

16 August 2016

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Notice of Meeting and Independent Expert's Report

Recapitalisation

McAleese Limited (ASX: MCS) (**McAleese** or the **Company**) refers to its previously announced recapitalisation (**Recapitalisation**).

If approved by Shareholders, the Recapitalisation will:

- **reduce the senior debt of McAleese by the compromise of approximately \$80 million of senior debt**
- **reduce a further \$26 million of senior debt through the Offer of Notes to McAleese Shareholders**
- **create a stronger balance sheet and more sustainable business**
- **provide all Shareholders with an opportunity to participate in the future of McAleese**

No party, including Havenfresh, has proposed an alternative to the Recapitalisation or any other solution to the financial difficulties faced by McAleese.

The Independent Expert has concluded that, in the absence of a Superior Proposal, and on the basis that a Shareholder *does not* participate in the Notes Offer, the Recapitalisation is not fair but is reasonable and therefore is in the best interests of non-associated Shareholders as a whole.

The Independent Expert noted that there are compelling reasons for non-associated Shareholders to approve the Recapitalisation as they will be clearly better off if the Recapitalisation proceeds and they elect to participate in the Notes Offer.

Notice of meeting and Independent Expert's Report

Attached is the Notice of Meeting including explanatory notes and an Independent Expert's Report prepared by PPB Corporate Finance Pty Ltd (**Independent Expert**).

The Independent Expert has concluded that, in the absence of a Superior Proposal, and on the basis that a Shareholder does not participate in the Notes Offer, the Recapitalisation is not fair but is reasonable and therefore is in the best interests of non-associated Shareholders as a whole.

The Independent Expert noted that there are compelling reasons for non-associated Shareholders to approve the Recapitalisation as they will be clearly better off if the Recapitalisation proceeds and they elect to participate in the Notes Offer.

The general meeting of shareholders to consider the resolutions relating to the Recapitalisation (**General Meeting**) will be held on Monday, 19 September 2016 at Oaks on Collins, Level 1, 480 Collins St, Melbourne, Victoria, Australia and is scheduled to commence at 11.00am (Melbourne time).

The date of the General Meeting is after the date of the meeting requisitioned by Havenfresh which is scheduled for Monday, 29 August 2016.

THE DIRECTORS, OTHER THAN MR GILBERTO MAGGILO, STRONGLY RECOMMEND THAT SHAREHOLDERS VOTE AGAINST ALL OF THE RESOLUTIONS TO BE CONSIDERED AT THE REQUISITIONED MEETING ON 29 AUGUST 2016.

As announced by McAleese on 20 July 2016, the forbearance arrangements between McAleese and the SC Lowy Consortium, now McAleese's largest secured creditor, will end if shareholders remove any of the existing directors at the Requisitioned Meeting.

If the forbearance arrangements end, shareholders may not have the opportunity to vote at the General Meeting in relation to the resolutions relating to the Recapitalisation.

If the forbearance arrangements end, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised senior debt. In this circumstance the Board would be forced to appoint a voluntary administrator. In this circumstance shareholders are highly unlikely to receive any value for their existing shares and would not have the opportunity to subscribe for notes as part of the Recapitalisation.

All Shareholders should carefully read all of the Notice of Meeting and Independent Expert's Report before deciding how to vote at the Requisitioned Meeting.

EACH OF THE RECOMMENDING DIRECTORS (AS DEFINED IN THE ATTACHED NOTICE OF MEETING) RECOMMEND THAT YOU VOTE IN FAVOUR OF EACH OF THE RESOLUTIONS TO BE CONSIDERED AT THE GENERAL MEETING IN THE ABSENCE OF A SUPERIOR PROPOSAL TO THE RECAPITALISATION AS A WHOLE.

Extension of date to hold the General Meeting

Further to the announcement on 15 August 2016, the SC Lowy Consortium have extended the date by which the General Meeting must be held to 23 September 2016.

Status of conditions precedent

As announced by McAleese on 20 July 2016, the Company and entities associated with Mark Rowsthorn in their capacity as underwriter to the Notes offer (**Rowsthorn Interests**) waived two of the previously announced conditions precedent to the Senior Debt Acquisition: 1) securing a reduction in the McAleese group's annual real property rental costs from TTPH Pty Ltd (**Rental Condition**) and 2) securing a waiver from Atlas Iron Limited (**Atlas**) of any right that Atlas may have to terminate its haulage contracts with the McAleese group as a result of the Recapitalisation (**Atlas Condition**).

Those conditions precedent were amended to become conditions precedent to the Company calling the General Meeting.

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Neither of those conditions have been satisfied or waived at this time. As part of the negotiation to extend the date by which the Recapitalisation resolutions need to be approved to 23 September 2016 and to enable McAleese to call the General Meeting, those conditions precedent are now conditions precedent to the underwriting of the offer of notes as part of the Recapitalisation.

If by Friday, 26 August 2016:

- the Rental Condition has not been satisfied and the members of the SC Lowy Consortium advise McAleese that the waiver of the condition precedent is not in their interests; or
- the Atlas Condition has not been satisfied or waived by the Underwriter,

the forbearance arrangements between McAleese and the SC Lowy Consortium will end.

If the forbearance arrangements end, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised senior debt. In this circumstance the Board would be forced to appoint a voluntary administrator. In this circumstance shareholders are highly unlikely to receive any value for their existing shares and would not have the opportunity to subscribe for notes as part of the Recapitalisation.

If McAleese shareholders do not approve the Recapitalisation resolutions at the General Meeting or the SC Lowy Consortium's forbearance otherwise expires, then the SC Lowy Consortium and the Rowsthorn Interests are contractually bound to seek to implement an alternative transaction which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation. However, in this scenario, there would be no offer of notes to shareholders and shareholders are highly unlikely to receive any value for their existing shares.

Ends

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Chairman's letter

Dear Shareholders

On behalf of the Board of McAleese Limited (**McAleese**), I invite you to McAleese's General Meeting (**Meeting**) on 19 September 2016 to consider resolutions relating to the proposed recapitalisation (**Recapitalisation**) of McAleese. The Meeting will be held at Oaks on Collins, Level 1, 480 Collins St, Melbourne, Victoria, Australia and is scheduled to commence at 11.00am (Melbourne time).

Recapitalisation of McAleese

As announced to the ASX on 7 June 2016, McAleese entered into a binding heads of agreement with McAleese's existing senior financiers (**Existing Financiers**) and a consortium led by SC Lowy Primary Investments Ltd (**SC Lowy Consortium**) in relation to a proposed recapitalisation of McAleese (**Recapitalisation**). The definitive documentation between McAleese, the Existing Financiers and the SC Lowy Consortium to effect the Recapitalisation and the acquisition by the SC Lowy Consortium of McAleese's senior debt was entered into on 19 July 2016.

Subject to Shareholder approval, the Recapitalisation will result in a significant reduction of the senior debt of McAleese, from approximately \$191 million to approximately \$67.3 million¹, with the new senior debt provided by the SC Lowy Consortium and a restructure of McAleese's existing share capital through the issue of options (**Options**) over McAleese ordinary shares (**Shares**) to the members of the SC Lowy Consortium and the offer of Notes to McAleese shareholders (**Shareholders**).

The Recapitalisation involves:

- the approximately \$186 million of senior debt that was owed to the Existing Financiers, together with approximately \$5 million owed to the Existing Financiers as a result of the closing out of certain hedging transactions (together, the **Senior Debt**) having been dealt with in the following manner on 19 July 2016:
 - \$14 million of the Senior Debt was repaid by McAleese using funds drawn under the New Working Capital Facility provided by SC Lowy Primary Investments Ltd; and
 - the remaining balance of the Senior Debt (being approximately \$177 million) was acquired by the SC Lowy Consortium from the Existing Financiers (**Senior Debt Acquisition**) for \$93.3 million paid by the SC Lowy Consortium to the Existing Financiers plus \$5 million payable by McAleese, with the payment of the \$5 million by McAleese deferred for up to 12 months after the date of the Senior Debt Acquisition. This deferred \$5 million is expected to be paid by McAleese out of the proceeds of the proposed sale by McAleese of the Cootes Transport business.

The Senior Debt Acquisition means that the SC Lowy Consortium is McAleese's largest secured creditor.

¹ This amount includes the \$26 million from the offer of Notes being used to pay down the Senior Debt. Further detail is contained in the table in part 10 of the Explanatory Notes.

