emeco

EOS Production Optimisation Technology

Emeco Holdings Limited

Acquisition of Matilda Equipment and Equity Raising

30 April 2018

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1. Transaction Summary

TRANSACTION SUMMARY

Strategic and financially compelling acquisition of young fleet and high margin niche equipment rental business which complements Emeco existing business model

Transaction overview

Emeco to acquire Matilda Equipment, a national rental business specialising in individual rentals of high demand, low-hour, late model mining ancillary equipment

Enterprise value of $80 million represents an implied acquisition multiple of 3.3x 3Q18 operating annualised EBITDA[1]

Compelling strategic rationale

Niche business model facilitates premium rates and low R&M costs which generates high EBITDA margins

Matilda Equipment typically sells its equipment as it approaches the end of its first component life. Emeco provides a disposal channel for Matilda and Matilda provides a supply chain for Emeco, creating value for both parties

Complementary business model providing a channel for sustaining Emeco's ongoing ancillary equipment capex requirements

Fully underwritten equity raising

Acquisition consideration funded by a pro-rata accelerated non-renounceable entitlement offer to raise approximately $90 million

Entitlement offer is fully underwritten by Macquarie Capital and Morgans

Strengthened balance sheet

The transaction will reduce Emeco's pro forma net debt / 3Q18 operating annualised EBITDA from 2.5x to 2.1x[2]

Highly cash generative business given low capex requirements

On track to achieve leverage below 2.0x in FY19 and below 1.5x target in FY20 – important for refinancing on improved terms

Notes: 1. Based on Matilda's 3Q18 operating EBITDA of $6m per Matilda's unaudited management accounts for the quarter ended 31 March 2018 with certain adjustments, annualised to $24m (i.e. multiplied by 4). 3Q18 figures shown to reflect current trading performance of Matilda. 2. Refer to page 19 for detail.

2. Acquisition Rationale

ACQUISITION SUMMARY

Strategic acquisition within Emeco's core capability of equipment rental

Overview of the acquisition of Matilda Equipment	— Emeco to acquire Matilda Equipment, a national equipment rental business based in Toowoomba, Queensland — Matilda Equipment has a high quality fleet of late model, low-hour ancillary equipment and long-term customer relationships — High margin niche business that is complementary to Emeco's existing business model
Key metrics	— Implied transaction multiple of 3.3x 3Q18 operating annualised EBITDA[1] — Reduces Emeco's pro forma net debt / 3Q18 operating annualised pro forma EBITDA from 2.5x to 2.1x[2]
Funding	— Acquisition funded by a fully underwritten pro-rata accelerated non-renounceable entitlement offer to raise approximately $90 million ("Entitlement Offer")
Conditions	— The acquisition is conditional on successful completion of the Entitlement Offer — Emeco has certain termination rights (eg. material adverse change) which if exercised by Emeco would mean that the acquisition will not complete. In this event, Emeco would evaluate its options in relation to the use of the offer proceeds — Completion is currently expected to occur in early July 2018

Notes: 1. Based on Matilda's 3Q18 operating EBITDA of $6m per Matilda's unaudited management accounts for the quarter ended 31 March 2018 with certain adjustments, annualised to $24m (i.e. multiplied by 4). 3Q18 figures shown to reflect current trading performance of Matilda. 2. Refer to page 19 for detail.

COMPELLING ACQUISITION RATIONALE

Increases earnings whilst further strengthening Emeco's balance sheet by generating cash and growing the rental fleet with late model, low-hour in-demand equipment

Late model, low-hour in-demand fleet	✓ High quality, young fleet of equipment at work and rent-ready ✓ Low-hour fleet with an average age of ~9,300 hours compared to existing Emeco portfolio of ~25,000 hours ✓ Mostly large late model dozers, but also includes service and water trucks, graders, loaders, compactors, water carts and excavators
Complementary business model	✓ Matilda Equipment has a niche business model providing customers low-hour, high demand ancillary equipment ✓ Upon reaching the end of first life components, Matilda Equipment fleet will be used to supplement Emeco's fleet of ancillary equipment
Growth and strong cash flow	✓ Potential upside from existing fleet as utilisation and rates continue upward trend ✓ Cash flow positive aligned with Emeco aggressive deleveraging strategy
Enhanced market position	✓ Matilda Equipment provides an additional 83 in-demand machines increasing Emeco's platform to pursue growth ✓ Allows Emeco to offer customers an additional rental model ✓ Diverse customer base that complements Emeco's existing market presence
High quality management team	✓ Experienced management team to continue with Emeco post-transaction ✓ Exceptional core capabilities in business development, sales and procurement ✓ Deep customer relationships

COMPLEMENTARY BUSINESS MODEL FOR ANCILLARY EQUIPMENT

Matilda Equipment's strong EBITDA and high cash flow contribute to Emeco's deleveraging strategy while supplying Emeco with end of first-life equipment

	emeco	MATILDA EQUIPMENT
Business model	• Strength is in large fleet projects with maintenance support - full fleet of production and ancillary equipment - large project sites - long tenure - fully maintained • Force component rebuild capability allows Emeco to runs assets through multiple component lives, which extends equipment life, lowers cost and reduces capex requirements • Differentiated by ability to run mid-late hour equipment cost effectively, whilst still achieving high productivity and reliability • Labour intensive – 350 employees, predominantly trades • Achieves sustainable returns and earnings	Niche business model: • Individual rentals through strong customer relationships and great business development capability • Young and late model ancillary equipment • Customers appreciate and pay a premium Financially achieves: • High rates • Low repair and maintenance costs (due to first component life and OEM warranties) • High EBITDA margins • High cash generation • Sells equipment prior to end of first component life • Strong procurement in niche fleet • No capital requirement for component rebuilds • Light touch maintenance
Challenge	Need to replace existing fleet over time	Dependency on selling fleet well, before the end of the first life

A combined Emeco and Matilda Equipment provides Emeco strong earnings plus a channel for refreshing / sustaining Emeco's fleet of ancillary equipment whilst providing Matilda Equipment with an asset divestment solution as equipment reaches the end of its first component life

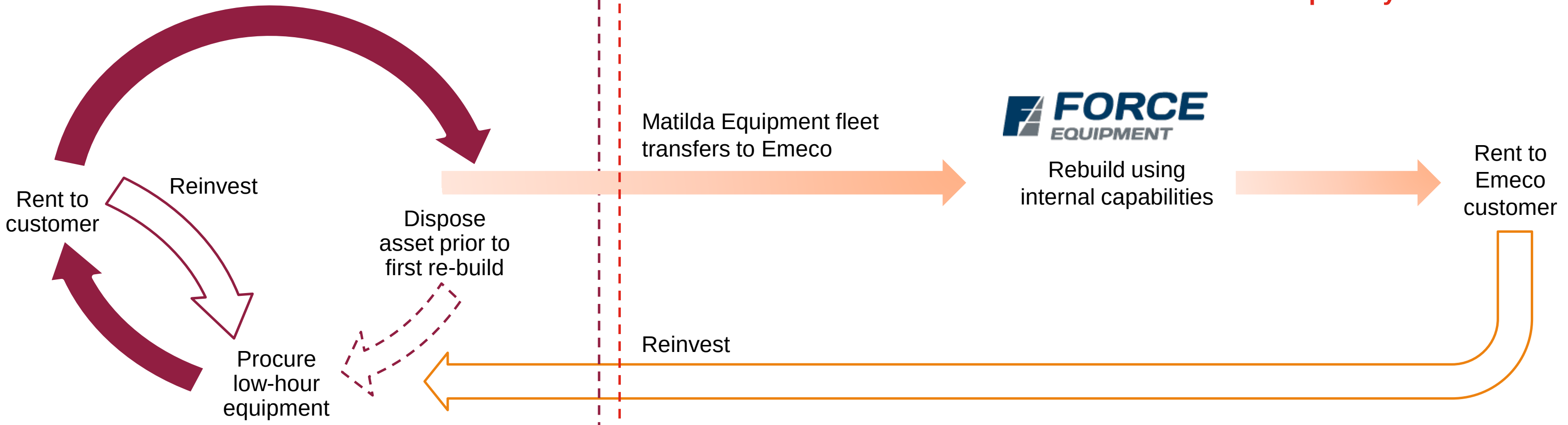
COMPLEMENTARY BUSINESS MODEL FOR ANCILLARY EQUIPMENT

Matilda Equipment provides Emeco a channel to replenish / sustain Emeco's fleet of ancillary equipment

