuation Standards Council ('IVSC') as follows:

> *Market value – the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

Where there is an indication of impairment the appropriate basis of value may be fair value less costs to sell which is defined as:

> *Fair value less costs to sell – the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.*

The valuer has specified the valuation was conducted in accordance with the requirements of AASB 136 Impairment of Assets, AASB 13 Fair Value Measurement and all relevant International Valuation Standards and Australian Property Institute standards and technical advice.

Orderly liquidation – the probable price, expressed in terms of money, which could be expected from a sale of the appraised assets under forced orderly sale conditions. The timing of the sale would depend on the type and characteristics of the asset, but the sale 'window' of 180 days is generally assumed for a majority of these asset models, during which a proper marketing campaign would be conducted.

Approach:

The above approaches considered greater emphasis placed on the market (sales) approach.

10. Valuation of Emeco, before the Proposed Transaction

10.1. Summary

We have valued 100% of the issued shares of Emeco to be in the range of $10.1 million to $70.1 million or $0.017 (1.7 cents) to $0.117 (11.7 cents) per Share on a control basis.

Table 34: Fair market value of an issued Share of Emeco

	Low $	High $
Selected FME (based on EBITDA)	60,000,000	60,000,000
Selected EBITDA multiple	6.0x	7.0x
Enterprise value	**360,000,000**	**420,000,000**
Less: Net debt	(349,896,533)	(349,896,533)
Equity value (control basis)	**10,103,467**	**70,103,467**
Divided by: total shares outstanding	599,675,707	599,675,707
Fair market value per Share	**$0.017**	**$0.117**

Source: PPB analysis

We note that the range of the values for the enterprise value ('EV') is 17% and 594% for the equity value. The substantial increase in the range is because of the adjustment for net debt to calculate the equity value. The magnitude of the net debt adjustment is significant. We believe that our range of enterprise values is appropriate given the risks and factors considered in the valuation of Emeco.

The valuation of Emeco was determined using a CFME method, based on maintainable EBITDA and a capitalisation multiple in the range of 6.0 times to 7.0 times. The basis for each of these assumptions is discussed in the sections below.

10.2. Maintainable earnings

We have assessed future maintainable earnings ('FME'), based on EBITDA, to be $60.0 million.

FME represents the level of earnings that the business can sustainably generate in the future. In making this assessment, we have had regard to the following:

- recent financial performance of the business, including Emeco's normalised EBITDA for FY16 of $54.2 million
- forecast EBITDA of at least $60 million, as suggested by Management. This forecast indicates an expected improvement in performance in FY17 and possibly beyond
- outlook for the equipment hire and mining services industries at the Valuation Date
- the operations and prospects of Emeco
- the earnings profile, including consistency of earnings and risk factors
- operational insights provided by Management
- non-recurring items such as acquisition, restructuring and impairment costs. Further detail in relation to Emeco's significant items is included in Section 3.4 of this report.

We have held discussions with Management of Emeco regarding the expectations for FY17 and performance to date. Although Emeco has provided high level earnings guidance to investors for FY17, it has not formally released an FY17 forecast to the market. Based on year-to-date results, Emeco is on track to achieve EBITDA of $60 million or above and therefore we have given more weighting to Emeco's FY17 earnings expectations in our selected FME.

There are a number of factors that indicate potential upside, including higher growth potential from the turnaround of the mining industry as discussed in Section 6.2.

Accordingly, these factors, as well as any potential downside risks to future profitability, such as competition and margin compression, have been captured in our selection of the appropriate multiple by reference to the growth profile expected for comparable companies.

We have not adjusted maintainable earnings for cost savings available to any potential acquirer of 100% of the Company, as Emeco has been undertaking a cost cutting exercise over recent years and reduced costs by $26 million over the past 2 years. Management doesn't expect there to be capacity to cut further costs to any material extent. Emeco is, however, continuing to focus on operational excellence with the objective of reducing direct costs in repairs and maintenance and improving productivity.

10.3. Capitalisation multiple

We have selected an EBITDA multiple in the range of 6.0 times and 7.0 times.

The capitalisation multiple applied in a CFME should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, we considered:

- market evidence derived from listed comparable companies
- recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued
- key operational characteristics of Emeco.

Share market evidence

In selecting an earnings multiple for Emeco, we have considered earnings multiples derived from share market prices of listed companies with comparable operations to Emeco's businesses.

We have been unable to identify any companies listed on the ASX with operations that are directly comparable to Emeco. As a result, we have expanded our search to include ASX listed companies that operate in the broader mining services and equipment industries that are subject to similar risk factors to Emeco. We have also identified a number of internationally listed companies with operations in the broader mining services and equipment industries. Our analysis is summarised in the following table.

Table 35: Summary of potentially comparable listed company multiples

Company Name	Enterprise value at 23/09/16 *$ million*	Revenue FY16 *$ million*	EBITDA margin FY16 *%*	Revenue growth FY16 *%*	EBITDA multiple LTM *times*	EBITDA multiple NTM *times*
Emeco Holdings Limited	383	207	19%	(14%)	9.9x	6.4x[21]
Australian companies						
Average	509	1,146	12%	(18%)	7.1x	5.3x
Median	167	318	11%	(15%)	6.0x	5.6x
International companies						
Average	3,146	1,801	18%	(4%)	11.5x	7.7x
Median	878	584	15%	(1%)	10.5x	5.8x
Australian & international						
Average	2,267	1,583	16%	(8%)	10.0x	6.8x
Median	49	471	14%	(4%)	8.6x	5.8x

Source: Capital IQ and PPB analysis

Notes:

1. *Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash*
2. *Control premium of 30% has been applied to market capitalisation to calculate the multiples above*
3. *LTM = last twelve months; NTM = next twelve months; n/a = not available*
4. *Emeco figures have not been included in the calculations of average and median*

We make the following comments with respect to our comparable trading analysis:

- Emeco's revenue decline in FY16 of 14% was consistent with the average decline of our potentially comparable ASX listed companies of 18%.
- The potentially comparable listed companies include mining services companies with much larger, more diversified operations servicing multiple markets and geographies. These companies typically trade at higher multiples than smaller, less diversified companies.
- The following companies in our analysis have dry hire operations (although not being their primary business) and compete in similar markets to Emeco:
  - Downer EDI Limited (FY16 EBITDA margin of 8% and LTM EBITDA multiple of 5.4 times)
  - Ausdrill Ltd (FY16 EBITDA margin of 18% and LTM EBITDA multiple of 6.6 times)
  - Macmahon Holdings Limited (FY16 EBITDA margin of 8% and LTM EBITDA multiple of 4.8 times)
  - NRW Holdings Limited (FY16 EBITDA margin of 14% and LTM EBITDA multiple of 6.8 times)
- Emeco's FY16 EBITDA margin of 19% is 58% higher than the average FY16 EBITDA margin of ASX listed companies of 12% and in line with the average of internationally listed companies of 18%.

The average multiples of potentially comparable international listed companies are higher than our selected range, most likely because many of them are larger and more diversified.

A detailed analysis of these comparable companies is set out in Appendix E.

[21] Calculated using an assumed FY17 EBITDA of $60 million

When valuing Emeco on a control basis using market information, it is necessary to apply a control premium to the trading multiples of the potentially comparable listed companies. This is because the share trading price of these companies is based on transactions involving minority parcels of shares. When acquiring a majority interest in a company, an acquirer is typically willing to pay a premium above the minority trading price of the shares in order to obtain control over the operations and management of the company. The quantum of this premium will vary dependent on the specific circumstances of each transaction, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

We consider it appropriate to apply a control premium to the trading price of our potentially comparable listed companies of 30%, based on our analysis of premiums observed in successful takeovers in Australia since 1 January 2012. Our analysis is included in Appendix H and summarised in Table 36

Table 36: Control premium analysis

Transactions analysed	178
Period analysed	1 January 2012 to 30 June 2016
Average control premium	33%
Median control premium	29%
Bottom quartile	9%
Top quartile	47%

Source: PPB analysis

Potentially comparable transaction multiples

In selecting an earnings multiple for Emeco, we have also considered the implied multiples paid to acquire companies with operations comparable to Emeco. The price paid in transactions is widely considered to represent the market value of a controlling interest in the target company (ie the prices include a control premium).

Table 37 summarises our analysis of the EBITDA multiples implied from our potentially comparable transactions analysis. A detailed analysis of these comparable companies is set out in Appendix E. We have only included transactions in our analysis where sufficient financial data is available to enable an EBITDA multiple to be observed.

Table 37: Summary of potentially comparable transactions since 2011

	Implied enterprise value *$ million*	Target revenue (LTM) *$ million*	Implied EBITDA multiple *times*
Australian and international companies			
Average	1,364	563	6.4x
Median	180	267	4.7x

Source: Capital IQ and PPB analysis

Notes:

1. *LTM = last twelve months; NTM = next twelve months*

Whilst the services provided by the target companies are broadly comparable to Emeco's business operations, in assessing the comparability of the implied multiples it is necessary to consider the particular attributes of the target companies and the specific circumstances surrounding each transaction, including:

- our analysis includes 19 potentially comparable transactions. There was a wide range of EBITDA multiples observed of between 1.7 times to 18.4 times
- there is a clear correlation between the size of the target company and the implied EBITDA multiple. The average EBITDA multiple of seven transactions greater than $400 million was 11.0 times, compared to an average EBITDA multiple for 12 transactions less than $400 million of 3.5 times

- we consider the Best Tractor transaction to be the most comparable, but the multiple achieved of 3.3 times may be considered low in the current economic environment.

We note that the transaction multiples included in our analysis are likely to include synergistic value. In accordance with RG 111, we have not included the value of synergies or special benefits in our selected multiple.

Key operational characteristics of Emeco

In addition to our analysis of potentially comparable listed companies and transactions, we have also had regard to the key operational characteristics in our selection of an appropriate earnings multiple for Emeco, including (but not limited to) the following:

- the impact of the decline in the mining and resources industry and the exposure of Emeco's business to the mining and resources industry through its customers
- Emeco's recurring revenue stream and track record of winning new contracts
- Emeco's recent cost reduction program (as discussed in Section 3.4)
- Emeco's recent financial difficulties, significant impairment charges and its declining net assets as at the Valuation Date.

10.4. Surplus assets

Emeco had no surplus assets held for sale at the Valuation Date[22].

10.5. Net debt

Emeco's net debt position on the Valuation Date is summarised in Table 38

Table 38: Emeco net debt on the Valuation Date

	$
144A Notes[23]	(370,171,533)
Less: Other interest bearing debt	(4,579,000)
Plus: Cash and equivalents	24,854,000
Net debt	**(349,896,533)**

Source: Emeco Management and PPB analysis

10.6. Number of shares on issue

Emeco had 599,675,707 shares on issue as at Valuation Date. Refer to Section 3.11.

In addition there were:

- 49,289,980 performance rights shares on issue as at 30 June 2016, held by key management personal and senior employees of Emeco
- 49,831 employee share options under the employee share ownership plan.

We have assumed based on Emeco's recent performance and our review of the 30 June 2016 annual financial report that these rights and options will not vest and they have not been included our valuation analysis.

[22] Source: Emeco FY16 annual report
[23] We have calculated the value of the 144A Notes on the Valuation Date as USD282.7 million divided by the AUD/USD exchange rate on the Valuation Date of 0.7637 (as reported by the RBA).

10.7. Valuation cross check

Analysis of trading price of Emeco shares cross check

We have cross checked the primary valuation methodology by analysing recent trading prices of Emeco shares. Refer to Section 3.12 for the share trading to 13 October 2016.

In assessing the share price at which an Emeco share may trade in the absence of the Proposed Transaction, we have considered the following:

- the closing price on the day prior to the Valuation Date was 5.3 cents
- trading prices for shares in Emeco were positively impacted by the release of operational results on 4 August 2016, increasing from 3.8 cents to 7.1 cents on the back of the announcement. Since 4 August 2016, Emeco shares have traded at between 4.0 cents and 8.5 cents, with a VWAP of 6.5 cents
- the VWAPs of Emeco shares calculated over a 5, 10, 15 and 30 day period prior to the Valuation Date are summarised in Table 39
- the volume of Emeco shares traded is limited with the cumulative volume of shares traded in the 30 days prior to the Valuation Date representing only 7% of total issued shares.

Table 39: Emeco's VWAP before 23 September 2016 ASX announcement

Trading period to 23-Sep-16	VWAP ($)	High price ($)	Low price ($)	Cumulative volume traded	% of issued shares
5 days	0.0537	0.0550	0.0510	680,240	0%
10 days	0.0508	0.0550	0.0450	2,045,230	0%
15 days	0.0497	0.0550	0.0430	4,877,410	1%
30 days	0.0665	0.0850	0.0430	37,896,320	7%

Source: Capital IQ PPB analysis

Share prices of listed companies typically reflect the price of portfolio interests in the underlying company and are commonly assumed to exclude a premium for control. Therefore, as a high-level crosscheck, we calculated the implied control premium by comparing our control value for Emeco to the VWAPs of an Emeco traded share leading up to the announcement date, summarised in Table 40.

Table 40: Comparison of assessed FMV with Emeco share price on a control basis

	$ Low	$ High
PPB assessed FMV range	0.017	0.117

Trading period to 23-Sep-16	VWAP plus 30% control premium
5 days	0.070
10 days	0.066
15 days	0.065
30 days	0.087

Source: Capital IQ PPB analysis

The VWAP analysis supports our assessed value of an issued share of Emeco of $0.017 (1.7 cents) to $0.117 (11.7 cents) per share, on a control basis, derived using our primary valuation methodology.

Analysis net assets cross check

We have assessed Emeco's net asset value ('NA') on the Valuation Date to be 1.1 cents per share. Our analysis is summarised in Table 41.

Table 41: Net asset value on the Valuation Date

	$'000
Reported net assets at 30 June 2016	**5,997**
Adjustments	
Less: Intangibles and goodwill	(2,344)
Less: Book value of rental fleet	(264,637)
Less: change in value of 144A Notes as a result of AUD/USD exchange rate movement[24]	(3,067)
Plus: Appraised FMV of AUS & CND rental fleet at Jun 16	204,013
Plus: Appraised FMV of Chile rental fleet at Jun 16	66,775
Total adjustments	**740**
Adjusted net tangible assets	**6,737**
Shares outstanding	599,675,707
Adjusted NA per share ($)	**0.011**

Source: Emeco FY16 annual report and PPB analysis, Capital IQ, Hassalls Valuation Dated 23-Jun-16

The NA per share of 1.1 cents is slightly below our assessed valuation range of $0.017 (1.7 cents) to $0.117 (11.7 cents) per share, on a control basis. The net asset valuation methodology typically provides a minimum value for a going concern business, therefore the net assets as a cross check supports our assessed valuation range.

[24] Reported value of 144A Notes at 30 June 2016 was AUD373,239. We have calculated the value of the 144A Notes on the Valuation Date as USD282.7 million divided by the AUD/USD exchange rate on the Valuation Date of 0.7637 (as reported by the RBA).

11. Valuation of Orionstone

11.1. Summary

We have valued the business of Orionstone to be in the range of $138.0 million to $161.0 million.

Table 42: Fair market value Orionstone

	Low $	High $
Selected FME (based on EBITDA)	23,000,000	23,000,000
Selected EBITDA multiple	6.0x	7.0x
Enterprise value	**138,000,000**	**161,000,000**

Source: PPB analysis

The valuation of Orionstone was determined using a CFME method, based on maintainable EBITDA and a capitalisation multiple of 6.0 times to 7.0 times. The basis for each of these assumptions is discussed in the sections below:

11.2. Maintainable earnings

Maintainable earnings represent the level of earnings that the business can sustainably generate in the future. We have selected a maintainable EBITDA for Orionstone of $23.0 million. In making this assessment, we have had regard to the following:

- earnings volatility: although FY15 performance was affected by wider macroeconomic pressures within the Australian market, as detailed in Section 7, the full performance also captured various business specific challenges faced within the businesses
- non-recurring items: underlying EBITDA in historical periods excludes the impact of one-off significant items such as settlement and restructuring costs.

We have had discussions with Management regarding the FY17 performance to date and earnings expectations. Orionstone's normalised EBITDA was $26.3 million[25] in FY16, however it is expected to decline to approximately $22.8 million[26] in FY17. Given the variability in historical earnings of Orionstone, we have placed more weight on the FY17 EBITDA forecast in selecting maintainable earnings.

There are a number of factors that indicate potential upside for Orionstone, including a turnaround of the business post the restructuring. Accordingly, these factors, as well as any potential downside risks to future profitability, such as competition and margin compression, have been captured in our selection of the appropriate multiple by reference to the growth profile expected for comparable companies.

We have not adjusted maintainable earnings for cost savings available to any acquirer of 100% of a company because Orionstone has been under financial pressure for some considerable time, and it is expected that Orionstone's management would have implemented all possible cost cutting initiatives available.

[25] Source: Management
[26] Ibid

11.3. EBITDA multiple

The multiple applied in a CFME method should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, we have considered:

- market evidence derived from listed comparable companies
- recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued
- key operational characteristics of Orionstone.

Given the similarities between the business operations of Emeco and Orionstone, we believe it is appropriate to utilise a consistent list of comparable companies and transactions in the selection of an appropriate multiple range. Discussions of the listed companies and transactions are detailed in Appendix F.

Selected multiple range

Based on our analysis of the implied multiples of comparable companies and transactions as outlined in Section 10.3, we have selected a multiple range of 6.0 times to 7.0 times to apply to our selected future maintainable earnings. In selecting a consistent multiple range in our valuation of Emeco, we have had regard to the following:

- Orionstone and Emeco largely provide a similar range of services to its customers, albeit Orionstone is only focussed on the Australian mining industry and is somewhat smaller in size than Emeco. However Orionstone is slightly more profitable than Emeco.
- Both companies operate predominately within the Australian market and therefore are subject to broadly the same macroeconomic as well as industry wide pressures. In the absence of acquisitions and specific initiatives, growth expectations would be similar between the two companies.
- Orionstone's rental fleet is newer and of a higher quality than Emeco's rental fleet.

Emeco is slightly larger than Orionstone in terms of revenue and EBITDA. Orionstone's EBITDA margin in FY16 is 30.4% compared to Emeco of 26.2% (both on a normalised basis).

11.4. Valuation cross check

Analysis net assets cross check

We have assessed the FMV of Orionstone on an enterprise value basis. We have cross checked our assessed FMV with the net assets, on an ungeared basis[27], of Orionstone at Valuation Date. Our assessed net assets, on an ungeared basis of $130.2 million is slightly below the low end of our assessed enterprise value for Orionstone of between $138.0 million and $161.0 million. The net asset valuation methodology typically provides a minimum value for a going concern business, therefore the net assets as a cross check supports our assessed valuation range. Our net assets analysis is summarised in Table 41.

[27] Net assets on an ungeared basis represents the net assets of the business after excluding debt

Table 43: Net tangible asset value on the Valuation Date

	$'000
Reported net assets at 30 June 2016	**19,787**
Adjustments	
Less: Book value plant and equipment - rental	(139,969)
Plus: Appraised FMV of PP&E	95,976
Total FMV adjustments	**(43,994)**
Adjusted net tangible assets	**(24,207)**
Plus: Interest bearing debt	158,681
Less: Cash and equivalents	(4,283)
Total equity adjustments	**154,398**
Net assets (ungeared)	**130,192**

Source: Orionstone unaudited FY16 annual report, Hassalls valuation dated 15 July 2016 and PPB analysis

12. Valuation of Andy's

12.1. Summary

We have valued the business of Andy's to be in the range of $66.0 million to $78.0 million.

Table 44: Fair market value Andy's

	Low $	High $
Selected FME (based on EBITDA)	12,000,000	12,000,000
Selected EBITDA multiple	5.5x	6.5x
Enterprise value	**66,000,000**	**78,000,000**

Source: PPB analysis

The valuation of Andy's was determined using a CFME method, based on maintainable EBITDA and a capitalisation multiple of 5.5 times to 6.5 times. The basis for each of these assumptions is discussed in the sections below:

12.2. Maintainable earnings

Maintainable earnings represent the level of earnings that the business can sustainably generate in the future. We have selected a maintainable EBITDA for Andy's of $12.0 million. In making this assessment, we have had regard to the following:

- earnings volatility: although FY15 performance was affected by wider macroeconomic pressures within the Australian market, as detailed in Section 7, the full performance also captured various business specific challenges faced within the businesses. We note that one of Andy's largest customers was placed into administration during FY16 which will impact future earnings of the business
- non-recurring items: underlying EBITDA in historical periods excludes the impact of one-off significant items such as settlement and restructuring costs.

We have had discussions with Management regarding the FY17 performance to date and earnings expectations. Andy's normalised EBITDA was $14.9 million[28] in FY16, however it is expected to decline to approximately $11.4 million[29] in FY17. Given the variability in historical earnings of Andy's, we have placed more weight on the FY17 forecast in selecting maintainable earnings.

There are a number of factors that indicate potential upside for Andy's, including a turnaround of the business post the restructuring. Accordingly, these factors, as well as any potential downside risks to future profitability, such as competition and margin compression, have been captured in our selection of the appropriate multiple by reference to the growth profile expected for comparable companies.