- the loan facility agreement under which the Senior Debt acquired by the SC Lowy Consortium is outstanding has been modified (**Modified SFA**) and, until the Senior Debt is compromised (following Shareholder approval as described below) or the forbearance period otherwise ending, the SC Lowy Consortium has agreed to forbear requiring the repayment of the Senior Debt;
- McAleese has entered into a new senior debt facility with the SC Lowy Consortium (**New Senior Debt Facility**) in an amount of \$93.3 million plus fees of approximately \$2 million and the amount of interest which will accrue and be capitalised under the Modified SFA from the time of the Senior Debt Acquisition, this being the amount of the **New Senior Debt**;
- subject to obtaining shareholder approval of the resolutions relating to the Options and the Notes and the subsequent issue of the Options and the Notes:
 - McAleese will draw down the entire amount of the New Senior Debt and apply those funds to partially repay the Senior Debt;
 - the SC Lowy Consortium will then compromise the remaining balance of the Senior Debt, with that balance being extinguished in full, leaving McAleese with a significantly smaller amount of senior debt than before the Recapitalisation;
- as part of the consideration of the compromise of the Senior Debt, McAleese issuing, subject to shareholder approval and the issue of Notes under the Notes Offer, the Options with a zero strike price to the SC Lowy Consortium. These Options will represent 34.98%² of the Shares on issue after the Recapitalisation and the exercise of the Options and conversion of the Notes;
- McAleese undertaking an underwritten, renounceable, pro-rata entitlement offer of Notes to Shareholders to raise \$26 million (**Notes Offer**). All of the proceeds from the Notes Offer will be used to partially repay the New Senior Debt Facility. The Notes Offer has been underwritten by a company owned by Mr Mark Rowsthorn (**Underwriter**). Mr Rowsthorn is the Managing Director and Chief Executive Officer of McAleese. At the date of this Notice of Meeting Mr Rowsthorn and his associates have a relevant interest in McAleese of 30.78%, which makes them the largest shareholder in McAleese; and
- the delisting of McAleese from the official list of ASX.

Further details about the Recapitalisation are set out in the Explanatory Notes.

² This percentage will be 36.82% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

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If approved by Shareholders, the Recapitalisation will:

- reduce the senior debt of McAleese by the compromise of approximately \$80 million of senior debt
- reduce a further \$26 million of senior debt through the Offer of Notes to McAleese Shareholders
- create a stronger balance sheet and more sustainable business
- provide all Shareholders with an opportunity to participate in the future of McAleese

No party, including Havenfresh, has proposed an alternative to the Recapitalisation or any other solution to the financial difficulties faced by McAleese.

The Independent Expert has concluded that, in the absence of a Superior Proposal, and on the basis that a Shareholder *does not* participate in the Notes Offer, the Recapitalisation is *not fair* but is *reasonable* and therefore is *in the best interests* of Non-associated Shareholders as a whole.

The Independent Expert noted that there are compelling reasons for Non-associated Shareholders to approve the Recapitalisation as they will be clearly better off if the Recapitalisation proceeds and they elect to participate in the Notes Offer.

The Recommending Directors consider the Recapitalisation to be in the best interests of all Shareholders. The Recapitalisation, and the opportunity for Shareholders to participate in it, has been achieved in circumstances where the Company was operating under the forbearance of its existing financiers. In the event that the existing financiers had elected to require the repayment of their debt and to enforce their security, rather than allow McAleese to pursue the Recapitalisation, the Board expects that Shareholders would have received no value for their ordinary shares in McAleese. This is reflected in the fact that the existing financiers sold their debt to the SC Lowy Consortium at a discount of approximately \$80 million.

Shareholders now have the chance to support and participate in the Recapitalisation and enable McAleese to continue in a more stable condition to service its customers and to invest in its business. Following the Recapitalisation McAleese's senior debt will be reduced from approximately \$191 million to approximately \$67.3 million³ with further reductions expected from planned asset sales.

The market capitalisation of McAleese is \$6.19 million⁴. The Independent Expert has assessed that prior to the Recapitalisation the equity value of McAleese (on a control basis) is between approximately \$4.4 million and \$39.4 million⁵. As a consequence of the proposed compromise of the Senior Debt acquired by the SC Lowy Consortium

³ This amount includes the \$26 million from the offer of Notes being used to pay down the Senior Debt. Further detail is contained in the table in part 10 of the Explanatory Notes.

⁴ This market capitalisation is based upon the volume weighted average price of Shares for the period commencing on 8 June 2016 (the date that Shares recommenced trading following the announcement of the proposed Recapitalisation) and ending on 15 August 2016 of \$0.0219 and using a number of Shares on issue of 282,713,097.

⁵ See Table 24 of the Independent Expert Report.

and the issue of Notes to raise \$26 million as part of the Recapitalisation, the Independent Expert has assessed that the equity value of McAleese will increase to between approximately \$82.6 million to \$109.5 million⁶ (on a minority interest basis).

Further detail of the Independent Expert's assessments are contained in Parts 7 and 8 of the Independent Expert's Report.

If Shareholders do not support the Recapitalisation by voting in favour of the Recapitalisation Resolutions, the Board expects that Shareholders will not receive any value for their existing Shares. Further detail is provided below under the heading '**What happens if the Recapitalisation does not proceed?**'.

What are you being asked to approve?

Shareholders are being asked to approve the following resolutions relating to the Recapitalisation:

- Resolution 1: to approve the issue of Options to the SC Lowy Consortium as part consideration for the compromise of approximately \$80 million of the Senior Debt acquired by the SC Lowy Consortium;
- Resolution 2: to approve the issue of Shares to the SC Lowy Consortium on exercise of those Options;
- Resolution 3: to approve the issue of Shares to or at the direction of the Underwriter on the conversion of Notes acquired by the Underwriter under the Notes Offer; and
- Resolution 5: to approve the delisting of McAleese from the ASX, (together, the **Recapitalisation Resolutions**).

The Recapitalisation will only proceed if **ALL** four of these Recapitalisation Resolutions are approved by Shareholders.

Shareholders are also being asked to approve:

- Resolution 4: to approve the issue of Notes to the Underwriter as the Underwriter's underwriting fee for underwriting the Notes Offer.

If Resolution 4 is not approved by Shareholders but the Recapitalisation Resolutions are approved, the Recapitalisation will still occur. However, in that circumstance, the Underwriter will receive a cash underwriting fee rather than Notes as an underwriting fee.

Why Shareholders should support the Recapitalisation?

The Recapitalisation will give McAleese the opportunity to continue trading and significantly reduce McAleese's debt. This improvement to McAleese's financial position as a result of the Recapitalisation will assist McAleese's management in addressing the operational challenges facing McAleese during a time when the resources and supporting industries are in a cyclical low.

Through participation in the Notes Offer, Shareholders will have the opportunity to participate in the continuation of the McAleese business with a more sustainable capital structure given the reduction of the Senior Debt. While the Board acknowledges the significant dilution of Shareholders if they do not participate in the Notes Offer and the dilution that will arise from the issue of the Options, the consequence of the dilution is the reduction of the Senior Debt of McAleese from approximately \$191 million to

⁶ See Table 40 of the Independent Expert Report.

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approximately \$67.3 million⁷ with further reductions expected from planned asset sales.

The Board has undertaken a thorough process to seek alternative transactions to the Recapitalisation that may have resulted in a different outcome for Shareholders throughout a strategic process which commenced in August 2015 and in which over 65 parties were approached including private equity funds, alternative capital providers and strategic and trade investors. However, no transaction superior to the Recapitalisation was put forward by any party.

Havenfresh Pty Ltd (Havenfresh) has not proposed an alternative to the Recapitalisation or any other solution to the financial difficulties faced by McAleese.

Since the announcement of the Recapitalisation on 7 June 2016, no alternative transaction to the Recapitalisation has been put to McAleese.

Why is Mr Rowsthorn underwriting the Notes Offer?

It was a requirement of the SC Lowy Consortium's offer to participate in a recapitalisation that McAleese raise \$26 million of new capital and that those funds be used to pay down some of McAleese's senior debt. This requirement meant that McAleese had to have the \$26 million raising underwritten. If these funds were not raised, there would have been no recapitalisation. In those circumstances, the Board believes that the Existing Financiers would have withdrawn their support for McAleese and the Board would have had to appoint a voluntary administrator to McAleese.

McAleese approached various large Shareholders and other parties to determine if they would provide all or some of an underwrite. Mr Rowsthorn was the only party that was prepared to provide the required \$26 million underwriting on terms acceptable to the SC Lowy Consortium and the Board.

The terms of the underwriting are more favourable to McAleese than a market standard underwriting as the underwrite is available until 19 July 2017, compared to most underwritings which are for no more than approximately one month, and there are no termination events – most underwritings of an ASX listed company are subject to numerous termination events including for falls in the market or other material adverse events. Further, the Rowsthorn Interests and other entities associated with Mr Rowsthorn have granted security over their assets to support the SC Lowy Consortium to acquire the Senior Debt and to support the availability of the underwriting. As part of these arrangements, the Rowsthorn Interests have entered into, and provided security in support of, a loan arrangement with the SC Lowy Consortium for a loan of up to \$26 million to fund the underwriting commitment. The security provided includes all of the Shares held by Contento Investments Pty Ltd ATF Contento Investments Trust, which represents 25.87% of McAleese.

While there has been some incorrect assertions made by various parties that the underwriting structure and underwriting fee is overly favourable to Mr Rowsthorn, the Board undertook a comprehensive process testing the market for all available alternatives, and the whole of the Board (excluding Mr Rowsthorn and Mr Maggiolo) approved the underwriting arrangement as the best alternative available and as necessary to enable the Recapitalisation to occur.

