

SUPPLEMENTARY NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM

Emeco Holdings Limited (ACN 112 188 815)

This supplementary Notice of Extraordinary General Meeting and Explanatory Memorandum (**Supplementary Notice**) relates to the Extraordinary General Meeting of Emeco Holdings Limited (**EGM**) to be held at Baker McKenzie, Level 27, 50 Bridge Street, Sydney, NSW, 2000 on Monday, 13 March 2017 at 11.30am (Sydney time).

This Supplementary Notice amends Resolution 3.

You should read this document in conjunction with the Company's Notice of Extraordinary General Meeting and Explanatory Memorandum dated 8 February 2017 (**Notice**).

Unless otherwise specified, terms defined in the Notice have the same meaning in this document.

Figures, amounts, percentages, estimates, calculations of value and fractions in this Supplementary Notice are subject to the effects of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Supplementary Notice.

This notice is supplementary to, and does not affect the validity of, the Notice.

Acquisition of Emeco Notes by Black Diamond from Ascribe

Black Diamond is an alternative asset management firm which currently beneficially owns approximately 33% of the Emeco Notes through its management of certain private investment funds.

As disclosed in the Explanatory Materials, after securing the support of Black Diamond to the Transaction, all parties to the initial restructuring support agreement signed the Amended RSA on 30 December 2016. Ascribe II Investments LLC (**Ascribe**) is one of the parties to the Amended RSA.

Emeco has been advised that on 10 February 2017, Black Diamond (and its relevant associated funds) entered into an agreement with Ascribe pursuant to which Black Diamond will acquire US \$69.645 million Emeco Notes (approximately 24.6% of the Emeco Notes on issue) from Ascribe (the **Trade**).

Black Diamond has also agreed to become a party to, and assume Ascribe's obligations under, the Scheme Cash Funding Agreement. This means that Black Diamond will become a Scheme Cash Funder and may be issued New Shares and Tranche B Notes that the Emeco Noteholders who elect to receive cash under the Emeco Noteholders' Scheme would have otherwise been entitled to receive if they had not elected to receive cash consideration. Further details of the Scheme Cash Funding Agreement are set out in section 9.2(d) of the Notice.

Implications of the Trade

Following settlement of the Trade (expected to occur on 1 March 2017), Black Diamond's holding of Emeco Notes will increase to approximately 57.7% (up from 33%) of the Emeco Notes on issue, and Ascribe's holding will decrease to 0%.

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As a result of this increased holding of Emeco Notes, after the Completion Date it is expected that Black Diamond will hold approximately 28.6% (up from 20.8%) of the Shares as a result of being issued Shares:

- as a Scheme Noteholder;
- as a Scheme Cash Funder¹;
- pursuant to the Black Diamond Placements; and
- as an underwriter in the Rights Offer.

In addition, the table in Annexure I of the Notice which sets out the evolution of Black Diamond's expected voting power is revised as follows:

Expected Evolution of Black Diamond's Voting Power					
	Shares (millions)	Ownership (%) ⁽¹⁾			
		Scheme	Initial Placement	Top Up Placement	Rights Offer
Estimated Shares to all Emeco Noteholders x Black Diamond Notes (as % of total)	777.4 33.1%	36.4% 33.1%	34.4% 33.1%	34.1% 33.1%	30.7% 33.1%
Shares issued to Black Diamond for Notes	257.2	12.0%	11.4%	11.3%	10.2%
Add: Shares from Scheme Cash Funding ⁽²⁾	4.3	0.2%	0.2%	0.2%	0.2%
Add: Shares from Purchased Ascribe Notes	191.5	9.0%	8.5%	8.4%	7.6%
Add: Shares from Initial Placement	126.5	-	5.6%	5.6%	5.0%
Add: Shares from Top-Up Placement	17.3	-	-	0.8%	0.7%
Add: Shares from Rights Offer Underwrite ⁽³⁾	125.9	-	-	-	5.0%
Total estimated Shares to Black Diamond	722.8	21.2%	25.6%	26.2%	28.6%
<i>Memo: Change in voting power (%)</i>		-	4.4%	0.6%	2.4%