We have not adjusted maintainable earnings for cost savings available to any acquirer of 100% of a company that has operations in Australia, as these types of general synergies are commonly subsumed within a premium for control that is reflected in our selection of the appropriate multiple.

[28] Source: Management
[29] Ibid

12.3. EBITDA multiple

The multiple applied in a CFME method should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, we considered:

- market evidence derived from listed comparable companies
- recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued
- key operational characteristics of Andy's.

Given the similarities between the business operations of Emeco and Andy's, we believe it is appropriate to utilise a consistent list of comparable companies and transactions in the selection of an appropriate multiple range. Discussions of the listed companies and transactions are detailed in Appendix F.

Selected multiple range

Based on our analysis of the implied multiples of comparable companies and transactions as outlined in Section 0, we have selected a multiple range of 5.5 times to 6.5 times forecast FY17 EBITDA. In selecting a lower multiple range compared to our valuation of Emeco, we have had regard to the following considerations:

- Andy's and Emeco largely provide a similar range of services to its customers, however Andy's is only focussed on the Australian mining industry and is smaller in size than Emeco
- Andy's rental fleet is newer and of a higher quality than Emeco's rental fleet
- Emeco is larger than Andy's in terms of both revenue and EBITDA and Andy's reported lower EBITDA margins in FY16, being 23.3% compared to 26.2% for Emeco (both on a normalised basis).

12.4. Valuation cross check

Analysis net assets cross check

We have assessed the FMV of Andy's on an enterprise value basis. We have cross-checked our assessed FMV with the net assets on an ungeared basis[30] of Andy's at Valuation Date. Our assessed ungeared net assets of $111.7 million (summarised in Table 45) is higher than the top end of our assessed enterprise value for Andy's of between $66.0 million and $78.0 million. We note that the net asset valuation methodology typically provides a minimum value for a going concern business, however we believe our assessed valuation range for Andy's is reasonable on the basis that Andy's currently has significant surplus capacity in its rental fleet.

The significant surplus capacity in Andy's rental fleet is evidenced by the 15% decline in revenue in FY16 and a further decline of approximately 30% forecast for FY17. A major reason for the decline in revenue in FY16 was a major customer of Andy's being placed into administration. Applying FY15 reported EBITDA of $28.0 million[31] to our multiple range of 5.5 times to 6.5 times results in an enterprise value of between $154 million and $182 million[32] which is above the assessed net assets and indicates that the build-up of surplus fleet occurred during FY16 and the financial year to date.

[30] Net assets on an ungeared basis represents the net assets of the business after excluding debt
[31] Andy's FY15 financial accounts
[32] Calculated as $28.0 million times a multiple of 5.5 times ($154 million) and 6.5 times ($182 million)

Table 45: Net tangible asset value on the Valuation Date

	$'000
Reported net assets	**25,889**
Adjustments	
Less: Book value earthmoving equipment	(83,389)
Plus: Appraised fair market value of PP&E	75,840
Total fair market value of adjustments	**(7,549)**
Adjusted net tangible assets	**18,340**
Plus: Interest bearing debt	93,704
Less: Cash and equivalents	(392)
Total equity adjustments	**93,312**
Net assets (ungeared)	**111,652**

Source: PPB analysis

13. Valuation of Combined Group, after the Proposed Transaction

13.1. Summary

By approving the Proposed Transaction, the Non-Associated Shareholders will ultimately hold a non-controlling interest in the Combined Group. Accordingly we have valued the shares of the Combined Group on a minority basis. Based on our assessment, Table 46 shows the Combined Group equity value range is between $80.6 million to $153.7 million or $0.035 (3.5 cents) to $0.067 (6.7 cents) per share.

Table 46: Summary valuation

	Low $	High $
Emeco FME	60,000,000	60,000,000
Selected EBITDA multiple	6.0x	7.0x
Enterprise value - Emeco	**360,000,000**	**420,000,000**
Orionstone FME	23,000,000	23,000,000
Selected EBITDA multiple	6.0x	7.0x
Enterprise value - Orionstone	**138,000,000**	**161,000,000**
Andy's FME	12,000,000	12,000,000
Selected EBITDA multiple	5.5x	6.5x
Enterprise value - Andy's	**66,000,000**	**78,000,000**
Enterprise value - Combined Group	**564,000,000**	**659,000,000**
Less: Net debt	(472,254,208)	(472,254,208)
Equity value – Combined Group (control basis)	**91,745,792**	**186,745,792**
Minority interest discount (23.1%)	(21,172,106)	(43,095,183)
Equity value – Combined Group (minority interest basis)	**70,573,686**	**143,650,609**
Plus: Capital raised from rights issue	10,000,000	10,000,000
Equity value after Pro-rata Rights Offer (minority interest basis)	**80,573,686**	**153,650,609**
Divided by: Total shares outstanding	2,303,628,779	2,303,628,779
Fair market value per share	**$0.035**	**$0.067**

Source: PPB analysis

Consistent with the standalone valuations of Emeco, Orionstone and Andy's (detailed in Section 10, Section 11 and Section 0), the valuation of the Combined Group was determined using the CFME method, based on maintainable EBITDA and a capitalisation multiple of 6.0 times to 7.0 times for Emeco and Orionstone and 5.5 times to 6.5 times for Andy's.

- The enterprise values have been determined on a going concern basis and include a premium for control. To obtain the equity value of the Combined Group on a minority basis we have applied a minority discount of 23.1%, which is the inverse of our selected control premium of 30%[33]. Our analysis is based on the inputs described below.

[33] Minority interest discount has been calculated as follows: 1 – [1 / (1 + 30% control premium)]

13.2. Surplus assets

We have not identified any surplus assets of the Combined Group following the Proposed Transaction, other than those which are expected to arise from the duplication of assets. Any surplus assets that arise from duplication of assets are considered to be synergistic benefits and have not been taken into account in our valuation, in accordance with the requirements of RG111.

13.3. Net debt

The pro-forma net debt of the Combined Group after completion of the Proposed Transaction is $472.3 million, as summarised in Table 47.

Table 47: Pro-forma net debt of Combined Group

	$
Interest bearing debt	472,496,808
Plus: Finance leases	17,008,788
Less: Cash and equivalents	(17,251,388)
Pro-forma net debt of Combined Group	**472,254,208**

Source: Management

13.4. Number of Shares on issue

Following completion of the Proposed Transaction there will be between 2.304 billion and 2.418 billion Shares on issue, depending on the level of take up of the Pro-forma Rights Issue from Emeco Shareholders. The ownership of existing Emeco Shareholders is diluted to between 24.8% and 26.0% of total Shares on issue in the Combined Group, as summarised in Table 48.

Table 48: Shares on issue after the Proposed Transaction

	Before Proposed Transaction		After Proposed Transaction (nil take up)		After Proposed Transaction (full take up)	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Current Emeco Shareholders	599,675,707	100.0%	599,675,707	26.0%	599,675,707	24.8%
Orionstone Shareholders	-	-	167,227,833	7.3%	167,227,833	6.9%
Andy's Shareholders	-	-	110,027,673	4.8%	110,027,673	4.5%
Emeco supporting creditors	-	-	820,436,564	35.6%	820,436,564	33.9%
Orionstone supporting creditors	-	-	333,209,491	14.5%	333,209,491	13.8%
Andy's supporting creditors	-	-	150,446,918	6.5%	150,446,918	6.2%
Shares issued - Pro-rata Rights Issue	-	-	114,583,731	5.0%	229,167,463	9.5%
Shares issued as underwriting fee	-	-	8,020,861	0.3%	8,020,861	0.3%
Total	**599,675,707**	**100.00%**	**2,303,628,779**	**100.00%**	**2,418,212,510**	**100.00%**

Source: Management, Explanatory Memorandum

13.5. Minority interest discount

Our valuation of an issued share in Emeco before the Proposed Transaction has been undertaken on a control basis, and our valuation of an issued share in Emeco after the Proposed Transaction has been undertaken on a minority interest basis, consistent with the requirements of RG 111.

The EBITDA multiples we have applied in our analysis are on a control basis. To obtain the equity value of the Combined Group on a minority basis we have applied a minority discount of 23.1%. Our selected minority discount is the inverse of our selected control premium of 30%[34], as discussed in Section 13.1 and Appendix G.

13.6. Pro-rata Rights Offer

Emeco is proposing to raise $20 million by way of a Pro-rata Rights Offer. The Pro-rata Rights Offer will be a non-renounceable rights offer and will be underwritten to the extent of $10 million by Emeco's two largest shareholders Black Crane (15.0% shareholder prior to the Proposed Transaction) and First Samuel (19.3% shareholder prior to the Proposed Transaction). The underwriting fee will be 7% of the amount to be underwritten, paid in shares based on the issue price. Our analysis, summarised in Table 49, is based on an issue price of 8.7 cents per share and assumes that none of the Emeco shareholders subscribe to the Pro-Rata Rights Offer and only the $10 million underwritten amount is raised.

Table 49: Shares on issue after the Proposed Transaction

	Low $	High $
Equity Value – Combined Group (minority basis)	**70,573,686**	**143,650,609**
Plus: Proceeds from Pro-rata Rights Offer	10,000,000	10,000,000
Equity value after Pro-rata Rights Offer (minority basis)	**80,573,686**	**153,650,609**
Divided by: Total shares outstanding	2,303,628,779	2,303,628,779
Fair market value per share after Pro-rata Rights Offer	**$0.035**	**$0.067**

Source: PPB analysis

Following the Pro-rata Rights Offer, First Samuel will hold an interest in the Combined Group of between 6.9% and 9.3% and Black Crane will hold between 5.0% and 5.2%, summarised in Table 50.

Table 50: Summary of Shareholdings after the Pro-rata Rights Offer

	Before Proposed Transaction		After Proposed Transaction (nil take up)		After Proposed Transaction (full take up)	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Emeco Shareholders (excl. Underwriters)	394,030,349	65.7%	394,030,349	17.1%	544,609,961	22.5%
First Samuel	115,990,208	19.3%	214,073,882	9.3%	166,732,824	6.9%
Black Crane	89,655,150	15.0%	114,176,069	5.0%	125,521,246	5.2%
Orionstone Shareholders	-	-	167,227,833	7.3%	167,227,833	6.9%
Andy's Shareholders	-	-	110,027,673	4.8%	110,027,673	4.5%
Emeco Noteholders	-	-	820,436,564	35.6%	820,436,564	33.9%
Orionstone Creditors		-	333,209,491	14.5%	333,209,491	13.8%
Andy's Creditors		-	150,446,918	6.5%	150,446,918	6.2%
Total	**599,675,707**	**100.00%**	**2,303,628,779**	**100.00%**	**2,418,212,510**	**100.00%**

Source: Management, Explanatory Memorandum

[34] Minority interest discount has been calculated as follows: 1 – [1 / (1 + 30% control premium)]

13.7. Valuation cross check

Pro-forma net assets of Combined Group

The pro-forma net assets of the Combined Group at 30 June 2016 is $139.8 million, as summarised in Section 8.7. We have adjusted the pro-forma net assets to reflect the FMV of the rental fleet. The net asset value per share is 5.4 cents, which is within the range of our assessed FMV of the Combined Group.

Table 51: Pro-forma net assets of Combined Group

	$'000
Pro-forma net assets of Combined Group at 30 June 2016	139,786
PP&E adjustments for FMV	(15,591)
Adjusted pro-forma net assets of Combined Group	**124,195**
Divided by: Total shares outstanding (number)	2,303,628,779
Fair market value per share	**$0.054**
Summary of PP&E adjustments for FMV:	
Value recognised - Emeco	280,182
Value recognised - Orionstone	155,162
Value recognised - Andy's	84,289
Total book value of PP&E	**519,633**
FMV – Emeco	286,333
FMV - Orionstone	127,047
FMV - Andy's	90,663
Total FMV of PP&E	**504,043**
Net adjustment for PP&E	**(15,591)**

Source: Management

14. Assessment of the Proposed Transaction

14.1. Conclusion

Based on our analysis, as set out above, PPB is of the opinion that, in the absence of a superior offer, and on the basis that a Non-Associated Shareholder does not participate in the Pro-rata Rights Offer, the Proposed Transaction is 'fair' and 'reasonable', and therefore 'in the best interests' of Non-Associated Shareholders, as a whole.

Since the debt for equity swap with the Emeco Noteholders, Orionstone's Creditors and Andy's Creditors, is subject to a Creditors Scheme and is part of the Proposed Transaction that we have assessed as being fair and reasonable, we are also of the view that the Creditors Scheme is in the best interest of Non-Associated Shareholders as a whole.

There are compelling reasons for Shareholders to approve the Proposed Transaction as they will be clearly better off if the Proposed Transaction proceeds. In accordance with RG 111, the expert is to consider these reasons and the position of a Non-Associated Shareholder that does participate in the Pro-rata Rights Offer, as part of the reasonableness assessment of the Proposed Transaction.

Emeco has been experiencing significant financial pressures, mostly due to the decline in certain mining sectors in Australia, its significant levels of debt and aging rental fleet. The Company's current asset backed loan is due to expire in December 2017 and the Notes expire in March 2019. Emeco requires a substantial reduction in its debt and additional capital if it is to generate any meaningful recovery in the business. Both will occur if the Proposed Transaction proceeds.

14.2. Approach

Fairness

The Proposed Transaction will be fair to Shareholders if the fair market value of an issued Share after the Proposed Transaction (on a minority interest basis) is equal to or greater than the fair market value of an issued Share before the Proposed Transaction (on a control basis).

Therefore, for the purpose of assessing the fairness of the Proposed Transaction, we have assessed and compared the fair market value of an issued Share in Emeco:

- before the Proposed Transaction, on a controlling interest basis
- after the Proposed Transaction, on a minority interest basis.

In accordance with RG 111, we are required to assess the fairness of the Proposed Transaction on the basis that a Shareholder *does not participate* in the Pro-rata Rights Offer.

Reasonableness

In assessing the reasonableness of the Proposed Transaction, we considered the advantages and disadvantages of the Proposed Transaction proceeding as well as any other factors that we identified. We have also considered the:

- existence of any premium for control
- likelihood of an alternative superior offer being made to the Shareholders.
- alternatives available to the Shareholders.

14.3. The Proposed Transaction is fair

We have assessed whether the Proposed Transaction is fair by comparing the fair market value of an issued Share in Emeco before the Proposed Transaction, on a control basis, to the fair market value of an issued Share after the Proposed Transaction, on a minority interest basis, assuming the Proposed Transaction is approved.

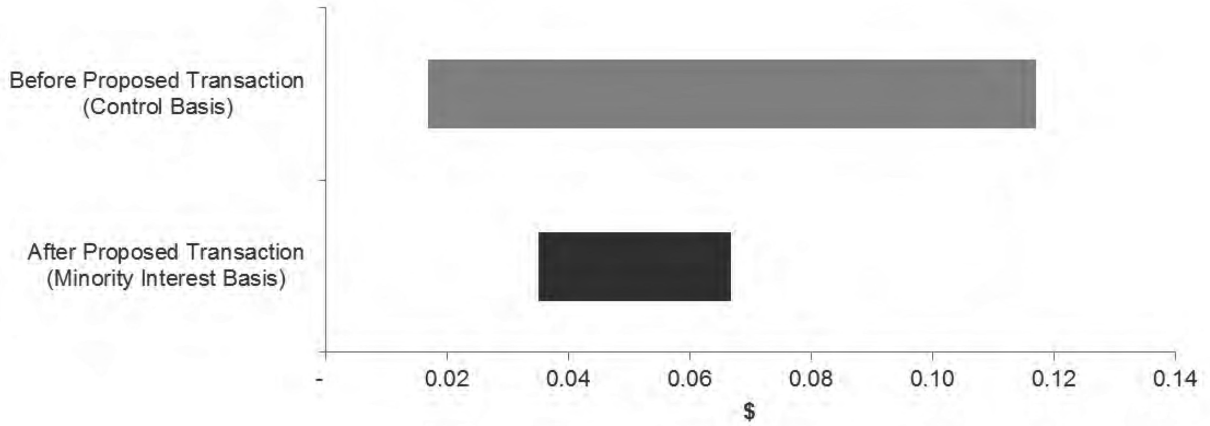
On the basis that a Shareholder *does not participate* in the Pro-rata Rights Offer, our fairness assessment indicates that the fair market value of an issued Share after the Proposed Transaction is within the range of the fair market value of an issued Share before the Proposed Transaction.

On the basis that a Shareholder does not participate in the Pro-rata Rights Offer, we have assessed the fair market value of an issued Share in Emeco:

- before the Proposed Transaction, on a control basis, to be in the range of $0.017 (1.7 cents) to $0.117 (11.7 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of $0.035 (3.5 cents) to $0.067 (6.7 cents).

A summary of our fairness assessment is set out in Figure 17.

Figure 17: Fairness summary – Proposed Transaction



Source: PPB analysis

Our assessed fair market value of an issued Share after the Proposed Transaction is within the range of the fair market value of an issued Share before the Proposed Transaction. Therefore, we have determined that the Proposed Transaction is fair to a Non-Associated Shareholder that does not participate in the Pro-rata Rights Offer, according to RG 111.

RG 111 recommends that the Proposed Transaction is assessed on the basis that Emeco is subject to a change of control transaction. This reflects the possibility that Shareholders, in approving the Proposed Transaction, may give up the opportunity to realise a control premium.

Our assessment involves comparison of the underlying value with the 'consideration' to be received by Shareholders, where that consideration is deemed to be Shares in Emeco after the Proposed Transaction. For the purposes of the comparison, we have valued the Shares after the Proposed Transaction on a minority interest basis (trading value) and compared it to the value of the Shares before the Proposed Transaction which on a control basis.

We have assessed the value of the Shares after the Proposed Transaction using the sum of the parts approach, which assesses the value of each of Emeco, Orionstone and Andy's separately. Under this approach, each business is considered on the basis of similarities in service offering, growth prospects, and in some respects, demand drivers. The sum of the parts approach, therefore, provides a flexible valuation approach to take account of these factors, which are likely to vary across the different businesses. We have considered specific cost synergies available to the businesses, that could be available to any other potential bidders for the businesses. On the basis that Emeco, Orionstone and Andy's are all experiencing financial pressures due to their high gearing and cash constraints, we consider that they would have all undertaken significant cost cutting strategies already and hence any further cost synergies would be minimal, if there are any. RG 111.11 states that special value of the 'target' to a particular 'bidder' eg synergies that are not available to other bidders should not be taken into account.

We have applied a control premium of 30% in our analysis, however a control premium effectively represents the outcome of pricing decisions in change of control transactions. The trading price of Emeco Shares on the ASX will not incorporate a control premium, in the absence of any takeover offer.

The Lock-Up, that forms part of the Proposed Transaction, gives Emeco a relevant interest of 66% of the Shares on issue after the Proposed Transaction. The relevant interest is only for a period of 60 days after completion of the Proposed Transaction and relates only to the trading of the Shares and not any other rights attached to the Shares including the voting rights. As such, we consider that the impact on Non-Associated Shareholders is not material.

14.4. The Proposed Transaction is reasonable

We have summarised below some of the relevant factors associated with the Proposed Transaction. In assessing the reasonableness of the Proposed Transaction, we have considered the potential advantages and disadvantages to the Non-Associated Shareholders and considered whether the advantages outweigh the disadvantages in the context of the Proposed Transaction. Individual shareholders may interpret these factors differently, depending on their circumstances.

We have assessed that the advantages and disadvantages of rejecting the Proposed Transaction are the inverse of accepting the Proposed Transaction.

The potential advantages and disadvantages to Non-Associated Shareholders arising from the approval of the Proposed Transaction are summarised below.

Advantages

Shareholder participation in Pro-rata Rights Offer

Non-Associated Shareholders will have the ability to participate in the Pro-rata Rights Offer that could result in them holding an interest of up to 23%[35] of the issued Shares after the Proposed Transaction.

In the event that the Pro-rate Rights Offer is not subscribed for by Shareholders, it will be subscribed for by the Underwriters (up to $10 million). This could result in Shareholders holding up to 17% and the Underwriters holding up to 14%.

Shareholders are being offered favourable value for the debt to equity swap

The pricing of the debt to equity swap is favourable to Non-Associated Shareholders because the total value of the Shares being issued is at a discount of between 24% and 60% to the debt being swapped.

[35] Non-Associated Shareholders held an interest of 65.7% before the Proposed Transaction

Reduced leverage

The Proposed Transaction offers an opportunity for Emeco to reduce financial leverage.

The Proposed Transaction will also result in net debt for the Combined Group reducing by $113.8 million which would result in the Combined Group's:

- interest coverage ratio[36] increasing from 1.3 times to 2.5 times FY16 pro-forma EBITDA
- net debt to EV will decrease from 90% to 72% as compared to the average of its peers of 45%[37]
- interest rate decreasing from 9.875% to 9.25%[38].

Whilst, in and of itself reduced financial leverage may not be beneficial in the current low interest rate environment, the lower leverage could allow Emeco to capitalise on growth opportunities that may emerge in the future.

Impact of Emeco's highly leveraged capital structure on its Share price

Our analysis suggests that Shares in Emeco are trading at a discount (this is also implied by our valuation per Share on a minority interest basis). Whilst it is difficult to definitively attribute this to any specific factor we assume that, like its peers, the market is downgrading Emeco due to its high level of gearing, cash flow constraints in the wake of the decline in commodity prices and pressures in the mining industry in Australia. As such, the Proposed Transaction could result in a re-rating of Emeco's Shares with the discounting being removed or reduced.