⁷ This amount includes the \$26 million from the offer of Notes being used to pay down the Senior Debt. Further detail is contained in the table in part 10 of the Explanatory Notes.

If the Recapitalisation Resolutions are approved by Shareholders, all Shareholders will have the opportunity to participate in the Notes Offer and to take up at least their entitlement based on their existing shareholding. Shareholders who choose to participate in the Notes Offer will participate in the continuation of the McAleese business with a more sustainable capital structure given the reduction of the Senior Debt.

The Underwriter has entered into a sub-underwriting agreement with a party not associated with the Rowsthorn Interests, McAleese or the SC Lowy Consortium for \$5 million of the \$26 million. The sub-underwriter will receive 5/26th of the underwriting fee, whether paid in cash or Notes, payable to the Underwriter.

The Board understands that Mr Rowsthorn remains open to suitably capitalised shareholders sub-underwriting some of the Notes Offer and being paid a portion of the underwriting fee that the Underwriter would otherwise receive.

The Board considers that the potential for sub-underwriting, combined with the ability of Shareholders to apply for more than their entitlement of Notes under the Notes Offer strikes an appropriate balance between McAleese needing to have in place an underwrite of the Notes Offer and Shareholders being given an opportunity to participate.

What happens if the Recapitalisation does not proceed?

If the Recapitalisation Resolutions are not approved, the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. As a result, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt (approximately \$177 million). In this circumstance the Board would be forced to appoint a voluntary administrator. If a voluntary administrator is appointed by the Board, the SC Lowy Consortium may seek to propose their own administrator at the first creditor's meeting or appoint a receiver or receiver and manager in relation to McAleese's secured assets.

In this circumstance, Shareholders will not receive any value for their existing Shares and will not have the opportunity to subscribe for Notes.

If the Board appoints a voluntary administrator, the SC Lowy Consortium as the majority secured creditor, and entities associated with Mr Rowsthorn, have agreed that they would seek to implement a recapitalisation through an alternative transaction (such as through a deed of company arrangement or creditor's scheme) which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation, including entities associated with Mr Rowsthorn contributing \$26 million of capital into McAleese.

In this scenario, given the implied value of McAleese based on the purchase price of the debt (\$93.3 million) compared to the \$177 million of senior secured debt that will be outstanding as the Senior Debt will not have been compromised, Shareholders are highly unlikely to receive any value for their existing Shares and would not have the opportunity to subscribe for Notes.

Recommendation of the independent non-executive directors

All of the independent non-executive directors of McAleese other than Mr Maggiolo (**Recommending Directors**) recommend that you vote in favour of each of the Resolutions in the absence of a Superior Proposal to the Recapitalisation as a whole.

The Recommending Directors note that they are not aware of any party proposing to put forward an alternative proposal to the Recapitalisation. Further, McAleese has

already undertaken a detailed strategic review process that culminated in the proposed Recapitalisation. Each of the Recommending Directors intends to vote all of their Shares in favour of all Resolutions, in the absence of a Superior Proposal.

While Mr Rowsthorn supports the proposed Recapitalisation and is underwriting the Notes Offer through the Underwriter, he is not providing a recommendation because of this involvement. Neither the Rowsthorn Interests nor any other company controlled by Mr Rowsthorn will vote on any of the Resolutions other than, in the case of Mr Rowsthorn, directed proxies from Shareholders with whom he is not associated.

Opinion of the Independent Expert

The Board has appointed PPB Corporate Finance Pty Ltd (**Independent Expert**) to provide an Independent Expert's Report to assist Shareholders in determining whether or not to approve the Recapitalisation Resolutions. The Independent Expert has concluded that, in the absence of a Superior Proposal, and on the basis that a Shareholder does not participate in the Notes Offer, the Recapitalisation is **not fair** but is **reasonable** to Shareholders that are not associated with the Recapitalisation Resolutions (**Non-Associated Shareholders**) and therefore is in the **best interests** of the Non-Associated Shareholders.

The Independent Expert noted that there are compelling reasons for Shareholders to approve the Recapitalisation as they will be clearly better off if the Recapitalisation proceeds and they elect to participate in the Notes Offer.⁸

The Independent Expert has assessed that, on the basis that a Shareholder does not participate in the Notes Offer, the fair market value of a Share after completion of the Recapitalisation, on a minority interest and fully diluted basis, is lower than the range of the fair market value of a Share before the Recapitalisation on a control basis. However, the Independent Expert has assessed that the equity value of McAleese after the Recapitalisation (on a minority interest basis) of between \$82.6 million to \$109.5 million⁹ is higher than the equity value of McAleese before the Recapitalisation¹⁰ (on a control basis) of between approximately \$4.4 million and \$39.4 million¹¹.

In making its assessment that the Options issue and Notes Offer and underwriting of the Notes Offer are reasonable to Shareholders, the Independent Expert has determined that the value of a Share to a shareholder that participates in the Notes Offer after deducting the price paid for the Notes is higher than the 5 day volume weighted average price of Shares after 7 June 2016 of \$0.024.

The Board encourages you to read the Independent Expert's Report set out in Annexure 6 in full.

Requisitioned meeting

In accordance with its obligations under the Corporations Act, the Board has convened a meeting of Shareholders (**Requisitioned Meeting**) called for by Havenfresh. At that meeting, Shareholders will consider resolutions to remove each of the directors of McAleese other than Mr Gilberto Maggiolo, who is also a director of Havenfresh, and the appointment of two replacement directors.

⁸ Page iv and page 49 of the Independent Expert Report.

⁹ See Table 40 of the Independent Expert Report.

¹⁰ This market capitalisation of McAleese is \$6.19 million based upon the volume weighted average price of Shares for the period commencing on 8 June 2016 (the date that Shares recommenced trading following the announcement of the proposed Recapitalisation) and ending on 5 August 2016 of \$0.0219 and using a number of Shares on issue of 282,713,097.

¹¹ See Table 24 of the Independent Expert Report.

Havenfresh has not proposed an alternative to the Recapitalisation or any other solution to the financial difficulties faced by McAleese.

As advised to the market on 20 July 2016, the forbearance arrangements between McAleese and the SC Lowy Consortium will end if shareholders remove any of the existing directors at the Requisitioned Meeting.

The consequences of such an event are the same as if the Recapitalisation Resolutions are not approved by Shareholders (see the heading '**What happens if the Recapitalisation does not proceed?**' above) with the Board being forced to appoint a voluntary administrator, Shareholders not receiving any value for their existing Shares and not having the opportunity to subscribe for Notes and the SC Lowy Consortium seeking to implement a recapitalisation through an alternative transaction (such as through a deed of company arrangement or creditor's scheme) which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation.

The Requisitioned Meeting will now be held before this Meeting.

The Recommending Directors, and Mr Rowsthorn, strongly recommend that Shareholders vote against all of the resolutions to be considered at the Requisitioned Meeting.

Status of conditions precedent

As advised to the market on 20 July 2016, McAleese and the Rowsthorn Interests waived two of the previously announced conditions precedent to the Senior Debt Acquisition: 1) securing a reduction in the McAleese group's annual real property rental costs from TTPH Pty Ltd (**Rental Condition**) and 2) securing a waiver from Atlas Iron Limited (**Atlas**) of any right that Atlas may have to terminate its haulage contracts with the McAleese group as a result of the Recapitalisation (**Atlas Condition**).

Those conditions precedent were amended to become conditions precedent to the Company calling the General Meeting.

Neither of those conditions have been satisfied or waived at this time. As announced to the market on 16 August 2016, as part of the negotiation to extend the date by which the Recapitalisation Resolutions need to be approved to 23 September 2016 and to enable McAleese to call this Meeting, those conditions precedent are now conditions precedent to the underwriting of the offer of Notes as part of the Recapitalisation.

If by Friday, 26 August 2016:

- the Rental Condition has not been satisfied and the members of the SC Lowy Consortium advise McAleese that the waiver of the condition precedent is not in their interests; or
- the Atlas Condition has not been satisfied or waived by the Underwriter,

the forbearance arrangements between McAleese and the SC Lowy Consortium will end.

If the forbearance arrangements end, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised senior debt. In this circumstance the Board would be forced to appoint a voluntary administrator. In this circumstance Shareholders are highly unlikely to receive any value for their existing Shares and would not have the opportunity to subscribe for Notes as part of the Recapitalisation.

If McAleese shareholders do not approve the Recapitalisation Resolutions at the Meeting or the SC Lowy Consortium's forbearance otherwise expires, then the SC Lowy Consortium and the Rowsthorn Interests are contractually bound to seek to implement an alternative transaction which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation. However, in this scenario, there

would be no offer of Notes to Shareholders and Shareholders are highly unlikely to receive any value for their existing Shares.

What should you do now?

Enclosed is the Notice of Meeting and Explanatory Notes and the Independent Expert's Report. I urge all Shareholders to carefully read all of this material before voting on the resolutions either by proxy or in person at the Meeting.

