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EQUIPMENT SOLUTIONS FOR MINING

ASX Release

23 September 2016

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Recapitalisation and merger with Orionstone and Andy's Earthmovers

Emeco Holdings Limited (**Emeco** or **Company**) today announces that it has signed a binding restructuring support agreement (**RSA**) with the Company's financiers and the shareholders and creditors of Orionstone and Andy's Earthmovers (**Andy's**).

The RSA establishes a framework for the proposed recapitalisation of Emeco, the merger with Orionstone and Andy's and a rights issue enabling existing Emeco shareholders to further participate in the Company's future growth (**Transaction**). As part of the Transaction, Emeco expects to refinance its asset backed loan (**ABL**) facility which matures in December 2017. The Company has also committed to closing its remaining cross currency swap positions which will generate US$12m of cash proceeds.

The Transaction will provide Emeco with a sustainable capital structure for the long term with reduced leverage, improved interest coverage and extended maturity to FY22. The increased scale, expanded equipment portfolio and operating efficiencies resulting from the merger with Orionstone and Andy's leaves the Company well placed to continue providing customers with innovative equipment rental and technology solutions. The merger is expected to generate significant cost synergies and substantially reduce Emeco's capital expenditure requirements going forward.

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

Mr Richards continued, "The Emeco board spent considerable time evaluating a range of alternatives in order to ensure this Transaction represents the best available value for shareholders. The comprehensive recapitalisation plan announced today includes a rights issue allowing our shareholders the opportunity to participate in the future upside and value created by the combined group."

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Benefits of the Transaction include the following:

- ✓ *Comprehensive recapitalisation plan providing a sustainable capital structure*
  - o De-risks the Company's the capital structure by meaningfully reducing leverage, which is expected to be 4.4x FY16PF EBITDA,[1] down from 7.2x pre-Transaction
  - o Interest coverage ratio expected to be 2.5x FY16PF EBITDA,[1] up from 1.3x pre-Transaction
  - o Covenant lite senior secured note structure with extended maturity to FY22 replacing existing March 2019 144A notes (**Notes**)
  - o Provides stable liquidity to support merger transition and implementation of strategic initiatives across the combined group
  - o A$20m equity raising, with A$10m underwritten by Emeco's current major shareholders First Samuel and Black Crane

- ✓ *Preserves shareholder upside and provides all Emeco shareholders with the opportunity to participate*
  - o Emeco shareholders can further participate in the continued growth and success of the Company through the rights issue
  - o The Transaction represents the best available and least dilutive option to maximise long term value for Emeco shareholders over time while achieving Emeco's strategic objectives

- ✓ *Compelling strategic rationale underpinning the acquisition of Orionstone and Andy's*
  - o Increased fleet capabilities and refreshed fleet age, improving the combined group's capability to create project opportunities
  - o Both Orionstone and Andy's have valuable expertise in the rental space and deep customer relationships
  - o The combined group is expected to generate significant cost synergies and capital expenditure savings
  - o Brand to be reviewed to reflect the strategy of the business, operational excellence and innovation in line with existing strategy which will be fast tracked through the merger

- ✓ *Well positioned for long term growth*
  - o Mergers with Andy's and Orionstone provide diversified geographic and end market exposure
  - o Mergers bring significant value creation potential
  - o Significant cost and capital expenditure synergies
  - o Financial capacity to achieve growth and capitalise on any market recovery
  - o Cash generation expected to continue to delever balance sheet with A$42m cash flow after financing costs forecast for FY18 (~1.7 cents per share)

The board unanimously recommends that shareholders vote in favour of the resolutions required to give effect to the Transaction in the absence of a superior proposal and subject to an independent expert concluding that the Transaction is in the best interests of Emeco shareholders.

Ian Testrow, Managing Director and CEO of Emeco, commented, "Today's announcement represents a significant milestone for Emeco and builds upon the strong momentum within the business. The Transaction materially reduces our leverage, increases our interest coverage and extends our debt maturity to FY22 while providing an enhanced platform for continuing to drive the business for long term success and value creation."

[1] FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergy of A$15m.

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"The merger with Orionstone and Andy's is strategically compelling and will generate significant near term operating synergies and capital expenditure savings which will drive cash generation and aid further deleveraging. Over the long term there is a significant value creation opportunity through the expansion of Emeco's EOS technology across the existing Orionstone and Andy's customer base. The Transaction will diversify Emeco's exposures across customers, commodities and regions with the increased scale driving efficiencies and cost reductions. Combining the management expertise of the three businesses will create a "best in class" management team to widen our value proposition for customers and create project opportunities. I am confident about the outlook of the combined group", Mr Testrow added.

Ashley Fraser, CEO and founder of Orionstone, commented, "The strategic rationale underpinning the combination of Emeco, Orionstone and Andy's is compelling. The merger of the three companies creates a business with the opportunity for significant operational enhancement, improved productivity and a lower cost base. I am excited about the growth opportunities of the combined group and the enhanced offering now available to our customers."

Andy Hoare, Managing Director and founder of Andy's, commented, "The future growth prospects of the combined group are exciting with the three-way merger creating a stronger, more diverse business with greater resilience through the cycle. The growth outlook of the combined group is stronger than any of the three companies individually and I look forward to working with Ian and Ashley to deliver our customers with a significantly enhanced value proposition."

Mr Testrow further commented, "I look forward to the opportunity to work closely with Ashley and Andy. They are both highly experienced and share my passion for customer service and innovation. I have a lot of respect for these mining services executives. With enhanced capabilities, I am confident that this merger will allow the Company to further widen its value proposition, resulting in significant value to our customers and shareholders."

A presentation outlining the Transaction, including its key terms, pro forma ownership structure and strategic rationale is attached to this announcement.

Investor and media enquiries:

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About Emeco **emecogroup.com**

Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).

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Annexure 1 – Further Transaction information

Background

As at 30 June 2016, Emeco's debt structure consisted of US$282.7 million[2] 9.875% 144A notes due in March 2019 and the A$75.0 million ABL expiring in December 2017. At 30 June 2016 the ABL was undrawn with the exception of A$11.5 million of bank guarantees utilised against the facility.

In April 2016, Emeco announced that in light of the challenging market conditions, it had appointed advisers to consider strategic options for its highly leveraged capital structure, reflecting management and the board's view that the Company required a strengthened balance sheet to withstand a prolonged period of soft operating conditions.

In conjunction with the Company's advisers the evaluation of strategic alternatives explored a range of potential recapitalisation and restructuring options, including a sale of all or parts of the Company, raising new debt or equity capital, pursuing scrip based acquisition opportunities, strategic alliances and debt-to-equity conversions, among others. These alternatives were pursued with the key objective of maximising long term value for Emeco's shareholders.

The Company believes that the Transaction is the best available course of action for Emeco as it creates a more sustainable capital structure with maturity extended to FY22, allows participation from existing shareholders and significantly enhances Emeco's operating platform through the mergers with Orionstone and Andy's.

Overview of the Transaction

Parties supporting and signing the RSA include:

- Holders of approximately 45% of the Notes by face value (**Supporting Noteholders**);
- Orionstone, its lenders (**Orionstone Creditors**) and shareholders (**Orionstone Shareholders**)
- Andy's, its lenders (**Andy's Creditors**) and shareholder (**Andy's Shareholder**)

Pursuant to the RSA, the key terms of the Transaction comprise of the following key components[3]:

- The merger with Orionstone through the exchange of 100% of the ordinary shares of Orionstone for 7% of the ordinary shares in Emeco post-Transaction (pre-management incentive plan)
- the merger with Andy's through the exchange of 100% of the ordinary shares of Andy's for 5% of the ordinary shares in Emeco post-Transaction (pre-management incentive plan)
- A debt-for-equity swap whereby, the claims of the holders of the Notes (**Noteholders**), Orionstone Creditors and Andy's Creditors, will be compromised and extinguished in exchange for their share of:
  i. 54% of the ordinary shares of the combined group on a fully-diluted basis following completion (pre management incentive plan); and
  ii. A$473m senior secured notes with 5 year maturity and cash interest rate of 9.25%

[2] A$381 million as at 30 June 2016.
[3] All figures represent best estimates as of the date of signing. Amounts are subject to final closing adjustments as per the terms of the RSA.

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- a A$20m equity raising by way of a pro-rata equity issue of Emeco ordinary shares to existing Emeco shareholders (**Rights Issue**) of which A$10m will be underwritten by current Emeco substantial shareholders First Samuel and Black Crane
- As part of the Transaction, Emeco expects to refinance its current ABL facility which expires in December 2017

Merger with Orionstone

As part of the Transaction, Emeco will merge with Orionstone, based in Mackay, Queensland, a privately owned heavy earthmoving equipment supplier in Australia, with a fleet of over 200 machines located across the country. Orionstone generated FY16 EBITDA of A$26.3 million.