MATILDA EQUIPMENT

- ✓ **High EBITDA margin**
- ✓ **High free cash flow**
- ✓ **Procurement capability**

- ✓ **Sustainable returns**
- ✓ **Strength in large fleet projects, with maintenance support**
- ✓ **Asset maintenance capability**



3. Overview of Matilda Equipment

OVERVIEW OF MATILDA

Matilda Equipment is a high margin, national rental company, providing late model, low-hour ancillary equipment

Overview

- Matilda Equipment is a supplier of late model, low-hour ancillary equipment, predominantly on a dry hire basis, to the mining sector
- Founded in 2003 by Managing Director Dan Jauncey, growing to a fleet of 83 machines today
- Condition, age of fleet and focus on individual rentals facilitates attractive unit economics
- Long-standing relationships with existing clients

Financials

- 3Q18 operating annualised revenue of $34m[1]
- 3Q18 operating annualised EBITDA of $24m[1]

MATILDA EQUIPMENT

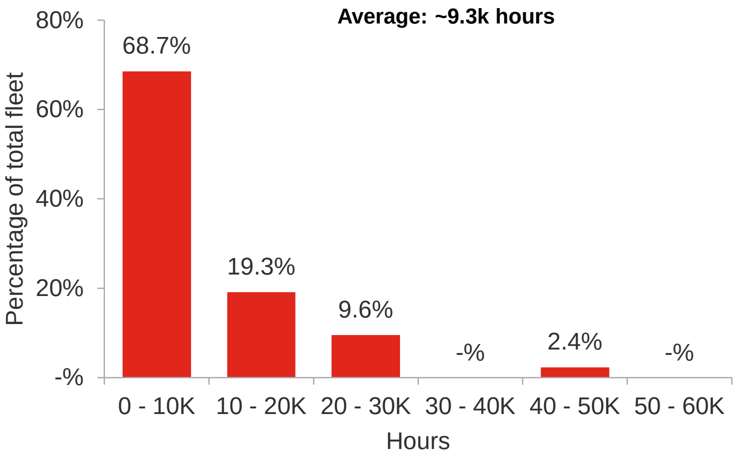
Notes: 1. Based on annualising Matilda's 3Q18 operating revenue of $8.5m and EBITDA of $6m (i.e. multiplied by 4). 3Q18 figures shown to reflect current trading performance of Matilda. Based on Matilda's unaudited management accounts as at 31 March 2018 with certain adjustments.

MATILDA EQUIPMENT – FLEET OVERVIEW

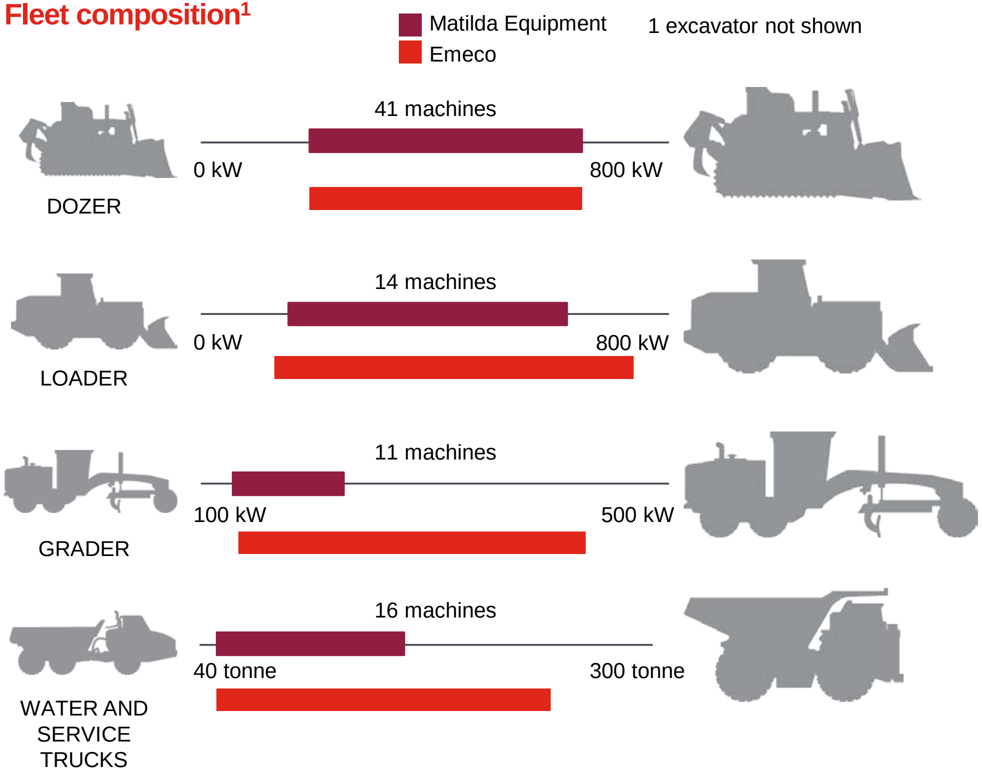
Matilda Equipment's fleet includes 83 pieces of equipment with an average age of ~9,300 SMU hours

- Late model, low-hour heavy earthmoving equipment
- Specialises in high demand ancillary equipment such as dozers, loaders, graders and service trucks

Indicative fleet age profile



Fleet composition[1]



Notes: 1. Estimated fleet size range.

MATILDA EQUIPMENT – MANAGEMENT TEAM

Experienced management team will continue working with Emeco and bring deep customer relationships and strong procurement and business development capabilities

Management	Experience
 **Dan Jauncey** Current Matilda Equipment CEO	— Dan has over 20 years experience in the equipment rental industry including founding Matilda in 2003 — Dan has developed deep relationships with many of Australia's leading miners and contractors — Strong procurement and disposal expertise, driving Matilda Equipment's high margin business model of supplying late model, low-hour heavy equipment
 **Damien Wilson** Current Matilda Equipment CFO	— Damien is a Chartered Accountant with over 24 years experience in senior finance positions in both the public and private sector — Joined Matilda Equipment as Chief Financial Officer in 2012 with previous experience in the equipment hire industry as a financial controller at FKG & Sons

Source: Matilda Equipment management.

4. Combined Group Profile

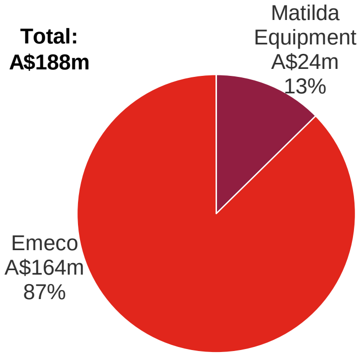
PRO FORMA TRANSACTION IMPACT

Emeco will have a strengthened financial profile and significantly improved leverage metrics following the transaction

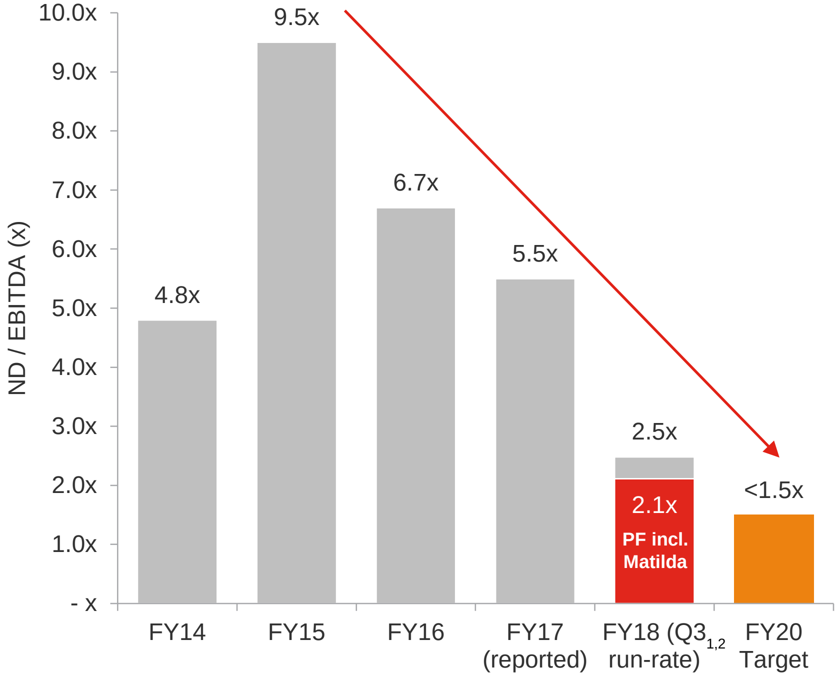
Financial impact

- 3Q18 pro forma run rate operating EBITDA of $188 million, based on Emeco and Matilda Equipment's 3Q18 results[1]
- Significantly strengthened balance sheet, with pro forma net debt of $402 million and leverage of 2.1x – no new debt[2]