If you are unable to attend the Meeting, I encourage you to complete the enclosed Voting Form. The Voting Form should be returned by mail or fax to Link Market Services Limited, McAleese's share registry, no later than 11.00am (Melbourne time) on 17 September 2016. Alternatively, you may vote directly or appoint a proxy online at www.linkmarketservices.com.au by following the instructions on the form (please see the Notice of Meeting and Voting Form for more information).

If you plan to attend the Meeting, please bring the enclosed Voting Form to assist us in registering your attendance.

On behalf of the Board of McAleese, I thank you for your continued support of McAleese and I look forward to seeing as many of you as possible on the day.

Yours sincerely

McALEESE LIMITED



Don Telford
Chairman

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**NOTICE OF MEETING
MCALEESE LIMITED
ABN 86 156 354 068**

Notice is given that a meeting of Shareholders of McAleese Limited (**McAleese**) will be held at **11.00am** (Melbourne time) on **19 September 2016** at Oaks on Collins, Level 1, 480 Collins St, Melbourne, Victoria, Australia.

Resolution 1 – Approval of the issue of Options to the SC Lowy Consortium

To consider and, if thought fit, pass the following ordinary resolution of McAleese:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of 151,666,666,667 Options to the SC Lowy Consortium on the terms and conditions described in the Explanatory Notes.”

Resolution 2 – Approval of the issue of Shares on the exercise of Options

To consider and, if thought fit, pass the following ordinary resolution of McAleese:

“That, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for the issue of Shares to the SC Lowy Consortium upon exercise of the Options, on the terms and conditions described in the Explanatory Notes.”

Resolution 3 – Approval of the issue of Shares on the conversion of Notes

To consider and, if thought fit, pass the following ordinary resolution of McAleese:

“That, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for the issue of Shares to the Underwriter, Mark Rowsthorn Superannuation Fund Pty Ltd and Mostia Dion Nominees Pty Ltd upon conversion of the Notes, on the terms and conditions described in the Explanatory Notes.”

Resolution 4 – Payment of Underwriting Fee in Notes

To consider and, if thought fit, pass the following ordinary resolution of McAleese:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of 24,074,074 Notes to or at the direction of the Underwriter as an underwriting fee on the terms and conditions described in the Explanatory Notes.”

Resolution 5 – Delisting of McAleese from the ASX

To consider and, if thought fit, pass the following ordinary resolution of McAleese:

“That, for the purposes of Listing Rule 17.11 and for all other purposes, approval is given for the removal of McAleese from the official list of ASX on a date to be decided by ASX and that the directors of McAleese be authorised to do all things reasonably necessary to give effect to the delisting of McAleese from the ASX.”

VOTING EXCLUSIONS

Neither the Rowsthorn Interests nor any other company controlled by Mr Rowsthorn will vote on any of the Resolutions other than, in the case of Mr Rowsthorn, directed proxies from Shareholders with whom he is not associated.

The following persons may not vote, and McAleese will disregard any votes cast by the following persons, on the following Resolutions:

Resolution 1 - Approval of the issue of Options to the SC Lowy Consortium

In accordance with ASX Listing Rule 14.11, McAleese will disregard any votes cast on Resolution 1 by a person (and any associate of such a person) who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, unless the vote is cast as a proxy for a person entitled to vote on Resolution 1:

- in accordance with a direction on the Voting Form; or
- by the Chairman of the meeting in accordance with a direction on the Voting Form to vote as the proxy decides.

Resolution 2 - Approval of the issue of Shares on the exercise of Options

In accordance with the *Corporations Act 2001* (Cth) (the **Corporations Act**), McAleese will disregard any votes cast on Resolution 2 by the SC Lowy Consortium or an associate of a member of the SC Lowy Consortium, unless the vote is cast as a proxy for a person entitled to vote on Resolution 2:

- in accordance with a direction on the Voting Form; or
- by the Chairman of the meeting in accordance with an express authorisation in the Voting Form to vote as the proxy decides.

Resolution 3 – Approval of the issue of Shares on the conversion of Notes

In accordance with Corporations Act, McAleese will disregard any votes cast on Resolution 3 by the Underwriter, Mark Rowsthorn Superannuation Fund Pty Ltd and Mostia Dion Nominees Pty Ltd or an associate of those persons, unless the vote is cast as a proxy for a person entitled to vote on Resolution 3:

- in accordance with a direction on the Voting Form; or
- by the Chairman of the meeting in accordance with an express authorisation in the Voting Form to vote as the proxy decides.

Resolution 4 – Payment of Underwriting Fee in Notes

In accordance with the ASX Listing Rule 14.11, McAleese will disregard any votes cast on Resolution 4 by the Underwriter or an associate of the Underwriter and any person (and any associate of such a person) who is to receive securities the subject of this Resolution, unless the vote is cast as a proxy for a person entitled to vote on Resolution 4:

- in accordance with a direction on the Voting Form; or
- by the Chairman of the meeting in accordance with a direction on the Voting Form to vote as the proxy decides.

Resolution 5 – Delisting of McAleese from the ASX

There are no voting exclusions for Resolution 5.

By order of the Board



Rohan Abeyewardene
Company Secretary

Dated: 16 August 2016

Voting Entitlement

The Board has determined that the Shareholders who are on McAleese's share register at **7.00pm (Melbourne time) on 17 September 2016 (Record Time)** will be taken, for the purposes of the Meeting, to be entitled to attend and vote at the meeting.

Transactions registered after that time will accordingly be disregarded in determining which Shareholders are entitled to attend and vote at the meeting.

On a resolution decided by a show of hands, every Shareholder who is present in person or by proxy, representative or attorney will have one vote. Direct Votes will not be counted on a show of hands.

On a poll, every Shareholder who is present in person or by proxy, representative or attorney will have one vote for every fully paid ordinary share held by that Shareholder at the Record Time. Direct Votes by a Shareholder entitled to vote on a resolution will be counted as if the Shareholder had cast the votes in a poll at the Meeting.

Methods of Voting

A Shareholder may vote by:

- attending the Meeting and voting either in person or by attorney, or, in the case of corporate Shareholders, by corporate representative;
- lodging a Direct Vote using the Voting Form enclosed and lodging it with McAleese's Share Registry or online at www.linkmarketservices.com.au; or
- appointing a proxy to attend and vote on their behalf using the Voting Form enclosed and lodging it with McAleese's Share Registry or online at www.linkmarketservices.com.au.

To be effective, the Voting Form (and any Power of Attorney under which it is signed) must be received by McAleese at its Share Registry's address or facsimile number shown below, or lodged online at the website of McAleese's Share Registry by no later than 48 hours prior to the meeting which is **by 11.00am (Melbourne time) on 17 September 2016**.

The Voting Form must be signed in accordance with the instructions on the form. You will be taken to have signed your Voting Form if you lodge it online in accordance with the instructions on the website. A Voting Form accompanies this Notice of Meeting. For further information on voting, please refer to the Voting Form.

Direct Voting

By completing Box A of the Voting Form, you are voting your shares directly and are not appointing a third party, such as a proxy, to act on your behalf. Shareholders should complete their voting directions by selecting 'for' or 'against' for each item on the Voting Form to cast a vote for that item. Do not complete the 'abstain' box if you are voting directly as it will result in an invalid vote. If you give voting directions for at least one item, but leave the other item(s) blank, the vote on the items marked will be valid but no vote will be counted or treated as having been cast for the item(s) left blank. If no voting directions are given on all of the items then the Chairman will be deemed to be your appointed proxy. If you complete both Box A and Box B then you will be deemed to have chosen to appoint the person named (or if no person is named, the Chairman of the Meeting) as your proxy.

Voting by Proxy

If you are entitled to attend and vote at the Meeting, you can appoint a proxy to attend and vote on your behalf using the enclosed Voting Form. If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

A proxy may be either an individual or a corporation and need not be a Shareholder of McAleese. The Chairman intends to vote all available proxies in favour of all resolutions.

Corporate Representatives

A Shareholder that is a corporation and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative to exercise its powers at the meeting. Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with McAleese before the Meeting or at the registration desk on the day of the Meeting.

If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has been previously noted by McAleese's Share Registry.

Lodging Voting Form

Voting Forms may be lodged at McAleese's Share Registry at the following addresses:

By Mail:

McAleese Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

By Fax:

+61 2 9287 0309

By Hand:

Delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12, 680 George Street
Sydney NSW 2000

*During business hours (Monday to Friday, 9:00 am to 5:00 pm)

Online:

To lodge your vote online, log in to the Link Market Services website, www.linkmarketservices.com.au, using the holder details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their 'Holder Identifier' (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).

EXPLANATORY NOTES TO SHAREHOLDERS

These Explanatory Notes provide information on the Resolutions to be considered at the General Meeting of McAleese Limited to be held at **11.00am (Melbourne time)** on **19 September 2016** at Oaks on Collins, Level 1, 480 Collins St, Melbourne, Victoria, Australia and form part of the Notice of Meeting.