Notes:

(1) Shareholdings are subject to change based on the terms of the RSA, as described herein. All figures represent pre-Management Incentive Plan shareholdings

(2) Assumes 1.75% of the outstanding Scheme Noteholders elect to receive Cash Consideration (which is the same percentage of Scheme Noteholders that made the election to receive Cash Consideration under the Original Scheme) and that Black Diamond funds 31.5% of the Cash Consideration

(3) Assumes Black Diamond purchases all A\$10 million of their portion of the Rights Offer in addition to the 7% fee

Black Diamond may potentially hold up to a maximum of 34% (up from 22.5%) of the Shares following implementation of the Transaction, prior to the Management Incentive Plan². Accordingly, sections 1.4(b), 6.4(b), 10.2, 10.4, 10.7(b) and 10.7(c) of the Notice should be read in light of these revised figures.

¹ Assumes 1.75% of the outstanding Scheme Noteholders elect to receive Cash Consideration (which is the same percentage of Scheme Noteholders that made the election to receive Cash Consideration under the Original Scheme) and that Black Diamond funds 31.5% of the Cash Consideration (pursuant to the terms of the Scheme Cash Funding Agreement). Under a "worst-case scenario" in respect of the Scheme Cash Funding, up to 24.11% of the outstanding Scheme Noteholders may elect to receive Cash Consideration (which is the percentage of Scheme Noteholders that are not parties to the RSA nor Black Diamond), which would increase Black Diamond's equity holding to 30.7% after the Completion Date (which is the figure that PPB Advisory refers to in its addendum attached to this letter).

² This figure reflects the "worst-case scenario" under the Scheme Cash Funding referred to in footnote 1 above (ie if 24.11% of the outstanding Scheme Noteholders elect to receive Cash Consideration) and builds in a number of conservative factors under the Equity Exchange (see Schedule 2 of the Explanatory Statement for a detailed description of the Equity Exchange) which would result in increased equity flowing to all Scheme Noteholders, including Black Diamond.

Resolution 3: Approval for Black Diamond to acquire a Relevant Interest in Shares pursuant to Black Diamond Placements and Underwriting Agreement

Resolution 3 is amended to reflect the increased shareholding of Black Diamond following implementation of the Transaction:

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

"That, subject to the passing of all other Transaction Resolutions, for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the acquisition by Black Diamond of a Relevant Interest in up to 1,395.1 million fully paid ordinary shares in the Company as described in the Explanatory Memorandum which accompanied and formed part of the Notice of Extraordinary General Meeting and the Supplementary Notice of Extraordinary General Meeting."

Refer to Section 10 of the Notice for further information.

Independent Expert's opinion unchanged

As a result of the increase in Black Diamond's holding pursuant to the Trade, PPB Advisory, the Independent Expert, has provided an addendum dated 21 February 2017 to the Independent Expert's Report dated 31 January 2017 (**IER**) which appears at Annexure B of the Notice.

PPB Advisory's conclusions in the IER are that:

- In the absence of a superior offer and on the basis that an Emeco Shareholder does not participate in the Rights Offer, the Transaction, including the acquisition of Relevant Interest in more than 20% of Shares by Black Diamond, is fair and reasonable.
- The Proposed Transaction is in the best interests of shareholders.
- There are compelling reasons for shareholders to approve the Transaction.

In PPB Advisory's opinion (as expressed in the addendum):

- there has not been a material change in circumstances since preparing the IER; and
- the Proposed Transaction remains fair and reasonable.

The full addendum is **attached** to this letter.

You should read the IER in its entirety as part of your assessment of the Transaction and before casting your vote in relation to the Transaction Resolutions.

Recommendations

The Directors of the Company unanimously recommend that you vote in favour of the Transaction Resolutions at the EGM, in the absence of a Superior Proposal. As at the date of this letter, no Superior Proposal has emerged.

The reasons for the Directors' recommendation in favour of the Transaction Resolutions have not changed following the Trade. These reasons and other relevant considerations are set out in the Notice.