Condition of fleet assets

The age and condition of the fleet assets of Orionstone and Andy's being acquired by Emeco, are superior to Emeco's fleet assets. This will reduce Emeco's the need for capital expenditure compared to Emeco's capital expenditure requirements before the Proposed Transaction.

Alternative options

Our consideration of the alternatives suggests that the Proposed Transaction is the superior option available to Emeco as far as Non-Associated Shareholders are concerned. The Directors appointed advisers to evaluate the alternatives and considered:

- the sale of all or part of the Company
- scrip based acquisitions and strategic alliances
- a restructure of debt and equity raisings.

The Proposed Transaction allows the participation of Shareholders and enhances Emeco's operating platform through the acquisition of Orionstone and Andy's.

Continue as a Shareholder

Shareholders will continue to hold shares in Emeco.

Dilution of EPS

We estimate that the Proposed Transaction will result in EPS being diluted in the short to medium term but be accretive over the longer term. However, this is not unusual for a transaction of this type and doesn't result in a transfer of value so long as a shareholder participates fully in the Pro-rata Rights Offer.

[36] Calculated based on 30 June 2016 financial position
[37] Average calculated based on an 80% confidence interval
[38] Based on new senior secured notes per RSA

Alignment of interests of debt providers (Emeco Noteholders)

There is likely to be greater alignment between the interests of Emeco Noteholders and Non-Associated Shareholders through common ownership of the same instrument (ordinary shares in Emeco).

From a control perspective, the Proposed Transaction does confer additional control, through their 34% interest and three seats on the board.

Cost synergies

Throughout the due diligence process undertaken by Emeco, Orionstone and Andy's, an extensive analysis has been undertaken on the potential synergies expected to be realised from the Proposed Transaction.

In assessing the value of the synergies, we have had regard to the type of synergies identified by Management as well as the timing of the realisation of the synergies. As described and itemised in Section 8.5, the synergies identified relate to cost synergies totaling at least $15 million per annum, expected to be realised every year following completion of the Proposed Transaction.

In accordance with RG 111, we have not included the value of the cost synergies in our analysis. However, for information purposes only, the $15 million synergies capitalised at an EBITDA multiple of 6.0 times to 7.0 times may contribute additional value to Shareholders of between 2.9 and 3.3 cents per share, as summarised in Table 52.

Table 52: Potential value of cost synergies

	Low $	High $
Potential cost synergies	15,000,000	15,000,000
Illustrative EBITDA multiple	6.0	7.0
Potential additional value (control basis)	**90,000,000**	**105,000,000**
Minority interest discount (23.1%)	(20,769,231)	(24,230,769)
Potential additional value (minority basis)	**69,230,769**	**80,769,231**
Shares outstanding in Combined Group (assuming full subscription to Pro-rata Rights Issue)	2,418,212,510	2,418,212,510
Potential additional value per Share (minority basis)	**$0.029**	**$0.033**

Source: PPB analysis

The potential uplift through the realisation of synergies is based on the low end of Management's estimated synergies and reflects only the type of synergies which have been specifically identified and relate to cost categories. It is possible that additional incremental cost synergies and revenue synergies may be identified through further work by Management after the Proposed Transaction. Nevertheless, there is a risk that not all (if any) cost and other synergies will be achieved and there may be a delay in achieving them which would reduce the potential uplift value to Shareholders.

Further, Management has advised that approximately $2.4 million in one-off costs are required to achieve the synergies.

Support of Emeco's major Shareholders

Emeco's largest two Shareholders, Black Crane (15.0%) and First Samuel (19.3%) indicate their support of the Proposed Transaction through their willingness to underwrite the Pro-rata Rights Offer to the extent of $10 million.

Emeco's third largest Shareholder, in its capacity as a note holder, Ascribe (4.4% before the Proposed Transaction) is supporting the Proposed Transaction through its agreement to a debt for equity swap for $473 million[39] of New Notes at an interest rate of 9.25% for 34% of the issued Shares in Emeco.

[39] $304 million in relation to Emeco, $169 million in relation to Orionstone and Andy's

Underwriting fee at market

The Pro-rata Rights Offer is being underwritten for a fee of 7% of the $10 million underwritten amount, paid in Shares at the issue price. Based on our analysis of non-renounceable rights issues since January 2013, the underwriting fee is within the range of underwriting fees, albeit towards the higher end of the range.

The Underwriters will be paid in new Emeco Shares at the issue price equivalent to $700,000, which equates to a total underwriting fee of 7% based on the $10 million being underwritten.

In our opinion, this reflects the high level of perceived risk associated with the Proposed Transaction, the challenging financial positions of Emeco, Orionstone and Andy's. Our analysis is summarised in, Table 53 and Appendix H.

Table 53: Summary market non-renounceable rights issues

Transaction size		Number of	Underwriting fee		
$ million	$ million	transactions	Average	Min	Max
0	10	343	4.9%	0.0%	25.9%
10	20	27	4.4%	1.0%	11.4%
20	30	8	4.5%	2.8%	6.0%

Source: Capital IQ, PPB analysis

Disadvantages

Significant dilution

Non-Associated Shareholders' interests will be significantly diluted from 65.7% to between 16.7% and 22.2% after the Proposed Transaction as:

- Underwriters may have an interest of up to 14.2% of the issued Shares
- Emeco Noteholders may have an interest of up to 35.6% of the issued Shares
- Orionstone's and Andy's Shareholders may have an interest of up to 7.3% and 4.8% of the issued Shares, respectively
- Orionstone's and Andy's Creditors may have an interest of up to 14.5% and 6.5% of the issued Shares, respectively.

Change in operating activities

By virtue of Emeco's acquisition of Orionstone and Andy's, the nature of the operating activities of Emeco will change. Shareholders that sought to invest in the equity of Emeco due to its specific risk profile and exposures, may need to re-evaluate their investment in Emeco compared to their criteria due to the changes in exposures presented by Emeco after the Proposed Transaction.

No alternatives

If the Proposed Transaction is not approved, the Proposed Transaction will not proceed and there is a significant risk that the Company may be unable to source replacement funding for the Notes of $381 million[40] that expires in March 2019 and the asset backed loan of $75 million in December 2017. The asset backed loan is critical to operating liquidity of the business.

The Directors would need to immediately focus on a standalone restructuring solution and begin negotiations with the Emeco Noteholders. Based on the Directors' investigations to date, any other possible transaction may be materially more dilutive to shareholders than the Proposed Transaction. In addition, implementing an

[40] Converted at 30 June 2016, USD denoted notes USD 282.7 million, 9.875% 144A notes ('Notes') due on March 2019 and $75 million asset backed loan expiring in December 2017

alternative transaction may be extremely difficult given the challenging operating conditions and the uncertain timing of a mining industry's recovery.

The upcoming asset backed loan and bond maturities relative to Emeco's high leverage level and continually deteriorating asset values (due to underinvestment in capex caused by cash constraints) raise the concern whether Emeco has the ability to continue to meet its debt service requirements in the near term, and the Directors would need to continually consider this the cash flow constraints in advance of that timeframe.

If the Proposed Transaction is not approved, the Share price of Emeco may fall below the current Share price of $0.063 per share on 14 October 2016.

Cost of the Proposed Transaction

The Directors have advised that the legal and adviser fees of approximately $29 million will be borne by the Company. If the Proposed Transaction does not proceed, Shareholders will not benefit from any potential upside.

In addition, there is an underwriting fee of 7% of the total Shares issued in respect of the $10 million Pro-rata Rights Offer being underwritten, regardless of the percentage take up by Shareholders.

Creditors Scheme

If the Creditors Scheme is approved by the Court, then any subordinate claims of existing Shareholders will be released under section 411 5(A) of the Act. Subordinate claims are defined under the Act as:

- a claim for a debt owed by the Company to a person in the person's capacity as a member of the Company (whether by way of dividends, profits or otherwise)
- any other claim that arises from buying, holding, selling or otherwise dealing in shares in the Company.

An implication of this release is that existing Shareholders will be unable to commence proceedings against the Company in relation to claims arising prior to the implementation of the Creditors Scheme.

Current Share price

We note that the Share price since the announcement of the Proposed Transaction has increased by 19%, as shown in Section 3.12. If the Proposed Transaction does not proceed, it is likely that the Share price will fall.

Whilst the market currently implies a 6.4 times FY17 forecast EBITDA multiple[41] for Emeco, the upcoming asset based loan and Notes maturities, Emeco's high degree of leverage and continually deteriorating asset values, (due to underinvestment in capex caused by cash constraints) put downward pressures on the future earnings potential of the Company.

Market price for the Notes

Before the announcement of the Proposed Transaction, the Notes were trading as low as USD 43, and the day immediately preceding the announcement of the Proposed Transaction, USD 60. To the extent the Proposed Transaction is not implemented, one would expect the pricing of the bonds to decrease well below the pre-announcement prices, implying zero equity value and very material concerns in the marketplace with Emeco's ability to continue to trade.

Shareholders are being offered unfavourable pricing for the Pro-rata Rights Offer

The issue price of the Pro-rata Rights Offer of 8.7 cents per share is at a 39% premium to the current Share price of 6.3 cents on 14 October and a 31% to 150% discount to our assessed value of the Combined Group.

[41] Based on assumed FY17 EBITDA of $60 million

Other factors

As mentioned above, if the Proposed Transaction is not approved, the Share price of Emeco may not rise from the current trading price because the Company has no alternative plans. The Directors will need to continue to investigate sources of alternative funding for the current asset backed loan that expires in December 2017 and the Notes for $373 million with interest of 9.875% per annum expiring in March 2019. The asset backed loan is critical to operating liquidity of the business. Based on the Directors' investigations to date, any other possible transaction may be materially more dilutive to Shareholders than the Proposed Transaction.

All resolutions relating to the Proposed Transaction in the Explanatory Memorandum and Notice of Meeting are interdependent, including the Pro-rata Rights Offer.

Alternatives

The Directors have investigated numerous options to alleviate the funding pressures, the aging fleet and cash constraints for much needed capex. The Directors have undertaken a lengthy process to seek alternative transactions that may have resulted in different outcomes for Shareholders. However, no suitable alternative was considered appropriate. Therefore the strategic review for debt restructuring commenced in February 2016 and resulted in the Proposed Transaction.

The Proposed Transaction is, in the view of the majority of the Directors, the most beneficial to Shareholders in the Company's current circumstances.

At the date of the report, there were no superior alternatives available to the Directors.

As stated in the Explanatory Memorandum, the Proposed Transaction is, in the view of the majority of the Independent Directors, the most beneficial to Shareholders in the Company's current circumstances.

14.5. Any premium for control

In accordance with RG 11.43, we considered whether any aspect of the Proposed Transaction is a control transaction and as such, whether the Non-Associated Shareholders should receive a premium for control. It is only the Emeco Noteholders that obtain an equity interest of 34% that represents any meaningful level of 'control'.

Table 54 summarises our assessment of the discount for control.

Table 54: Premium for control

	$ million	
Value of Emeco Noteholders debt		
Before the Proposed Transaction	375.3	
After the Proposed Transaction	303.7	
Reduction in value of Notes	**71.6**	
Value of Emeco Noteholders equity in Combined Group		
Number of Shares	820 million	
	Low	**High**
Price per Share	3.5 cents	6.7 cents
Value of equity	**29**	**55**
Discount of equity value to value of debt reduction	**(60%)**	**(24%)**

Source: PPB analysis

14.6. Other considerations

This IER only provides general information. It does not take into account the Non-Associated Shareholders individual situation, objectives and needs. It is not intended to replace professional advice that should be obtained by individual Non-Associated Shareholders. Non-Associated Shareholders should consider whether this IER is appropriate for their circumstances, having regard to their individual situations, objectives and needs before relying on or taking action. Non-Associated Shareholders are encouraged to seek their own advice.

Whether or not individual Non-Associated Shareholders vote to implement the Proposed Transaction depends on their own circumstances, as well as each Non-Associated Shareholders view on the reasonableness factors summarised above.

14.7. Conclusion on the Proposed Transaction

In our opinion, in the absence of a superior offer, on the basis that a Non-Associated Shareholder does not participate in the Pro-rata Rights Offer, the Proposed Transaction is 'fair' and 'reasonable', and therefore 'in the best interests' of Non-Associated Shareholders, as a whole.

As part of assessing whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, PPB has assessed the value of an issued Share of Emeco before the Proposed Transaction on a control basis and compared it to the value of an issued Share of Emeco after the Proposed Transaction, assuming that the Proposed Transaction proceeds.

The alternative to the Proposed Transaction for Non-Associated Shareholders is to vote against the Proposed Transaction and continue to hold Shares in Emeco. As discussed above, given the financial position of Emeco, if the Proposed Transaction does not proceed, the Directors expect that they will need to source replacement funding for the Notes and the asset backed loan facility. This may be difficult given the challenging operating conditions and the uncertain timing of a market recovery. In addition, any other possible transaction may be more dilutive to Shareholders.

15. Limitations and disclosures

15.1. Qualifications

PPB holds an Australian Financial Services Licence (No. 344626) under the Act and its authorised representatives are qualified to provide this Report.

PPB provides a range of corporate advisory services and has advised on numerous takeovers, valuations, acquisitions and restructures.

This report has been prepared by Fiona Hansen B Com, Hon Acc Science, CA, CA (SA) and a Partner at PPB Advisory. Fiona has over 20 years of experience in corporate finance advice including business valuations, preparing independent expert's reports, transaction advisory, financial due diligence and mergers and acquisitions.

This report has also been prepared by Campbell Jaski BSc (Hons), MBA, FAusIMM, FFin, FCIArb and a Director of PPB and Partner at PPB Advisory. Campbell has over 20 years of experience in management and corporate finance.

Based on their experience, Fiona and Campbell have the appropriate experience and qualifications to provide the advice offered.

15.2. Disclaimers

This Report was not prepared for any other purpose or for use by any other person. PPB does not accept any responsibility to any person other than the Directors and Shareholders for the use of the Report outside the stated purpose without the written consent of PPB. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Approval or rejection of the Proposed Transaction are matters for individual Shareholders based on their expectations as to various factors including the value and future prospects of Emeco, the terms of the Proposed Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the documents. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

15.3. Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PPB reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PPB.

15.4. Currency

All references to '$' and 'dollars' are references to Australian dollars unless stated otherwise.

15.5. Independence

Prior to accepting this engagement, PPB considered its independence with respect to the Proposed Transaction with reference to the RG 112 and APES 110 Code of ethics for professional accountants issued by the Accounting Professional and Ethics Standards Board.

We have concluded that there are no conflicts of interest with respect to Emeco, Orionstone and Andy's involved in the Proposed Transaction.

PPB has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert for the Shareholders. PPB is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, PPB will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction. PPB will receive no other benefit for the preparation of this Report.

15.6. Consents

PPB consents to issuing this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum. Apart from the Report, PPB is not responsible for the contents of the Notice of Meeting and Explanatory Memorandum, or any other document or announcement associated with the Proposed Transaction. PPB acknowledges that its Report may be lodged with regulatory bodies.

15.7. Reliance on information

The statements and opinions contained in this Report are given in good faith and are based upon PPB's consideration and assessment of information provided by Emeco. PPB believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PPB in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PPB's role to undertake, and PPB has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction. PPB understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PPB does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the directors and/or their advisors.

An opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PPB advises that it is not in a position, nor is it practical for PPB, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PPB was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by Emeco in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with Emeco. This was undertaken by means of providing Emeco with a draft report. PPB obtained a representation letter from Emeco confirming that, to the best knowledge of Emeco, the information provided to, and relied upon by, PPB was complete and accurate, and that no significant information essential to the Report was withheld.

Emeco has agreed to indemnify PPB, including its related entities and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PPB by Emeco, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

Appendices

Appendix A. Glossary of terms

Abbreviation	Definition
$ or AUD	Australian dollars
144A Notes	144A Notes expiring in March 2019 with coupon of 9.875% of USD282.7 million (quoted)
ACCC	Australian Competition and Consumer Commission
AASB	Australia Accounting Standards Board
Act	Corporations Act (cth) 2001
AFSL	Australian Financial Services Licence
Andy's	Andy's Earthmovers (Asia Pacific) Pty Ltd (ACN 146 240 511)
Andy's Creditors	lenders to Andy's
Andy's Shareholders	the original shareholders of Andy's (being the vendors of Andy's shares to Emeco)
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) and, where the context requires, the financial market that it operates
AUS	Australian
Black Crane	Black Asia Cranes Opportunities Fund
CND	Canadian
capex	capital expenditure
CGT	capital gains tax
Combined Group	Emeco after the acquisition of Orionstone and Andy's
Creditor's Scheme	the Proposed Transaction to be approved by Emeco Noteholders through a creditors scheme of arrangement
DCF	discounted cash flow
Directors	directors of Emeco
EBIT	earnings before interest and tax
EBITDA	earnings before interest tax depreciation and amortisation
Emeco Noteholders	holders of the Emeco Notes
Emeco or the Company	Emeco Holdings Limited (ACN 112 188 815)
Emeco Shareholder	a person who is registered as the holder of an Emeco Share in the Emeco Share Register
EOS	Emeco's operating system
EV	enterprise value
FIRB	Foreign Investment Review Board
Explanatory Memorandum and Notice of Meeting	Explanatory memorandum and notice of meeting prepared by the Directors, to which the Report is attached
First Samuel	First Samuel Limited (ACN 086 243 567)
FME	future maintainable earnings
FMV or fair market value	fair market value (underlying standard of value applied in this assessment)
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY	financial year ended or ending 30 June
IER or the Report	independent expert's report

Abbreviation	Definition
Independent Directors	the directors of Emeco that are not associated with the Proposed Transaction, being all the directors other than Ian Testrow
IVSC	International Valuation Standards Council
k	thousand
Lock-Up	any Shares in Emeco issued pursuant to the Equity Exchange will be subject to a voluntary escrow arrangement for a period of up to 60 days
LR11	ASX Listing Rule 11
m	million
Management	management of Emeco
NA	net assets or net asset value
New Notes	covenant lite senior secured notes with extended maturity to FY22 replacing the March 2019 144A Notes issued by Emeco Noteholders
Non-Associated Shareholders	Shareholders of Emeco that are not associated with the Proposed Transaction
Notes	$373 million based on exchange rate at 23 September 2016, or $381 million converted at 30 June 2016, USD denoted notes of $282.7 million, 9.875% 144A notes due on March 2019
NPAT	net profit after tax
NPV	net present value
Orionstone	Orionstone Holdings Pty Ltd (ACN 603 473 623)
Orionstone's Creditors	lenders to Orionstone
Orionstone's Shareholders	the original shareholders of Orionstone's (being the vendors of Orionstone's shares to Emeco)
PPB	PPB Corporate Finance Pty Ltd
PP&E	property, plant and equipment
Proposed Transaction	as described in the RSA and the subject of the Report
Pro-rata Rights Offer	non renounceable prorate rights offer to shareholders of Emeco to raise $20 million, underwritten by the Underwriters to the extent of $10 million
RBA	Reserve Bank of Australia
RG 74	ASIC Regulatory Guide 74 Acquisitions approved by members
RG 111	ASIC Regulatory Guide 111 *Content of experts reports*
RSA	restructure supporting agreement between Emeco and Emeco's Noteholders, Orionstone's Creditors, Orionstone's Shareholders, Andy's Creditors, Andy's Shareholders
Share	issued ordinary share in Emeco
Shareholder	shareholders of Emeco
Pro-rata Rights Offer	a rights offer to raise, subject to the Completion Date occurring, up to $20 million cash as set out in the Explanatory Memorandum
Underwriters	Black Crane and First Samuel
USD	US dollars
Underwriters	Black Crane and First Samuel
Valuation Date	23 September 2016
VWAP	volume weighted average share price
YTD	year-to-date

Appendix B. List of sources of information

In preparing this Report we have been provided with and considered the following sources of information:

Publicly available information

- audited annual reports of Emeco for years ending 30 June 2014, 30 June 2015 and 30 June 2016
- annual reports of Andy's for years ending 30 June 2014 (audited), 30 June 2015 (unaudited) and 30 June 2016 (unaudited)
- annual reports of Orionstone for years ending 30 June 2014 (audited), 30 June 2015 (unaudited) and 30 June 2016 (unaudited)
- reviewed interim report of Emeco for half-year ending 31 December 2015
- various Emeco ASX announcements and shareholder presentations
- various public disclosure documents lodged by Emeco with the ASX
- Emeco's website
- financial information from Capital IQ
- Bloomberg for iron ore prices and Notes trading prices
- IBISWorld reports – Mining in Australia Industry report – September 2016
- IBISWorld reports – E3212 Site Preparation Services in Australia Industry report – June 2016
- IBISWorld reports – L6631 Machinery and Scaffolding Rental Mining in Australia Industry report – May 2016
- RBA website
- Various ASIC extracts and company returns.

Non-public information

- Draft Explanatory Memorandum and Notice of Meeting
- Emeco board minutes
- Emeco business plan for FY16 and FY17
- Emeco economic group update
- discussions with Emeco Management, and the Company's advisers
- Hassalls independent property valuations and update
- Emeco sharetrak report
- Deed of cross guarantee
- Emeco corporate financial model.