The Explanatory Notes should be read in conjunction with the Notice of Meeting and the Independent Expert's Report.

Terms and abbreviations used in this Notice of Meeting and the Explanatory Notes are defined in Schedule 1.

1. OVERVIEW OF THE RECAPITALISATION

The Recapitalisation is the culmination of McAleese's strategic process which McAleese has been pursuing since August 2015.

The Recapitalisation involves:

1. the approximately \$186 million of senior debt that was owed to the Existing Financiers, together with approximately \$5 million owed to the Existing Financiers as a result of the closing out of certain hedging transactions (together, the Senior Debt) having been dealt with in the following manner on 19 July 2016:

- \$14 million of the Senior Debt was repaid by McAleese using funds drawn under the New Working Capital Facility provided by SC Lowy Primary Investments Ltd; and
- the remaining balance of the Senior Debt (being approximately \$177 million) was acquired by the SC Lowy Consortium from the Existing Financiers (**Senior Debt Acquisition**) for \$93.3 million paid by the SC Lowy Consortium to the Existing Financiers plus \$5 million payable by McAleese, with the payment of the \$5 million by McAleese deferred for up to 12 months after the date of the Senior Debt Acquisition. This deferred \$5 million is expected to be paid by McAleese out of the proceeds of the proposed sale by McAleese of the Cootes Transport business.

The Senior Debt Acquisition means that the SC Lowy Consortium is McAleese's largest secured creditor.

2. the loan facility agreement under which the Senior Debt acquired by the SC Lowy Consortium is outstanding has been modified (**Modified SFA**) and, until the Senior Debt is compromised (following Shareholder approval of the Recapitalisation Resolution) or the forbearance period otherwise ending, the SC Lowy Consortium has agreed to forbear requiring the repayment of the Senior Debt;
3. McAleese has entered into a new senior debt facility with the SC Lowy Consortium (**New Senior Debt Facility**) in an amount of \$93.3 million plus fees of approximately \$2 million and the amount of interest which will accrue and be capitalised under the Modified SFA from the time of the Senior Debt Acquisition, this being the amount of the New Senior Debt;
4. subject to obtaining Shareholder approval of the Recapitalisation Resolutions and the subsequent issue of the Options and the Notes:
 - McAleese will draw down the entire amount of the New Senior Debt and apply those funds to partially repay the Senior Debt;
 - the SC Lowy Consortium will then compromise the remaining balance of the Senior Debt, with that balance being extinguished in

full, leaving McAleese with a significantly smaller amount of senior debt than before the Recapitalisation;

5. as part of the consideration of the compromise of the Senior Debt, McAleese issuing, subject to shareholder approval and the issue of Notes under the Notes Offer, Options to the SC Lowy Consortium in such number that the SC Lowy Consortium will hold 34.98%¹² of the Shares on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes. The terms of the Options are contained in Annexure 1.
6. McAleese undertaking the Notes Offer to raise \$26 million which will be used to partially repay the New Senior Debt Facility. The Notes Offer will be underwritten by a company owned by Mr Rowsthorn. Mr Rowsthorn is the Managing Director and Chief Executive Officer of McAleese. At the date of this Notice Mr Rowsthorn and his associates have a relevant interest in McAleese of 30.78%, which makes them the largest shareholder in McAleese. Subject to Shareholder approval, the Underwriter will receive an underwriting fee in the form of Notes that will on conversion equal 5% of the Shares on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes. The Notes under the Notes Offer will be issued in such number that the Note holders will, on conversion of the Notes, hold 59.96%¹³ of the Shares on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes.

If Resolution 4 is not approved by Shareholders but the Recapitalisation Resolutions are approved, the Recapitalisation will still occur. However, in that circumstance, the Underwriter will receive a cash underwriting fee rather than Notes as an underwriting fee.

The Underwriter has entered into a sub-underwriting agreement with a party not associated with the Rowsthorn Interests, McAleese or the SC Lowy Consortium for \$5 million of the \$26 million. The sub-underwriter will receive 5/26th of the underwriting fee, whether paid in cash or Notes, payable to the Underwriter.

The Notes will, subject to Shareholder approval of the Recapitalisation Resolutions, be offered under a Prospectus to be issued by McAleese within 10 Business Days after the Recapitalisation Resolutions are approved. The terms of the Notes are contained in Annexure 2.

7. The delisting of McAleese from the official list of ASX. Following delisting, Shareholders will not be able to trade Shares on ASX and will not have the benefit of the Listing Rules. McAleese expects that the delisting will take effect immediately prior to the issue of the Notes and Options, which is expected to be by late October 2016. Annexure 5 sets out the key differences between holding Shares in an ASX listed company and holding Shares in an unlisted Australian public company following delisting.

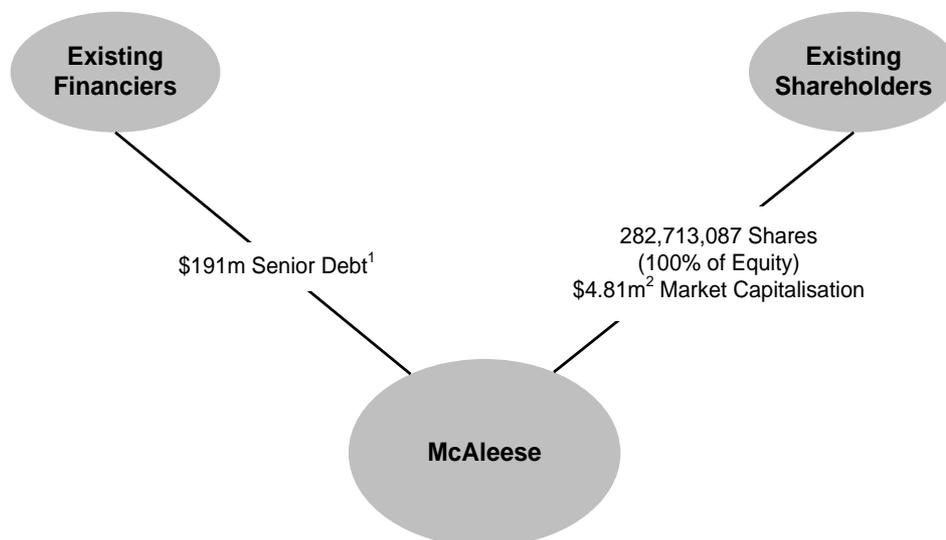
McAleese has agreed with the SC Lowy Consortium and the Rowsthorn Interests that within 12 months of the delisting, McAleese will propose a special resolution to its Shareholders to amend the constitution of McAleese to include a provision which would require the McAleese Board to consider pursuing a listing (including a compliance listing) of McAleese on or about 24 months after the date of the delisting.

¹² This percentage will be 36.82% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

¹³ This percentage will be 63.14% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Notes will be offered under the Notes Offer the Shares issued on conversion of the Notes will represent a greater percentage of Shares.

The below diagrams illustrate the capital structure of McAleese before the Senior Debt Acquisition, after the Senior Debt Acquisition and following Shareholder approval of the Recapitalisation Resolutions and completion of the Notes Offer, issue of the Options, compromise of the Senior Debt and delisting.

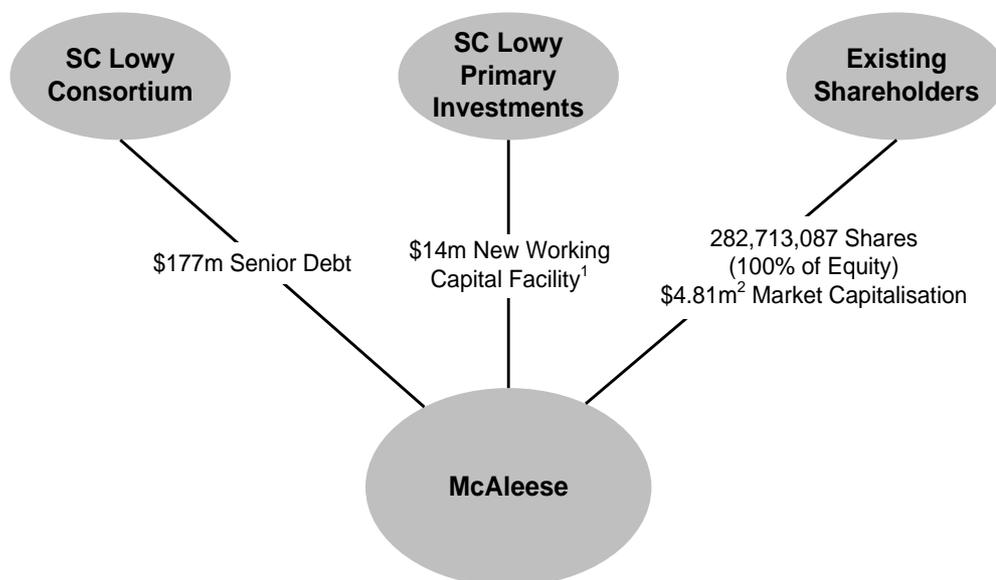
A. Before the Senior Debt Acquisition on 19 July 2016