EGM and Voting

The details of the EGM and the time for lodging proxies have not changed.

The EGM will commence at 11.30am AEDT on 13 March 2017 at Baker McKenzie, Level 27, 50 Bridge Street, Sydney NSW 2000.

All Emeco Shareholders are invited and encouraged to attend the EGM or, if they are unable to attend in person, to sign and return the proxy form enclosed with the Notice to the Emeco Share Registry by 11.30am AEDT on 11 March 2017 in accordance with the instructions provided on the proxy form and in the Notice. Lodgement of a proxy form will not preclude an Emeco Shareholder from attending and voting at the EGM in person.

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

If you have already submitted a proxy form, this proxy form will remain valid unless revoked or a replacement proxy form is returned to the Emeco Share Registry by 11.30am AEDT on 11 March 2017.

Further information

If you have any questions in relation to the EGM, please contact Ms Thao Pham as follows:

Ms Thao Pham
Company Secretary & Chief Legal, Risk & Business Transformation Officer
Emeco Holdings Limited
Level 3, 71 Walters Drive
Osborne Park WA 6017
AUSTRALIA
Email: thao.pham@emecogroup.com

By order of the Board



Ms Thao Pham
Company Secretary & Chief Legal, Risk & Business Transformation Officer

Dated: 22 February 2017

21 February 2017

The Directors
Emeco Holdings Limited
Level 3
71 Walkers Drive
OSBORNE PARK WA 6017

Dear Directors

Independent Expert's Report to Shareholders – Supplementary Report

1. Introduction

PPB Corporate Finance Pty Ltd ('PPB') has been engaged by the Directors¹ ('Directors') of Emeco Holdings Limited ('Emeco' or the 'Company') to prepare an Independent Expert's Report dated 31 January 2017 ('IER' or 'Report') for the shareholders of Emeco ('Shareholder' or 'Shareholders') in relation to a proposed recapitalisation and issue of shares through a series of transactions ('Proposed Transaction').

This supplementary report ('Supplementary Report') is to be read in conjunction with our IER to Shareholders dated 31 January 2017 and the supplementary disclosure prepared by the directors.

Terms used in the Supplementary Report have the same meaning as defined in our IER.

2. New information

Since preparing the IER, PPB has been informed that Black Diamond intends acquire 191,498,552 Notes ('Potential Acquisition') held by Ascribe II Investments LLC ('Ascribe'). Key aspects of the Proposed Acquisition are as follows:

- Black Diamond could potentially acquire up to 24.6% of Notes from Ascribe, resulting in Black Diamond potentially increasing its interest from 33.1% in the Notes before the Proposed Transaction to 57.7% in the Notes after the Proposed Transaction
- it is being negotiated at arms-length as the Black Diamond and Ascribe are unrelated and unrestricted in their negotiations
- Ascribe has advised that it will lodge a proxy form voting all of its Notes (24.6%) held as at 30 January 2017, in favour of the scheme resolution
- Black Diamond has also agreed to assume the obligations of Ascribe under the Scheme Cash Funding Agreement for which Black Diamond may be issued new shares as consideration of approximately 2.3%
- Black Diamond will have an equity interest, after the Potential Acquisition and the Proposed Transaction, of up to 30.7%² in Emeco, (up from 20.8%)
- There will be no change in the overall securities issued by Emeco.

3. Proposed Transaction opinion

In our opinion:

- there has not been a material change in circumstances since preparing the IER

¹ Directors that are not associated with the Proposed Transaction

² We are advised that Black Diamond could potentially acquire up to 34% taking into account a number of conservative factors under the Equity Exchange

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- the Proposed Transaction remains fair and reasonable.

Our opinion remains unchanged because the interests of the non-associated shareholders are not affected by the Proposed Acquisition.

Ascribe's equity interest was 7.6% before the Potential Acquisition and could be as low as 0% after the Potential Acquisition. Black Diamond will have an equity interest, after the Potential Acquisition and the Proposed Transaction, of up to 30.7% in Emeco, which continues to represent a controlling interest and blocking stake in the Company.