Appendix C. Independent plant and equipment valuation update

HASSALLS
The best in the field

Thursday, 6 October 2016

Brendan Shalders
General Manager, Strategy & Corporate Development
Emeco
Level 3, 71 Walters Drive
Osborne Park, WA, 6017

via email: brendan.shalders@emecogroup.com

Dear Brendan,

RE: Emeco, Orionstone & Andy's Earthmoving Valuations

Further to our discussion and subsequent emails Hassalls consents to Emeco Group, PPB and Ferrier's using or referring to our valuations of Emeco, Orionstone and Andy's Earthmoving as per the various dated reports noting the effective date and purpose of said reports and noting also they were all desktop only reports (assets were not sighted).

We also confirm the primary valuer (undersigned) and signatory for said reports (Steve Wall, Hassalls General Manager) has the required qualifications and experience to provide the valuation opinion contained therein, and has no pecuniary interest in the mining companies associated with the mining interest or associated entities, as noted in the reports.

On the question 'has the Australian second hand market for mobile mining plant incurred any material change since June/July' our response is no. We have not observed and material change within the Australian market place or within the Asian region that would suggest that the various valuations would be impacted.

If you have any questions lease do not hesitate to contact the undersigned Valuer.

Yours sincerely,

Steve Wall
General Manager & Senior Valuer, Hassall's
Certified Practicing Valuer (Plant & Machinery) # 267
USPAP Compliant 2013.

9/20 Rivergate Place Murarrie QLD Australia
T: 07 3348 8411
F: 07 3348 8553
E: sell@hassalls.com.au

Appendix D. Valuation methodologies

To estimate the fair market value of Emeco, we have considered the common market practice and the valuation approaches recommended by RG 111, that provide guidance in respect of the content of independent expert's reports. The common valuation approaches are as follows:

- market based approach
- income based approach
- asset based approach.

Each approach is appropriate in certain circumstances. The decision as to which approach and specific methodology to apply generally depends on the nature of the company or asset being valued, the methodology most commonly adopted in valuing such companies or assets and the availability of appropriate information.

These approaches are summarised below:

Market based approach

Market based approach estimates the fair market value by considering the market price of transactions in its shares or the market value of comparable companies. The market based approach includes the following methods:

- capitalisation of earnings method
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of earnings method estimate the fair market value based on a company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where a company's earnings are relatively stable and it is assumed that the business will continue trading as a going concern indefinitely.

The most recent share trading history provides evidence of the market value of the shares of the company where they are publicly traded in an informed market.

Industry specific methods estimate the fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods, because they do not account for company specific factors. Industry specific methods are typically used as cross checks in specific industries.

Income based approach

Under the income approach, the discounted cash flow ('DCF') method estimates the fair market value by discounting a company's future cash flows to a net present value using an appropriate discount rate. The DCF method is appropriate where there are long term projections of future cash flows of at least five to ten years and the projections can be made with a reasonable level of confidence. DCF method is typically used where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy
- earnings or cash flows are expected to fluctuate significantly from year to year
- the business or asset has a finite life
- the business is in a 'start up' or in early stages of development
- the business has irregular capital expenditure requirements
- the business involves infrastructure projects with major capital expenditure requirements
- the business is currently making losses but is expected to recover.

Asset based approach

Asset based approach estimates the fair market value of a company's shares based on the realisable value of its identifiable net assets. The asset based approach includes the following methods:

- orderly realisation of assets
- liquidation of assets
- net assets on a going concern basis.

The orderly realisation of assets method estimates the fair market value of the net assets by estimating the amount that would be distributed to its shareholders after the payment of all liabilities are satisfied including realisation costs and taxation, assuming that the company is wound up in an orderly manner.

The liquidation of assets method is similar to the orderly realisation of assets method except that the liquidation method assumes that the assets are sold in a shorter timeframe. Since wind up or liquidation of the company may or may not be contemplated, this method in its strictest form may not necessarily appropriate.

The net assets on a going concern basis estimates the market value of the net assets of the company but does not take into account realisation costs.

The net asset value of a trading will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The assets based methods are relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business.

The net realisable assets method is also used as a cross check for the values derived using other methods.

Appendix E. Comparable trading company analysis

Comparable ASX listed companies – earnings and multiples

Company name	Country	Enterprise value at 23/09/16 *$ million*	Revenue FY16 *$ million*	EBITDA margin FY16 *%*	Revenue growth FY16 *%*	EBITDA multiple LTM *times*	EBITDA multiple NTM *times*
Emeco Holdings Limited	Australia	383	207	19%	(14%)	9.9x	n/a
Australian companies							
Ausdrill Ltd.	Australia	732	748	18%	3%	6.6x	6.0x
Boom Logistics Ltd.	Australia	111	152	7%	(26%)	13.0x	n/a
Downer EDI Limited	Australia	2,422	6,850	8%	(2%)	5.4x	6.1x
Global Construction Services Limited	Australia	101	185	16%	23%	4.3x	3.9x
Macmahon Holdings Ltd.	Australia	86	347	8%	(47%)	4.8x	n/a
MACA Limited	Australia	366	431	22%	(28%)	5.2x	5.0x
Mastermyne Group Limited	Australia	30	169	2%	(3%)	10.3x	5.9x
NRW Holdings Limited	Australia	224	288	14%	(63%)	6.8x	5.2x
Average		**509**	**1,146**	**12%**	**(18%)**	**7.1x**	**5.3x**
Median		**167**	**318**	**11%**	**(15%)**	**6.0x**	**5.6x**

Source: Capital IQ and PPB analysis

Notes:

1. Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash

2. Control premium of 30% has been applied to market capitalisation to calculate the multiples above

3. LTM = last twelve months; NTM = next twelve months; n/a = not available

4. Emeco figures have not been included in the calculations of average and median

Comparable internationally listed companies – earnings and multiples

Company name	Country	Enterprise value at 23/09/16 $ million	Revenue FY2016 $ million	EBITDA margin FY2016 %	Revenue growth FY2016 %	EBITDA multiple LTM times	EBITDA multiple NTM times
Emeco Holdings Limited	Australia	383	207	19%	(14%)	9.9x	n/a
International companies							
Finning International Inc.	Canada	5,329	6,126	9%	(11%)	12.7x	11.7x
Petrowest Corporation	Canada	120	184	6%	(31%)	10.2x	3.9x
Kanamoto Company Ltd.	Japan	1,354	1,547	27%	6%	3.6x	3.6x
MS Holdings Limited	Singapore	46	17	23%	2%	13.0x	n/a
Tat Hong Holdings Ltd	Singapore	759	511	13%	(13%)	13.3x	7.8x
Tiong Woon Corporation Holding Ltd	Singapore	174	139	18%	(4%)	7.6x	n/a
Eqstra Holdings Limited	South Africa	335	270	8%	(69%)	16.9x	n/a
Torre Industries Limited	South Africa	110	184	10%	52%	7.1x	n/a
Ashtead Group plc	United Kingdom	14,527	4,893	46%	25%	8.3x	7.1x
HSS Hire Group plc	United Kingdom	616	641	18%	10%	6.5x	5.0x
Essex Rental Corp.	United States	321	126	16%	8%	13.9x	n/a
H&E Equipment Services Inc.	United States	1,869	1,428	15%	(5%)	10.8x	5.3x
HERC Holdings, Inc.	United States	4,041	2,304	14%	(5%)	17.8x	5.9x
Neff Corp.	United States	1,030	527	26%	3%	7.8x	4.0x
Titan Machinery, Inc.	United States	997	1,935	3%	(28%)	25.0x	24.3x
United Rentals, Inc.	United States	18,706	7,988	32%	2%	8.9x	5.8x
Average		**3,146**	**1,801**	**18%**	**(4%)**	**11.5x**	**7.7x**
Median		**878**	**584**	**15%**	**(1%)**	**10.5x**	**5.8x**

Source: Capital IQ and PPB analysis

Notes:

1. *Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash*
2. *Control premium of 30% has been applied to market capitalisation to calculate the multiples above*
3. *LTM = last twelve months; NTM = next twelve months; n/a = not available*
4. *Emeco figures have not been included in the calculations of average and median*

Comparable company analysis – ASX listed company descriptions

Company	Country	Market cap (AUDm)	Description
Ausdrill Ltd.	Australia	515	Ausdrill Limited operates as an integrated mining and energy services company worldwide. It operates through Drilling Services Australia, Contract Mining Services Africa, Equipment Services & Supplies, and All Other segments. The company is involved in the reverse circulation, diamond drilling, rotary air blast, and air core drilling; geochemical and precious metals analysis; production and monitoring of bores, as well as depressurization and dewatering, and surface hole drilling; and procurement and supply of exploration equipment, parts, and consumables. It also engages in the drill and blast, and grade control drilling; earthmoving equipment rental business; mine development and civil works; grade control; manufacture and supply of drilling consumables, spares, drill rods, and DTH drilling equipment; manufacture of bulk explosives; and provision of blasting services. In addition, the company is involved in the clearing, pre-strip, access, and haul road construction, excavation, loading, hauling, dumping, and equipment hire; underground mining; design, manufacture, and maintenance of blast hole, RC and diamond drill rigs, and support and ancillary equipment; manufacture and supply of RC hammers, bits, drill rods, and other equipment; and sale and rental of pressure, flow, and well control equipment for the oil and gas industry. Further, it engages in the exploration and production drilling of coal seam gas and shallow oil and gas wells; servicing of oil and gas wells; design, drilling, installation, testing, and commissioning of telecom and underground power networks; and motel business. Ausdrill Limited was founded in 1987 and is based in Canning Vale, Australia.
Boom Logistics Ltd.	Australia	62	Boom Logistics Limited provides crane logistics and lifting solutions to the resources, energy, utilities, and infrastructure sectors in Australia. The company offers mobile and crawler cranes for wet and dry hire with short term and long term rental facilities; and tailored elevated work platform (EWP) solutions with a fleet of travel towers and access equipment. It also provides special hydraulic mobile cranes and low profile prime movers; access equipment, including boom lifts, knuckle booms, EWPs, and travel towers; and cranes and access equipment for export markets or refurbishments, as well as sells used equipment. In addition, the company offers heavy haulage vehicles to transport heavy and large equipment, as well as managed lifting solutions and engineering services. Its fleet comprises approximately 300 cranes and 20 travel towers. The company was formerly known as The Australian Crane Company. Boom Logistics Limited was incorporated in 2000 and is based in Southbank, Australia.
Downer EDI Limited	Australia	2161	Downer EDI Limited provides various services to customers in the transportation, mining, energy and industrial engineering, utilities, communications, and facilities markets in Australia and internationally. The company's Transport Services segment offers transport infrastructure services, such as earthworks, civil construction, asset management, maintenance, surfacing and stabilization, supply of bituminous products and logistics, open space and facilities management, and rail track signaling and electrification works. Its Technology and Communications Services segment provides feasibility, design, civil and network construction, commissioning, testing, operation, and maintenance services for fiber, copper, and radio networks; data center services; and automated ticketing and intelligent transport technology systems. The company's Utilities Services segment offers lifecycle services to customers in the power, gas, water, and renewable energy industries. Its Rail segment provides rail asset solutions, including passenger and freight build, operation and maintenance, component overhauls, and after-market parts. The company's EC&M segment designs, engineers, constructs, and maintains greenfield and brownfield projects, such as feasibility studies; engineering design; civil works; structural, mechanical, and piping; electrical and instrumentation; mineral process equipment design and manufacture; commissioning; operations maintenance; shutdowns, turnarounds, and outages; strategic asset management; and decommissioning. Its Mining segment provides asset management, blasting, crushing, exploration drilling, mine closure and site rehabilitation, mobile plant maintenance, open cut mining, tire management, and underground mining services; manufactures and supplies explosives; undertakes civil projects; and trains and develops ATSI employees. The company is headquartered in North Ryde, Australia.

Company	Country	Market cap (AUDm)	Description
Global Construction Services Limited	Australia	87	Global Construction Services Limited provides equipment and on site specialised labor services in Australia. The company operates through Commercial; Residential; and Resource, Industrial, Oil & Gas segments. It supplies a range of specialized labor services and equipment, including hire and sale of scaffolding, formwork, material hoists, temporary site accommodation, and general plant hire The company's products also include plant and equipment, such as compressors and air power tools, compaction equipment, generators, distribution boards and lighting towers, skid steers and excavators, materials handling equipment, hydraulic power tools, and others; formwork and concreting packages, which comprise formwork contracting, concrete pumping, concrete placement, wall formwork, falsework and propping, column formwork, timber and plywood, and others; and temporary site units, such as lunch rooms and site offices, first aid huts, ablution blocks, shower blocks, accommodation and change rooms, temporary fencing, storage containers, chemical toilets, and others. In addition, it provides delivery and pick up; installation and dismantling and related estimating; design and engineering; concrete supply and installation services. Further, Global Construction Services Limited offers specialized site services, such as rope access, HSE management, traffic management, specialized painting, and security services, as well as windows and facades. The company serves customers involved in the construction and maintenance of oil and gas, energy, infrastructure, offshore, mining, power generation, water treatment plant, decommissioning, shutdowns, and civil work projects; commercial and mixed-use developments; and single and multi-story residential developments. Global Construction Services Limited was founded in 2003 and is headquartered in Redcliffe, Australia.
Macmahon Holdings Ltd.	Australia	143	Macmahon Holdings Limited provides contract mining services to clients in Australia, New Zealand, South East Asia, and Africa. It operates through three segments: Surface Mining, Underground Mining, and International Mining. The company offers surface mining services, including mine planning and management, drilling and blasting, bulk and selective mining, crushing and screening, fixed plant maintenance, camp and mine management, train loadout management, and operation and maintenance of client equipment. It also provides underground mining services, such as mine management, underground development and production, portal establishment, raise drilling, cable bolting, shot creting, remote shaft lining, production drilling, and shaft sinking services. In addition, the company offers plant, maintenance, and engineering services, which include commissioning, shutdown, and maintenance management; operation and maintenance of client-owned plant and infrastructure; water management and tailings dam maintenance services; modification to existing plant to suit clients' needs; design, construction, commission, and maintenance of crushing and screening plants; fabrication, installation, and maintenance of structural, mechanical, mining, and electrical plant and equipment for surface and underground clients; and specialized engineering services. Macmahon Holdings Limited was founded in 1963 and is headquartered in Perth, Australia.
MACA Limited	Australia	409	MACA Limited operates as a mining, civil construction, and road infrastructure company in Australia and Brazil. The company offers loading and hauling services; and drilling and blasting services, including production drilling and blasting for surface mining operations or quarries, pre-split drilling, contour drilling and pioneering, blast hole sample drilling, probe drilling, pre-split and final wall blasting, drill and blast design, blasting solutions for civil construction, and controlled blasting. It also provides crushing and screening services to deliver tailored screening and sizing solutions, as well as materials handling solutions. In addition, the company offers civil road infrastructure and maintenance services, including roads and bridges construction and maintenance, and parks and gardens management services, as well as vegetation management, pavement and verge work, safety barrier, and specialist services to government and private organizations. MACA Limited was incorporated in 2002 and is headquartered in Welshpool, Australia.

Company	Country	Market cap (AUDm)	Description
Mastermyne Group Limited	Australia	18	Mastermyne Group Limited provides contracting services to the underground long wall mining operations in Australia. It operates through two segments, Mastermyne and Mastertec. The Mastermyne segment offers project management, labour and equipment hiring, underground roadway development, underground ventilation device installation, bulk materials handling system installation and relocation, and underground mine support services, as well as underground conveyor installation, extension, and maintenance services. The Mastertec segment provides a range of above-ground contracting services to ports, resources, industrial, and infrastructure sectors. Its services include scaffolding and rigging, blast and paint, pipeline services, sustainable capital works, fabrication and machining, training and engineering, and technical services. Mastermyne Group Limited was founded in 1996 and is headquartered in Mackay, Australia.
NRW Holdings Limited	Australia	165	NRW Holdings Limited, through its subsidiaries, provides civil and mining contracting services to resource and infrastructure sectors in Australia. It operates through three business divisions: NRW Civil & Mining, Action Drill & Blast (ADB), and AES Equipment Solutions (AES). The NRW Civil & Mining division delivers private and public civil infrastructure projects, mine development and contract mining, waste stripping, and ore haulage. This division's civil construction projects include bulk earthworks, rail formation, concrete installation, and construction of roads; and mining projects comprise work in iron ore, coal, and gold. The ADB division provides contract drill and blast services to mining sector, including iron ore, gold, coal, and lithium mines; and civil projects throughout Australia. The AES division offers maintenance services to the mining and resources sectors comprising the fabrication of water and service trucks. The company also sells plants and tires. NRW Holdings Limited was founded in 1994 and is headquartered in Belmont, Australia.

Comparable company analysis – internationally listed company descriptions

Company	Country	Market cap (AUDm)	Description
Finning International Inc.	Canada	4139	Finning International Inc. provides, sells, and rents parts and services for equipment and engines in Canada, South America, the United Kingdom, and Ireland. It serves various industries, including mining, construction, petroleum, and forestry, as well as various power system applications. The company was formerly known as Finning Ltd. and changed its name to Finning International Inc. in April 1997. Finning International Inc. was founded in 1933 and is headquartered in Vancouver, Canada.

Company	Country	Market cap (AUDm)	Description
Petrowest Corporation	Canada	57	Petrowest Corporation provides construction services in Western Canada. It operates through five divisions: Construction, Civil Services, Transportation, Environmental Services, and Rentals. The Construction division offers industrial and civil infrastructure, land clearing, construction, and road building services; well site preparation and clean-up, restoration, and reclamation services; and commercial subdivision construction services. The Civil Services division engages in mobile rock and gravel crushing activities, including pit run crushing, quarry crushing, and stripping and cleaning of quarry pits; and in the provision of oilfield safety supervision services and safety equipment rentals for sour gas wells. The Transportation division provides various services comprising general heavy duty hauling, equipment transportation, log loading and hauling, and gravel and pipe hauling for the construction, forestry, and oilfield industries; and contaminated waste soils transportation services. The Environmental Services division owns a landfill site in northeastern British Columbia. The Rentals Division owns and rents heavy and oilfield equipment, such as articulated haulers, tracked excavators, crawler dozers, sidebooms, and earth compactors. This division provides heavy equipment to oil and gas companies; and contractors working in civil construction, oil and gas, mining, logging, and pulp and paper industries. The company was founded in 2006 and is headquartered in Calgary, Canada.
Kanamoto Company Ltd.	Japan	1138	Kanamoto Company Ltd., through its subsidiaries, engages in the rental of construction equipment, engineering workstations, and computer peripherals; and sale of steel products in Japan. The company rents various hand tools and construction equipment, such as dump trucks and hydraulic excavators, as well as temporary housing materials, structures, and electrical generators. It also supplies steel products, such as steel bars and H-beams, sheet piles, and single-tube pipes. Further, it rents hardware products; and various network solutions. Additionally, Kanamoto Company Ltd. provides engineering-trained manpower services. The company was founded in 1964 and is headquartered in Sapporo, Japan.
MS Holdings Limited	Singapore	14	MS Holdings Limited, an investment holding company, provides crane rental services in Singapore. It rents mobile cranes and lorry cranes; trades in mobile cranes and related equipment; and provides project logistics management and services. The company has a fleet of approximately 33 mobile cranes and lorry cranes with lifting capacities ranging from 25 tons to 750 tons. It serves customers in construction, marine, logistics, oil and gas, and infrastructure industries. The company was incorporated in 2014 and is headquartered in Singapore.

Company	Country	Market cap (AUDm)	Description
Tat Hong Holdings Ltd	Singapore	300	Tat Hong Holdings Ltd, an investment holding company, supplies cranes and heavy equipment to various industries worldwide. The company operates through four segments: Crane Rental, Tower Crane Rental, General Equipment Rental, and Distribution. It is involved in the rental of dry and wet hire cranes and equipment, earthmoving and civil construction plants, access equipment, air and power generation equipment, lighting towers, site accommodation equipment, handling and lifting equipment, welding and cutting equipment, and scaffolding equipment; and sale of crawler cranes, mobile cranes, tower cranes, earth-moving equipment, foundation equipment, excavators, loaders, tool carriers, compactors, milling and paving equipment, and graders. Tat Hong Holdings Ltd also offers lift execution, engineering, project and site management, rigging and crane erection, jacking and skidding, and equipment installation services, as well as offshore and marine services. In addition, the company provides transportation and logistics services; training courses and management consultancy work; technology consultancy and related technical services; plant hire, heavy haulage, and engineering services; and engages in the import, export, trade, lease repair, and maintenance of industrial and construction machinery and equipment. Further, it is involved in the reconditioning, repair, and testing of hydraulic pumps and motors; supply of scientific and precision equipment, heavy machinery and equipment, motor trucks, and motor lorries; rental of leasehold property; and lease of warehouses. Additionally, the company is involved in the distribution of heavy equipment and spare parts; and provision of lorry transport and crane services. It serves customers in the construction and engineering, infrastructure, oil and gas, power generation, and resources industries. The company was incorporated in 1991 and is based in Singapore.
Tiong Woon Corporation Holding Ltd	Singapore	55	Tiong Woon Corporation Holding Ltd, an investment holding company, provides integrated services primarily for the oil and gas, petrochemical, infrastructure, and construction sectors. It operates through four segments: Heavy Lift and Haulage, Marine Transportation, Engineering Services, and Trading. The company is involved in selling and hiring out of cranes and transport; leasing heavy haulage equipment, such as prime movers, low beds, self propelled modular trailers, tow trucks, and trailers; and supplying various models of tower cranes for sale and rent. It also provides heavy lift and haulage, marine transportation, and inland transportation services; equipment installation services for trays and structures; project engineering services for heavy lifting and haulage requirements; refurbish, delivery, maintenance, jack down, dismantle, and erection of tower cranes, as well as wall tie installation, foundation anchor, and jacking up services; and after sales services, which include maintenance and repair services. In addition, the company offers tug and barge services for various sea transportation projects; trades new and used equipment, such as crawler cranes, mobile cranes, and tower cranes; process and industrial plant engineering works for the marine, and oil and gas industries; and mechanical and infrastructure engineering services, and structural works. Further, it engages in the repair and up-slipping/launching of ships; management of marine and industrial plant projects; renovation and marine related activities; and freight forwarding and logistics related business. The company's fleet consists of 493 cranes and 291 haulage assets; and 7 tugboats and 12 barges. Tiong Woon Corporation Holding Ltd operates in Singapore, the Middle East, Malaysia, India, Indonesia, Thailand, China, and internationally. The company was founded in 1978 and is headquartered in Singapore.