Orionstone is well positioned in the market, servicing each of Australia's key mining regions, primarily in Queensland, Western Australia and New South Wales. Orionstone will contribute strong customer relationships, experience in delivering large projects and a complementary fleet providing greater scale.

Merging with Orionstone provides the combined group with a more capable rental fleet and enhanced customer base. Emeco expects to be able to generate significant operating and capital expenditure synergies from the acquisition of Orionstone, largely driven by the integration of Orionstone's young fleet to improve Emeco's asset management flexibility.

The current CEO and founder of Orionstone, Mr Ashley Fraser, will remain with the combined group as General Manager – Business Improvement. With over 15 years of industry experience, Ashley's innovative approach will drive operational excellence across the combined group by adopting best practice systems and practices.

At the completion of the Transaction, Orionstone Shareholders will hold 7% and Orionstone Creditors will hold 14% of the combined group.[4]

Merger with Andy's

Emeco will also merge with Andy's, a privately owned equipment rental business based in Bendigo, Victoria. Andy's was established in 1989 and has since grown its operations to cover mining and civil customers located in South Australia, Victoria, New South Wales, Western Australia and the Northern Territory. Andy's fleet includes 145 machines and the business generated FY16 EBITDA of A$14.9 million.

Merging with Andy's enhances Emeco's fleet age profile which allows the combined group to avoid certain replacement capital expenditure over the medium term as some of Emeco's machines reach end of life. Andy's young fleet is well suited to the continued roll out of Emeco's EOS technology across the combined group's fleet and broader customer base.

Given the strength of Andy's capabilities and history in large scale civil earthworks projects, the merger provides Emeco with enhanced earnings and end market diversification which will complement existing capabilities in mining.

Andy's Managing Director and founder, Mr Andy Hoare, will remain with the combined group as General Manager – Business Development. Andy has 34 years of industry experience. Andy's

[4] Shareholdings are subject to dilution from management incentive plan.

expertise in managing fully maintained mining operations and large scale earthmoving projects will widen the capabilities of the combined group.

At the completion of the Transaction, Andy's Shareholder will hold 5% and Andy's Creditors will hold 6% of the combined group.[5]

Overview of the Combined Group

Upon completion of the Transaction, the combined group will be a large equipment rental provider with a stronger balance sheet, more capable fleet and a diverse customer base.

FY16 EBITDA generated by the combined group was A$95.4 million. The combined group is expected to generate gross cost synergies of A$15m on a pro forma annualised basis, in addition to revenue opportunities and capital expenditure synergies.

The Company will have approximately 800 machines in its rental fleet, with a fair market value as at 30 June 2016 of A$434.1 million. Capital synergies generated through the combination of the fleets are expected to be approximately A$80 million over the initial 5 years of the combined business through rationalisation and optimisation of the fleet.

The combined group is expected to have A$490m of debt on completion,[6] significantly reducing Emeco's leverage, which is expected to be 4.4x FY16PF[7] EBITDA, down from 7.2x pre-Transaction, with further deleveraging expected over time assisted by significant capital expenditure savings.

As part of the Transaction, a new Management Incentive Plan (**MIP**) will be implemented to further align the interests of Emeco's management and shareholders.

In order to reflect the new shareholding structure on completion of the Transaction, Emeco's board will consist of five members. Ian Testrow will continue as Chief Executive Officer and Managing Director and Peter Richards as Chairman. In addition, the Noteholders and Orionstone Creditors will appoint three new board members.

Emeco board recommendation

The board have determined the Transaction to be in the best interest of the Company and Emeco's shareholders. In the absence of a superior proposal and subject to an independent expert concluding that the Transaction is in the best interest of Emeco shareholders, the board unanimously recommends that shareholders vote in favour of the resolutions required to give effect to the Transaction.

In arriving at its decision to pursue the Transaction, the board considered, among other factors, the following:

- The board believes the Transaction is implementable and the best available option to maximise long term shareholder value
- The current capital structure is not sustainable and a restructuring is required to manage through the current difficult operating conditions with uncertain timing of a market recovery

[5] Share holdings are subject to dilution from management incentive plan.
[6] Includes finance leases.
[7] FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergy of A$15m.

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- The Transaction is a comprehensive solution which materially reduces the Company's leverage and provides a sustainable capital structure to facilitate future growth
- The Transaction de-risks the Company's balance sheet, including terming out maturity from 2019 to FY22 and enhancing the Company's liquidity
- Through the merger with Orionstone and Andy's, the Transaction provides significant potential for value creation through the realisation of synergies over time
- The Transaction significantly improves Emeco fleet configuration and age profile
- With the assistance of the Company's advisers, a strategic review was undertaken to evaluate and consider all options available
- Through the rights issue, the Transaction provides Emeco shareholders with the opportunity to further participate in the future upside of the Company and gain a share of the potential value creation opportunity

Emeco Noteholders approval

The Transaction is conditional on approval by Emeco Noteholders through a creditors' scheme of arrangement (**Creditors' Scheme**).

The Creditors' Scheme must be approved by:

1. more than 50% in number; and
2. more than 75% in face value of Notes outstanding,

present and voting at the Scheme Meeting (either in person or by proxy, corporate representative or attorney).

It is expected the Creditors' Scheme meeting will occur in December 2016.

Key dates

Date	Event
23 September 2016	Announcement of the Transaction
November 2016	Notice of Meeting (including Explanatory Statement and Independent Expert's Report) dispatched to shareholders
December 2016	Creditors' Scheme meeting to consider and vote on the required resolutions required to give effect to the Transaction General Meeting for Emeco shareholders to consider and vote on the resolutions required to give effect to the Transaction Rights Issue launched New Emeco shares issued to as part of the Transaction

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Next steps for Emeco shareholders

Shareholders are not required to take any action at the present time. A General Meeting for Emeco shareholders is expected to be convened in December to consider the resolutions required to give effect to the Transaction.

Shareholders are strongly encouraged to review the Notice of Meeting and the Independent Expert's Report once those documents have been dispatched by the Company.

The board encourages shareholders to attend the meeting or vote via the proxy form what will be included in the Notice of Meeting.

It is expected that the equity raising will be launched following Creditors' Scheme approval. Relevant documents containing more details on Rights Issue will be sent to shareholders in due course.

Emeco's financial advisers for the Transaction are Houlihan Lokey and Macquarie Capital, while its legal advisers are Baker & McKenzie.

Trading update

As announced in our FY16 results release, the business has continued to improve operating performance into FY17. Revenue over the first two months of FY17 was A$28.0 million and operating EBITDA was A$10.1 million (36.2% operating EBITDA margin). This compares to an operating EBITDA of $10.1 million and operating EBITDA margin of 27.3% over the first two months of FY16.

Ian Testrow said, "Our initiatives to reduce costs and stabilise our operations continue to drive margin improvements in the business. We have recently extended a number of major contracts across the Australian business which supports current revenue levels."

The Chilean business has stabilised following the fleet transfer from Encuentro to Esperanza. Emeco recently contracted an additional two units direct to AMSA at Esperanza, which are expected to commence operating in October 2016.

Group operating utilisation is currently 52%.

Emeco recently executed a significant asset swap with a global mining contractor to exchange A$18.5 million of Emeco's Canada fleet for a comparable value of fleet in Australia. This successful asset swap supports our Australian business equipment needs and saved Emeco approximately A$6.0 million in costs of transferring the Canadian assets to Australia.

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EMECO HOLDINGS LIMITED

Recapitalisation and Merger with Orionstone and Andy's Earthmovers

23 September 2016

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No independent third party has reviewed the reasonableness of any Forward Looking Statements and the financial information reflected in this disclosure does not purport to present Emeco's financial condition in accordance with accounting principles generally accepted in Australia, the United States or any other country. Emeco's independent accountants have not audited or performed any review procedures on this disclosure (except insofar as certain historical financial information may have been derived in part from Emeco's historical annual financial statements).

Pursuant to the terms of the RSA, the final amount of New Senior Secured Notes issued, total amount of debt, total number of new Emeco ordinary shares issued, and the issue price of new Emeco ordinary shares are subject to adjustment at closing, pursuant to the terms of the RSA described herein, and are dependent on certain factors including foreign exchange rates, final cash, working capital, debt balances, and fleet fair market values of each of Emeco, Orionstone, and Andy's. The information contained herein is based on current information for each of these factors as of the date of this release.