Pro forma 3Q18 Run Rate Operating EBITDA[1]



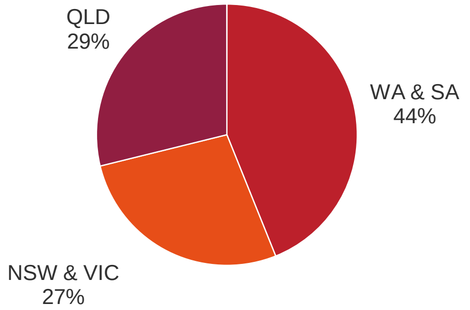
Pro-forma leverage



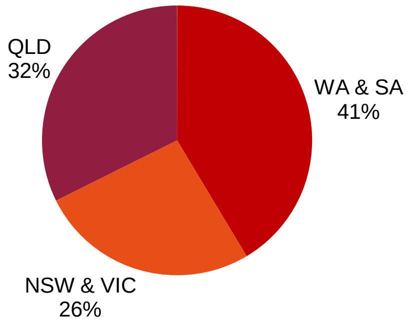
Notes: 1. Pro forma run rate operating EBITDA of $188m based on annualised 3Q18 results including Emeco's 3Q18 operating EBITDA of $41 million and Matilda's 3Q18 operating EBITDA of $6 million based on unaudited management accounts as at 31 March 2018 with certain adjustments. Emeco 3Q18 operating run-rate EBITDA shown to reflect full year impact of Force acquisition which was completed on 30 November 2017. Matilda 3Q18 run-rate shown to reflect current trading performance of Matilda. In determining Emeco's operating EBITDA, significant items have been excluded from the statutory result. A reconciliation to net profit after tax is included in Appendix C. 2. Net debt as at 31 December 2017 based on Emeco's reviewed 1H18 statement of financial position and adjusted for the indicative impact of an acquisition of Matilda if it were to have completed on 31 December 2017. Leverage based on pro forma 3Q18 run-rate operating EBITDA.

PROFILE OF COMBINED GROUP

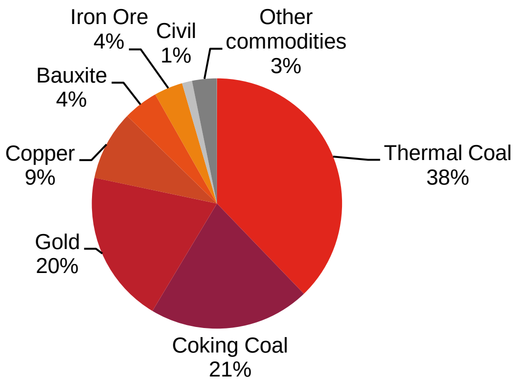
Pre-acquisition Australian revenue by region[1]



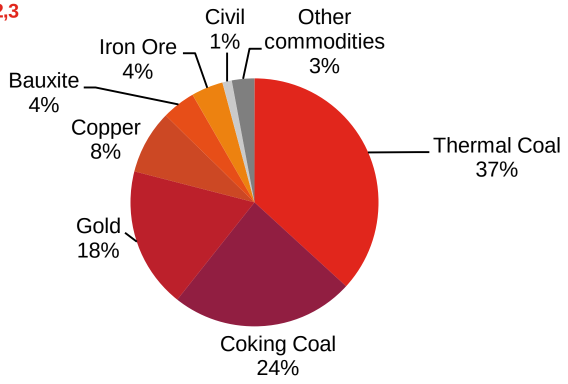
Pro forma post-acquisition estimated Australian revenue by region[1,2]



Pre-acquisition estimated revenue by commodity exposure[3]



Pro forma post-acquisition estimated revenue by commodity exposure[2,3]



Notes: 1. Based on Emeco's unaudited 3Q18 operating revenue. 3Q18 revenue shown to reflect full year impact of Force acquisition which was completed on 30 November 2017. 2. Revenue splits estimated by management and based on unaudited Matilda management accounts for the period ended 31 March 2018. 3. Revenue by commodity exposure is estimated based on predominant customer activity for 3Q18 and is indicative only. Other includes: mineral sands (0.8%), nickel (0.4%), manganese (0.2%) and other (1.8%).

PRO FORMA STATEMENT OF FINANCIAL POSITION

Transaction will result in a significant increase in Emeco's net assets post completion

$m	Emeco as at 31 December 2017	Entitlement Offer[1]	Matilda Equipment Acquisition[2,3,4,5,6]	Pro Forma Combined Group as at 31 December 2017
Cash & cash equivalents	56	87	(82)	61
Plant and equipment	418	-	67	485
Other assets	117	-	8	125
Intangibles	2	-	9	12
Total assets	**594**	**87**	**2**	**683**
Interest bearing loans[7]	444	-	-	444
Other liabilities	99	-	4	103
Total liabilities	**543**	**-**	**4**	**548**
Net assets	**50**	**87**	**(2)**	**135**
Net debt	**407**	**(87)**	**82**	**402**

1. Funds received from the Entitlement Offer are net of $3m raising costs.
2. In accordance with the Share Purchase Agreement (SPA), the Matilda Equipment statement of financial position does not include cash and debt on acquisition.
3. Indicative purchase price accounting has been applied to the Matilda Equipment acquisition assuming a consideration price of $80m. The final consideration is subject to purchase price and capital expenditure adjustment clauses under the SPA and may differ. Estimated acquisition costs of $2.0m have been assumed in the consideration provided in the table above.
4. An independent valuation of plant and equipment has been undertaken for the purposes of the indicative acquisition accounting.
5. 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 a result these balances may change after the finalisation of the purchase price accounting by Emeco.
6. Based on unaudited Matilda Equipment management accounts as at 31 December 2017.
7. Interest bearing loans shown net of capitalised borrowing costs of $18.9m and have been converted at an exchange rate of US$0.78.

PRO FORMA EARNINGS AND LEVERAGE

Net debt / 3Q18 run rate operating EBITDA reduced to 2.1x post-acquisition

$m	Emeco	Entitlement Offer	Matilda Equipment Acquisition	Pro Forma Combined Group
Net debt (as at 31 December 2017)[1]	407	(87)	82	402
3Q18 Operating EBITDA	41[2]	-	6[3]	47
3Q18 Run Rate Operating EBITDA[4]	164	-	24	188
Net Debt / 3Q18 Run Rate Operating EBITDA	**2.5x**			**2.1x**

1. Net debt as at 31 December 2017 based on Emeco's reviewed 1H18 statement of financial position and adjusted for the indicative impact of an acquisition of Matilda Equipment if it were to have completed on 31 December 2017. Acquisition adjustment includes $80m purchase price plus transaction costs of $2.0m. The net proceeds from the entitlement offer include estimated costs of $3.0m.
2. Emeco unaudited 3Q18 operating EBITDA includes the full year impact of the Force acquisition which was completed on 30 November 2017. In determining Emeco's 3Q18 operating EBITDA, significant items have been excluded from the statutory result. A reconciliation to net profit after tax is included in Appendix C.
3. Matilda 3Q18 operating EBITDA is based on unaudited management accounts for the quarter ended 31 March 2018, and has been normalised for the following items: profit on sale of assets ($0.3m decrease), contract margin changes ($0.1m increase), executive salary ($0.1m decrease) and discontinued leases ($0.1m increase).
4. 3Q18 operating EBITDA annualised (i.e. multiplied by four).