Company	Country	Market cap (AUDm)	Description
Eqstra Holdings Limited	South Africa	106	Eqstra Holdings Limited engages in the distribution, lease, and rental of mobile capital equipment; and provision of related value added annuity services in South Africa, the United Kingdom, and Ireland. It operates through Industrial Equipment, Fleet Management and Logistics, and Contract Mining and Plant Rental segments. The Industrial Equipment segment offers distribution, leasing, rental, and value-added services for industrial, materials handling, and agricultural equipment markets. This segment primarily serves blue chip clients in a range of sectors, including retail, manufacturing, ports and container handling, mining, warehousing, airports, fast-moving consumer goods, and agriculture. The Fleet Management and Logistics segment provides leasing, rental, logistics, and value-added services for passenger and commercial vehicles. This segment also offers fleet management solutions; and logistics solutions for the commodity and dry bulk sectors under the Eqstra Flexi Logistics brand, as well as provides transport and logistics solutions for work fleets. The Contract Mining and Plant Rental segment offers opencast mining services comprising drilling, blasting, loading, hauling, and rehabilitation services, as well as rents heavy earthmoving equipment. The company serves clients in the construction, mining, industrial, and commercial sectors. Eqstra Holdings Limited was founded in 1984 and is based in Kempton Park, South Africa.
Torre Industries Limited	South Africa	81	Torre Industries Limited, together with its subsidiaries, provides a range of equipment, parts, financing, and support services in Africa. It operates through Plant and Equipment, Services and Supplies, and Financial Solutions segments. The company engages in the sale and rental of heavy lifting and earth moving equipment for the mining, agriculture, and construction industries, as well as supplies parts and services. It is also involved in the supply of aftermarket spare parts to the automotive, construction, mining, and agriculture industries; and the provision financing solutions. The company was formerly known as SA French Limited. Torre Industries Limited was incorporated in 2012 and is based in Johannesburg, South Africa.
Ashtead Group plc	United Kingdom	10422	Ashtead Group plc, an investment holding company, rents a range of construction and industrial equipment. The company offers equipment, which is used to lift, power, generate, move, dig, support, access, scrub, pump, direct, heat, and ventilate various works. It provides various types of construction equipment for non-residential construction markets; and facilities management equipment for the maintenance and repair of facilities. The company also provides disaster relief equipment, such as pumps and power generation equipment for various types of applications, such as assisting at times of flooding due to weather and burst water supply; power generation, lighting, and other equipment for management of events, such as super bowl events, sporting events, music concerts, and festivals; and climate control equipment, including cooling, heating, and dehumidification equipment. In addition, it offers scaffolding rental solutions, including installation solutions for access to the new or existing structures; and portable traffic systems to facilitate engineering projects and clean-up after an accident. The company offers equipment under Sunbelt Rentals brand in the United States and A-Plant brand in the United Kingdom. It serves construction, industrial, and homeowner customers, as well as government entities and specialist contractors. The company operates 546 stores in the United States, 13 stores in Canada, and 156 stores in the United Kingdom. Ashtead Group plc was founded in 1984 and is headquartered in London, the United Kingdom.

Company	Country	Market cap (AUDm)	Description
HSS Hire Group plc	United Kingdom	205	HSS Hire Group plc offers tool and equipment hire, and related services in the United Kingdom and the Republic of Ireland. It operates in two segments, HSS Core and HSS Specialist. The company provides tools, equipment, and hire-related services to businesses, and trade and DIY customers; supplies, fits, manages, and services diesel generators for power generation needs; provides cleaning equipment solutions for contract cleaners; and supplies specialist support for powered access equipment ranging from scissor lifts and telehandlers to propelled booms. It also provides specialist training services that cover technical and safety courses; provides heavy plant equipment, including excavators, diggers, and dumpers; sources and provides non-core, large plant and equipment; provides an online business management tool that offers account customers for the real-time control of their tool and equipment hire; and offers a range of skips for general waste management. The company serves 'business-to-business' customers in the 'fit-out, maintain, and operate' sectors of the tool and equipment hire market. Its rental customers also include construction contractors, utilities and facilities, management operators, government entities, retailers, infrastructure developers, and homeowners. As of December 31, 2015 the company operated a network of approximately 320 locations. HSS Hire Group plc was founded in 1957 and is based in Mitcham, the United Kingdom.
Essex Rental Corp.	United States	9	Essex Rental Corp., through its subsidiaries, rents and distributes lifting equipment to the construction industry in North America. The company operates in four segments: Essex Crane Equipment Rentals; Coast Crane Equipment Rentals; Equipment Distribution; and Parts and Service. It rents lattice-boom crawler cranes and attachments, and other related heavy lifting machinery and equipment. The company also rents, sells, and distributes used and new tower cranes, boom trucks, rough terrain cranes, terrain cranes, and other lifting equipment to customers in the infrastructure, energy, crane rigger/operator, municipal, and industrial construction sectors. In addition, it retails construction equipment products; and offers installation, maintenance, repair, and parts and services for equipment provided to customers and customer owned equipment. Further, the company supplies lifting solutions for construction projects related to power generation, petro-chemical, refineries, water treatment and purification, bridges, highways, hospitals, shipbuilding, offshore oil fabrication and industrial plants, and commercial and residential construction. It serves construction companies, industrial companies, municipalities, and contractors performing repair and maintenance to renovation projects for owners of commercial and industrial facilities. Essex Rental Corp. was founded in 1960 and is headquartered in Buffalo Grove, Illinois.
H&E Equipment Services Inc.	United States	742	H&E Equipment Services, Inc. operates as an integrated equipment services company. The company rents, sells, and provides parts and service support for hi-lift or aerial work platform equipment, cranes, earthmoving equipment, and industrial lift trucks. It offers heavy construction and industrial equipment for rent on a daily, weekly, and monthly basis. As of December 31, 2015, the company's rental fleet consisted of 27,597 pieces of equipment. It also sells new and used equipment and parts, as well as provides maintenance and repair services for the customers' owned equipment. In addition, it provides ancillary equipment support activities, including transportation, hauling, parts shipping, and loss damage waivers. The company provides its services to industrial and commercial companies, construction contractors, manufacturers, public utilities, municipalities, and maintenance contractors, as well as for other industrial accounts. It has a network of 77 full-service facilities serving approximately 37,700 customers across 22 states in the West Coast, Intermountain, Southwest, Gulf Coast, Southeast, and Mid-Atlantic regions of the United States. H&E Equipment Services, Inc. was founded in 1961 and is headquartered in Baton Rouge, Louisiana.

Company	Country	Market cap (AUDm)	Description
HERC Holdings, Inc.	United States	1239	Herc Holdings Inc. operates as an equipment rental supplier in North America. It rents equipment, such as aerial, air compressors and tools, climate control, compaction and paving, concrete and masonry, earthmoving, floor care and surface preparation, material handling, power generation, procontractors, pumps, and trucks and trailers. The company also sells used equipment through online and provides financing and warranty services on the equipment. As of July 01, 2016, it operated approximately 280 company-operated branches. In addition, the company provides ProSolutions, an industry specific solutions-based service. It serves commercial and residential construction, industrial and manufacturing, refineries and petrochemicals, civil infrastructure, automotive, government and municipalities, energy, remediation, emergency response, facilities, entertainment, and agriculture markets. Herc Holdings Inc. is based in Bonita Springs, Florida.
Neff Corp.	United States	108	Neff Corporation, through its subsidiary, Neff Holdings LLC, operates as an equipment rental company in the United States. The company offers earthmoving equipment, including excavators, backhoes, loaders, bulldozers, mini-excavators, trenchers, sweepers and tractors, track loaders, and skid steers; and material handling equipment comprising reach forklifts, industrial forklifts, and straight-mast forklifts. The company also provides aerial equipment, such as personnel lifts, electric scissor lifts, dual fuel scissor lifts, articulating boom lifts, and straight boom lifts; and other rental equipment consisting of compaction and concrete equipment, trucks and trailers, sweepers, air equipment, generators, welders, lighting equipment, pumps, and other small equipment and tools. In addition, it is involved in the sale of used and new equipment; and sale of complementary parts, supplies, fuel, and merchandise, as well as offers repair and maintenance services. The company serves various industries, such as industrial and civil construction, manufacturing, public utilities, offshore oil exploration and drilling, refineries and petrochemical facilities, municipalities, golf course construction, shipping, and the military. Neff Corporation was founded in 1989 and is headquartered in Miami, Florida.
Titan Machinery, Inc.	United States	296	Titan Machinery Inc. owns and operates a network of full service agricultural and construction equipment stores in the United States and Europe. It operates through three segments: Agriculture, Construction, and International. The company sells new and used equipment comprising agricultural and construction equipment manufactured under the CNH family of brands, as well as equipment from various other manufacturers. Its agricultural equipment include application equipment and sprayers, combines and attachments, hay and forage equipment, planting and seeding equipment, precision farming technology, tillage equipment, and tractors for farming, and home and garden applications. The company's construction equipment comprise compact track loaders, compaction equipment, cranes, crawler dozers, excavators, forklifts, loader/backhoes, loader/tool carriers, motor graders, skid steer loaders, telehandlers, and wheel loaders for commercial and residential construction, road and highway construction, and mining applications. Titan Machinery Inc. also sells maintenance and replacement parts of equipment that it sells, as well as for other types of equipment. In addition, it provides repair and maintenance services consisting of warranty repairs, on-site repair services, and scheduling off-season maintenance services, as well as notifies customers of periodic service requirements; provides training programs to customers; and sells extended warranty services. Further, the company rents equipment; and provides ancillary equipment support services. As of April 13, 2016, it operated a network of 91 North American dealerships in North Dakota, South Dakota, Iowa, Minnesota, Montana, Nebraska, Wyoming, Wisconsin, Colorado, Arizona, and New Mexico, including 1 outlet store; and 17 European dealerships in Romania, Bulgaria, Serbia, and Ukraine. Titan Machinery Inc. was founded in 1980 and headquartered in West Fargo, North Dakota.

Company	Country	Market cap (AUDm)	Description
United Rentals, Inc.	United States	8537	United Rentals, Inc., through its subsidiaries, operates as an equipment rental company. It operates in two segments, General Rentals; and Trench, Power, and Pump. The General Rentals segment engages in the rental of general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment, and material handling equipment; aerial work platforms, such as boom lifts and scissor lifts; and general tools and light equipment comprising pressure washers, water pumps, and power tools. This segment serves construction and industrial companies, manufacturers, utilities, municipalities, and homeowners. The Trench, Power, and Pump segment is involved in the rental of specialty construction products, including trench safety equipment, such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers, and line testing equipment for underground work; power and HVAC equipment, which consists of portable diesel generators, electrical distribution equipment, and temperature control equipment; and pumps primarily used by energy and petrochemical customers. It serves construction companies involved in infrastructure projects, municipalities, and industrial companies. The company also sells new equipment, such as aerial lifts, reach forklifts, telehandlers, compressors, and generators; contractor supplies, including construction consumables, tools, small equipment, and safety supplies; and parts for equipment that are owned by the company's customers, as well as provides repair and maintenance services. It sells its used equipment through its sales force, brokers, and Website, as well as at auctions and directly to manufacturers. As of February 18, 2016, the company operated 897 rental locations in the United States and Canada. United Rentals, Inc. was founded in 1997 and is headquartered in Stamford, Connecticut.

Appendix F. Comparable transaction company analysis

Target company name	Announcement date	Target country	Percentage acquired (%)	Implied enterprise value $ million	Target revenue (LTM) $ million	Implied EBITDA multiple %	Target company description
Large transactions (>$400m)							
TRACTEL S.A.S.	7/29/2015	France	80	442	NA	7.3x	TRACTEL S.A.S. develops, manufactures, sells, and rents lifting and handling, load measurement, suspended working platforms, and fall arrest safety equipment.
Crestwood Midstream Partners LP	5/05/2015	United States	96	7,731	3,100	14.2x	Crestwood Midstream Partners LP provides gathering, processing, storage, and transportation solutions to customers in the crude oil, natural gas liquids (NGL), and natural gas sectors of the energy industry in the United States.
Compressor Systems Inc.	7/20/2014	United States	100	979	331	11.2x	Compressor Systems Inc. fabricates, sells, rents, and services natural gas compressors in the United States, Australia, Mexico, and internationally.
All America Latina Logistica S.A.	2/24/2014	Brazil	100	7,125	1,728	8.5x	All America Latina Logistica S.A. operates as a logistics company in Latin America.
AMCOL International Corporation	10/29/2013	United States	100	1,860	1,115	11.6x	AMCOL International Corporation is engaged in the development and application of minerals and technology products and services to various industrial and consumer markets.
PVR Partners, L.P.	10/09/2013	United States	100	5,829	1,159	18.4x	PVR Partners, L.P. gathers and processes natural gas; and manages coal and natural resource properties in the United States.
Industrea Limited	5/15/2012	Australia	100	679	365	5.8x	Industrea Limited engages in the provision of mining products and services.
Average						**11.0x**	
Median						**11.2x**	
Small transactions (<$400m)							
Kyosei Rentemu Co., Ltd.	07/25/2016	Japan	74	180	259	2.2x	Kyosei Rentemu Co., Ltd. imports, exports, rents, sells, and repairs construction and agricultural machinery instrumentation, household supplies, car classes, and telecommunications equipment in Japan.
UE E&C Ltd.	10/03/2014	Singapore	100	180	324	2.8x	UE E&C Ltd., an investment holding company, provides integrated building solutions.
Empire Tool Inc.	5/27/2014	Canada	100	9	4	3.3x	Empire Tool Inc. is an oilfield service company that rents drilling equipment to companies exploring for and developing oil & natural gas reserves.
Lone Star Tank Rental LP and KHM Rentals, LLC	2/28/2014	United States	100	116	50	NA	As of April 7, 2014, Lone Star Tank Rental LP and KHM Rentals, LLC was acquired by General Finance Corporation.
M&K Hotshot &	12/23/201	United	100	49	38	3.5x	As of January 31, 2014, M&K Hotshot & Trucking, Inc. and M&K Rig Service, Inc. were acquired

Target company name	Announcement date	Target country	Percentage acquired (%)	Implied enterprise value $ million	Target revenue (LTM) $ million	Implied EBITDA multiple %	Target company description
Trucking, Inc. and M&K Rig Service, Inc.	3	States					by Rodan Transport (U.S.A.) Ltd. M&K Hotshot & Trucking, Inc. and M&K Rig Service, Inc. represents the combined operations of M&K Hotshot & Trucking, Inc. and M&K Rig Service, Inc. in their sale to Aveda Transportation and Energy Services Inc. M&K Hotshot & Trucking, Inc. and M&K Rig Service, Inc. provides equipment rental services including trailers, conventional tractors, winch trucks and three cranes. M&K Hotshot & Trucking, Inc. and M&K Rig Service, Inc. are based in Williston, North Dakota.
Black Hawk Energy Services, Inc.	10/29/2013	United States	100	73	61	4.1x	Black Hawk Energy Services, Inc. provides well services related to the oil and gas industries in the New Mexico, Texas, and North Dakota regions.
Tysan Holdings Limited	8/19/2013	Hong Kong	87	246	487	3.1x	Tysan Holdings Limited, an investment holding company, engages in foundation piling; property investment, development, and management; and machinery leasing and trading activities in Hong Kong and the People's Republic of China.
Valla S.p.A.	11/07/2013	Italy	100	1	8	1.7x	Valla S.p.A. designs, develops, manufactures, sells, and rents mobile industrial cranes for customers worldwide.
Mancala Holdings Pty Ltd	10/09/2013	Australia	100	15	NA	5.4x	Mancala Holdings Pty Ltd. provides design, engineering, construction, excavation, and mining services to the mineral and civil construction industries in Australia.
Sparrows Offshore Group Limited	9/28/2012	United Kingdom	100	78	267	2.9x	Sparrows Offshore Group Limited provides engineered products and services in the areas of lifting and mechanical handling, cable and pipe lay, and fluid power to the energy industry.
Best Tractor Parts Pty Ltd.	7/11/2012	Australia	100	165	176	3.3x	Best Tractor Parts Pty Ltd. supplies, markets, and leases mining parts and equipment for mining companies, contractors, and government departments in Australia.
Portek International Pte Ltd	7/13/2011	Singapore	100	159	98	6.2x	Portek International Pte Ltd, an investment holding company, provides equipment, services, and solutions to the port industry.
Average						**3.5x**	
Median						**3.3x**	

Source: Capital IQ and PPB analysis

Notes:

1. Implied enterprise value represents the sum of the target's implied equity value (calculated using transaction value and stake) and debt, less cash

2. LTM = last twelve months; NTM = next twelve months; n/a = not available

3. Best Tractor Parts Pty Ltd. is a direct competitor to Emeco and has been assessed as the most comparable transaction (highlighted in grey)

Appendix G. Control premium analysis

Multiples applied in a CFME method are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular share. Accordingly, when valuing a business (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Consistent with the requirements of RG 111, in valuing each of Emeco (on a standalone basis) we have assumed 100% ownership, and therefore included a premium for control when assessing the multiples implied by the trading prices for listed comparable companies.

Observations from transaction evidence indicate that takeover premiums generally range from 20 to 35% for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater. Takeover premiums can vary significantly between individual transactions. Takeover premiums can vary significantly between transactions as the final price paid will reflect to varying degrees:

- any pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the expected synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder i.e. financial investor vs trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive
- the extent the target company's share price already reflects a degree of takeover speculation

We have selected a control premium of 30% for the purposes of our assessment, based on an analysis of control premiums paid in Australian transactions since 1 January 2012.

A control premium represents the amount paid by an acquirer above the current trading price of a publicly listed company in order to obtain a controlling interest in that company.

Our control premium analysis was conducted using data from obtained S&P Capital IQ in relation to 178 transactions between 1 January 2012 and 30 June 2016. We have analysed the control premium by comparing the transaction value to the closing share price of the target company one day prior to the announcement date. The results of our control premium analysis are summarised below.

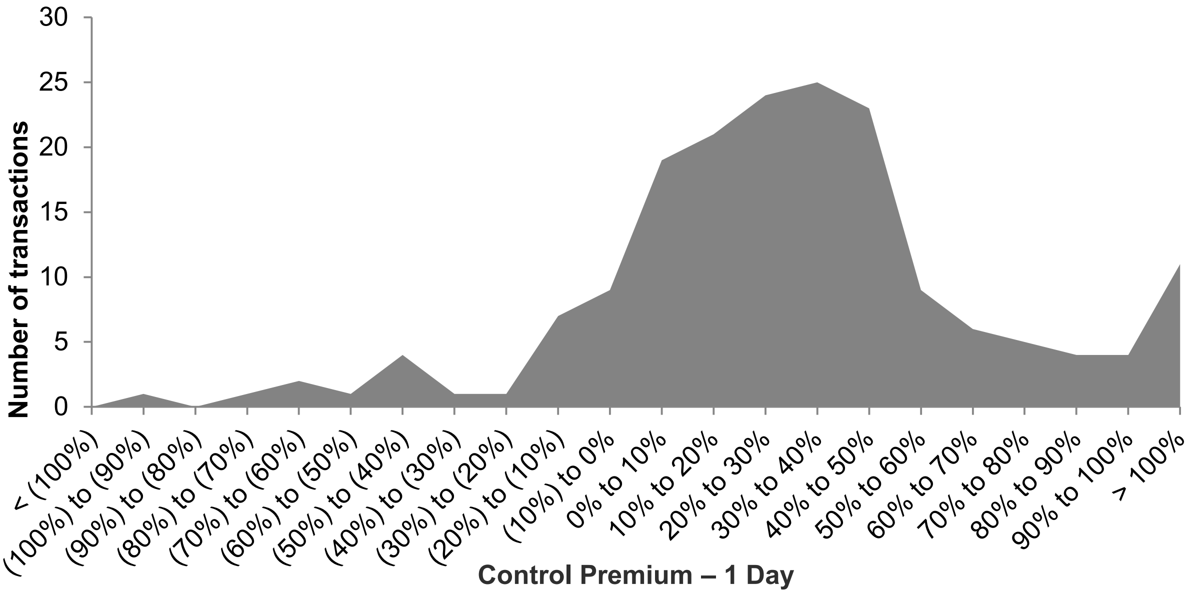
Results of control premium study

Average	33%
Median	29%
Bottom Quartile	9%
Top Quartile	47%

Source: Capital IQ

The quantum of control premiums varied significantly across transactions but generally ranged between 10% to 50%, as illustrated in the figure below.