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01

SUMMARY OF THE TRANSACTION

1. Summary of the Transaction
Overview

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A long term, sustainable capital structure in place to support future growth

Significant milestone

- Restructuring support agreement (**RSA**) signed with certain of the Company's Noteholders, and the shareholders and creditors of Orionstone and Andy's
- The RSA establishes a framework for the proposed recapitalisation of Emeco, the merger with Orionstone and Andy's and a rights issue enabling existing Emeco shareholders to further participate in the Company's future growth (**Transaction**)

Strategic mergers

- Increased fleet capabilities and refreshed fleet age, improving the combined group's capability to create project opportunities
- Both Orionstone and Andy's have valuable expertise in the rental space and deep customer relationships
- The combined group is expected to generate significant cost synergies and capital expenditure savings
- Brand to be reviewed to reflect the strategy of the business, operational excellence and innovation in line with existing strategy which will be fast tracked through the merger

Sustainable capital structure

- $20m equity raising by way of a pro-rata equity issue of Emeco ordinary shares to existing Emeco shareholders (**Rights Issue**), with $10m underwritten by Emeco's two largest shareholders
- A debt-for-equity swap whereby the claims of the holders of Emeco's 9.875% 144A notes, Orionstone's creditors and Andy's creditors will be compromised and extinguished in exchange for their share of:
  - 54% of the ordinary shares of the combined group (subject to dilution only from management incentive plan); and
  - A$473m senior secured notes (**New Senior Secured Notes**) with 5 year maturity and cash interest rate of 9.25%

Improved metrics: cash flow after finance costs of ~1.7 cents per share[3]

- Cash flow after financing costs of A$42m forecast for FY18 (~1.7 cents per share)
- Interest coverage ratio expected to be 2.5x FY16PF[1] EBITDA (2.2x FY16 EBITDA pre-synergies), from 1.3x pre-Transaction
- FY16PF[1] EBITDA generated by the combined group was A$110m (A$95m pre-synergies)
- The combined group is expected to have A$490m of debt on completion,[2] significantly reducing Emeco's leverage, which is expected to be 4.4x FY16PF[1] EBITDA (5.1x FY16 EBITDA pre-synergies), down from 7.2x pre-Transaction, with further deleveraging expected over time assisted by significant capital expenditure savings

Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergies of A$15m. 2. Includes finance leases. 3. Cash flow after financing costs of A$42m forecast for FY18 (~1.7 cents per share)

1. Summary of the Transaction
Delivering on our objectives

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Strengthened balance sheet and greater fleet scale and capability, together with Emeco's ongoing focus on business improvement, provide a platform for long term growth

Strong management expertise from the combination with Orionstone and Andy's enhancing ability to create projects to drive operating utilisation beyond the 2H17 forecast of 46%

❶Continuous business improvement

- ✓ Focus on operational excellence to drive cost discipline across the combined group
- ✓ Adopt best practice systems and processes from across the combined group
- ✓ Widen customer value proposition by accelerating roll out of EOS technology over expanded fleet portfolio

❷Balance sheet strength

- ✓ Long term capital structure in place with no refinancing required until FY22
- ✓ Interest coverage ratio expected to be 2.5x FY16PF EBITDA[1], (2.2x FY16 EBITDA pre-synergies), up from 1.3x pre-Transaction
- ✓ Leverage is set to decrease from 7.2x pre-Transaction to 4.4x FY16PF EBITDA[1] (5.1x FY16 EBITDA pre-synergies) with further deleveraging expected assisted by capital expenditure savings
- ✓ Well positioned to refinance asset backed loan facility as part of the Transaction

❸ Platform to drive growth

- ✓ Merger with Andy's and Orionstone provides enhanced geographic and end market exposure
- ✓ Merger brings significant value creation potential
- ✓ Significant cost and capital expenditure synergies
- ✓ The replacement cost of the combined fleet in a recovery market is expected to be significantly greater than market equipment values under prevailing conditions

Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergies of A$15m.

1. Summary of the Transaction
Benefits for Emeco and its shareholders

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Transaction allows Emeco shareholders to further participate in the future upside and value created by the combined group, irrespective of prevailing market conditions

✓Comprehensive recapitalisation plan	— Covenant lite senior secured notes replace existing March 2019 144A notes — De-risks the Company's capital structure by meaningfully reducing leverage and improving interest coverage — Longer-dated debt structure with maturity in FY22
✓Preserves shareholder upside	— Emeco shareholders retain the flexibility to participate in the continued growth and success of the Company through the Rights Issue — The Transaction represents the best available and least dilutive option to maximise long term value for Emeco shareholders while achieving Emeco's strategic objectives
✓Compelling mergers	— Combined group management team includes experienced and capable executives with deep customer relationships, a track record of innovation and an ability to create project opportunities — Combined group has enhanced diversity across geographies, customers and commodity exposure — Opportunity to unlock substantial synergies including incremental revenue opportunities, cost efficiencies and capital expenditure savings to reduce capital expenditure requirements
✓Position for long term growth	— Sustainable long term capital structure to accelerate investments in technology and enhance Emeco's customer value proposition — Cash generation expected to continue to delever balance sheet with A$42m cash flow after financing costs forecast for FY18 (~1.7 cents per share)
✓Stable liquidity position	— Partially underwritten rights offer and expected refinancing of asset backed loan facility provide a stable liquidity position for the combined group and sufficient headroom during the integration period

1. Summary of the Transaction
Board recommendation

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The board believes the Transaction is the best option available to maximise long term shareholder value

✓Current capital structure unsustainable

- Despite strong underlying business performance, Emeco requires a strengthened balance sheet to pursue near term growth opportunities
- Proactive refinancing extends debt maturity to FY22, enhancing ability to withstand prevailing market conditions

✓All options considered

- Full suite of options considered including:
  - Sale of all or part of the Company
  - Scrip based acquisitions and strategic alliances
  - Restructure of debt and equity raisings
- Transaction is least dilutive option to shareholders and will reduce leverage and maximise long term shareholder value

✓Comprehensive strategic review

- Comprehensive strategic review undertaken by Emeco, in conjunction with advisers Houlihan Lokey and Macquarie Capital
- Alternative options considered do not provide a comprehensive long term solution or are considerably more dilutive to Emeco shareholders

✓Enhances customer value proposition

- Larger and younger fleet, combined management expertise and innovative product offering to widen customer value proposition
- Potential for further value creation through the realisation of cost synergies and capital expenditure savings

✓"Best in class" management team

- The combined group will benefit from a "best in class" management team to deliver strategic initiatives that create substantial value for customers and shareholders

✓ Preserves shareholder upside

- Comprehensive solution which materially reduces the Company's leverage and provides a sustainable capital structure to facilitate future growth
- Existing Emeco shareholders can further participate in the future upside of the Company through the Rights Issue
- The board believes the Transaction is executable and the best available option to maximise long term shareholder value

1. Summary of the Transaction

Indicative transaction timetable through to completion[1]

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The Transaction requires Emeco noteholder and shareholder approval

Date	Milestone
23 September 2016	— Signing of the RSA and announcement of the Transaction
November 2016	— Notice of Meeting (including Explanatory Statement and Independent Expert's Report) dispatched to shareholders
December 2016	— Emeco creditors' scheme meeting to consider and vote on the required resolutions to give effect to the Transaction — General Meeting for Emeco shareholders to consider and vote on the resolutions required to give effect to the Transaction — Rights Issue launched — New Emeco shares issued as part of the Transaction

Note: 1. Timetable is indicative and subject to change.

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Emeco

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02

RECAPITALISATION

2. Recapitalisation
Capital structure overview

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Recapitalisation decreases pro forma leverage to 4.4x PF[2] FY16 EBITDA with cash generation expected to further deleverage the balance sheet

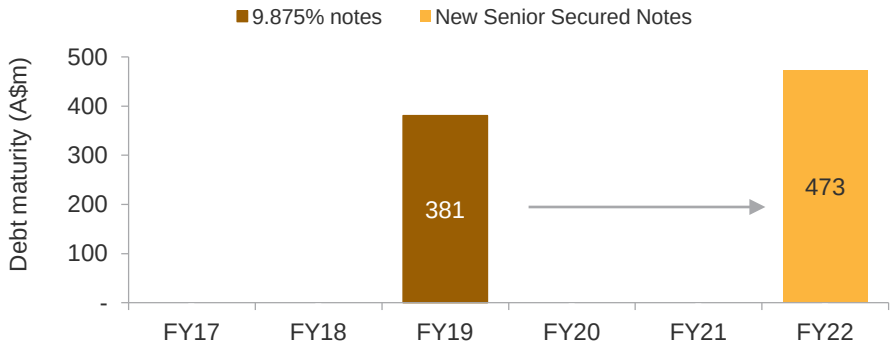
Overview of new capital structure

- Pursuant to the Transaction, the claims of Emeco noteholders, Orionstone creditors and Andy's creditors will be compromised and extinguished in exchange for their share of:
  - 54% of the ordinary shares of the combined group (subject to dilution only from management incentive plan); and
  - A$473m senior secured notes with a 5 year maturity and a cash interest rate of 9.25%
- The Company has also committed to closing its remaining cross currency swap positions which will generate US$12m of cash proceeds

Improved debt metrics

	Pre-Transaction (EHL Only)	Post-Transaction (Pre-synergies)	Post-Transaction (Post-synergies)
Gross debt[3]	A$390m	A$490m	A$490m
FY16PF EBITDA[2]	A$54m	A$95m	A$110m
FY16PF interest coverage[2]	1.3x	2.2x	2.5x
FY16PF debt / EBITDA[2]	7.2x	5.1x	4.4x

Debt maturity profile (excluding leases and ABL facility)[1]



Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. 9.875% notes in A$m as of 30 June 2016. 2. FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergy of A$15m. 3. Includes finance leases. Pre-Transaction debt for EHL only is as of 2016 annual results presentation.