¹ Includes \$5m to close out hedging arrangements

² \$0.017 closing price of Shares on 18 July 2016

B. After the Senior Debt Acquisition on 19 July 2016

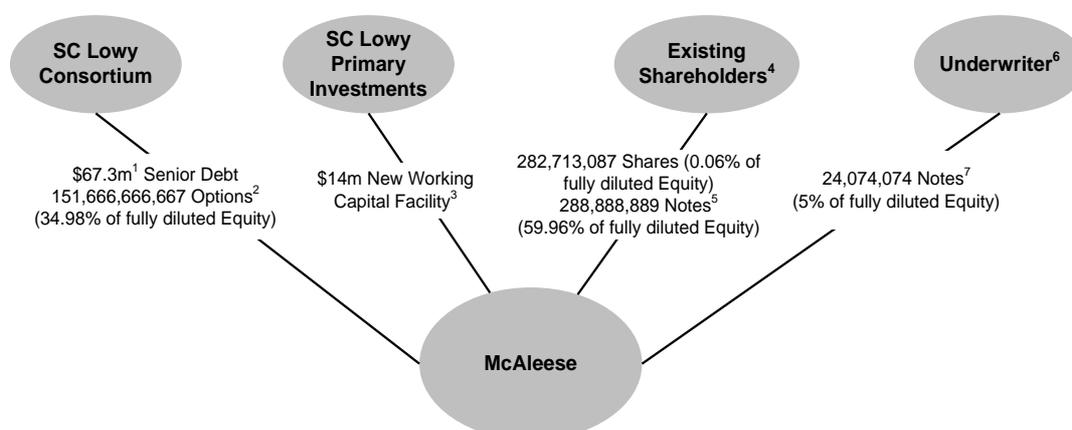


¹ \$20.8m facility drawn down with \$6.8m retained for working capital purposes

² \$0.017 closing price of Shares on 19 July 2016

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C. Following Shareholder approval of the Recapitalisation Resolutions and completion of the Notes Offer, issue of the Options, compromise of the Senior Debt and delisting



¹ Plus fees of approximately \$2m and any accrued interest which will be capitalised under the Modified SFA from the time of the Senior Debt Acquisition

² Exercisable into 151,666,666,667 Shares

³ \$20.8m facility drawn down with \$6.8m retained for working capital purposes

⁴ The Rowsthorn interests and the Underwriter are existing Shareholders. Depending on the participation of other Shareholders in the Notes Offer, they will hold some of the 288,888,889 Notes. Further details of their shareholdings are contained in the Explanatory Notes to Resolution 3.

⁵ Convertible into 260,000,000,000 Shares

⁶ Assuming that Resolution 4 is passed and the 24,074,074 Notes are issued as an underwriting fee. Depending upon existing Shareholder participation in the Notes Offer, the Underwriter may hold up to 64.98% of the Shares (on a fully diluted basis). The Underwriter has entered into a sub-underwriting agreement with a party not associated with the Rowsthorn Interests or McAleese for \$5 million of the \$26 million. The sub-underwriter will receive 5/26th of the underwriting fee, whether paid in cash or Notes, payable to the Underwriter.

⁷ Convertible into 21,666,666,667 Shares

2. ALTERNATIVE OPTIONS CONSIDERED

The Board has undertaken a thorough process to seek alternative transactions that may have resulted in a different outcome for Shareholders throughout a strategic process which commenced in August 2015 and in which over 65 parties were approached including private equity funds, alternative capital providers and strategic and trade investors. However, no transaction superior to the Recapitalisation was put forward by any party.

Since the announcement of the Recapitalisation on 7 June 2016, no alternative transaction to the Recapitalisation has been put to McAleese.

Havenfresh has not proposed an alternative to the Recapitalisation or any other solution to the financial difficulties faced by McAleese.

3. EXTINGUISHMENT OF THE SENIOR DEBT AND THE SENIOR DEBT ACQUISITION

The extinguishment of the Senior Debt comprises the following elements:

- \$14 million of the Senior Debt was repaid by McAleese using funds drawn under the New Working Capital Facility provided by SC Lowy Primary Investments Ltd, the key terms of which are summarised in Annexure 4;
- the Senior Debt Acquisition which occurred on 19 July 2016. The Senior Debt Acquisition involved the acquisition by the SC Lowy Consortium of approximately \$177 million of Senior Debt for \$98.3m, comprising \$93.3 million paid by the SC Lowy Consortium and \$5m of deferred consideration payable by McAleese to the Existing Financiers, which is deferred for up to 12 months

after the date of the Senior Debt Acquisition. This deferred \$5 million is expected to be paid by McAleese out of the proceeds of the proposed sale by McAleese of the Cootes Transport business; and

- subject to obtaining shareholder approval, the compromise and extinguishment in full of the balance of the Senior Debt remaining after the partial prepayment referred to in part 4 below.

4. NEW SENIOR DEBT FACILITY

Immediately prior to the compromise and extinguishment of the Senior Debt referred to above, the Senior Debt will be partially refinanced with the New Senior Debt drawn under the New Senior Debt Facility. The amount of New Senior Debt will equal \$93.3 million plus fees of approximately \$2 million and the amount of interest which has accrued and been capitalised under the Modified SFA from the time of the Senior Debt Acquisition.

If Shareholders do not approve the Recapitalisation Resolutions or if, following the Shareholder approval of the Recapitalisation Resolutions, the Notes and Options are not issued by 30 November 2016 (or such later date as is necessary to comply with applicable regulatory requirements or as otherwise agreed between the parties), the Company will not be entitled to draw the New Senior Debt and the SC Lowy Consortium will not be required to compromise the Senior Debt.

If the Recapitalisation Resolutions are not approved by 23 September 2016, the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. As a result, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt (approximately \$177 million). In this circumstance the Board would be forced to appoint a voluntary administrator. If a voluntary administrator is appointed by the Board, the SC Lowy Consortium may seek to propose their own administrator at the first creditor's meeting or appoint a receiver or receiver and manager in relation to McAleese's secured assets.

If following approval of the Recapitalisation Resolutions McAleese does not issue the Notes and Options by 30 November 2016 (or such later date as is necessary to comply with applicable regulatory requirements or as otherwise agreed between the parties), that will also be an event of default under the Modified SFA with the same expected consequences as if the Recapitalisation Resolutions were not approved.

The key terms of the New Senior Debt Facility are summarised in Annexure 3.

5. OPTIONS

As part of the consideration for the compromise of the Senior Debt by the SC Lowy Consortium, McAleese is seeking Shareholder approval for the issue of 151,666,666,667 Options to the SC Lowy Consortium, as set out in the table below. If approved, the Options are expected to be issued to the SC Lowy Consortium on the date that the Notes are issued to participating Shareholders, which is currently expected to be by late October 2016.

Upon exercise, which is to occur within 10 Business Days after the date of the conversion or repayment of Notes, the Options will result in the issue of 151,666,666,667 Shares that represent 34.98%¹⁴ of all of the Shares that will be on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes.

¹⁴ This percentage will be 36.82% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

The terms of the Options are set out in Annexure 1.

SC Lowy Consortium	Number of Options	Percentage of Shares held on a post-Recapitalisation basis¹⁵
SC Lowy Primary Investments, Ltd	73,282,365,217	16.90%-17.79%
Cadbury Hedge Fund Alternatives Portfolio	3,027,266,667	0.70%-0.73%
Sainsbury's Credit Opportunities Fund, Ltd	2,279,044,950	0.53%-0.55%
Investment Partners IV (A), LLC	45,249,243,433	10.44%-10.98%
Remagen Nominees Pty Limited as trustee for Remagen Lending Trust 2016-11	27,828,746,400	6.42%-6.76%
Total	151,666,666,667	34.98%-36.82%

6. NOTES OFFER

As part of the Recapitalisation, McAleese must undertake the Notes Offer which will provide Shareholders an opportunity to participate in the Recapitalisation. The Notes will be issued in such number that the Note holders will, on conversion of the Notes, hold 59.96%¹⁶ of the Shares on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes.

The Notes Offer will be made by McAleese in a Prospectus expected to be issued in mid to late September 2016 following the Shareholder approval of each of the Recapitalisation Resolutions. Shareholders will be offered the opportunity to acquire 1.02184477 Notes for every 1 Share that they hold on the record date for the Notes Offer with the aggregate number of Notes offered to an eligible Shareholder rounded to the nearest whole number. Each Note will have an offer price of 9 cents and will convert into 900 Shares.

If the Recapitalisation Resolutions are approved by Shareholders, the Notes are expected to be issued by late October 2016. The Notes pay interest at 15% per annum with accrued interest payable in cash on the conversion of the Notes. The Notes will convert on the date which is no later than 30 days after the date on which Tranche A (initially \$51 million to be reduced by \$26 million raised from the Notes Offer and reduced further from the proceeds of the Cootes Transport sale after \$5 million has been paid to the Existing Financiers as deferred consideration for the Senior Debt Acquisition) under the New Senior Debt Facility has been repaid. Tranche A is due to be repaid on 19 July 2017.