5. Equity raising overview

EQUITY RAISING OVERVIEW

Transaction conservatively financed by equity raising, reducing leverage and ensuring Emeco's balance sheet remains strong

Offer size and structure	— Fully underwritten pro-rata accelerated non-renounceable entitlement offer to existing shareholders to raise up to approximately $90 million ("Entitlement Offer") — Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Emeco share ("New Shares") for every 7.8 existing Emeco shares held as at 7:00 pm (Sydney time) on Wednesday, 2 May 2018 ("Record Date") — Approximately 360 million New Shares to be issued — The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferable
Offer pricing	— Offer price of $0.25 per New Share, represents a: — 9.6% discount to TERP[1] of $0.2766; and — 10.7% discount to the last traded price of $0.28 on 27 April 2018
Use of proceeds	— The net proceeds raised from the Entitlement Offer will be used by Emeco to fund the acquisition of Matilda Equipment and associated transaction costs and working capital requirements
Expected timing	— Institutional entitlement offer to be conducted from 30 April 2018 to 1 May 2018 — Retail entitlement offer to open on 7 May 2018 and close on 17 May 2018
Ranking	— New Shares issued under the Entitlement Offer will rank equally with existing shares on issue
Syndicate	— Joint Lead Managers, Joint Underwriters and Joint Bookrunners: Macquarie Capital (Australia) Limited and Morgans Corporate Limited

Notes: 1. The theoretical ex-rights price ("TERP") is the theoretical price at which Emeco shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Emeco shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Emeco's last closing share price of $0.28 on 27 April 2018.

SOURCES AND USES OF FUNDS

Sources	A$m
Gross proceeds from Entitlement Offer	90
Total sources of funds	**90**

Uses	A$m
Acquisition of Matilda Equipment	80
Transaction costs and general working capital	10
Total uses of funds	**90**

EQUITY RAISING TIMETABLE

Event	Date (Sydney time)
Trading halt and announcement of acquisition and Entitlement Offer Institutional Entitlement Offer opens	Monday 30 April 2018
Institutional Entitlement Offer closes	Tuesday 1 May 2018
Trading halt lifted and trading resumes on an “ex-entitlement” basis	Wednesday 2 May 2018
Record Date for determining Eligible Shareholders under the Entitlement Offer	7:00 pm Wednesday 2 May 2018
Retail Entitlement Offer opens and Retail Offer Booklet dispatched	Monday 7 May 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday 8 May 2018
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday 9 May 2018
Retail Entitlement Offer closes	5:00 pm Thursday 17 May 2018
Settlement of Retail Entitlement Offer	Thursday 24 May 2018
Allotment of New Shares issued under the Retail Entitlement Offer	Friday 25 May 2018
Dispatch of holding statements and normal trading of New Shares issued under Retail Entitlement Offer	Monday 28 May 2018

Note: The timetable above is indicative only and may be subject to change. Emeco reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Emeco reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

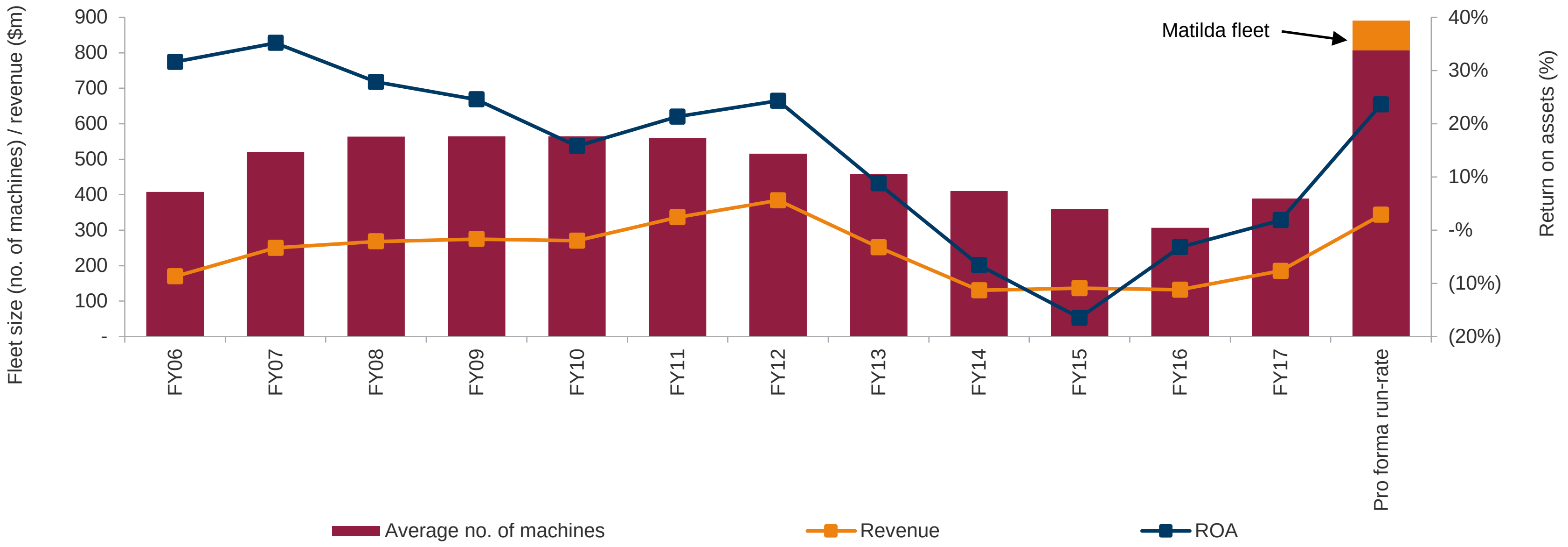
6. Summary & Outlook

STRATEGY & OUTLOOK

Matilda Equipment acquisition is aligned with Emeco's continued pursuit to drive investor returns

- Return on assets achieved has increased markedly since FY15
- Revenue growth potential given (1) tightening equipment market and increased demand driving rates; and (2) excess capacity in Emeco’s operating utilisation, especially on a significantly larger fleet

Historical Australian fleet (excludes support equipment), revenue and return on assets



Note: Pro forma run rate based on Emeco 1H18 figures and Matilda 3Q18 figures. Return on assets calculated as estimated EBITA for Australian fleet divided by estimated average written down value for Australian fleet.

FY18 OUTLOOK AND BEYOND

Expected growth in FY19 accelerated with Matilda Equipment acquisition and positions Emeco well to take advantage of improved market conditions

What we're seeing in the market	— Strong underlying momentum heading into FY19 with new project wins and existing project scope expansions — High demand for equipment with limited supply and increasing lead times — Customers are averse to capital expenditure and rental equipment is attractive to both miners and contract miners — Emeco is in a strong position to capitalise on new opportunities through a broadened value proposition, customer relationships and quality service
What we're doing in the business	— Utilising Force component rebuild capability to provide significant capex saving — Strong focus on optimising maintenance labour and reducing costs through centralised asset planning and procurement, and condition monitoring — Installation of MineQ technology to facilitate expanded use of EOS — Developing innovative solutions in cooperation with our customers to reduce overall costs and enhance productivity — Focus on increasing operating utilisation and improving rates
Our objectives for the future	— Generate cash to aggressively deleverage — Achieve net debt / operating EBITDA below 1.5x by FY20 to facilitate refinancing of senior secured notes on attractive terms and reduce interest costs — Maximise and sustain return on existing and future assets through the capex cycle — Pursue strategic and financially compelling acquisition opportunities — Restructure the business to reduce Emeco's cost of capital whilst enhancing our service capability to support a less capital intensive business

A. Risk factors

RISK FACTORS

Introduction

Introduction	Investors should be aware that there are risks associated with an investment in Emeco. Some of the principal factors which may, either individually or in combination, affect the future operating performance of Emeco are set out below. Some are specific to an investment in Emeco and the New Shares and others are of a more general nature. The summary of risks below is not exhaustive. This Presentation does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties that Emeco is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of Emeco and the New Shares. The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This presentation does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Entitlement Offer. As a result, it is important for you to carefully read and understand the information on Emeco made publicly available, prior to deciding whether to take up all or part of your Entitlement. In particular, please refer to this Presentation, Emeco's full year and annual reports (including Emeco's most recent full year FY17 results announcement lodged with the ASX on 31 August 2017, its 2017 Annual Report lodged with the ASX on 20 October 2017, the investor materials in relation to the acquisition of Force Equipment Pty Ltd lodged with the ASX on 31 October 2017, Emeco's 1H FY18 results lodged with the ASX on 28 February 2018 and Emeco's 3Q18 operational update lodged with ASX on 18 April 2018) and other announcements lodged with ASX (including announcements which may be made by Emeco after publication of this Presentation). You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest.