2. Recapitalisation
Overview of New Senior Secured Notes

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The New Senior Secured Notes provide Emeco with significantly increased tenor, maturing in FY22

Size	— A$473 million
Denomination	— AUD and USD (an appropriate hedging policy will be determined by the Company)
Lenders	— Emeco's existing noteholders, Andy's creditors and Orionstone creditors
Interest rate	— 9.25%, paid semi-annually in cash
Maturity	— 5 years from completion of Transaction
Covenants	— Affirmative Covenants: No financial maintenance covenants required — Negative Covenants: Negative covenants customary for a high yield bond of this type, including but not limited to limitations on capital expenditures and debt incurrence
Benefits	✓ The Transaction de-risks the Company's capital structure by meaningfully reducing leverage and improving interest coverage ✓ Longer-dated debt maturity, together with ABL refinancing, to provide the flexibility for the Company to withstand the current operating environment ✓ Covenant lite senior secured notes ✓ Interest coverage ratio expected to be 2.5x FY16PF EBITDA[1], (2.2x FY16 EBITDA pre-synergies), up from 1.3x pre-Transaction ✓ Leverage is set to decrease from 7.2x pre-Transaction to 4.4x FY16PF EBITDA[1] (5.1x FY16 EBITDA pre-synergies)

Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. FY16PF EBITDA is calculated as FY 2016 actual EBITDA for each company, plus an annualized run-rate cost synergies of A$15m.

2. Recapitalisation
Impact on Emeco shareholders

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Current Emeco shareholders will hold 30 – 35%[1] of a larger post-Transaction business with an improved outlook

Indicative post-Transaction shareholdings (before management incentive plan)

	Shares (millions)	%
Emeco shareholders	600	25%
Partially underwritten Rights Issue	238	10%
Emeco creditors	821	34%
Orionstone shareholders	167	7%
Orionstone creditors	333	14%
Andy's shareholder	110	5%
Andy's creditors	150	6%
Total	**2,419**	**100%**

Indicative impact on Emeco Shareholders (before management incentive plan)

	Pre-Transaction	Post-Transaction
Overview	— Emeco shareholders currently hold 100% of Emeco's equity in a highly geared capital structure including US$283m / A$381m[2] of notes due in March 2019	— Emeco shareholders will retain a 30 - 35%[1] stake of post-Transaction Emeco with a delevered balance sheet — Post-Transaction Emeco will be a larger business with an improved outlook having merged with Orionstone and Andy's
Outlook	— Without a material improvement in market conditions, the Company would face significant challenges refinancing before its notes mature in March 2019	— Through the merger with Orionstone and Andy's, the Transaction significantly enhances Emeco's customer value proposition and market expertise, with the potential for value creation through the realisation of synergies over time — The Transaction reduces the Company's leverage, extends its debt maturity and materially de-risks the Company's balance sheet, providing Emeco with the financial platform to grow the business whilst providing high quality service to our customers

Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. Post Rights Issue depending on shareholder take-up. 2. As of 30 June 2016

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03

MERGER WITH ORIONSTONE AND ANDY'S

3. Merger with Orionstone and Andy's
Orionstone overview

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Orionstone brings a high quality fleet, innovative systems and processes, strong maintenance capability and a track record of developing projects to the combined group

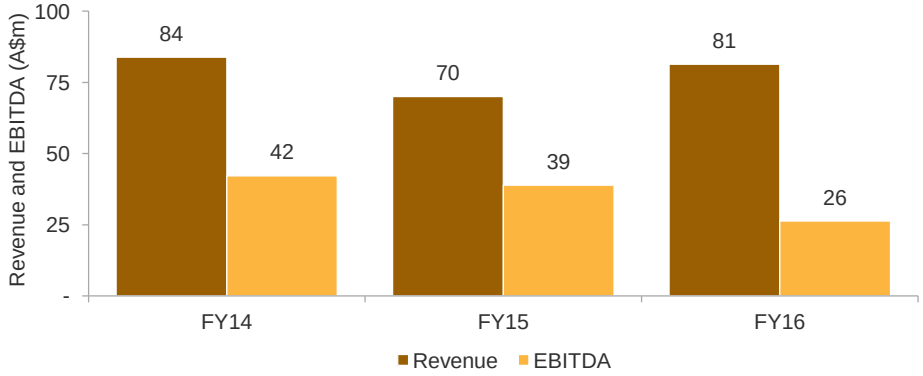
Business overview

- As part of the Transaction, Emeco will merge with Orionstone, a privately owned heavy earthmoving equipment supplier in Australia
- The company services each of Australia's key mining regions, primarily in Queensland, Western Australia and New South Wales
- The current CEO and founder of Orionstone, Mr Ashley Fraser, will remain with the combined group as GM – Business Improvement
- At completion of the Transaction, Orionstone shareholders will hold 7% and Orionstone creditors will hold 14% of the combined group (pre management incentive plan)

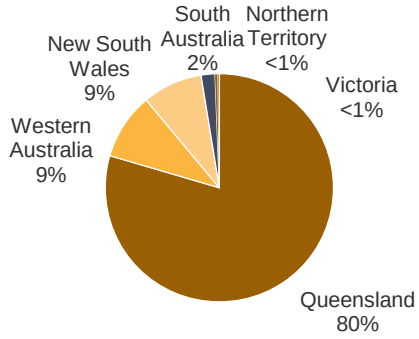
Strategic rationale

- ✓ Complementary fleet composition provides greater scope to create project opportunities
- ✓ High quality fleet maintenance, business systems and processes
- ✓ Provides diversification by customer, geography and commodity
- ✓ Combination expected to generate significant cost synergies and capital expenditure savings due to the integration of Orionstone's younger fleet

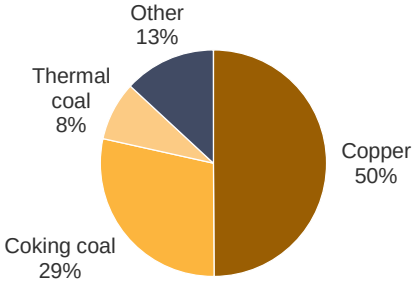
Financial performance impacted by industry wide challenges[1]



Revenue by geography (FY16)



Revenue by commodity (FY16)[2]



Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. Excludes equipment sales revenue. 2. Revenue by commodity is estimated based on predominant commodity exposure by customer and excludes some backcharges and mobilisation / demobilisation revenue.