Black Diamond was and remains the largest Noteholder of Emeco.

Therefore, based on the above there has not been a material change in circumstance since preparing the IER and our opinion remains unchanged.

4. Revised shareholdings of the Combined Group

Table 1 summarises the revised shareholdings of Emeco Noteholders in the Combined Group, after the Pro-rata Rights Offer and before the management incentive plan.

Table 1: Revised summary of Emeco Noteholders shareholdings

Emeco Noteholder	Number	% of Total
Black Diamond	448,718,956	17.7%
Other Emeco Noteholders	328,658,754	13.0%
Total	777,377,710	30.7%

Source: Revised Table 32, Shareholder IER dated 31 January 2017

Table 2 summarises the revised shareholdings of the Underwriters in the Combined Group, after the Pro-rata Rights Offer and before the management incentive plan.

Table 2: Revised summary of Underwriters shareholdings

Underwriters	Pro-Rata Rights Offer - Nil Take Up		Pro-Rata Rights Offer - Full Take Up	
	Number	% of Total	Number	% of Total
First Samuel				
Shares held at Valuation Date	116,880,170	4.6%	162,755,840	6.4%
Underwriting Fee	6,590,465	0.3%	6,590,465	0.3%
Shares issued from subscription shortfall	94,149,504	3.7%	-	-
Total - First Samuel	217,620,139	8.6%	169,346,305	6.7%
Black Crane				
Shares held at Valuation Date	91,489,840	3.6%	127,399,762	5.0%
Underwriting Fee	1,647,616	0.1%	1,647,616	0.1%
Shares issued from subscription shortfall	23,537,376	0.9%	-	-
Total - Black Crane	116,674,832	4.6%	129,047,378	5.1%
Black Diamond				
Shares held at Valuation Date	-	-	-	-
Underwriting Fee	8,238,082	0.3%	8,238,082	0.3%
Shares issued from subscription shortfall	117,686,880	4.7%	-	-
Black Diamond Initial Placement	126,526,615	5.0%	126,526,615	5.0%
Black Diamond Top Up	17,333,401	0.7%	17,333,401	0.7%
Equity Exchange from Emeco Notes	448,718,956	17.7%	448,718,956	17.7%
Scheme Cash Funding	59,027,171	2.3%	59,027,171	2.3%
Total - Black Diamond	777,531,103	30.7%	659,844,224	26.1%
Combined Total - Underwriters	1,111,826,075	43.9%	958,237,907	37.9%

Source: Revised Table 33, Shareholder IER dated 31 January 2017

5. Other important information

PPB has prepared the Financial Services Guide ('FSG') in accordance with the Act. The FSG is set out in Part 1 of our IER.

This Supplementary Report only provides general information. It does not take into account the Emeco shareholders individual situation, objectives and needs. It is not intended to replace professional advice that should be obtained by individual Emeco shareholders. Emeco shareholders should consider whether this Supplementary Report is appropriate for their circumstances, having regard to their individual situations, objectives and needs before relying on or taking action. Emeco shareholders are encouraged to seek their own advice.

Whether or not individual Emeco shareholders vote to implement the Proposed Transaction depends on their own circumstances, as well as each Emeco shareholders view on the relevant factors. If Emeco shareholders are in any doubt as to the action that they should take in relation to the Creditors Scheme, they should seek their own professional advice.

In accordance with normal practice, prior to finalising the Supplementary Report, we confirmed facts with Emeco. This was undertaken by means of providing Emeco with a draft report. PPB obtained a representation letter from Emeco confirming that, to the best knowledge of Emeco, the information provided to, and relied upon by, PPB was complete and accurate, and that no significant information essential to the Supplementary Report was withheld.

Emeco has agreed to indemnify PPB, including its related entities and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PPB by Emeco, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

Yours faithfully

PPB Corporate Finance Pty Ltd



Campbell Jaski
Director



Fiona Hansen
Authorised Representative
AR Number 246371