¹⁵ The higher percentages represent the scenario where Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

¹⁶ This percentage will be 63.14% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Notes will be offered under the Notes Offer the Shares issued on conversion of the Notes will represent a greater percentage of Shares.

The Notes will be secured but subordinated to all amounts owing under the New Senior Debt Facility, under the deferred consideration arrangements (\$5 million), the New Working Capital Facility and McAleese's bank guarantee, lease finance and transactional banking facilities. The Note terms are contained in Annexure 2.

The Underwriter to the Notes Offer is Contento Investments Pty Ltd as trustee for the Contento Investments Trust. The sole shareholder of the Underwriter is Mr Rowsthorn, who is also a beneficiary of the Contento Investments Trust.

If McAleese shareholders do not subscribe for their entitlement of Notes under the Notes Offer, their shareholding will be materially diluted by the conversion of the Notes. The table below illustrates the minimum and maximum shareholdings of the Rowsthorn Interests, other Shareholders and the SC Lowy Consortium assuming the issue and exercise of all the Options and the issue and conversion of all the Notes (including the Notes proposed to be issued to the Underwriter as an underwriting fee):

Party	Shareholding structure of McAleese at the date of this Meeting (approximate)	Shareholding structure of McAleese post-Recapitalisation (approximate) ¹
Existing McAleese shareholders (excluding Rowsthorn Interests)	69.22%	Equity underwrite fee: 0.05% ² – 41.55% ³ Cash underwrite fee: 0.05% ² – 43.73% ³
Rowsthorn Interests	30.78% ⁴	Equity underwrite fee: 23.47% ⁵ – 64.98% ⁶ Cash underwrite fee: 19.45% ⁵ - 63.14% ⁶
SC Lowy Consortium	0%	Equity underwrite fee: 34.98% ⁷ Cash underwrite fee: 36.82% ⁷
Total	100%	100%

Explanatory notes to table

1. If the new management incentive arrangements (which are yet to be finalised) are equity-linked, which is expected, then those arrangements are expected to be dilutive to all McAleese shareholders post the Recapitalisation. This would mean that each of the maximum percentage figures in this column would decrease in favour of management incentive participants, which would include Mark Rowsthorn as Managing Director and CEO of McAleese.
2. The minimum percentage figure of ~0.05% assumes that all existing McAleese shareholders do not subscribe for any Notes (and therefore, will not be entitled to receive any new Shares on conversion of the Notes) under the Notes Offer. However, existing Shares will remain on issue after the dilution of the Option Issue and Notes Offer such that this amount will be ~0.05%.
3. The maximum percentage figure of 41.55% - 43.73% assumes that all existing McAleese shareholders fully subscribe for their entitlement of Notes under the Notes Offer and those Notes are converted into new Shares.
4. The Rowsthorn Interests' shareholding percentage of 29.35% contained in the 7 June 2016 ASX announcement was incorrectly stated and should have been 30.78% as has previously been disclosed by McAleese in its 2014 and 2015 Annual Report. The Rowsthorn Interests have not acquired relevant interests in any additional Shares since 7 June 2016.

5. The minimum percentage figure of 19.45% - 23.47% assumes that the Rowsthorn Interests fully subscribe for their entitlement of Notes under the Notes Offer, but that the Rowsthorn Interests are not required to take up any Notes under the Underwriting Agreement as all other existing McAleese shareholders fully subscribe for their entitlement of Notes under the Notes Offer.
6. The maximum percentage figure of 63.14% - 64.98% assumes that: (i) the Rowsthorn Interests are required to take up the full shortfall of Notes under the Notes Offer in accordance with the Underwriting Agreement, and (ii) McAleese shareholders approve Resolution 4. These percentages will be lower as a consequence of any sub-underwriting including the \$5 million of sub-underwriting that the Underwriter has already obtained.
7. This figure assumes that shareholders approve the issue of the Options.

7. DELISTING OF MCALEESE

As part of the Recapitalisation, McAleese intends to delist from the official list of ASX and is seeking Shareholder approval for the delisting. McAleese expects that the delisting will take effect immediately prior to the issue of the Notes and Options, which is expected to be by late October 2016.

Once delisted it is proposed that the constitution of McAleese will be subsequently amended (with shareholder approval) to require the board of McAleese to consider pursuing a listing of McAleese on or about 24 months after the date upon which the delisting occurs.

Annexure 5 sets out the key differences between holding Shares in an ASX-listed company and holding Shares in an unlisted Australian public company following delisting.

8. SALE OF COOTES TRANSPORT AND OTHER DIVESTMENTS

In connection with the Recapitalisation, McAleese will soon commence a sale process for the Cootes Transport business, which represents the majority of McAleese's Oil and Gas segment as reported in the McAleese first half 2016 financial statements¹⁷. The sale will not include the division's aviation services or the Refuel International business. The first \$5 million of the proceeds of sale of the Cootes Transport business must be used to pay the \$5 million of deferred consideration of the Senior Debt Acquisition.

Divestment of the Castlereagh quarry and non-strategic depots in the Heavy Haulage and Lifting division will also be considered.

9. CONSEQUENCES IF THE RECAPITALISATION IS NOT APPROVED

If the Recapitalisation Resolutions are not approved, the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. As a result, the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt (approximately \$177 million). In this circumstance the Board would be forced to appoint a voluntary administrator. If a voluntary administrator is appointed by the Board, the SC Lowy Consortium may seek to propose their own administrator at the first creditor's meeting or appoint a receiver or receiver and manager in relation to McAleese's secured assets.

In this circumstance, Shareholders will not receive any value for their existing Shares and will not have the opportunity to subscribe for Notes.

¹⁷ As released to ASX on 15 March 2016.

If the Board appoints a voluntary administrator, the SC Lowy Consortium as the majority secured creditor, and entities associated with Mr Rowsthorn, have agreed that they would seek to implement a recapitalisation through an alternative transaction (such as through a deed of company arrangement or creditor's scheme) which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation, including entities associated with Mr Rowsthorn contributing \$26 million of capital into McAleese.

Given the implied value of McAleese based on the purchase price of the debt (\$93.3 million) compared to the \$177 million of senior secured debt that will be outstanding as the Senior Debt will not have been compromised, Shareholders are highly unlikely to receive any value for their existing Shares and would not have the opportunity to subscribe for Notes.

10. MCALEESE AFTER THE RECAPITALISATION

Approval of the Recapitalisation Resolutions by Shareholders and the sale of the Cootes Transport business and other potential assets sales in the short term will significantly reduce McAleese's debt, putting McAleese in a more stable condition to service its customers and to invest into the business. After the Recapitalisation, McAleese will:

- have a capital structure which should enable it to endure any continuation of current market conditions and benefit from any improvement in the markets in which it operates;
- be more attractive to customers due to its improved financial condition; and
- will have increased capacity to invest in its businesses.

Following the sale of the Cootes Transport business, McAleese will have a relatively concentrated exposure to the resources industry through its Bulk Haulage, Heavy Haulage & Lifting and (indirectly) its Specialised Transport divisions. As previously announced, McAleese is seeking to bundle its service offering across Bulk Haulage and Heavy Haulage & Lifting, noting that many customers of both divisions also require the services offered by the other.

By operating as a private company following its delisting, McAleese will be able to save costs associated with operating as a public listed company.

Shareholders who choose to participate in the Notes Offer will have the opportunity to participate in the recapitalised McAleese.

Below is a table which summarises the gross debt/net debt/leverage position of McAleese before the compromise of the Senior Debt, after the compromise of the Senior Debt and the establish of the New Senior Debt Facility and taking account of the issue of \$26 million of Notes. The table demonstrates a significant reduction in the senior debt leverage of McAleese and a more stable and appropriate debt structure.

A\$m	Pre debt-compromise	Adjustments for debt-compromise	Post debt-compromise ¹	Adjustments for issuance of convertible notes	Post notes issuance ^{1 2}
Gross debt calculation					
Senior term debt	191.1	(97.8)	93.3	(26.0)	67.3
Draw n working capital facility ³	-	20.8	20.8	-	20.8
Gross senior debt (excl. notes)	191.1	(77.0)	114.1	(26.0)	88.1
Convertible notes	-	-	-	26.0	26.0
Gross total debt (incl. notes)	191.1	(77.0)	114.1	-	114.1
Net debt calculation					
Gross senior debt (excl. notes)	191.1	(77.0)	114.1	(26.0)	88.1
Less cash	(20.7)	(6.8)	(27.5)	-	(27.5)
Net senior debt (excl. notes)	170.4	(83.8)	86.6	(26.0)	60.6
Gross total debt (incl. notes)	191.1	(77.0)	114.1	-	114.1
Less cash	(20.7)	(6.8)	(27.5)	-	(27.5)
Net total debt (incl. notes)	170.4	(83.8)	86.6	-	86.6
Implied leverage ratios					
FY16E EBITDA⁴	14.5		14.5		14.5
Gross senior debt leverage ratio (excl. notes)	13.2x	(5.3x)	7.9x	(1.8x)	6.1x
Gross total debt leverage ratio (incl. note)	13.2x	(5.3x)	7.9x	0.0x	7.9x
Net senior debt leverage ratio (excl. notes)	11.8x	(5.8x)	6.0x	(1.8x)	4.2x
Net total debt leverage ratio (incl. notes)	11.8x	(5.8x)	6.0x	0.0x	6.0x

Note 1: Debt balances do not take into account PIK accumulated interest that will be incurred through each time period.