3. Merger with Orionstone and Andy's
Orionstone fleet overview

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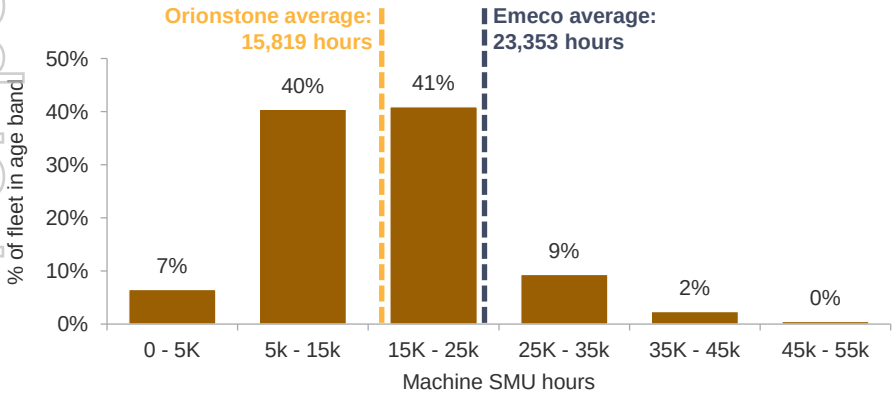
Merger with Orionstone provides the combined group with a low-houred and well maintained fleet configured to create project opportunities

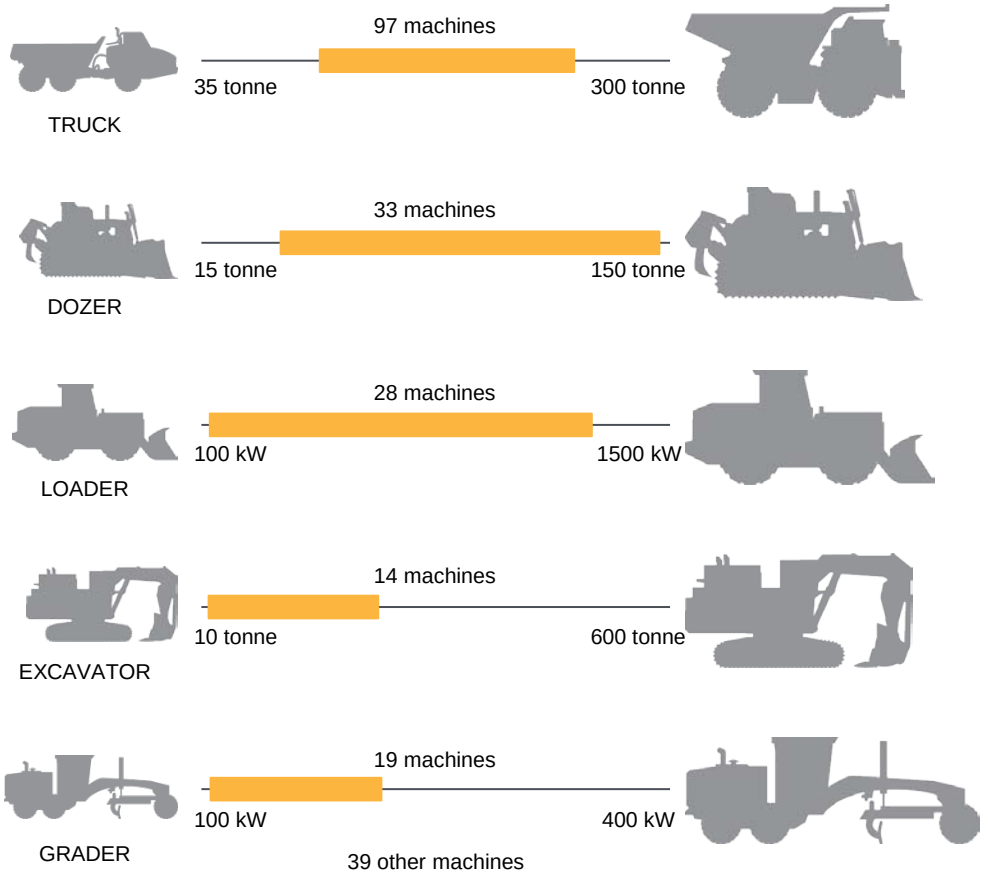
Fleet overview

- Complementary young fleet to drive significant capital expenditure savings through fleet rationalisation
- Fair market value: A$94.1m
- Average age of 15,819 hours, compared with Emeco's average fleet age of 23,353

Attractive fleet age profile



Fleet profile



Note: Figures are estimates and subject to adjustment prior to Transaction close.

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3. Merger with Orionstone and Andy's
Andy's overview

Merger with Andy's improves Emeco's customer offering and enhances scale, with further upside through overhead reductions and capital savings

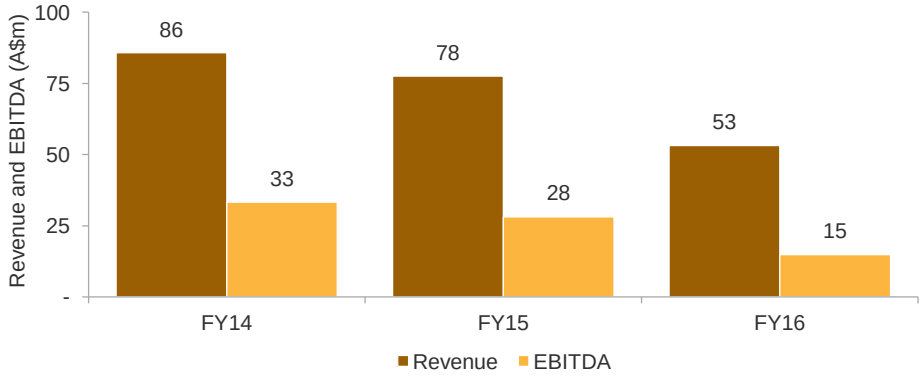
Business overview

- As part of the Transaction, Emeco will merge with Andy's, a privately owned equipment rental business based in Victoria
- The company operates across South Australia, Victoria, New South Wales, Western Australia and the Northern Territory
- The current Managing Director and founder of Andy's, Mr Andy Hoare, will remain with the combined group as GM – Business Development
- At completion of the Transaction, Andy's shareholders will hold 5% and Andy's creditors will hold 6% of the combined group (pre management incentive plan)

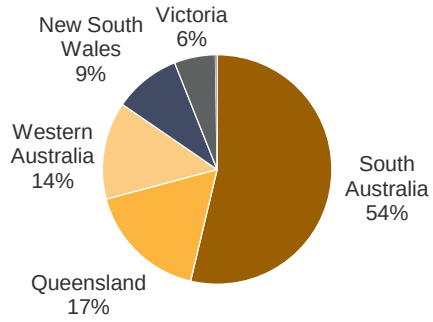
Strategic rationale

- ✓ Merging with Andy's provides Emeco with a more diverse rental fleet, customer base and capability as the business has significant expertise in large scale civil earthworks
- ✓ Provides diversification by customer, geography and commodity
- ✓ Expected to generate significant operating cost synergies
- ✓ Expected to generate significant capital expenditure synergies due to the integration of Andy's younger fleet

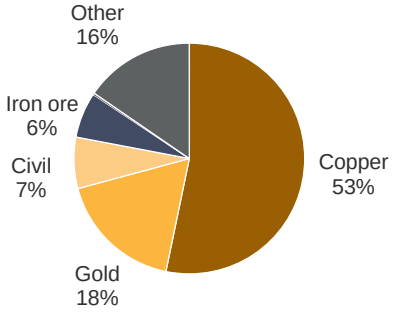
Financial performance impacted by industry wide challenges[1]



Revenue by geography (FY16)[2]



Revenue by commodity (FY16)[2]



Notes: Figures are estimates and subject to adjustment prior to Transaction close. Note. 1. Excludes equipment sales revenue. 2. Excludes maintenance, transport and sales revenue. Revenue by commodity is estimated based on predominant commodity exposure by customer.

3. Merger with Orionstone and Andy's

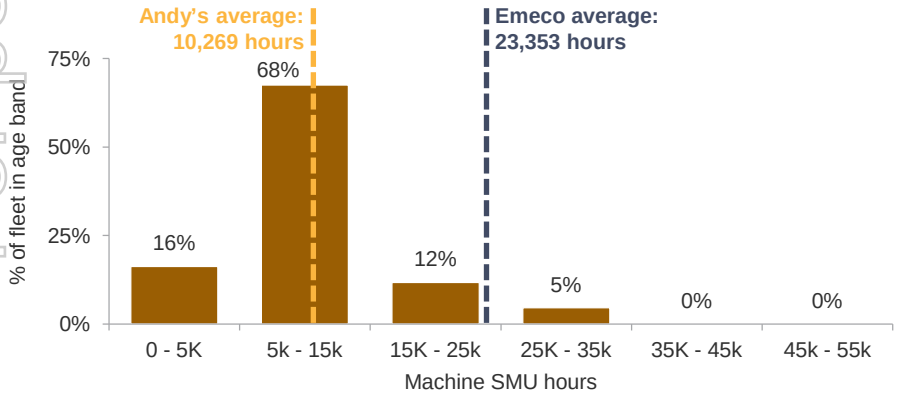
Andy's fleet overview

Andy's fleet is well suited to fully maintained mining and large scale earthworks projects