Distribution of results of control premium study



Source: Capital IQ, PPB analysis

In our opinion there may be an upward bias in the transactions analysed, because:

- many of the acquisitions are opportunistic and occurred at times when the target company is trading at a depressed value
- acquirers often pay above fair market value to acquire a company because they can generate significant synergies and special value. Special value is not taken into account in a fair market value assessment
- many of the transactions involved a competitive bidding process which generally results in the acquirer paying away a larger portion of their expected synergies than would otherwise be necessary
- many of the target companies shares were thinly trading and as a result may have been trading at values below their fair market value

The potential upward bias due to the above points is offset by the fact that in some circumstances the market may have already been aware of or anticipated the acquisition prior to announcement, which would reduce the implied control premium.

Appendix H. Underwriting fee analysis

$0 million to $10 million transactions

Date	Issuer	Total transaction value ($m)	Underwriter compensation (%)
26/11/2015	Vango Mining Limited (ASX:VAN)	0.30	25.94%
18/06/2013	Energia Minerals Limited (ASX:EMX)	0.66	23.15%
9/02/2015	Taruga Gold Limited (ASX:TAR)	0.07	20.22%
12/10/2015	Transcendence Technologies Limited (ASX:TTL)	0.07	17.39%
26/02/2016	Vital Metals Limited (ASX:VML)	0.42	13.08%
19/05/2016	Freshtel Holdings Limited (ASX:FRE)	0.38	12.66%
14/06/2016	iCollege Limited (ASX:ICT)	3.08	10.87%
27/07/2016	Adelaide Resources Ltd. (ASX:ADN)	0.90	10.44%
4/11/2015	IVS Holdings Limited	0.11	10.02%
26/08/2015	Silver Mines Limited (ASX:SVL)	0.55	10.01%
22/01/2016	Crater Gold Mining Limited (ASX:CGN)	6.99	9.99%
10/06/2014	Austin Exploration Limited (ASX:AKK)	2.86	9.69%
16/05/2014	Opthea Limited (ASX:OPT)	3.40	9.51%
17/12/2015	Overland Resources Limited (ASX:OVR)	0.59	9.38%
2/06/2015	Navarre Minerals Limited (ASX:NML)	1.14	9.07%
13/09/2013	Australian Vanadium Limited (ASX:AVL)	3.01	8.00%
1/07/2016	Connexion Media Limited (ASX:CXZ)	0.82	8.00%
12/05/2015	1st Available Ltd (ASX:1ST)	5.30	8.00%
17/10/2014	Stargroup Limited (ASX:STL)	3.37	7.99%
6/03/2015	WestStar Industrial Limited (ASX:WSI)	3.26	7.99%
20/06/2016	Platypus Minerals Ltd (BST:AUB)	3.67	7.64%
12/08/2013	Mount Magnet South Limited (ASX:MUM)	0.62	7.62%
21/11/2014	Advanced Braking Technology Limited (ASX:ABV)	1.88	7.50%
2/09/2013	Enegex Limited (ASX:ENX)	0.32	7.50%
11/05/2016	Rubicor Group Limited (ASX:RUB)	4.76	7.50%
17/05/2016	Antipa Minerals Ltd (ASX:AZY)	0.65	7.17%
24/03/2015	Target Energy Limited (ASX:TEX)	2.48	7.07%
26/05/2016	Australian Mines Ltd. (ASX:AUZ)	1.48	7.03%
4/03/2016	Moko Social Media Limited (ASX:MKB)	8.77	7.00%
10/07/2015	Moko Social Media Limited (ASX:MKB)	3.60	7.00%
23/12/2014	Silver Mines Limited (ASX:SVL)	0.98	7.00%
5/06/2015	Volt Resources Limited (ASX:VRC)	0.61	7.00%
9/09/2014	Swift Networks Group Limited (ASX:SW1)	1.18	7.00%
3/10/2014	Broken Hill Prospecting Limited (ASX:BPL)	0.99	7.00%
28/04/2016	Mitchell Services Limited (ASX:MSV)	2.50	7.00%
19/04/2016	Rent.com.au Limited (ASX:RNT)	5.46	7.00%
17/06/2014	Memphasys Limited (ASX:MEM)	2.85	6.99%
3/05/2013	Kairos Minerals Limited (ASX:KAI)	1.64	6.99%
19/10/2015	DGR Global Limited (ASX:DGR)	1.66	6.98%
13/11/2015	Echo Resources Limited (ASX:EAR)	1.52	6.97%
29/05/2013	Collaborate Corporation Limited (ASX:CL8)	0.71	6.90%
15/11/2013	Celamin Holdings N.L.	7.58	6.79%
28/11/2013	White Cliff Minerals Limited (ASX:WCN)	0.74	6.77%
23/10/2015	Variscan Mines Limited (ASX:VAR)	1.56	6.69%
18/02/2016	Vango Mining Limited (ASX:VAN)	1.45	6.52%
24/12/2015	Proteomics International Laboratories Limited (ASX:PIQ)	3.05	6.50%
16/03/2015	Fertoz Limited (ASX:FTZ)	4.00	6.50%
21/12/2015	A1 Consolidated Gold Ltd (ASX:AYC)	3.32	6.49%
15/02/2016	Rimfire Pacific Mining NL (ASX:RIM)	1.04	6.13%
25/02/2013	A1 Consolidated Gold Ltd (ASX:AYC)	2.70	6.11%
6/05/2013	Lodestar Minerals Limited (ASX:LSR)	1.05	6.03%
31/05/2016	Proteomics International Laboratories Limited (ASX:PIQ)	0.13	6.02%

19/09/2013	KIN Mining NL (ASX:KIN)	1.56	6.02%
12/08/2015	Capital Mining Limited (ASX:CMY)	1.48	6.02%
24/06/2015	Lindian Resources Limited (ASX:LIN)	1.09	6.02%
17/07/2015	Paradigm Metals Limited.	0.05	6.02%
8/05/2015	Eneabba Gas Ltd. (ASX:ENB)	1.20	6.02%
28/04/2015	Analytica Ltd. (ASX:ALT)	1.22	6.02%
17/08/2015	Immuron Limited (ASX:IMC)	1.86	6.01%
11/11/2013	Austin Exploration Limited (ASX:AKK)	1.73	6.01%
5/06/2013	Eumeralla Resources Ltd (ASX:EUM)	1.31	6.01%
21/05/2014	Advanced Braking Technology Limited (ASX:ABV)	2.04	6.01%
16/10/2014	Birimian Limited (ASX:BGS)	2.98	6.01%
14/04/2016	Inca Minerals Limited (ASX:ICG)	3.00	6.01%
24/09/2014	Red Mountain Mining Ltd (ASX:RMX)	1.05	6.01%
21/03/2016	Redstone Resources Limited (ASX:RDS)	1.25	6.01%
22/01/2015	Emu NL (DB:4EU)	0.30	6.01%
4/02/2013	Alligator Energy Limited (ASX:AGE)	2.70	6.01%
18/03/2016	AtCor Medical Holdings Limited. (ASX:ACG)	3.20	6.01%
15/08/2013	Volta Mining Limited (ASX:VTM)	0.51	6.01%
4/11/2013	Monto Minerals Limited	0.50	6.01%
25/08/2016	Centaurus Metals Limited (ASX:CTM)	0.50	6.00%
13/04/2015	Eclipse Metals Limited (ASX:EPM)	2.43	6.00%
27/11/2014	CML Group Limited (ASX:CGR)	3.25	6.00%
17/01/2014	Altech Chemicals Limited (ASX:ATC)	2.10	6.00%
22/09/2015	Crater Gold Mining Limited (ASX:CGN)	2.12	6.00%
25/11/2015	TW Holdings Limited (ASX:TWH)	0.69	6.00%
10/09/2013	Apollo Consolidated Limited (ASX:AOP)	0.64	6.00%
26/09/2014	Paradigm Metals Limited.	0.53	6.00%
3/09/2014	ATC Alloys Limited (ASX:ATA)	3.74	6.00%
9/10/2013	Taruga Gold Limited (ASX:TAR)	0.63	6.00%
24/06/2013	Alterra Limited (ASX:1AG)	0.52	6.00%
17/06/2015	WPG Resources Ltd (ASX:WPG)	6.32	6.00%
17/02/2016	Rubianna Resources Limited	0.97	6.00%
10/05/2016	Platypus Minerals Ltd (BST:AUB)	0.96	6.00%
19/06/2014	Corizon Limited (ASX:CIZ)	1.00	6.00%
9/09/2015	Norwest Energy NL (ASX:NWE)	0.82	6.00%
28/10/2013	Fitzroy Resources Ltd.	0.58	6.00%
27/07/2016	Vector Resources Limited (ASX:VEC)	0.20	6.00%
6/02/2014	Manas Resources Ltd. (ASX:MSR)	5.51	6.00%
12/11/2015	Latitude Consolidated Limited (ASX:LCD)	0.85	6.00%
20/04/2015	SECOS Group Limited (ASX:SES)	2.39	6.00%
20/03/2015	Antipa Minerals Ltd (ASX:AZY)	0.55	6.00%
21/02/2014	Factor Therapeutics Limited (ASX:FTT)	5.30	6.00%
8/12/2014	MCS Services Limited (ASX:MSG)	0.58	6.00%
1/09/2014	WHL Energy Limited (ASX:WHN)	3.04	6.00%
16/05/2016	MCS Services Limited (ASX:MSG)	4.50	6.00%
11/05/2016	Talga Resources Limited (DB:TGX)	1.06	6.00%
9/05/2016	Core Exploration Ltd. (ASX:CXO)	0.75	6.00%
24/03/2016	Core Exploration Ltd. (ASX:CXO)	0.13	6.00%
23/02/2016	Analytica Ltd. (ASX:ALT)	2.80	6.00%
2/11/2015	Manas Resources Ltd. (ASX:MSR)	2.10	6.00%
3/08/2015	Augend Limited	7.00	6.00%
2/07/2015	Parmelia Resources Limited	3.50	6.00%
26/05/2015	Swift Networks Group Limited (ASX:SW1)	4.00	6.00%
22/05/2015	Orrex Resources Limited	8.00	6.00%
22/05/2015	YPB Group Ltd (ASX:YPB)	3.75	6.00%
13/05/2015	Fitzroy Resources Ltd.	2.75	6.00%
3/03/2015	Renascor Resources Limited (ASX:RNU)	0.50	6.00%
30/07/2014	Hazer Group Limited (ASX:HZR)	5.00	6.00%
14/07/2014	Firestrike Resources Limited	3.50	6.00%
18/06/2014	Monto Minerals Limited	5.00	6.00%

17/03/2014	8common Limited (ASX:8CO)	3.50	6.00%
22/01/2014	The Carajas Copper Company Limited (ASX:CJC)	0.62	6.00%
15/05/2013	Black Rock Mining Limited (ASX:BKT)	3.50	6.00%
1/05/2013	Rewardle Holdings Limited (ASX:RXH)	4.00	6.00%
30/04/2013	Transcendence Technologies Limited (ASX:TTL)	3.60	6.00%
11/03/2013	Mustang Resources Limited (ASX:MUS)	3.50	6.00%
27/01/2013	Tlou Energy Limited (ASX:TOU)	10.00	6.00%
6/10/2014	Triton Minerals Limited	4.00	6.00%
21/02/2014	Heemskirk Consolidated Ltd. (ASX:HSK)	3.86	6.00%
25/11/2015	Southern Crown Resources Limited	3.21	6.00%
24/12/2015	Elemental Minerals Limited (ASX:ELM)	9.47	6.00%
27/10/2014	Moko Social Media Limited (ASX:MKB)	2.39	6.00%
9/08/2013	Middle Island Resources Ltd. (ASX:MDI)	0.50	6.00%
2/11/2015	Immuron Limited (ASX:IMC)	9.66	6.00%
6/03/2015	SmartTrans Holdings Ltd. (ASX:SMA)	5.51	6.00%
20/12/2013	Greenland Minerals and Energy Limited (ASX:GGG)	8.87	6.00%
24/04/2015	Drake Resources Limited (ASX:DRK)	0.45	6.00%
22/09/2015	General Mining Corporation Limited	0.81	6.00%
15/02/2016	Factor Therapeutics Limited (ASX:FTT)	8.72	6.00%
3/07/2015	Manas Resources Ltd. (ASX:MSR)	0.69	6.00%
31/10/2013	Southern Hemisphere Mining Limited (ASX:SUH)	0.85	6.00%
30/09/2014	Kairos Minerals Limited (ASX:KAI)	4.04	6.00%
27/07/2016	EVE Investments Limited (ASX:EVE)	1.86	6.00%
12/06/2014	Factor Therapeutics Limited (ASX:FTT)	5.34	6.00%
19/05/2014	Lasseters Corporation Limited	6.72	6.00%
21/01/2016	Diversa Limited	4.41	6.00%
30/11/2015	West Wits Mining Limited (ASX:WWI)	1.11	6.00%
10/05/2016	Petratherm Limited (ASX:PTR)	0.62	6.00%
18/11/2015	Wolf Petroleum Limited (ASX:WOF)	2.62	6.00%
22/08/2014	Factor Therapeutics Limited (ASX:FTT)	3.69	6.00%
22/08/2014	Rumble Resources Limited (ASX:RTR)	0.54	5.99%
25/02/2016	Bora Bora Resources Ltd (ASX:BBR)	0.52	5.99%
25/09/2014	Newzulu Limited (ASX:NWZ)	2.09	5.99%
4/07/2014	Pantoro Limited (ASX:PNR)	4.91	5.99%
20/05/2015	Nickelore Limited (ASX:NIO)	0.53	5.99%
17/07/2014	Petratherm Limited (ASX:PTR)	0.51	5.99%
29/07/2014	Dourado Resources Limited	0.44	5.99%
26/01/2016	Mantle Mining Corporation Limited (ASX:MNM)	1.38	5.99%
15/10/2014	Arrowhead Resources Limited (ASX:AR1)	1.43	5.99%
19/02/2015	Fertoz Limited (ASX:FTZ)	1.85	5.99%
11/06/2014	Metro Mining Limited (ASX:MMI)	3.59	5.99%
18/03/2014	CV Check Ltd (ASX:CV1)	1.57	5.99%
7/06/2013	iCollege Limited (ASX:ICT)	0.19	5.99%
25/02/2013	Southern Hemisphere Mining Limited (ASX:SUH)	2.24	5.99%
12/07/2016	Pura Vida Energy NL (ASX:PVD)	1.71	5.99%
1/10/2015	Protean Wave Energy Ltd (ASX:POW)	2.54	5.99%
17/09/2015	Marindi Metals Limited (ASX:MZN)	2.51	5.99%
20/10/2014	Lindian Resources Limited (ASX:LIN)	2.08	5.99%
10/02/2016	Syndicated Metals Limited (ASX:SMD)	2.00	5.99%
14/12/2015	Oklo Resources Limited (DB:JYA)	1.01	5.99%
8/04/2014	Wolf Petroleum Limited (ASX:WOF)	1.52	5.99%
13/08/2014	Silver Mines Limited (ASX:SVL)	2.77	5.99%
20/10/2015	St George Mining Limited (ASX:SGQ)	1.76	5.98%
2/04/2015	Optiscan Imaging Ltd. (ASX:OIL)	1.42	5.98%
31/08/2016	Admedus Limited (ASX:AHZ)	8.31	5.98%
5/02/2014	Kingston Resources Limited (ASX:KSN)	2.06	5.97%
15/01/2014	Predictive Discovery Limited (ASX:PDI)	1.71	5.85%
9/01/2015	Sayona Mining Limited (ASX:SYA)	7.09	5.82%
23/10/2013	Ventnor Resources Limited (ASX:VRX)	1.99	5.77%
18/11/2013	Red Mountain Mining Ltd (ASX:RMX)	0.63	5.72%

11/03/2016	Kingston Resources Limited (ASX:KSN)	0.75	5.60%
9/05/2016	PanTerra Gold Limited (ASX:PGI)	3.51	5.56%
15/12/2015	Petratherm Limited (ASX:PTR)	0.65	5.54%
13/08/2015	Bass Strait Oil Company Ltd (ASX:BAS)	1.01	5.53%
4/03/2015	MCS Services Limited (ASX:MSG)	1.12	5.52%
1/07/2015	A1 Consolidated Gold Ltd (ASX:AYC)	1.71	5.51%
15/03/2013	Aeon Metals Limited (ASX:AML)	3.26	5.50%
3/06/2016	Killara Resources Limited (ASX:BMP)	4.01	5.50%
13/11/2014	RNI NL (ASX:RNI)	5.48	5.47%
13/04/2015	Pelican Resources Ltd. (ASX:PEL)	0.60	5.45%
19/10/2015	Niuminco Group Limited (ASX:NIU)	1.00	5.23%
16/02/2016	Sovereign Gold Company Limited (ASX:SOC)	0.79	5.06%
23/06/2015	Manas Resources Ltd. (ASX:MSR)	1.10	5.02%
14/02/2013	Haranga Resources Limited (ASX:HAR)	1.44	5.02%
9/08/2016	Middle Island Resources Ltd. (ASX:MDI)	1.45	5.01%
19/11/2015	Peako Limited (ASX:PKO)	1.94	5.01%
28/10/2015	Avalon Minerals Ltd (ASX:AVI)	2.12	5.01%
19/03/2013	Crater Gold Mining Limited (ASX:CGN)	2.18	5.01%
27/10/2014	Sayona Mining Limited (ASX:SYA)	2.57	5.00%
7/06/2013	Sihayo Gold Limited (ASX:SIH)	2.00	5.00%
15/04/2013	Sihayo Gold Limited (ASX:SIH)	1.50	5.00%
11/03/2016	Zyber Holdings Limited (ASX:ZYB)	3.00	5.00%
25/02/2015	ImpediMed Limited (ASX:IPD)	8.83	5.00%
27/02/2015	Diversa Limited	2.36	5.00%
22/11/2013	DirectMoney Limited (ASX:DM1)	5.70	5.00%
12/11/2015	Flinders Mines Limited. (ASX:FMS)	7.50	5.00%
15/09/2015	Phylogica Limited (ASX:PYC)	6.01	5.00%
27/03/2014	Mitchell Services Limited (ASX:MSV)	8.52	5.00%
22/10/2014	MRG Metals Limited (ASX:MRQ)	0.70	5.00%
28/06/2015	Invion Limited (ASX:IVX)	4.08	5.00%
18/03/2016	World Titanium Resources Ltd. (ASX:WTR)	3.17	5.00%
27/07/2016	Applabs Technologies Limited	3.00	5.00%
28/10/2015	Scotgold Resources Limited (ASX:SGZ)	0.20	5.00%
31/07/2015	HRL Holdings Limited (ASX:HRL)	5.00	5.00%
25/06/2015	Redstone Resources Limited (ASX:RDS)	1.75	5.00%
26/05/2015	Black Ridge Mining NL (ASX:BRD)	1.20	5.00%
24/03/2015	Innate Immunotherapeutics Limited (ASX:IIL)	10.00	5.00%
8/12/2014	Dark Horse Resources Limited (ASX:DHR)	0.37	5.00%
4/11/2014	MOD Resources Limited (ASX:MOD)	0.60	5.00%
27/10/2014	Stavely Minerals Limited (ASX:SVY)	6.00	5.00%
28/08/2014	Mitchell Services Limited (ASX:MSV)	8.67	5.00%
22/04/2014	Allegra Orthopaedics Limited (ASX:AMT)	1.00	5.00%
26/11/2013	Siburan Resources Limited (ASX:SBU)	1.00	5.00%
18/05/2015	RedFlow Limited (ASX:RFX)	6.06	5.00%
26/10/2015	Invion Limited (ASX:IVX)	0.89	5.00%
3/02/2014	Atrum Coal NL (ASX:ATU)	8.01	5.00%
24/02/2014	GWR Group Limited (ASX:GWR)	7.21	5.00%
5/11/2013	RedFlow Limited (ASX:RFX)	6.39	5.00%
2/06/2015	Tlou Energy Limited (ASX:TOU)	5.52	5.00%
4/03/2013	ORH Limited	3.12	5.00%
28/06/2016	Stream Group Limited	2.73	4.99%
14/05/2015	Talon Petroleum Limited (ASX:TPD)	1.13	4.99%
31/08/2015	Maxsec Group Limited (ASX:MSP)	4.11	4.99%
7/04/2014	Energia Minerals Limited (ASX:EMX)	2.16	4.99%
22/03/2016	Analytica Ltd. (ASX:ALT)	2.20	4.91%
6/02/2015	Respiri Limited (ASX:RSH)	4.32	4.84%
1/10/2014	Horseshoe Metals Limited (ASX:HOR)	0.42	4.84%
27/07/2015	Uranium Equities Limited (ASX:UEQ)	1.21	4.79%
24/02/2014	Harvest Minerals Ltd. (AIM:HMI)	0.70	4.72%
19/05/2016	ComOps Ltd. (ASX:COM)	1.23	4.71%