RISK FACTORS

Business risks

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. 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 replacement equipment is dependent on supply of equipment and relationships with dealers for original equipment manufacturers (OEMs), sellers of equipment and 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 used equipment. 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. 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 shortage of equipment and parts may constrict the Company's ability to enter new contracts or fulfil existing contracts and adversely impact future earnings and financial performance.
Loss of key management personnel and 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 the continued employment and performance of senior executives and other key members of management. The Company's performance also depends on its ability to attract and retain skilled workers with the relevant industry and technical experience. 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 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. 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.

RISK FACTORS

Business risks (continued)

Fleet age and maintenance expenditure 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 whether to keep and reinvest or dispose 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, it must be undertaken earlier than anticipated, or if there is a significant operational failure requiring unplanned maintenance expenditure. Future operating and financial performance could be adversely affected because market values of used equipment may fluctuate and are generally lower as a piece of equipment ages. In addition, the cost of the 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. Financing constraints may also inhibit the ability of the Company to undertake all of the maintenance capital expenditure that it might like to implement.

RISK FACTORS

Business risks (continued)

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 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$15 million of proceeds in FY17 from the sale of equipment (A$15 million FY16). This was classified as other income.
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.

RISK FACTORS

Business risks (continued)

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.

RISK FACTORS

Business risks (continued)

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, iii. rockfalls, cave-ins, or conditions that threaten to result in such an event; iv. accidents or unsafe conditions; v. issues with mine ventilation; vi. equipment breakdowns; vii. industrial relations issues; and viii. 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.
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, conducts 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.

RISK FACTORS

Business risks (continued)

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.
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 3Q18, 37.8% of revenues were generated from the provision of mining equipment rental services to thermal coal mining customers, 20.8% to coking coal mining customers, 9.0% to copper mining customers, 19.7% to gold mining customers and 3.7% 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. Notwithstanding the recent increase in commodity prices, the occurrence of, timing and sustainability of a broad based market recovery is uncertain and even in the case where the recent strength in market conditions continues, 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 or the loss of key personnel.

RISK FACTORS

Business risks (continued)

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. OEM dealers may 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.
Contractual risks	The Company's revenue is dependent on winning new contracts and operates in a competitive market. Award of new contracts depends on 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. The Company may be 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 may limit 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 three 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. Emeco also enters into contracts with its suppliers for goods and services. A number of these contracts may be terminated for convenience by the supplier. There is a risk that suppliers may default on their obligations under contracts entered into with Emeco or terminate those supply arrangements and this may result in non-performance or delays in the provision of equipment to Emeco.

RISK FACTORS

Business risks (continued)

Indebtedness	The Company's gross debt position as at 31 December 2017 is approximately A$456 million of senior secured notes ("Notes") and approximately A$6.5 million of finance leases. The Company also has up to A$35 million in additional debt and A$5 million in bank guarantee commitments under a $40 million revolving loan facility. This level of total potential Indebtedness has important consequences for the Company and its Shareholders, including the following: i. requiring the Company to dedicate a material portion of its cash flow from operations to meet principal and interest payments thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; ii. increasing the Company's vulnerability to adverse general economic or industry conditions, commodity prices and exchange rate fluctuations; iii. subjecting the Company to a number of covenants and ongoing obligations which reduce its flexibility in planning for, or reacting to, changes in the Company's businesses or industry; and iv. placing the Company at a competitive disadvantage compared to its competitors that have less debt or are not subject to similar negative covenants.
Debt servicing and refinancing risk	Emeco's Notes need to be fully repaid, renewed or refinanced on or before March 2022. The ability of the Company to repay or reschedule the Notes and the revolving loan facility will ultimately be contingent on mining and exploration market activity, commodity prices, AU$/US$ exchange rate outcomes, achievement of integration plans, the ability of the Company to source additional funds through debt and equity markets and capital market risks at the time of refinancing. 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 Notes at maturity 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 the Notes, which may include the refinancing or restructuring of the Notes, 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.
Registration of Security Interests	Under Australian law, businesses that rent or lease equipment to customers, such as the Company does, can lose legal title to that equipment in certain circumstances where the customer who has rented that equipment becomes insolvent or goes into administration ("Insolvency Event"), and the owner of the equipment hasn't registered a security interest with respect to that equipment prior to that Insolvency Event. Additionally, registrations of security interests can be ineffective if the details provided in the registration do not satisfy legal requirements. While the Company has systems in place that are designed to ensure that effective registrations are made in a timely way, and these systems will be applied to Matilda, there is a risk that the Company may lose title to equipment that it would otherwise have title to, and the Company may be adversely affected as a result.

RISK FACTORS

Business risks (continued)

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.
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.
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.
Foreign exchange risks	The majority of the Company's debt is 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.

RISK FACTORS

Risks related to the Acquisition of Matilda Equipment

Completion risk	Emeco may terminate the Acquisition agreement in certain circumstances including where there is a material adverse change in Matilda or where Emeco does not receive approval from the ACCC in relation to the transaction. If these termination rights are exercised, completion of the Acquisition may not occur. The pending conditionality of the Acquisition over an extended period could adversely affect the business and operations of Matilda, including as a result of the potential impact on relationships with clients, suppliers and other counterparties, and provide an opportunity for competitors. Further, if the Acquisition is not completed as a result of a failure in satisfaction of the conditions precedent or exercise of termination rights, Emeco will need to consider alternative uses for the proceeds from the Entitlement Offer, including applying them towards debt reduction, working capital, review of alternative investment opportunities, and/or ways to return the proceeds from the Entitlement Offer to shareholders. Any failure to consummate the Acquisition could materially and adversely affect Emeco and the price of its shares.
Commodity price exposure	Matilda's earnings and future profitability may be adversely affected by fluctuations in commodity prices, in particular the price of coal which fluctuates significantly over time, is cyclical, difficult to forecast and outside of Matilda's control. Any prolonged decline in the price of commodity prices, particularly coal, may result in a corresponding decline in the use for Matilda's equipment, which will have an adverse effect on financial performance.
Reliance on information provided	The Q3FY18 financial information relating to Matilda in this presentation is unaudited and based on the unaudited management accounts of Matilda. Accordingly, investors should not rely on this information. Further, the pro forma financial information in this presentation in respect of both Matilda and Emeco is subject to a number of assumptions and has not been subject to audit and may not be indicative of actual results. A material unidentified misstatement of the recent financial performance of Matilda could potentially have a material adverse impact on the Company into the future. Emeco undertook a due diligence process in respect of Matilda, which relied in part on the review of legal and other information provided by Matilda. While Emeco considers the due diligence process undertaken to be appropriate, Emeco has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Emeco has presented (and made assumptions in doing so) the financial information relating to Matilda on a stand-alone basis and also on a combined basis (with Emeco post-completion). If any of the data or information provided to and relied upon by Emeco in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Emeco may be materially different to the financial position and performance expected by Emeco and reflected in this Presentation. Shareholders should also note that there is no assurance that the due diligence conducted in respect of Matilda was conclusive and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on Emeco (for example, Emeco may later discover liabilities or defects which were not identified through due diligence or for which there is no protection for Emeco). This could adversely affect the operations, financial performance or position of Emeco. Further, the information reviewed by Emeco includes forward looking information. While Emeco has been able to review some of the foundations for the forward looking information relating to Matilda, forward looking information is inherently unreliable and based on assumptions that may not be achieved or satisfied in the future.