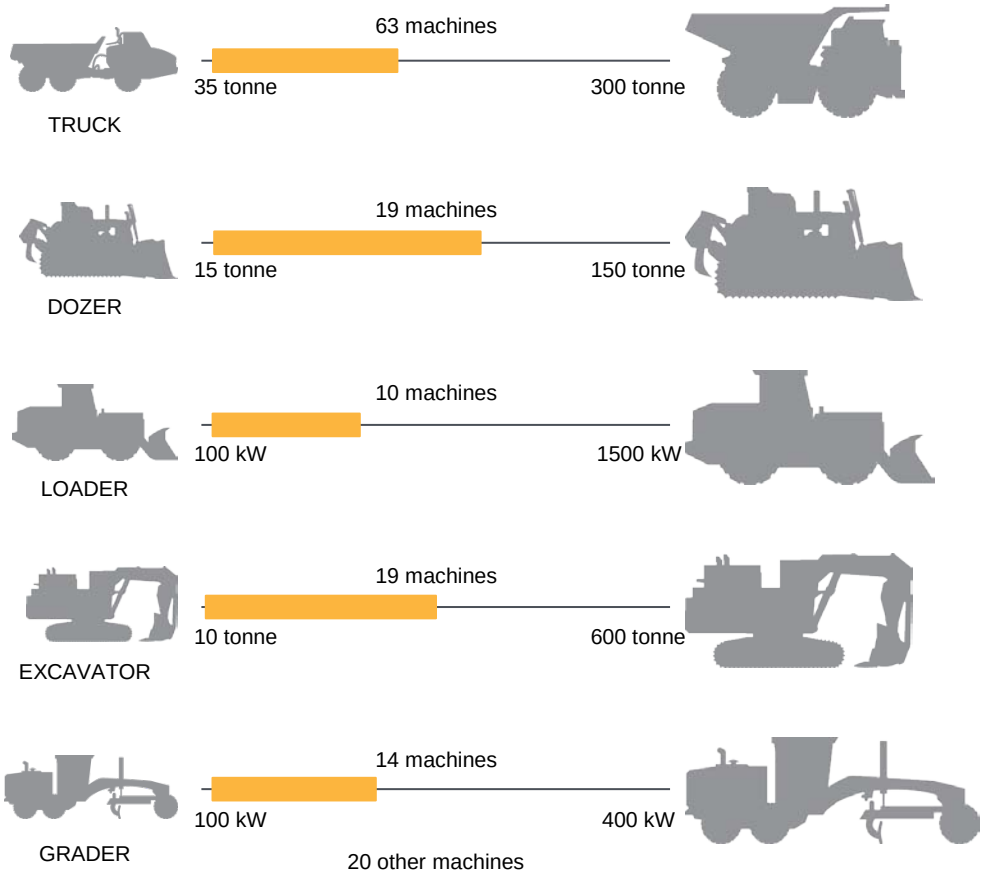
Fleet overview

- Fair market value: A$72.7m
- Average age of 10,269 hours, compared with Emeco's average fleet age of 23,353 hours
- Younger Andy's fleet will allow Emeco to avoid certain replacement capital expenditure as some of its machines reach end of life
- Significant opportunity to roll out Emeco's EOS technology across the combined group's fleet and broader customer base

Attractive fleet age profile



Fleet profile



Note: Figures are estimates and subject to adjustment prior to Transaction close.

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3. Merger with Orionstone and Andy's
Profile of the Combined Group

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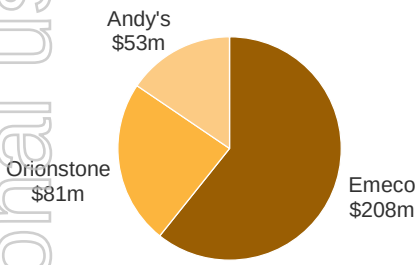
The combined group will be a stronger, lower cost and more competitive rental company focused on reliably serving customers and developing innovative solutions

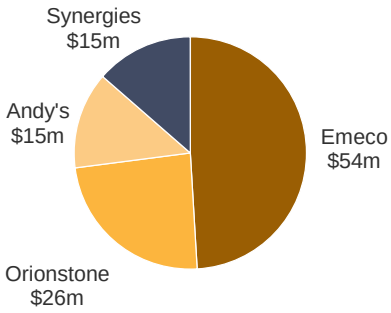
- 23% reduction in Emeco's average fleet age – 18,003 hours post-Transaction, down from the Company's pre-Transaction average of 23,353 hours

Indicative pro forma revenue and EBITDA (FY16)[1]

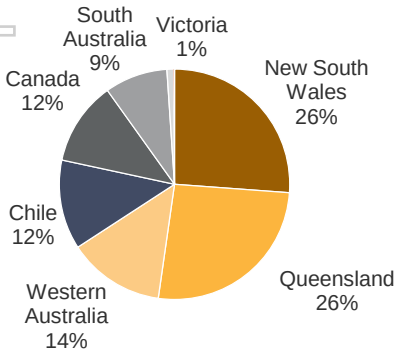
Combined group revenue: $343m

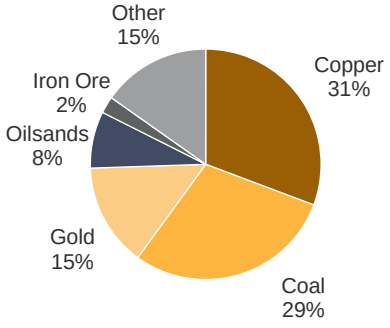


Combined group EBITDA: $110m

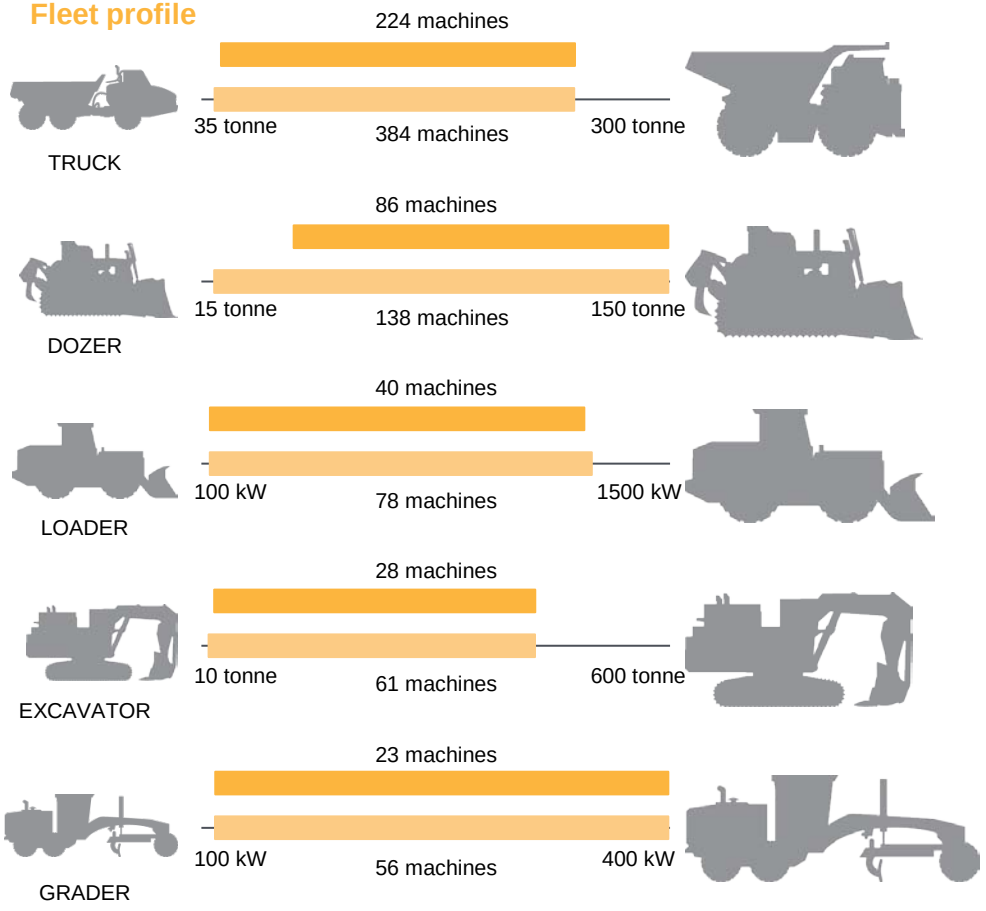


Indicative pro forma revenue by geography and commodity (FY16)[1]





Fleet profile



Notes: Figures are estimates and subject to adjustment prior to Transaction close. 1. Excludes certain non-rental revenue. Revenue by commodity is estimated based on predominant commodity exposure.