17/12/2015	Argonaut Resources NL (ASX:ARE)	1.37	4.70%
18/11/2015	Bass Strait Oil Company Ltd (ASX:BAS)	0.48	4.58%
26/06/2013	Renascor Resources Limited (ASX:RNU)	1.58	4.53%
12/05/2016	Clean TeQ Holdings Limited (ASX:CLQ)	6.64	4.51%
23/09/2014	ComOps Ltd. (ASX:COM)	2.26	4.50%
27/05/2014	Rural Funds Group (ASX:RFF)	7.49	4.50%
9/09/2013	Danakali Ltd. (OTCPK:SBMS.F)	3.35	4.48%
9/08/2013	Sihayo Gold Limited (ASX:SIH)	4.50	4.44%
30/11/2015	Altura Mining Limited (ASX:AJM)	3.04	4.37%
17/04/2015	Augend Limited	4.25	4.30%
31/07/2015	Indoor Skydive Australia Group Limited (ASX:IDZ)	9.41	4.30%
13/07/2016	Greenland Minerals and Energy Limited (ASX:GGG)	4.22	4.27%
27/03/2013	dorsaVi Limited (ASX:DVL)	3.18	4.22%
18/02/2016	Ferrum Crescent Limited (ASX:FCR)	1.03	4.17%
27/10/2015	Valence Industries Limited (OTCPK:VLQC.F)	0.88	4.14%
6/01/2016	Big Un Limited (ASX:BIG)	2.64	4.09%
30/10/2015	Protean Wave Energy Ltd (ASX:POW)	1.50	4.07%
25/05/2015	A-Cap Resources Limited (ASX:ACB)	5.00	4.00%
16/07/2015	A-Cap Resources Limited (ASX:ACB)	4.00	4.00%
5/03/2015	A-Cap Resources Limited (ASX:ACB)	4.50	4.00%
30/10/2015	Laconia Resources Limited (ASX:LCR)	0.33	4.00%
4/02/2015	NuEnergy Gas Limited (ASX:NGY)	6.04	4.00%
17/07/2013	Siburan Resources Limited (ASX:SBU)	2.39	4.00%
8/08/2014	European Metals Holdings Limited (ASX:EMH)	1.10	3.99%
5/04/2016	Laconia Resources Limited (ASX:LCR)	0.05	3.98%
7/05/2015	Bisan Limited (ASX:BSN)	0.55	3.92%
20/02/2015	Metaliko Resources Limited (ASX:MKO)	5.55	3.80%
11/04/2016	Peako Limited (ASX:PKO)	0.68	3.75%
7/08/2013	Falcon Minerals Ltd.	0.58	3.60%
21/08/2013	Draig Resources Ltd (ASX:DRG)	0.61	3.44%
5/08/2015	Sihayo Gold Limited (ASX:SIH)	2.96	3.38%
14/11/2013	Predictive Discovery Limited (ASX:PDI)	1.30	3.36%
19/05/2015	ComOps Ltd. (ASX:COM)	2.89	3.28%
13/08/2015	Diversa Limited	0.46	3.27%
9/06/2015	Invion Limited (ASX:IVX)	0.52	3.18%
25/02/2015	Antipa Minerals Ltd (ASX:AZY)	0.65	3.06%
9/08/2013	Carbon Energy Limited (ASX:CNX)	3.48	3.05%
22/07/2014	Genesis Resources Limited (ASX:GES)	2.32	3.02%
23/10/2015	Atlas Pearls and Perfumes Ltd (ASX:ATP)	0.72	3.00%
4/09/2015	Truscott Mining Corporation Limited (ASX:TRM)	0.36	3.00%
23/12/2013	Bulletin Resources Limited (ASX:BNR)	0.48	3.00%
4/03/2016	A-Cap Resources Limited (ASX:ACB)	3.98	3.00%
4/11/2014	Alloy Resources Limited (ASX:AYR)	0.70	2.99%
2/03/2016	Heemskirk Consolidated Ltd. (ASX:HSK)	9.93	2.97%
29/07/2016	EVE Investments Limited (ASX:EVE)	0.49	2.87%
8/07/2015	Rimfire Pacific Mining NL (ASX:RIM)	1.09	2.75%
9/06/2016	Sovereign Gold Company Limited (ASX:SOC)	1.82	2.75%
14/08/2014	PNX Metals Limited (ASX:PNX)	2.55	2.65%
16/03/2015	King Island Scheelite Limited (ASX:KIS)	1.97	2.65%
1/06/2015	Latin Resources Limited (ASX:LRS)	2.32	2.64%
17/06/2015	Minerals Corporation Limited	0.58	2.58%
4/02/2015	BrainChip Holdings Limited (ASX:BRN)	4.08	2.57%
27/09/2013	ABM Resources NL (ASX:ABU)	7.67	2.50%
27/05/2014	King Island Scheelite Limited (ASX:KIS)	1.51	2.46%
1/10/2015	Uranium Equities Limited (ASX:UEQ)	1.01	2.44%
27/07/2015	Kidman Resources Limited (ASX:KDR)	5.04	2.38%
28/02/2014	King Island Scheelite Limited (ASX:KIS)	2.03	2.04%
9/02/2015	Applabs Technologies Limited	3.70	2.03%
19/08/2015	Core Exploration Ltd. (ASX:CXO)	0.98	2.02%
10/05/2016	Rubik Financial Limited (ASX:RFL)	5.29	2.00%

9/09/2013	Rewardle Holdings Limited (ASX:RXH)	2.85	2.00%
20/02/2015	Voyager Global Group Ltd	0.38	2.00%
16/06/2015	RedFlow Limited (ASX:RFX)	5.56	2.00%
23/09/2015	Minerals Corporation Limited	7.00	2.00%
8/07/2015	Minerals Corporation Limited	7.00	2.00%
8/09/2015	Tiaro Coal Limited	1.32	2.00%
7/11/2014	Orinoco Gold Limited (ASX:OGX)	2.68	2.00%
11/02/2014	DGR Global Limited (ASX:DGR)	4.01	2.00%
11/09/2015	Elsmore Resources Ltd	2.21	2.00%
4/11/2015	Activex Limited (ASX:AIV)	1.35	1.99%
12/11/2014	Geopacific Resources Limited (ASX:GPR)	1.04	1.99%
16/03/2015	Elixir Petroleum Limited (ASX:EXR)	1.85	1.96%
21/10/2014	Cohiba Minerals Limited (ASX:CHK)	0.35	1.89%
30/04/2013	Firestrike Resources Limited	0.51	1.78%
2/12/2015	Stargroup Limited (ASX:STL)	2.84	1.75%
29/04/2015	Aspermont Limited (ASX:ASP)	4.11	1.66%
30/05/2016	Abilene Oil and Gas Limited (ASX:ABL)	2.93	1.64%
11/11/2013	Orinoco Gold Limited (ASX:OGX)	1.52	1.63%
12/09/2013	Ferrum Crescent Limited (ASX:FCR)	0.97	1.61%
14/02/2013	Aruma Resources Limited (ASX:AAJ)	0.46	1.56%
17/03/2016	Red Mountain Mining Ltd (ASX:RMX)	2.45	1.51%
22/10/2014	Centaurus Metals Limited (ASX:CTM)	0.19	1.50%
18/05/2015	NuEnergy Gas Limited (ASX:NGY)	1.87	1.50%
6/04/2016	Southern Crown Resources Limited	0.32	1.48%
9/12/2015	Vital Metals Limited (ASX:VML)	1.02	1.46%
6/06/2014	Eden Energy Limited (ASX:EDE)	1.96	1.41%
28/08/2014	NuEnergy Gas Limited (ASX:NGY)	10.00	1.34%
24/03/2014	Variscan Mines Limited (ASX:VAR)	1.96	1.12%
4/11/2014	Avalon Minerals Ltd (ASX:AVI)	3.76	1.12%
3/09/2015	Drake Resources Limited (ASX:DRK)	1.82	1.10%
9/10/2014	Vector Resources Limited (ASX:VEC)	1.21	1.00%
30/03/2015	Paynes Find Gold Limited	6.23	1.00%
12/08/2016	Otherlevels Holdings Limited (ASX:OLV)	1.60	1.00%
17/06/2016	Malabar Coal Limited (ASX:MBC)	6.00	1.00%
23/04/2015	Zeta Petroleum PLC (ASX:ZTA)	1.01	1.00%
19/02/2015	Rubianna Resources Limited	0.54	1.00%
3/09/2014	Geopacific Resources Limited (ASX:GPR)	3.00	1.00%
16/02/2015	Laconia Resources Limited (ASX:LCR)	1.73	1.00%
5/02/2014	Otherlevels Holdings Limited (ASX:OLV)	7.50	0.96%
15/07/2016	Apollo Minerals Limited (ASX:AON)	3.12	0.82%
30/04/2015	Red Mountain Mining Ltd (ASX:RMX)	2.81	0.62%
4/11/2014	Immuron Limited (ASX:IMC)	5.33	0.61%
9/05/2016	Isentric Limited (ASX:ICU)	4.35	0.57%
6/10/2014	Kalina Power Limited (ASX:KPO)	4.38	0.57%
5/07/2013	Prospect Resources Limited (ASX:PSC)	2.67	0.56%
22/09/2015	Korab Resources Limited (ASX:KOR)	1.29	0.47%
20/02/2013	Target Energy Limited (ASX:TEX)	2.04	0.41%
20/05/2015	Malabar Coal Limited (ASX:MBC)	2.00	0.29%
7/08/2013	Abilene Oil and Gas Limited (ASX:ABL)	1.55	0.05%
19/08/2016	Orpheus Energy Limited	0.30	0.01%
12/12/2014	County International Limited (ASX:CCJ)	0.47	0.00%
Average			**5.12%**
Min			**0.00%**
Max			**25.94%**

Source: Capital IQ

$10 million to 20 million transactions

Date	Issuer	Total transaction value ($m)	Underwriter compensation (%)
2/04/2014	Phylogica Limited (ASX:PYC)	10.02	11.40%
18/03/2015	Pluton Resources Limited	17.37	6.00%
31/08/2015	Valence Industries Limited (OTCPK:VLQC.F)	10.14	6.00%
23/09/2013	Anteo Diagnostics Limited (ASX:ADO)	12.02	6.00%
21/04/2013	Hillgrove Resources Ltd. (ASX:HGO)	10.08	6.00%
15/10/2014	dorsaVi Limited (ASX:DVL)	18.00	5.56%
26/03/2015	Crowd Mobile Limited (ASX:CM8)	12.78	5.50%
3/07/2015	Empire Oil & Gas NL (ASX:EGO)	10.20	5.00%
2/07/2015	Doray Minerals Limited (ASX:DRM)	12.90	5.00%
1/11/2013	Skydive the Beach Group Limited (ASX:SKB)	19.58	5.00%
24/11/2014	Admedus Limited (ASX:AHZ)	16.14	5.00%
7/11/2013	Admedus Limited (ASX:AHZ)	10.44	5.00%
17/09/2015	CML Group Limited (ASX:CGR)	10.39	5.00%
23/05/2016	Aurelia Metals Limited (ASX:AMI)	10.06	4.99%
29/04/2015	Quickstep Holdings Limited (ASX:QHL)	16.99	4.50%
20/11/2015	BSA Limited (ASX:BSA)	17.12	4.38%
22/12/2014	Superloop Limited (ASX:SLC)	17.50	4.00%
16/12/2014	Money3 Corporation Limited (ASX:MNY)	15.99	4.00%
30/11/2015	Catapult Group International Ltd. (ASX:CAT)	12.00	3.88%
15/02/2013	APN Property Group Limited (ASX:APD)	16.08	3.50%
3/05/2016	Cooper Energy Limited (ASX:COE)	18.36	3.50%
11/05/2016	Generation Healthcare REIT (ASX:GHC)	15.11	3.39%
29/06/2016	Capilano Honey Limited (ASX:CZZ)	16.78	3.00%
25/05/2015	Malabar Coal Limited (ASX:MBC)	20.00	2.75%
12/10/2015	SomnoMed Limited (ASX:SOM)	10.50	1.33%
28/10/2013	Tigers Realm Coal Limited (ASX:TIG)	15.99	1.00%
27/10/2015	Geopacific Resources Limited (ASX:GPR)	14.07	1.00%
Average			**4.51%**
Min			**1.00%**
Max			**11.40%**

Source: Capital IQ

$20 million to 30 million transactions

Date	Issuer	Total transaction value ($m)	Underwriter compensation (%)
26/05/2016	Austin Engineering Ltd. (ASX:ANG)	28.07	6.00%
19/02/2015	Skydive the Beach Group Limited (ASX:SKB)	25.00	5.00%
16/05/2014	Avanco Resources Limited (ASX:AVB)	23.00	5.00%
9/11/2015	Dacian Gold Limited (ASX:DCN)	25.02	5.00%
28/09/2015	Rural Funds Group (ASX:RFF)	22.40	4.25%
22/03/2016	Silver Chef Limited (ASX:SIV)	29.89	4.00%
17/03/2016	AJ Lucas Group Limited (ASX:AJL)	21.06	3.62%
28/04/2015	APN Property Group Limited (ASX:APD)	30.00	3.51%
Average			**4.55%**
Min			**3.51%**
Max			**6.00%**

Source: Capital IQ

Annexure C – Restructuring Support Agreement

Annexure C – Restructuring Support Agreement

Under the Restructuring Support Agreement, the parties agreed to propose and implement various inter-conditional transactions, which together comprise the Transaction.

(a) **Key components**

The Transaction comprises the following key components:

(i) Orionstone Acquisition

The acquisition of Orionstone through the exchange of 100% of the ordinary shares in Orionstone for approximately 7% of the ordinary shares of the Combined Group following the completion of the Transaction, subject to dilution from the Management Incentive Plan.

(ii) Compromise and extinguishment of Orionstone Creditors' claims

Orionstone Creditors are expected to be issued approximately 14% of the ordinary shares in the Combined Group following completion of the Transaction, subject to dilution from the Management Incentive Plan, and Tranche B Notes in consideration for the compromise and extinguishment of their claims against Orionstone.

Shortly before the Completion Date, Orionstone is expected to owe its creditors an amount of approximately A$145.4 million. The Orionstone Creditors have agreed to novate their rights to be repaid the amount owing to them to Emeco Finance Pty Ltd in consideration of the issuance of the Tranche B Notes (to be issued in an amount that is approximately 80% of the principal amount owing), and the remainder in New Shares), with all accrued but unpaid interest, fees and expenses to be paid to those creditors shortly before the Completion Date.

(iii) Andy's Acquisition

The acquisition of Andy’s through the exchange of 100% of the ordinary shares in Andy’s for approximately 5% of the ordinary shares of the Combined Group following the completion of the Transaction, subject to dilution from the Management Incentive Plan.

(iv) Compromise and extinguishment of Andy's Creditors' claims

Andy's Creditors are expected to be issued 6% of the ordinary shares in the Combined Group following completion of the Transaction, subject to dilution from the Management Incentive Plan, and Tranche B Notes in consideration for the compromise and extinguishment of their claims against Andy's.

Shortly before the Completion Date, Andy's is expected to owe its creditors an amount of approximately A$76.0 million. In conjunction with certain arrangements being entered into (under which certain of Andy's Creditors may be entitled to additional Tranche B Notes and New Shares), Andy's Creditors have agreed to assign the amount owing to them as at the implementation date to Emeco Finance Pty Ltd in consideration of the issuance of a combination of Tranche B Notes (to be issued in an amount that is approximately 80% of the principal amount owing) and the remainder in New Shares. It is anticipated that this exchange will occur on the Completion Date, with all accrued but unpaid interest to be paid to those financiers on that same day.

(v) Emeco Noteholders' Scheme

A restructure, by way of assignment or novation to Emeco Finance Pty Ltd, of the debt owing by the Emeco Note Issuer to the Emeco Noteholders (pursuant to the Emeco Noteholders' Scheme) in exchange for:

(A) an expected 34% of the ordinary shares of the Combined Group following the completion of the Transaction, subject to dilution from the Management Incentive Plan; and

(B) an estimated A$303.7 million of Tranche B Notes which have a 5 year maturity and a cash interest rate of 9.25%.

If the Emeco Noteholders' Scheme is approved by the requisite majority of Emeco Noteholders and the Court, then subject to the other conditions being satisfied or waived, the Emeco Noteholders' Scheme will be implemented and binding on all Emeco Noteholders, including those who did not vote or voted against the Emeco Noteholders' Scheme.

Following implementation, all Emeco Notes will be cancelled and Emeco Noteholders will receive their pro-rata share of New Shares and Tranche B Notes or a cash alternative at their election.

(vi) Lock-up

Each party to the Restructuring Support Agreement who are to be issued New Shares has agreed with the Company that it will not dispose of New Shares issued to it to any person who is not a party to the Restructuring Support Agreement for a period of up to 90 days after the Completion Date (subject to approval of such lock-up of New Shares by Shareholders at the General Meeting) (**Lock-Up**).

(vii) Existing security arrangements and new security arrangements

Existing security agreements to which the Emeco Group is a party will be amended and new security agreements will be entered by into by the Emeco Group to give effect to the collateral securing the Tranche B Notes, a new revolving credit facility and certain hedging or derivative positions the Emeco Group has entered into.

(viii) New Management Incentive Plan

A new Management Incentive Plan consisting of 10% of the equity of the Company post-Transaction will be implemented to further align the interests of management and shareholders. Up to 50% of the equity allocated under the Management Incentive Plan will be allocated to Ian Testrow, a current Director.

(ix) Rights Offer

An A$20 million Rights Offer by way of a pro-rata equity issue of New Shares to existing Emeco Shareholders. The Rights Offer will be sub-underwritten up to A$10 million by two current Emeco Shareholders, being First Samuel (in an 80% proportion) and Black Crane (in a 20% proportion).

The Company will pay an underwriting fee in New Shares equivalent to 7% of the underwritten amount to the Underwriting Parties, as well as reasonable fees and expenses in relation to the Rights Offer, not to exceed $100,000 in the aggregate.

The material terms of the underwriting are summarised below.

Structure of Rights Offer:	Pro rata accelerated entitlement offer. Final structure (including whether renounceable or non-renounceable) to be determined in consultation with the Underwriting Parties having regard to any requirements imposed by ASX or ASIC and the final issue price determined pursuant to the terms of the Restructuring Support Agreement.
Offer Price:	Issue Price.
Rights Offer Maximum Amount:	A$20 million, being the number of New Shares equivalent to A$20 million divided by the Issue Price.
Underwritten Amount:	A$10 million
Underwriting Parties:	Black Crane First Samuel
Underwriting commitment:	The Underwriting Parties agree to purchase the Underwritten Amount in the following proportions: • Black Crane - 20% ($2 million) • First Samuel - 80% ($8 million)
Underwriting fee:	Emeco will pay to the Underwriting Parties the number of New Shares equal to A$700,000 divided by the Issue Price, being a fee equivalent to 7% of the Underwritten Amount.
Implementation of Rights Offer:	Emeco and the Underwriting Parties will implement the Rights Offer by way of customary documents and procedures in respect of an accelerated entitlement offer.
Lead Manager(s):	Emeco will appoint a lead manager / joint lead managers for the purpose of managing the Rights Offer, provided that such lead managers shall be engaged on a “best effort” basis and the fees associated with such engagement shall be commensurate with the nature of a “best efforts” engagement.

Costs:	Emeco will pay the reasonable fees and expenses of the Underwriting Parties in relation to the Rights Offer, not to exceed $100,000 in aggregate.
Timing:	By the Completion Date, Emeco must have received at least the Underwritten Amount. Parties to consider whether this can be obtained through the institutional component of an accelerated entitlement offer launched between the Scheme Effective Date and the Completion Date or through the upfront payment of the Underwritten Amount.

(b) **Equity**

The issuance of the New Shares represents all or part of the consideration payable by the Company to the Emeco Noteholders and the counterparties to the Orionstone Acquisition, the Andy's Acquisition, the Orionstone debt compromise, and the Andy's debt compromise. The total number and issue price of such number of New Shares that each of those counterparties is entitled to receive is to be determined by reference to a series of highly detailed definitions and financial formulae set out in the Restructuring Support Agreement.

Those definitions and formulae seek to recognise the amount of value contributed by each of those counterparties and, taken together, represent the mutual agreement of the parties following a series of detailed negotiations. In addition to seeking to identify relative value as at the date of the Restructuring Support Agreement, the arrangements agreed to also make provision for the adjustment of entitlements to take into account value leakage or accretion in the period between signing the Restructuring Support Agreement and just before Completion Date.

(c) **Restructuring Support Agreement Conditions Precedent**

The Transaction is subject to a number of conditions precedent as described in the Restructuring Support Agreement. These are detailed in Annexure D.

(d) **Exclusivity**

The Company, Andy's and Orionstone have agreed to various exclusivity arrangements including "no shop" and "no talk" restrictions (subject to customary fiduciary carve-outs for the Company) for a period up to the earlier of completion or termination under the Restructuring Support Agreement, or 28 February 2017 (or any later date agreed between the parties).