RISK FACTORS

Risks related to the Acquisition of Matilda Equipment (continued)

Integration risk	The Acquisition involves the integration of Matilda which has previously operated independently to Emeco. As a result, there is a risk that the integration of Matilda may be more complex than anticipated, encounter unexpected challenges or issues and take longer than expected, divert management attention or not deliver the expected benefits and this may affect Emeco's operating and financial performance. Further, the integration of Matilda's accounting functions may lead to revisions, which may impact on the Emeco Group's reported financial results.
Loss of Matilda Equipment personnel	While Emeco is committed to providing a continued attractive employment environment, conditions and prospects to assist in the retention of Matilda's key management personnel throughout the Acquisition process, there can be no assurance that there will be no loss of key staff leading up to and following the Acquisition by Emeco of Matilda.
Historical liability	If the Acquisition of Matilda completes, Emeco may become directly or indirectly liable for any liabilities that Matilda has incurred in the past as a result of prior acts or omissions, including liabilities which were not identified during Emeco's due diligence or which are greater than expected, and for which the various forms of protections negotiated by Emeco in its agreement to acquire Matilda (in the form of representations and warranties and indemnities) turn out to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of Emeco post-Acquisition.
Future earnings and acquisition accounting risk	Emeco has undertaken financial and business analysis of Matilda in order to determine its attractiveness to Emeco and whether to pursue the Acquisition. To the extent that the actual results achieved by Matilda are weaker than that anticipated, or any difficulties arise in integrating the operations of Matilda with those of Emeco, there is a risk that the profitability and future earnings of the operations of Emeco may differ (including in a materially adverse way) from the pro forma performance as reflected in this presentation. Following completion of the Acquisition, Emeco will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of Emeco. The pro forma adjustments to reflect the estimated financial effect of the accounting for the business combination in this presentation are illustrative only. Australian Accounting Standards require the determination of fair value of identifiable assets and liabilities acquired. The inclusion of Matilda reflects provisional amounts for the assets and liabilities acquired based on historic costs other than goodwill. Post Acquisition, a purchase price allocation exercise will be undertaken which may identify amortisable intangibles and impact future depreciation and amortisation charges. Additionally, the allocation exercise may give rise to material differences in values allocated to the balance sheet.

RISK FACTORS

Risks related to the Acquisition of Matilda Equipment (continued)

Acquisition accounting	In accordance with AASB 3, Matilda's identifiable assets, liabilities and contingent liabilities, including intangible assets, must be identified and valued as at the Acquisition date. The purchase price is then allocated across the fair value of these assets, liabilities and contingent liabilities with any residual recognised as goodwill. The valuation of intangible assets is a complex and time-consuming process that may require specialist skills and detailed information about the business, which will become available to Emeco following completion of the Acquisition. In addition, each of the identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. Indefinite life intangibles are not amortised and are reviewed for impairment annually. A detailed identification and valuation process will therefore be undertaken after the Acquisition completes. The examples provided below are not intended to be an exhaustive list of items acquired in a business combination that meet the definition of an intangible asset. However they provide an indication of the types of intangibles that may be acquired as part of the Acquisition including client contracts. Under AASB 3, the Company has up to 12 months from the date of Acquisition during which retrospective adjustments can be made to the provisional Acquisition accounting. The Company has not completed an exercise to consider the fair value of the tangible and identifiable intangible assets and the liabilities acquired along with any related deferred tax amounts. No value has been attributed to potential carry forward tax losses or deferred tax liabilities related to intangible assets for the purposes of the pro forma historical statement of financial position. Accordingly, adjustments will impact the recorded amounts of assets and liabilities of the Company and will have an impact on depreciation and amortisation charges in future financial periods and therefore impact earnings before interest and tax ("**EBIT**") and net profit after tax ("**NPAT**").
Analysis of Acquisition opportunity	Emeco has undertaken financial, business and other analysis of Matilda in order to determine its attractiveness to Emeco and whether to pursue the Acquisition. It is possible that such analysis, and the best estimate assumptions made by Emeco, draws conclusions and forecasts that are inaccurate or which are not realised in due course. To the extent that the actual results achieved by Matilda are different than those indicated by Emeco's analysis, there is a risk that the profitability and future earnings of the Combined Group may be materially different from the profitability and earnings expected as reflected in this Presentation.

RISK FACTORS

Risks related to the Acquisition of Matilda Equipment (continued)

Contract termination / Reduction in contract scope	Matilda's revenues are subject to underlying contracts with varying terms. There is a risk that Matilda's contracts may be cancelled or may not be renewed if customers decide to reduce their levels of spending, potentially reducing their revenue. Most of these contracts can be terminated at the customer's convenience. Contract operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond Emeco's control, including the following: •variations to reduce scope of works; •prolonged heavy rainfall or cyclone; •geological instability, including strong seismic activity, landslides, mudslides, rock falls, cave-ins, or conditions that threaten to result in such an event; •accidents or unsafe conditions; •equipment breakdowns; •industrial relations issues; and •scarcity of materials and equipment. If Matilda does not perform its obligations under a contract in accordance with the terms of the contract, Matilda is at risk that the contract will be terminated. Any such performance issue may result in contract guarantees being relied upon by its clients and could also adversely affect Matilda's reputation in the marketplace which could adversely impact its ability to secure new contracts. In addition, Matilda's contracts may be subject to termination for convenience by clients without cause. In the event of a contract termination, Emeco may not be able to redeploy the assets and resources used on that project to other projects on the same terms or at all and may experience downtime between demobilisation and redeployment. Any of these factors could materially adversely affect Emeco's margins and results of operations.

RISK FACTORS

Risks associated with the Entitlement Offer and Share ownership

Risks associated with an investment in Shares	There are general risks associated with investments in equity capital such as Emeco shares. The trading price of Emeco shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being lessor more than the price under the Entitlement Offer. Generally applicable factors that may affect the market price of shares include: •general movements in Australian and international stock markets; •investor sentiment; •Australian and international economic conditions and outlook; •changes in in interest rate and the rate of inflation; •changes in government legislation and policies, in particular taxation laws; •announcement of new technologies; •geo-political instability, including international hostilities and acts of terrorism; •demand for and supply of Emeco securities; •announcements and results of competitors; •analyst reports; and •future issues of Emeco securities No assurances can be given that the New Shares will trade at or above the Entitlement Offer price. None of Emeco, its directors or any other person guarantees the market performance of the New Shares. The operational and financial performance and position of Emeco and Emeco's share price may be adversely affected by a worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress or existing risk, may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.
Sell-down by Emeco's substantial shareholders	There is a risk that Emeco's substantial shareholders (including Directors) may seek to sell down their shareholdings in Emeco. A significant sale of shares, or a perception that a sell-down may occur, could adversely affect the price of Emeco's shares.
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 and may adversely impact the trading price of Emeco shares.

RISK FACTORS

Risks associated with the Entitlement Offer and Share ownership (continued)

Change in accounting or financial reporting standards	Changes in accounting or financial reporting standards may adversely impact the reported financial performance of the Emeco Group.
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 and may adversely impact the trading price of Emeco shares.
Negative publicity	The Emeco Group will be subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions of the Emeco Group's past actions and future prospects. Being listed on the ASX means that the Emeco Group will be subject to risks relating to market expectations for its business and financial and operating performance. If the Emeco Group does not manage these expectations in an effective manner, it could give rise to loss of investor confidence in its business and management and may adversely impact the trading price of Emeco shares.
Changes in taxation laws	Variation in the taxation laws affecting the Emeco Group's operations could materially affect financial performance and may adversely impact the trading price of Emeco shares. The interpretation of these laws could also change, leading to a change in the taxation treatment of investments or activities.
Credit rating risk	Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating agency. Rating agencies may also revise or replace entirely the methodology applied to derive credit ratings. No assurances can be given that a credit rating will remain for any period of time or that a credit rating will not be lowered or withdrawn entirely by the rating agency if in its judgement circumstances in the future so warrant, or if a different methodology is applied to derive that credit rating. Any downgrade to Emeco’s credit rating could impact Emeco’s ability to obtain financing, increase its future financing costs, impact its ability to access capital markets and/or have an adverse effect on the market price of Emeco’s shares.