Emeco pre-Transaction
Combined group

14 other machines in Emeco fleet pre-Transaction
73 other machines in Combined group

3. Merger with Orionstone and Andy's
Market conditions and outlook

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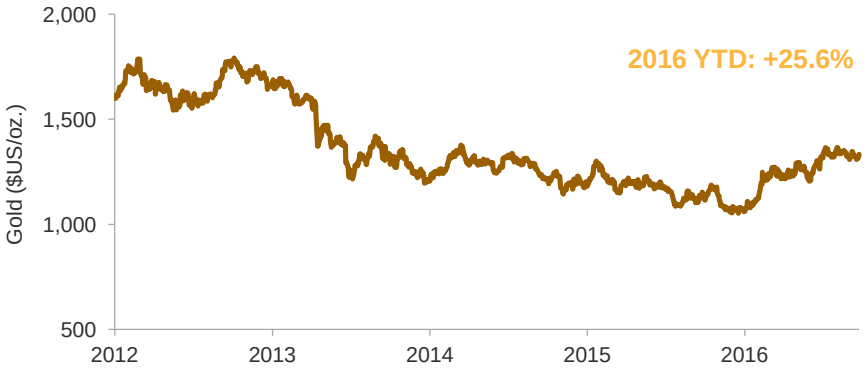
Although customers and suppliers remain cautious, there are early signs that the market is stabilising. Irrespective of market conditions, Emeco is well positioned for growth given its widened customer value proposition and enhanced capabilities as a result of the merger

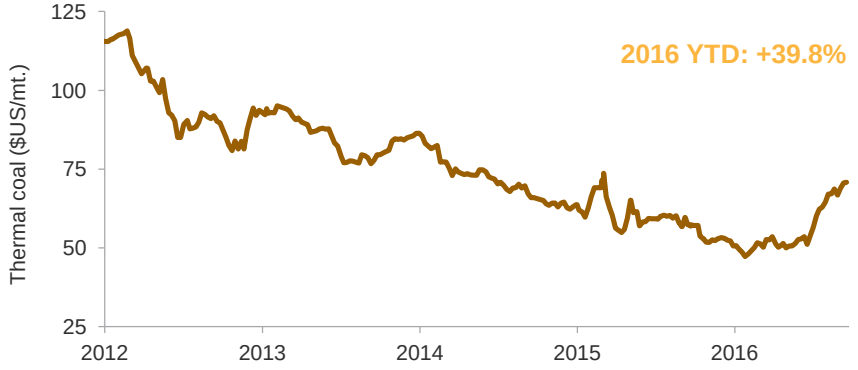
Commodity prices Improving however still below historical levels

Gold[1]

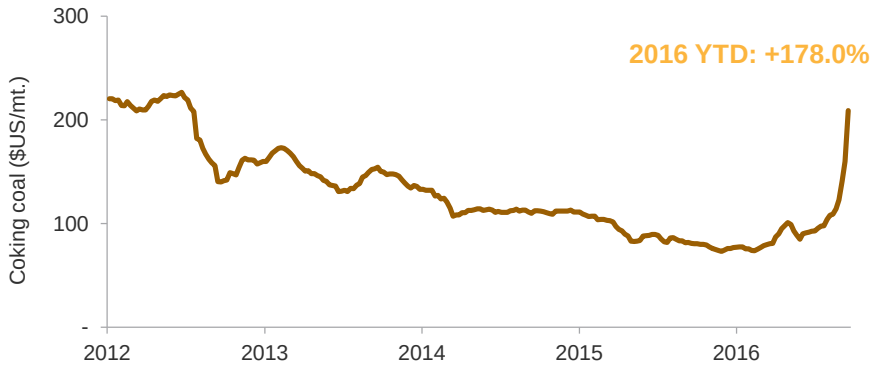


Copper[2]

Thermal coal[3]



Coking coal[4]



Notes. 1. Bloomberg. 2. 3 month LME Copper. 3. Australian Newcastle Port Thermal Coal 6,000 kcal/kg. 4. Coking coal FOB Australia.

3. Merger with Orionstone and Andy's Synergies

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The Transaction provides an opportunity to unlock substantial synergies including incremental revenue opportunities, cost efficiencies and capital expenditure savings

The combined group is expected to generate gross cost synergies of A$15m on a pro forma annualized basis, in addition to revenue opportunities and capital expenditure synergies

Revenue opportunities	— Enhanced fleet capabilities better placed to serve customers and positions the combined group to capture benefits of any market recovery — Significant opportunity to roll out Emeco's EOS technology across the combined group's fleet and broader customer base — Management expertise and innovative product offering to widen customer value proposition and create new projects

Overhead and cost reductions	— Focus on operational excellence to further reduce operating costs by standardising best practices across the combined group
	— Synergies are expected to be generated by:
	  — Removal of duplicate sites and operational overlap
	  — Consolidating the combined group's employee base
	  — Head office and shared services savings
	  — Reduced repairs and maintenance expense through operational excellence initiatives

Capital expenditure savings	— Combined group capital expenditure is expected to be materially reduced through:
	  — Disposals of under utilised or idle fleet (fleet rationalisation); and
	  — Savings of replacement capital expenditure (fleet optimisation) by using machines in the fleet to reduce the need for replacement machine purchases in the future

Note: Figures are estimates and subject to adjustment prior to Transaction close.

3. Merger with Orionstone and Andy's
Governance and management

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The combined group's executive team will be led by CEO and Managing Director, Ian Testrow, and will include Orionstone's CEO, Ashley Fraser, and Andy's Managing Director, Andy Hoare

Board composition to reflect new shareholders

- Board will consist of five directors:
  - Peter Richards will continue as Chairman
  - Ian Testrow will continue as Chief Executive Officer and Managing Director
  - Three members selected by Emeco creditors and Orionstone creditors
- New Emeco board composition reflects Emeco's shareholder base upon completion of the Transaction

Strongly aligned management team

- New Emeco shareholders are supportive of the current management team led by Chief Executive Officer and Managing Director Ian Testrow
- The current CEO and founder of Orionstone, Mr Ashley Fraser, will remain with the combined group as GM – Business Improvement
- The current Managing Director and founder of Andy's, Mr Andy Hoare, will remain with the combined group as GM – Business Development
- New management incentive plan will be implemented to further align the interests of management and shareholders

Ian Testrow
Chief Executive Officer and Managing Director
Years of industry experience: >20

Ashley Fraser
GM – Business Improvement
Years of industry experience: >15

Andy Hoare
GM – Business Development
Years of industry experience: 34

Robust governance framework and experienced management team with a focus on best practice across the combined group to drive long term value for shareholders

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04

EQUITY RAISING

4. Equity raising
Overview

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As part of the Transaction, Emeco will be undertaking a A$20 million equity raising, providing additional funds to assist the Company during the integration period

Overview of key terms

Equity raising structure	— Pro-rata accelerated entitlement offer
Equity raising size	— A$20m

Underwriters	— A$10m underwritten by Emeco's major shareholders:
	  — Black Crane
	  — First Samuel

Timetable	— It is expected that the equity raising will be launched following Creditors' Scheme approval, prior to the issue of new Emeco shares pursuant to the Transaction
Benefits of the equity raising	✓ Participation in the equity raising minimises dilution for existing Emeco shareholders ✓ Provides shareholders with the opportunity to further participate in the future upside of the Company and gain a share of the potential value creation ✓ Provides liquidity to support merger transition and implementation of strategic initiatives across the combined group ✓ Supported by major shareholders at implied valuation of 6.0x EV / FY16PF[1] EBITDA (indicatively, ~8 cents per share, however subject to adjustment on completion pursuant to the terms of the RSA and other factors)

Note: Figures are estimates and subject to adjustment prior to Transaction close. 1. FY16PF EBITDA is calculated as actual FY16 EBITDA for each company, plus an annualised run-rate cost synergies of A$15m.