The Company has agreed that during the exclusivity period:

(i) **No shop restriction:** it must ensure that neither it, nor any of its related entities nor any of their respective representatives, directly or indirectly, solicit, invite, encourage or initiate any enquiries, proposals, negotiations or discussions with a view to obtaining any expression of interest, offer or proposal from any other person in relation to a competing proposal or potential competing proposal.

(ii) **No talk restriction:** it must ensure that neither it, any of its related entities nor any of their respective representatives:

(A) enters into, continues or participates in any negotiations or discussions with any person regarding a competing proposal or which may reasonably be expected to lead to a competing proposal;

(B) provides any non-public information regarding the Emeco Group's businesses or operations to a person for the purposes of enabling or assisting that person to make a competing proposal; or

(C) accepts or enters into or offers to accept or enter into any agreement, arrangement or understanding in relation to, or which may reasonably be expected to lead to, an expression of interest, offer or proposal from any other person in relation to a competing proposal.

The no talk restriction above does not apply to the extent that:

(A) any action is in response to a bona fide competing proposal which was not solicited or invited, encouraged or initiated in contravention of the no shop restriction;

(B) the competing proposal is in writing by or on behalf of a person which the Emeco Board considers to be of reputable commercial and financial standing;

(C) the Emeco Board, acting in good faith, determines that the competing proposal is a superior proposal or that the steps which the Emeco Board proposes to take may reasonably be expected to lead to a competing proposal which is a superior proposal; and

(D) the Emeco Board, acting in good faith, determines after receiving written advice from the Company's external legal advisers, and, if appropriate, from its financial advisers, that failing to respond to the competing proposal would be likely to constitute a breach of the Emeco Board's fiduciary or statutory duties.

(iii) **Notification:** the Company must, to the extent it is approached in relation to a potential competing proposal, provide the other parties to the Restructuring Support Agreement with details of the competing proposal including the name of the party proposing the competing proposal, the nature of the competing proposal and proposed terms of the competing proposal and to the extent that the parties to the Restructuring Support Agreement had not previously been provided with the information, provide notice that such information has been provided to a third party and, if requested, provide any party to the Restructuring Support Agreement that so requests with a complete copy of that information promptly following such request**.**

(e) **Compensating Amount**

The Company has agreed to pay the Compensating Amount (described below) to Orionstone and Andy's if the Restructuring Support Agreement is terminated:

(i) by any party if the Company enters into an arrangement to implement a competing proposal; or

(ii) by the Company if the Emeco Board has publicly announced or determined that a competing proposal is a superior proposal.

However, no Compensating Amount is payable if the Transaction does not proceed merely because the Emeco Noteholders' Scheme is not approved.

The Compensating Amount is:

(iii) if the relevant competing proposal constitutes a "Change of Control" under the Emeco Indenture and Emeco Group commences a tender offer for all Emeco Notes or any other process, transaction, settlement, compromise or arrangement is implemented (including by a third party as part of the competing proposal) in accordance with the terms of the Emeco Indenture at a purchase price of 101% or more of the face amount of the Emeco Notes:

    (A) A$3,300,000; plus

    (B) all reasonable and documented expenses incurred in relation to the Restructuring Support Agreement capped at a maximum of A$3,100,000 inclusive of GST; or

(iv) if, as a result of, or in conjunction with, the competing proposal a member of the Emeco Group commences a tender offer for all Emeco Notes, or any other process, transaction, settlement, compromise or arrangement is implemented at a purchase price of, or equivalent to 85% or more of the face value of the Emeco Notes and involves the Emeco Notes being paid out above 85% of par – all reasonable and documented expenses incurred in relation to the Restructuring Support Agreement capped at a maximum of A$3,100,000 inclusive of GST;

(v) otherwise – nil,

with each of Orionstone and Andy's receiving:

(vi) two-thirds (in the case of Orionstone) and one-third (in the case of Andy's) of the amount in paragraph (e)(iii)(A); and

(vii) any expense reimbursement under paragraphs (e)(iii)(B) or (e)(iv) in proportion to the actual expenses incurred.

(f) **Representations and warranties**

The Restructuring Support Agreement contains a limited set of warranties which are customary for a transaction of this nature.

(g) **Termination**

The Restructuring Support Agreement may terminate in certain circumstances:

(i) **Termination for no approval of Transaction**

Any party may terminate if:

(A) the Emeco Shareholders do not approve the Transaction Resolutions at the AGM by the requisite majorities;

(B) the Emeco Noteholders' Scheme does not proceed.

(ii) **Termination for material breach**

Any party may terminate if:

(A) any capacity warranty or any general warranty given by the Company, Orionstone or Andy's or warranty given by another party is or becomes untrue or misleading in any material respect or another party has materially breached the Restructuring Support Agreement and that breach has not been remedied within 10 business days;

(B) if there is an event or occurrence that prevents any of the conditions being satisfied by 31 December 2016 (or by 28 February 2017 in certain circumstances) and the parties are unable to agree whether the Transaction may proceed by way of alternative means or methods or agree that this date should be extended;

(C) any critical Transaction milestones have not been achieved by the relevant date for that milestone; or

(D) a material adverse event has occurred.

(iii) Any party may terminate if:

(A) the Emeco Board fails to recommend certain resolutions at the AGM or withdraws, adversely revises or adversely modifies its recommendation that Emeco Shareholders vote in favour of those resolutions; or

(B) the Company enters into an arrangement to implement a competing proposal.

Annexure D – Summary of conditions precedent under the Restructuring Support Agreement

Annexure D – Summary of conditions precedent under the Restructuring Support Agreement

The Transaction will not become effective until the following conditions are satisfied or waived by no later than 8:00am on 15 December 2016:

(a) Legal due diligence

Receipt of a legal due diligence report with respect to matters of Australian law;

(b) ACCC Approval

The Company has not received any written notice from ACCC on or before the implementation date for the Emeco Noteholders' Scheme stating that it has determined to oppose the Transaction, or has commenced or intends to commence legal proceedings to prevent or restrain entry into or completion of the Transaction (or any part of it);

(c) Regulatory Approvals - ASIC and ASX

ASIC and ASX issue or provide all consents or approvals, and do all other acts, necessary to implement the Transaction and such consents, approvals or other acts (as the case may be) have not been withdrawn, suspended or revoked;

(d) Regulatory Approvals - other

Any other approvals or consents that are required by law, or by any government agency, to implement the Transaction are obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same;

(e) FIRB

Any approval or consents required from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to the issue of New Shares to any Tranche B Notes participant or Shareholders who applied for a statement of no objection prior to the first court date in respect of the Emeco Noteholders Scheme is obtained and such approval is not subject to any conditions other than tax-related conditions or is subject to such other conditions that all relevant parties consider reasonably acceptable;

(f) Shareholder Approvals - Listing Rule 7.1

The Emeco Shareholders approve resolutions at the AGM for the purposes of ASX Listing Rule 7.1 to enable the Company to issue New Shares pursuant to various aspects of the Transaction;

(g) Shareholder Approval - Listing Rule 10.11

The Emeco Shareholders approve resolution at the AGM for the purposes of ASX Listing Rule 10.11 to enable the Company to issue New Shares to Ian Testrow pursuant to the Management Incentive Plan;

(h) Shareholder Approval - Item 7 of Section 611

To the extent required, the Emeco Shareholders approve a resolution at the AGM for the purposes of item 7 of section 611 of the Corporations Act to enable one or more persons to acquire a Relevant Interest in the Company which would otherwise be prohibited by the takeovers provisions in section 606 of the Corporations Act; and

A resolution is put to the Shareholders at the AGM for the purposes of item 7 of section 611 of the Corporations Act to enable the Company to obtain a Relevant Interest in Shares under the Lock-Up;

(i) Shareholder Approval - Section 260B

To the extent required, the Emeco Shareholders approve by special resolution at the AGM for the purposes of section 260B(2) of the Corporations Act the giving of any financial assistance by Orionstone and Andy's and their subsidiaries in connection with the Orionstone Acquisition and Andy's Acquisition respectively;

(j) Close-out of Hedging Positions

Orionstone Pty Ltd and the counterparties to its hedging agreements and Andy's and ANZ have entered into contractual arrangements to close-out or terminate any hedging positions (including by triggering a termination) with effect from no later than the Completion Date;

(k) Termination of Orionstone shareholders' agreement

Orionstone has entered into contractual arrangements to terminate the Orionstone shareholders' agreement in accordance with its terms with effect from the Completion Date;

(l) Tranche B Notes

The indenture governing the Tranche B Notes and each document governing the existing security arrangements and the new security arrangements are as agreed between the relevant parties and otherwise in form and substance acceptable in all material respects;

(m) New revolving credit facility agreement

The Emeco Note Issuer enters into a new revolving credit facility agreement providing for a new revolving credit facility in the principal amount of A$65 million from the Completion Date and all conditions precedent (other than the occurrence of the Completion Date) have been satisfied or waived in accordance with the terms thereof;

(n) Restructure of the existing security arrangements

Evidence that the full commercial benefit of all existing security held by relevant secured parties will be provided to all of the Supporting Creditors in their capacity as Scheme Noteholders pursuant to a restructure of existing security arrangements.

(o) Release of CAT Andy's Personal Guarantees

Evidence satisfactory to Andy's and the Company that the personal guarantees held by CAT Finance in respect of Andy's will be released on Completion Date.

(p) Execution of SPAs

The execution and delivery of the share purchase agreements in respect of the Andy's Acquisition (**Andy's SPA**) and the Orionstone Acquisition (**Orionstone SPA**) by all relevant parties and all conditions precedent (other than the occurrence of the Completion Date) to each of them have been satisfied or waived in accordance with the terms of the agreements;

(q) SPAs representations and warranties

The representations and warranties of Andy's and the Andy's Shareholder in the Andy's SPA; and Orionstone and the Orionstone Shareholders in the Orionstone SPA are accurate;

(r) Agreements in respect of certain receivables

The entry into an agreement in respect of certain receivables owing by a debtor of Andy's, a certain creditor of Andy's and the Emeco Note Issuer.

(s) Scheme Expert Report on Synergies

The delivery of an independent expert's report opining as to the reasonableness of the assumed cost synergies.

(t) Execution of Underwriting Agreement

The execution of an underwriting agreement between the Company, Black Crane and First Samuel.

(u) Execution of Scheme Cash Funding Agreement

The Company enters into agreements for sufficient funding of the cash component payable pursuant to the Emeco Noteholders' Scheme, to be available to be drawn on the Completion Date and all conditions precedent (other than the occurrence of the Completion Date) have been satisfied or waived in accordance with the terms of that agreement;

(v) KPMG Tax Opinion

Delivery of a tax opinion by KPMG in accordance with the terms of its engagement.

(w) Other

As at 8.00am on the Completion Date:

- the Court Orders made approving the Emeco Noteholders' Scheme is lodged with ASIC at which time the Emeco Noteholders' Scheme becomes effective, in accordance with section 412(6) of the Corporations Act; and
- all fees and expenses required to be paid to certain parties as specified in the Restructuring Support Agreement are paid on the Completion Date or such later date as the relevant parties may agree.

Note: For more detailed information on the conditions precedent under the Restructuring Support Agreement, Emeco Shareholders should refer to Section 7.3(b) of the Emeco Noteholders' Scheme Explanatory Statement announced to ASX on the same date as these Explanatory Materials.

Emeco Shareholders should be aware that the Explanatory Statement for the Emeco Noteholders' Scheme and Ferrier Hodgson Report were prepared for the benefit of the Emeco Noteholders and so do not directly contemplate or address the interests of Emeco Shareholders. The report opines on a number of matters that may not be strictly relevant to Emeco Shareholders.

Annexure E – Further worked examples

Annexure E – Further worked examples

As discussed in this Explanatory Memorandum, the Transaction is structured such that certain financial metrics of each party will be measured upon the Calculation Date and affect the final number of New Shares issued to each party. This Annexure E illustrates the impact to the various parties involved in the Transaction based on changes to these financial metrics.

The financial metrics to be calculated at the Calculation Date which will impact the final number of New Shares issued to each party under the Transaction will include, for each of Emeco, Orionstone, and Andy's:

(i) the excess cash contributed to the Combined Group;

(ii) the fair market value of rental equipment contributed to the Combined Group;

(iii) the total Principal Outstanding; and

(iv) the balance of any finance leases outstanding.

The scenarios considered in this Annexure E are as follows:

Base Case: The base case represents the figures shown throughout this Explanatory Memorandum and represent a reasonable set of assumptions based on estimates of the factors which will ultimately be calculated at the Calculation Date.

Scenario A: For illustrative purposes, Scenario A assumes that Orionstone sells 1.5% of the fair market value of its rental equipment, and uses the proceeds during the ordinary course of business prior to the Calculation Date. In this scenario, the reduction of Orionstone's rental equipment fair market value will reduce Orionstone's proportion of the Initial Shareholder Equity Allocation Percentage, and thus increase the proportion of Initial Shareholder Equity Allocation Percentage to the Emeco Shareholders and Andy's Shareholders.

Scenario B: For illustrative purposes, Scenario B assumes that Orionstone sells 1.5% of the fair market value of its rental equipment, and uses the proceeds to repay Orionstone Principal Outstanding prior to the Calculation Date. In this scenario, the reduction of Orionstone's rental equipment fair market value will reduce Orionstone's proportion of the Initial Shareholder Equity Allocation Percentage, and thus increase the proportion of Initial Shareholder Equity Allocation Percentage to the Emeco Shareholders and Andy's Shareholders. In addition, a partial repayment of Orionstone's Principal Outstanding with proceeds from the hypothetical sale of equipment results in a lower amount of Tranche B debt issued to Orionstone's Supporting Creditors, and thus an increase to the Implied Transaction Equity Value. The higher Initial Emeco Shareholder Equity Allocation Percentage in combination with the greater Implied Transaction Equity Value increases New Share Issue price and therefore reduces the total number of New Shares issued.

Scenario C: For illustrative purposes, Scenario C assumes that Orionstone generates and retains $10 million of cash through the ordinary course of business prior to the Calculation Date, and contributes this cash to the Combined Group. In this scenario, Orionstone's excess cash increases its Shareholder Equity Allocation Percentage as well as Implied Transaction Equity Value.

The resulting allocation of Shares can be seen in the following table:

Shares in millions	Base		Scenario A		Scenario B		Scenario C	
	# of Shares	% of Shares	# of Shares	% of Shares	# of Shares	% of Shares	# of Shares	% of Shares
Emeco Shareholders	600	25%	600	25%	600	25%	600	24%
Orionstone Shareholders	167	7%	166	7%	167	7%	282	11%
Andy's Shareholders	110	5%	110	5%	111	5%	110	4%
Emeco Supporting Creditors	820	34%	820	34%	807	34%	820	32%
Orionstone Supporting Creditors	333	14%	333	14%	324	14%	333	13%
Andy's Supporting Creditors	150	6%	150	6%	148	6%	150	6%
Rights Offering - Backstop parties	123	5%	122	5%	121	5%	123	5%
Rights Offering - Market Close	115	5%	114	5%	113	5%	115	5%
Total Post-Transaction Shares	2,418	100%	2,415	100%	2,390	100%	2,533	100%
Memo: New Share Issue Price	*$0.087*		*$0.087*		*$0.089*		*$0.087*	

Note: Shareholder allocations above are pre-dilution from MIP

Deloitte.

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The Directors
Emeco Holdings limited
71 Walters Drive
Osbourne Park WA 6017

4 November 2016

Dear Directors

REPORT ON HISTORICAL FINANCIAL INFORMATION

Introduction

This report has been prepared at the request of the Directors of Emeco Holdings Limited ("Emeco") for inclusion in the Explanatory Memorandum to be issued by Emeco as part of the Notice of Annual General Meeting in connection with the Annual General Meeting (AGM) to be held on 12 December 2016.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu ("Deloitte") and holds the appropriate Australian Financial Services licence under the Corporations Act 2001.

Expressions and terms used in this report have the same meaning as defined in the Explanatory Memorandum.

Scope

Historical Financial Information and Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of Emeco to review the:

a) Combined Group Unaudited Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2016; and

b) Combined Group Unaudited Pro Forma Statement of Financial Position as at 30 June 2016 including the pro forma adjustments and the assumptions on which they are based

as contained in Section 5 of the Explanatory Memorandum together the "Emeco Pro Forma Historical Financial Information".

The financial information relating to Emeco has been extracted from the consolidated financial report of Emeco for the year ended 30 June 2016, which was audited by Deloitte Touche

Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion dated 30 August 2016.

The financial information relating to Orionstone Holdings Pty Ltd ("Orionstone") has been extracted from the unaudited draft financial report of Orionstone for the year ended 30 June 2016.

The financial information relating to Andy's Earthmovers (Asia Pacific) Pty Ltd ("Andy's") has been extracted from the unaudited draft financial report of Andy's for the year ended 30 June 2016.

The Combined Group Unaudited Pro Forma Historical Statement of Financial Position as at 30 June 2016 and the Combined Group Unaudited Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2016 have been derived from the financial information of Emeco, Orionstone and Andy's as described above and the effects of the basis of preparation and the pro forma adjustments described in the Section 5 of the Explanatory Memorandum.

The Emeco Pro Forma Historical Financial Information is presented in an abbreviated form in the Explanatory Memorandum insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The stated basis of preparation of the Combined Group Unaudited Pro forma Historical Statement of Financial Position and the Combined Group Unaudited Pro Forma Historical Statement of Profit or Loss is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Explanatory Memorandum, as if those events or transactions had occurred as at 30 June 2016.

Due to its nature, the Emeco Pro Forma Historical Financial Information does not represent Emeco's or the Combined Group's actual or prospective financial position or performance.

Directors' Responsibility

The Directors of Emeco are responsible for the preparation and presentation of the Emeco Pro Forma Historical Financial Information including the selection and determination of pro forma adjustments made to the historical financial information and included in the Combined Group Unaudited Pro forma Historical Statement of Financial Position as at 30 June 2016 and the Combined Group Unaudited Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2016.

This includes responsibility for the operation of such internal controls as the Directors of Emeco determine are necessary to enable the preparation of the Emeco Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Emeco Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing

Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Historical Financial Information or the Pro forma Historical Financial Information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Emeco Pro Forma Historical Financial Information from the sources disclosed in the Explanatory Memorandum for the relevant periods;
- consideration of the reasonableness and appropriateness of the pro forma transactions and/or adjustments described in Section 5 of the Explanatory Memorandum;
- enquiries of Emeco Directors, management, personnel and advisors; and
- the performance of analytical procedures applied to the Emeco Pro Forma Historical Financial Information.

Conclusion

Combined Group Unaudited Pro forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

a) the Combined Group Unaudited Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2016; and
b) the Combined Group Unaudited Pro Forma Statement of Financial Position as at 30 June 2016 including the pro forma adjustments and the assumptions on which they are based

are not presented fairly, in all material respects, in accordance with the stated basis of presentation, as described in Section 5 of the Explanatory Memorandum.

Subsequent events

Apart from the matters dealt with in this report, and having regard for the scope of our report, nothing has come to our attention that would cause us to believe that matters arising after 30 June 2016, other than matters dealt with in this report, would require comment on, or adjustments to, the Emeco Pro Forma Historical Financial Information contained in Section 5 of the Explanatory Memorandum, or would cause that information to be misleading or deceptive.

Disclosure of Interest

Deloitte Touche Tohmatsu and its subsidiary Deloitte Corporate Finance Pty Limited do not have any interest in the outcome of the Scheme of Arrangement other than the preparation of this report for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of Emeco and Andy's.

Restriction on use

Without modifying our conclusions, we draw attention to section 5 of the Explanatory Memorandum, which describes the purpose of the Emeco Pro Forma Historical Financial Information, being for inclusion in the Explanatory Memorandum. As a result, the Emeco Pro Forma Historical Financial Information may not be suitable for use for another purpose.

We disclaim any assumption of responsibility for any reliance on this report, or on the Emeco Pro Forma Historical Financial Information to which it relates, for any purpose other than that for which it was prepared.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Explanatory Memorandum in the form and context in which it is included.

Yours faithfully

Leanne Karamfiles
Deloitte Corporate Finance Pty Limited
Authorised Representative
1009196.

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ALL ENQUIRIES TO
Telephone: +61 1800 689 300 (free call within Australia)

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am (Perth time) on Saturday, 10 December 2016,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
www.linkmarketservices.com.au
Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

STEP 1

PROXY FORM

I/We being a member(s) of Emeco Holdings Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting *(mark box)*

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Perth time) on Monday, 12 December 2016 at Bendat Parent and Community Centre, 36 Dodd St, Wembley, Western Australia** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 5, 6, 8, 10 and 11: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 5, 6, 8, 10 and 11, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	Resolution	For	Against	Abstain*
1	Issue of Shares in connection with the merger with Orionstone and Andy's			
2	Issue of Shares pursuant to the Emeco Noteholders' Scheme			
3	Approval of financial assistance in relation to the Orionstone Acquisition			
4	Approval of financial assistance in relation to the Andy's Acquisition			
5	Approval of Management Incentive Plan			
6	Approval of the issue of Shares under the Management Incentive Plan to the Managing Director and Chief Executive Officer, Ian Testrow			
7	Approval for the Company to acquire Relevant Interest in Shares			
8	Adoption of Remuneration Report			
9	Re-election of Mr Peter Richards			
10	Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2015 financial year			
11	Approval of allocation of Performance Shares to the Managing Director and Chief Executive Officer for the 2016 financial year			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).