RISK FACTORS

Risks associated with the Entitlement Offer and Share ownership (continued)

Underwriting risk	The Underwriting Agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the Underwriters to terminate the Underwriting Agreement. Accordingly, there is a risk that the Underwriters may terminate their obligations under the Underwriting Agreement if any such events occur. These events include where: •any of the offer documents (including this Investor Presentation and all ASX announcements made in connection with the Entitlement Offer) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive, or the cleansing notice lodged by Emeco in respect of the Entitlement Offer is "defective" within the meaning of the Corporations Act; •there are certain delays in the timetable for the Entitlement Offer without the Underwriters' consent; •Emeco ceases to be admitted to the official list of ASX or its ordinary shares are suspended from trading or quotation; •Emeco withdraws the Entitlement Offer; •the Acquisition agreement is terminated or rescinded, breached in a material respect or a condition precedent to any party's obligations under the Acquisition agreement becomes incapable of being satisfied; •there is a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Emeco Group; •the S&P/ASX 200 Index falls by 10% or more from its reference level and closes at that level for 2 consecutive business days or more; and •ASIC takes certain regulatory action in respect of the Company or the Offer. The ability of the Underwriters to terminate the Underwriting Agreement in respect of some events (including breach of the Underwriting Agreement by Emeco, market disruption, hostilities or regulatory action) will depend (amongst other things) on whether the event has or is likely to have a material adverse effect on the success or settlement of the Entitlement Offer, the price at which New Shares may trade on the ASX or could reasonably be expected to give rise to a contravention by, or liability for, an Underwriter under applicable law. If the Underwriting Agreement is terminated for any reason, then Emeco may not receive the full amount of the proceeds expected under the Entitlement Offer, its financial position may change and it may need to take other steps to raise debt or equity capital in order to fund and complete the Acquisition.
Risks associated with not taking up your rights under the Entitlement Offer	If you do not take up all of your entitlements to acquire New Shares under the Entitlement Offer, your percentage shareholding in Emeco will be diluted by not participating to the full extent in the Entitlement Offer. As the Entitlement Offer is non-renounceable, you will not receive any value for entitlements you do not take up.

B. International Offer Restrictions

INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

1. Canada

Securities law in Canada is governed by provincial legislation and provincial regulators (as opposed to federally).

1.1 Institutional Offer

We understand that the New Shares may be offered to institutional investors in Canada that are resident in the provinces of British Columbia, Ontario and Quebec (the "Provinces").

Exemption for accredited investors

Generally stated, a distribution of securities must be made pursuant to a prospectus registered in the applicable Provinces (the "Prospectus Requirement"). Each Province, however, has an exemption from the Prospectus Requirement for trades in securities with an "accredited investor" that is purchasing as principal (the "Accredited Investor Prospectus Exemption"). The term "accredited investor" includes banks, investment funds, pension funds and other regulated financial institutions as well as regulated advisers and dealers and high net worth individuals. An equity offer may be made to an unlimited number of "accredited investors" in the Provinces.

Filing with Provincial securities regulator with respect to any sale of securities

For each Province in which an issuer sells securities in reliance on the Accredited Investor Prospectus Exemption, it must lodge a Report of Exempt Distribution (Form 45-106F1) and pay a filing fee within 10 days after settlement. The Report of Exempt Distribution is a notice filing that discloses certain information, including (i) contact details of the issuer; (ii) information on the purchase price (converted into Canadian dollars) for securities sold in the Province; (iii) name and address of the purchasers in the Province; and (iv) identity and compensation paid to any underwriter/placement agent involved in the placement to residents of a Province.

A signature of an officer (eg, Company Secretary) of the issuer is required on any Form 45-106F1 and may be transmitted via pdf. The filing fee for Ontario is C$500. In British Columbia, the fee is the greater of C$100 or .03% of the proceeds raised from the securities sold to residents of British Columbia. In Quebec, the fee is the greater of C$260 or .025% of the proceeds raised from securities sold to Quebec residents.

In addition, if securities are sold in Ontario and Quebec, a copy of any offer document (including any investor presentation that promotes the Offer) must be filed within 10 days after settlement.

Our Toronto office can assist with these lodgings with the relevant provincial authorities and pay the filing fees subject to reimbursement by the Company.

Resale of securities acquired pursuant to an exemption

Securities that are acquired in reliance on an exemption, such as the Accredited Investor Prospectus Exemption described above, are subject to re-sale restrictions. However, a commonly relied upon exemption (the "De Minimis Re-sale Prospectus Exemption") would allow the New Shares to be resold pursuant to an exemption from the Prospectus Requirement if:

- the Company is not a reporting issuer in Canada;
- at the time of distribution of New Shares pursuant to the Offer there is a de minimis market for the New Shares in Canada (ie, fewer than 10% of direct or indirect shareholders resident in Canada and such persons hold directly or indirectly less than 10% of the outstanding securities of the class); and
- the re-sale is executed through a stock exchange or market outside Canada or made to a person outside Canada.

If these conditions are not fulfilled, then the New Shares would be subject to a re-sale restriction period that may never expire if the Company does not become a reporting issuer in a Canadian province. If such a scenario is likely (eg, if Canadian residents may, directly or indirectly, own more than 10% of the Company's ordinary shares as a result of the Offer), then additional disclosure to Canadian investors may be advisable.

1.2 Legend of foreign offer restrictions

We have provided sample disclaimer language in Schedule 1 that should be included in any document that would qualify as an "offering memorandum" in the Provinces. Generally speaking, an "offering memorandum" is any document that describes the business and affairs of an issuer that has been prepared to assist a purchaser in making an investment decision with respect to an exempt distribution. Any offer document or investor presentation that promotes the Offer would likely qualify as an offering memorandum.

1.3 Representations of institutional investors

In the Provinces, it is best practice to have Canadian subscription materials that would usually include an Accredited Investor Certificate, a French Language Waiver, a Consent to Disclosure of Personal Information Form and a Canadian Anti-Money Laundering Certificate. However, given our understanding that the Offer in Canada will be limited to sophisticated institutional investors, we recommend that they give the representations set forth in Schedule 2.

With respect to the English Language Consent/French Language Disclaimer contained as representation (m) in Schedule 2, we note that this representation may not be definitive if a subscriber in Quebec later demands that all documents be supplied in French (and best practice is to have the English Language Consent signed separately by each Quebec investor) but that the representation is consistent with market practice.

INTERNATIONAL OFFER RESTRICTIONS

2. Hong Kong

An offer of ordinary shares to the public in Hong Kong is subject to the prospectus registration requirement under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "CO") and the general prohibition on offers of investments to the Hong Kong public under the Securities and Futures Ordinance (the "SFO"). However, the CO contains certain exemptions from the prospectus registration requirement. An offer of ordinary shares that is exempt from the prospectus registration requirement of the CO is also exempt from the prohibition under the SFO.

2.1 Institutional Offer

An offer of ordinary shares may be made to an unlimited number of "professional investors" in Hong Kong without a prospectus or registration. The term "professional investor" includes regulated financial intermediaries such as banks, insurance companies, providers of investment services and collective investment schemes (ie, managed funds) as well as high net worth individuals (having a portfolio of at least HK$8 million).

2.2 Legend of foreign offer restrictions

Any offer document (including an investor presentation relating to the Offer) should include an appropriate foreign offer restriction legend, such as the following:

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

2.3 Representations of investors

Representations of investors are advisable and we recommend the following:

If you (or any person for whom you are acquiring the New Shares) are in Hong Kong, you (and any such person) are a "professional investor" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong.

3. New Zealand

The securities law systems in Australia and New Zealand are similar and these countries have a mutual recognition regime for public offers of securities in their respective countries.

3.1 Institutional Offer and Retail Offer

New Zealand law permits Australian issuers to extend entitlement offers for securities that are listed on the ASX to an unlimited number of existing security holders in New Zealand without any locally compliant offer document, registration or filing in New Zealand. This exemption does not, however, apply to securities relating to entitlements that are not taken up by security holders and sold in a bookbuild placement process.

A placement of securities may be made to an unlimited number of wholesale investors without any locally compliant offer document, registration or filing in New Zealand if each investor:

- is an investment business (eg, entities whose principal business consists of investing in financial products or trading in financial products on behalf of other persons);
- meets certain investment activity criteria (eg, owning or acquiring a portfolio of financial products having a value of at least NZ$1 million in the past two years);
- has net assets, or total turnover, of over NZ$5 million for each of the last two years;
- is a government agency; or
- is an "eligible investor".