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SUMMARY OF KEY RSA TERMS

A. Summary of key RSA terms
Overview and exclusivity

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Overview

The Transaction comprises the following key components:

- The merger with Orionstone through the exchange of 100% of the ordinary shares in Orionstone for 7% of the ordinary shares of combined group (subject to dilution only from the management incentive plan)
- The merger with Andy's through the exchange of 100% of the ordinary shares in Andy's for 5% of the ordinary shares of the combined group (subject to dilution only from the management incentive plan)
- A debt-for-equity swap whereby the claims of the holders of Emeco's Notes and the lenders of Orionstone and Andy's will be compromised and extinguished in exchange for their share of:
  - 54% of the ordinary shares of combined group following the completion of the Transaction (subject to dilution only from the management incentive plan); and
  - A$472.5m New Senior Secured Notes with a 5 year maturity and a cash interest rate of 9.25%
- The cancellation of all commitments under Emeco's current asset backed loan facility and expected refinancing by Emeco into a new revolving loan facility in the principal amount of A$65 million
- A$20m equity raising by way of a pro-rata equity issue of Emeco ordinary shares to existing Emeco shareholders pre-Transaction, with A$10m underwritten by current Emeco substantial shareholders First Samuel and Black Crane
- Pursuant to the terms of the RSA, the final amount of New Senior Secured Notes issued, total amount of debt, total number of new Emeco ordinary shares issued, and the issue price of new Emeco ordinary shares are subject to adjustment at closing, pursuant to the terms of the RSA described herein, and are dependent on certain factors including foreign exchange rates, final cash, working capital, debt balances, and fleet fair market values of each of Emeco, Orionstone, and Andy's. The information contained herein is based on current information for each of these factors as of the date of this release

Exclusivity

- Emeco, Andy's and Orionstone have agreed to various exclusivity arrangements which are customary for a transaction of this nature, including "no shop" and "no talk" restrictions (subject to customary fiduciary carve-outs for Emeco) for a period up to the earlier of completion or 28 February 2017
- Emeco has agreed to pay a compensating amount to Andy's and Orionstone in certain circumstances if Emeco enters into an arrangement to implement a superior proposal

Note: Figures are estimates and subject to adjustment prior to Transaction close.

A. Summary of key RSA terms
Conditions

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Conditions

The Transaction is subject to a number of conditions precedent until satisfied or waived, including:

- **Execution of SPAs:** the entry into share purchase agreements in relation to the Orionstone and Andy's merger
- **New Senior Secured Notes:** the execution of the indenture governing the New Senior Secured Notes
- **New Revolving Loan Facility Agreement:** Emeco entering into an agreement which establishes a new revolving loan facility
- **Security arrangements:** evidence that all new and existing security over the assets of the combined group in favour of the holders of the New Senior Secured Notes will be effective from completion
- **Creditors' Scheme:** the effective date of the Creditors' Scheme occurring
- **Scheme Expert Report on Synergies:** the delivery of an independent report which is satisfactory to certain of the Supporting Creditors opining as to the reasonableness of the cost synergies set out in the documentation for the Creditors' Scheme
- **Execution of Underwriting Agreement:** the execution of an underwriting agreement between Emeco and the underwriters of the Rights Issue.
- **Emeco Shareholder Approvals:** the Emeco Shareholders approve various resolutions at a General Meeting for Emeco Shareholders for the purposes of:
  - ASX Listing Rule 7.1 in relation to the issue of new Emeco shares pursuant to the Transaction
  - ASX Listing Rule 10.11 in relation to the issue of new Emeco shares to Ian Testrow pursuant to a new management equity incentive plan
  - Section 611 of the Corporations Act (to the extent required) to enable one or more persons to acquire an interest in Emeco which would otherwise be prohibited by the takeovers provisions of the Corporations Act, and to allow Emeco to obtain an interest in shares issue pursuant to the Transaction and which are the subject of a restriction on disposal for a period of up to 60 days following completion
  - Section 260B of the Corporations Act to approve the giving of any financial assistance by Orionstone and Andy's and their subsidiaries in connection with the merger
- **FIRB:** receipt of any approval or consents required from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* to the issue of new Emeco shares pursuant to the Transaction
- **ACCC approval:** ACCC has not issued written notice stating that it has determined to oppose or commence legal proceedings to restrain completion of the Transaction
- **Regulatory Approvals:** receipt of all consents or approvals from ASIC, ASX, or required by law or any government agency to implement the Transaction
- **Legal due diligence:** receipt by the Noteholders and lenders of Orionstone and Andy's who are party to the RSA of a legal due diligence report in a reasonably acceptable form and substance

Note: Figures are estimates and subject to adjustment prior to Transaction close.

A. Summary of key RSA terms

New Senior Secured Notes and other key terms

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New Senior Secured Notes

- **Maturity**: 5 years
- **Amount**: A$472.5 million
- **Denomination**: AUD and USD (an appropriate hedging policy will be determined by the Company)
- **Amortization**: no fixed amortization payments
- **Interest**: 9.25% per annum payable in arrears semi-annually on 31 January and 31 July respectively
- **Mandatory offers to purchase**: if Emeco has cash in excess of A$50 million (for the first two financial years) or A$35 million (for all other years) after deducting for any interest payable on the New Senior Secured Notes, Emeco must make an offer to purchase outstanding notes at 106.75% of the principal amount plus accrued and unpaid interest in an aggregate amount equal to 50% of the excess cash
- **Prepayment**: permitted at Emeco's option pursuant to the following terms:
  - In the first 36 months: no voluntary prepayments permitted other than a "make whole" call
  - Between 36 and 48 months: prepayments permitted at 104.5% of the principal amount of the notes plus accrued and unpaid interest
  - After 48 months: prepayments permitted at 100% of the principal amount plus accrued and unpaid interest
- **Affirmative covenants**: no financial maintenance covenants
- **Negative covenants**: negative covenants customary for a high yield bond of this type including but not limited to limitations on capital expenditures and debt incurrence
- **Governing law**: New York

Other key terms of the Transaction

- Supporting creditors have agreed to not take any enforcement action (subject to various exceptions) in respect of their claims under the relevant debt arrangements prior to completion
- The RSA contains a limited set of warranties which are customary for a transaction of this nature
- Following completion, the Emeco board will be restructured to include Ian Testrow, Peter Richards, two directors nominated by the Emeco Noteholders and one director nominated by the creditors of Orionstone
- New management incentive plan consisting of 10% of the equity of Emeco post-Transaction will be implemented to further align the interests of management and shareholders
- The RSA may terminate in certain circumstances, including but not limited to the following:
  - Failure of any of the Conditions Precedent
  - Material breach
  - Emeco board fails to recommend certain resolutions
  - Emeco enters into an arrangement to implement a superior proposal

Note: Figures are estimates and subject to adjustment prior to Transaction close.

Emeco

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B

ILLUSTRATIVE FINANCIAL SCENARIO

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B. Illustrative financial scenario

In connection with discussions with certain of its noteholders, Emeco provided information prepared by management without any independent verification relating to an illustrative business scenario for its post-Transaction financials through 2021

This information is inherently unreliable as it presents scenarios and assumptions that may or may not occur long into the future and management does not necessarily forecast will or are likely to occur. Investors should also be aware that Emeco is subject to a number of key risk factors, including a continued downturn in industry activity, the inability to complete the Transaction or effectively integrate the group, actions of existing and new competitors, general market risks (changes in market prices, foreign exchange rates, interest rates and equity prices) and credit risk (such as the ability to recover trade and other receivables) that could materially affect Emeco's future financial results.

The information was prepared for the particular purpose of undertaking discussions with Noteholders regarding the Transaction, and not for the purpose of assessing the value or investment merits of Emeco Shares and so should not be used for that purpose.

Financials (A$m)	2H FY17	FY18	FY19 – FY21
Total revenue	**155**	**337**	**350 – 375**
Gross profit	55	120	125 – 140
Gross margin	*35.6%*	*35.6%*	*36.0% – 37.0%*
EBITDA (post-synergies)	**57**	**128**	**140 – 150**
Net capex	(13)	(32)	(35) – (60)
Cash interest expense	(4)	(45)	(35) – (45)
Change in working capital and other	(9)	(8)	(3) – (5)
Cash flow after financing costs	**na**	**42**	**50 – 65**

Key assumptions underpinning illustrative financial scenario

- FY18 – FY21 figures reflect moderately higher operating utilisation (range of 53% - 61%), partially due to the optimisation and rationalisation of the fleet (disposal of idle and under utilised equipment)
  - Hiring rates are constant in real terms, with the exception of a ~5% increase in Chile in FY18 due to project mix shift
  - Revenue growth driven by Canada fleet asset swaps, expected utilisation improvement from recent lows in the Western Australian fleet and the Andy's and Orionstone fleets' utilisation and rates moving towards Emeco's over time
- Various costs are presented on either a dollars per hour of machine utilisation or a percentage of revenue basis
  - Repairs and maintenance costs are conservatively presented to remain approximately constant as a percentage of dry rental revenue over the period
  - Total overhead costs are expected to fall in FY17 with continued cost saving initiatives consistent with Emeco's recent performance, before remaining relatively constant as a percentage of revenue over the remaining period
  - The majority of other costs are expected to remain relatively constant as a percentage of revenue in the period
- Combined group capital expenditure is based on asset by asset figures and is expected to be lower than the sum of each company's standalone figures through:
  - Disposals of under-utilised or idle fleet (fleet rationalisation); and
  - Savings of replacement capital expenditure (fleet optimisation) by using machines in the fleet to reduce the need for replacement machine purchases in the future

Note: Figures are estimates and subject to adjustment prior to Transaction close. FY19 – FY21 reflects annual figure ranges.