The term “eligible investor” means a person who, in relation to an offer of financial products:

- certifies in writing that such person has previous experience in acquiring or disposing of financial products, such that such person is able to assess the merits of the offer, the information that such person requires and the adequacy of the information provided;
- understands the consequences of certifying themselves as an eligible investor;
- states in a certificate the grounds for the certification; and
- obtains written confirmation of the certificate, signed by an authorised financial adviser, a chartered accountant or a lawyer.

INTERNATIONAL OFFER RESTRICTIONS

3.2 Legend of foreign offer restrictions

(a) The following is a legend for any offer document (including an investor presentation) relating to the Institutional Offer in New Zealand:

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

(b) The following is a legend for inclusion in any offer document for the Retail Offer:

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

3.3 Representations of investors

Representations of New Zealand shareholders are not required for a non-renounceable entitlement offer with respect to the pro-rata issuance.

However, because the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 does not apply to shares not taken up by shareholders and placed as part of a bookbuild process offer, the representation below for placements is applicable in such circumstances.

Representations of New Zealand investors in a placement are customary, such as follows:

If you (or any person for whom you are acquiring or procuring the New Shares) are in New Zealand, you (and any such person):

(a) are a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"), (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act, (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act, (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act or (v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act;

(b) acknowledge that: (i) Part 3 of the FMC Act shall not apply in respect of the offer of New Shares to you, (ii) no product disclosure statement under the FMC Act may be prepared in respect of the offer of New Shares and (iii) any information provided to you in respect of the offer is not required to, and may not, contain all of the information that a product disclosure statement under New Zealand law is required to contain;

(c) warrant that if in the future you elect to directly or indirectly offer or sell any of the New Shares allotted to you, you undertake not to do so in a manner that could result in (i) such offer or sale being viewed as requiring a product disclosure statement or other similar disclosure document or any registration or filing in New Zealand, (ii) any contravention of the FMC Act or (iii) the Company or its directors incurring any liability; and

(d) warrant that (i) any person for whom you are acquiring or procuring New Shares meets one or more of the criteria specified in subclause (a) above and (ii) you have received, where required, a safe harbour certificate in accordance with clause 44 of Schedule 1 of the FMC Act.

INTERNATIONAL OFFER RESTRICTIONS

4. Norway

4.1 Institutional Offer

An offer of ordinary shares may be made to an unlimited number of "professional clients" in Norway without a prospectus or registration. The term "professional clients" includes financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors whose main business is to invest in financial instruments.

4.2 Legend of foreign offer restrictions

Any offer document (including an investor presentation relating to the Offer) should include an appropriate foreign offer restriction legend, such as the following:

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

4.3 Representations of investors

Representations of investors are advisable and we recommend the following:

If you (or any person for whom you are acquiring the New Shares) are in Norway, you (and any such person) are a "professional client" as defined in Norwegian Securities Regulation of 29 June 2007 no. 876.

5. Singapore

5.1 Institutional Offer

An offer of ordinary shares may be made to an unlimited number of "institutional investors" in Singapore without a prospectus or registration. The term "institutional investor" includes regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as pension funds, Singapore government or statutory bodies, and institutional investors with professional treasury operations.

In addition, an offer of securities in a corporation may be made to an unlimited number of "relevant persons", which term includes (i) high net worth individuals whose net personal assets exceed in value S$2 million or whose income in the preceding 12 months is not less than S$300,000; and (ii) corporations with net assets exceeding S$10 million in value, without a prospectus or registration, subject to the following conditions:

• the offer is not accompanied by an “advertisement” making an offer or calling attention to the offer or intended offer;

• no selling or promotional expenses are paid or incurred in connection with the offer other than those incurred for administrative or professional services, or by way of commission or fee for services rendered by (i) the holder of a capital markets services licence to deal in securities under the Securities and Futures Act (Cap. 289) (“SFA”); (ii) an exempt person in respect of dealing in securities under the SFA; or (iii) a person who is licensed, approved, authorized or otherwise regulated under the laws, codes or other requirements of any foreign jurisdiction in respect of dealing in securities, or who is exempted therefrom in respect of such dealing; and

• subject to certain exceptions, no prospectus in respect of the offer has been registered by the Monetary Authority of Singapore.

5.2 Legend of foreign offer restrictions

Any offer document (including an investor presentation relating to the Offer) should include an appropriate foreign offer restriction legend, such as the following:

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

INTERNATIONAL OFFER RESTRICTIONS

5.3 Representations of investors

Representations of investors are advisable and we recommend the following:

If you (or any person for whom you are acquiring the New Shares) are in Singapore, you (and any such person):

- are an "institutional investor" or a "relevant person" (as such terms are defined in the Securities and Futures Act of Singapore ("SFA"));
- will acquire the New Shares in accordance with applicable provisions of the SFA; and
- acknowledge that the offer of the New Shares is subject to the restrictions (including selling restrictions) set out in the SFA.

6. Switzerland

6.1 Institutional Offer

An offer of ordinary shares may be made to an unlimited number of "qualified investors" in Switzerland without a prospectus or registration. The term "qualified investor" includes regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

6.2 Legend of foreign offer restrictions

Any offer document (including an investor presentation relating to the Offer) should include an appropriate foreign offer restriction legend, such as the following:

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

6.3 Representations of investors

Representations of investors are advisable and we recommend the following:

If you (or any person for whom you are acquiring the New Shares) are in Switzerland, you (and any such person) are an institutional investor (i) subject to Swiss or foreign prudential supervision such as a bank, securities dealer, insurance institution or fund management company or (ii) with professional treasury operations.

INTERNATIONAL OFFER RESTRICTIONS

7. United Kingdom

7.1 Institutional Offer

An offer of ordinary shares may be made to an unlimited number of "qualified investors" in the United Kingdom without a prospectus or registration. The term "qualified investor" includes credit institutions, investment business firms, insurance undertakings, collective investment schemes and other authorized or regulated financial institutions.

7.2 Legend of foreign offer restrictions

Any offer document (including any investor presentation relating to the Offer) should include an appropriate foreign offer restriction legend, such as the following:

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

7.3 Representations of investors

Representations of investors are advisable and we recommend the following:

If you (or any person for whom you are acquiring the New Shares) are in the United Kingdom, you (and any such person) are:

• a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000; and

• within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.

C. Basis of preparation and operating to statutory financials reconciliation

PRO FORMA FINANCIALS – BASIS OF PREPARATION

Basis of Preparation

The basis of preparation in compiling the Pro forma Statement of financial position and Pro forma earnings and leverage information post Entitlement Offer and Acquisition as disclosed on slides 18 and 19 of this presentation (and collectively referred to as the pro forma historical financial information) is set out below:

- The pro forma historical financial information has been prepared in accordance with the recognition and measurement principles described in Australian Accounting Standards (including Australian Accounting Interpretations). The accounting policies used in preparation of the pro forma historical financial information are materially consistent with those set out in the Emeco annual financial report for the year ended 30 June 2017.
- The pro forma historical financial information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the Corporations Act.
- The pro forma historical financial information has been derived from Emeco's Interim Financial Report as at 31 December 2017. Emeco's & Matilda's pro forma historical EBITDA for the quarter ended 31 March 2018 has been derived from their unaudited management accounts.
- Emeco's complete Financial Report for the year ended 30 June 2017 is available from Emeco's website www.emecogroup.com, or ASX's website www.asx.com.au.
- The pro forma historical financial information illustrates the financial position of the combined group as if the Acquisition and Entitlement Offer was effective at 31 December 2017. For the purposes of the pro forma earnings and leverage information the pro forma combined Q3 EBITDA annualised is for the period from 1 January 2018 to 31 March 2018.

OPERATING TO STATUTORY FINANCIALS RECONCILIATION

$m	FY17	3Q18	3Q18 run rate
Statutory NPAT from continuing operations	(156.1)	5.8	
Adjusted for:			
Business acquisition and restructuring costs	88.0	0.0	
Impairment expense	10.2	(1.9)	
Depreciation and Amortisation	61.5	18.2	
Net Finance costs	34.2	12.2	
Net FX loss/(gain)	10.1	2.7	
Tax Expense	14.7	-	
EBITDA discontinued operations	7.0	0.0	
Total EBITDA	**69.6**	**37.1**	
Long Term Incentives expense	6.4	1.6	
Redundancy & Restructuring expense	7.5	2.3	
Operating EBITDA	**83.5**	**41.0**	**163.9**

Thank you

emecogroup.com