Note 2: Convertible notes will convert upon repayment of Tranche A (maturity of 12 months), further reducing gross total leverage.

Note 3: Facility has a limit of \$20.8m of which \$14m is drawn to pay exiting lenders and \$6.8m drawn for working capital.

Note 4: Mid-point of FY16E estimate range of \$14m to \$15m EBITDA.

11. INDEPENDENT EXPERT

The Independent Expert appointed to prepare the Independent Expert's Report (set out in Annexure 6) has concluded that, in the absence of a Superior Proposal, and on the basis that a Shareholder does not participate in the Notes Offer, the Recapitalisation is **not fair** but is **reasonable** to the Non-Associated Shareholders and therefore is in the **best interests** of the Non-Associated Shareholders as a whole.

The Independent Expert noted that there are compelling reasons for Shareholders to approve the Recapitalisation as they will be clearly better off if the Recapitalisation proceeds and they elect to participate in the Notes Offer.¹⁸

In making its assessment that the Recapitalisation is reasonable, the Independent Expert has determined that the value of a Share to a shareholder that participates in the Notes Offer after deducting the price paid for the Notes is higher than the 5 day volume weighted average price of Shares after 7 June 2016 of \$0.024.

The market capitalisation of McAleese is \$6.19 million¹⁹. The Independent Expert has assessed that, on the basis that a Shareholder does not participate in the Notes Offer, the fair market value of a Share after completion of the Recapitalisation (on a minority interest and fully diluted basis) to be in the range of \$0.00019 to \$0.00025²⁰, which is

¹⁸ Page iv and page 49 of the Independent Expert Report.

¹⁹ This market capitalisation is based upon the volume weighted average price of Shares for the period commencing on 8 June 2016 (the date that Shares recommenced trading following the announcement of the proposed Recapitalisation) and ending on 15 August 2016 of \$0.0219 and using a number of Shares on issue of 282,713,097.

²⁰ See Part 8.1 of the Independent Expert Report.

lower than the range of the fair market value of a Share before the Recapitalisation (on a control basis) of between \$0.016 to \$0.14²¹.

Therefore, the Independent Expert has determined that, on the basis that a Shareholder does not participate in the Notes Offer, the Recapitalisation as a whole is not fair to the Non-Associated Shareholders that do not participate in the Notes Offer. However, the Independent Expert has assessed that the equity value of McAleese after the Recapitalisation (on a minority interest basis) of between \$82.6 million to \$109.5 million²² is higher than the equity value of McAleese before the Recapitalisation (on a control basis) of between approximately \$4.4 million and \$39.4 million²³.

The Independent Expert assessed whether the Recapitalisation is “reasonable” by assessing the implications of the Recapitalisation, including the Options issue and Notes Offer and the underwriting of the Notes Offer, the existence of any premium for control, any available alternatives, the likelihood of an alternative superior offer being made to Shareholders and the consequences if the Recapitalisation were not approved.

In making its assessment that the Options issue and Notes Offer and underwriting of the Notes Offer are reasonable, the Independent Expert has identified a number of potential advantages and disadvantages to Shareholders arising from the approval of the Recapitalisation Resolutions as set out below.

Advantages

- Shareholders will have the ability to participate in the Notes Offer if they approve the Recapitalisation.
- Under the Notes Offer, Shareholders are being given the opportunity to subscribe for new Shares at a discount of between 48% and 60% of the Independent Expert’s assessment of the fair market value of a Share after the Recapitalisation of between \$0.019 and \$0.025.
- The fair market value of a Share after the Recapitalisation, after deducting the price paid for the Notes, is higher than the 5 day volume weighted average price of Shares after 7 June 2016 of \$0.024.
- The Recapitalisation will significantly reduce the Company’s debt and reduce the associated financial pressures and allow the Directors to focus on stabilising the business.
- The fair market value of Shares issued to the SC Lowy Consortium on conversion of the Options is significantly lower than the \$80 million reduction in the Senior Debt resulting in the proposed issue of Options adding between \$42 million and \$51 million of value to McAleese.
- The Recommending Directors recommend that you vote in favour of each of the Resolutions.

Disadvantages

- To the extent that Shareholders don’t participate in the Notes Offer, the Underwriter (and the Rowsthorn Interests), will take up the Notes and may accrue an interest of up to approximately 65% of the issued shares in McAleese after the Recapitalisation.
- If the Recapitalisation Resolutions are not approved, the Recapitalisation will not proceed and there is a significant risk that the Company would be placed into external administration and the Shareholders would likely receive little, if any, proceeds for the Shares they hold.

²¹ See Table 24 of the Independent Expert Report.

²² See Table 40 of the Independent Expert Report.

²³ See Table 24 of the Independent Expert Report.

- If the issue of Options and conversion of the Notes which enables the underwriting are not approved, the share price of McAleese may fall below the trading price of a Share on 8 June 2016 of \$0.024.
- Following the delisting of McAleese, Shareholders will not be able to trade Shares on ASX and will not have the benefit of the Listing Rules.

12. THE SC LOWY CONSORTIUM

The SC Lowy Consortium comprises SC Lowy Primary Investments, Ltd, Cadbury Hedge Fund Alternatives Portfolio, Sainsbury's Credit Opportunities Fund, Ltd, Investment Partners IV (A), LLC being funds and accounts under management by BlackRock Financial Management, Inc., a wholly owned subsidiary of BlackRock, Inc. and Remagen Nominees Pty Limited as trustee for Remagen Lending Trust 2016-11.

SC Lowy

SC Lowy is a leader in fixed income. Private and employee-owned, the firm uses its balance sheet to operate primary issuance, investment and secondary trading businesses focused on high yield to distressed bonds, loans, trade claims, direct lending and special situations.

In-house analysts (over 30% of total employees) cover energy, infrastructure, manufacturing, telecom & media, metals & mining, financials, shipping and real estate for corporations based in Australia, Asia, the Middle East and Europe.

Headquartered in Hong Kong, with a team of investment professionals located across London, Seoul and New York, SC Lowy has built a global client network of over 700 international and regional banks, asset managers, hedge funds, private equity and pension funds, family offices and corporations.

BlackRock managed funds and accounts

BlackRock Financial Management, Inc, a wholly owned subsidiary of BlackRock, Inc, participated in this consortium as an investment manager on behalf of select client funds and accounts. BlackRock, Inc. is a global leader in investment management, risk management and advisory services for institutional and retail clients. At June 30, 2016, BlackRock's AUM was \$4.890 trillion. BlackRock helps clients around the world meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®.

Remagen

Remagen Capital Partners is a privately owned investment and advisory firm founded in 2013. Remagen is headquartered in Sydney, and conducts business throughout Australia.

Remagen specialises in working with small and medium sized enterprises who are seeking an alternative source of finance to banks, or who require some form of turnaround assistance. In organising alternative forms of finance, Remagen has been involved in the full spectrum of credit provision from prime through to distressed, and prides itself on its ability to structure mutually beneficial transactions for borrowers and investors, irrespective of the complexity of the situation.

13. RESPONSIBILITY STATEMENTS

Each member of the SC Lowy Consortium is responsible for the information regarding it contained in this Notice of Meeting (**Investors' Information**).

The Rowsthorn Interests are responsible for the information regarding them contained in this Notice of Meeting (**Rowsthorn Interests Information**).

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McAleese is responsible for the information contained in this Notice of Meeting, other than the Investors' Information and the Rowsthorn Interests Information.

14. RECOMMENDING DIRECTORS' RECOMMENDATION

Each of the Recommending Directors recommend that you vote in favour of each of the Resolutions in the absence of a Superior Proposal to the Recapitalisation as a whole.

The Recommending Directors note that they are not aware of any party proposing to put forward an alternative proposal to the Recapitalisation. Further, McAleese has already undertaken a detailed strategic review process that culminated in the proposed Recapitalisation. Each of the Recommending Directors intends to vote all of their Shares in favour of all Resolutions, in the absence of a Superior Proposal.

While Mr Rowsthorn supports the proposed Recapitalisation and is underwriting the Notes Offer through the Underwriter, he is not providing a recommendation because of this involvement. Neither the Rowsthorn Interests nor any other company controlled by Mr Rowsthorn will vote on any of the Resolutions other than, in the case of Mr Rowsthorn, directed proxies from Shareholders with whom he is not associated.

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EXPLANATORY NOTES IN RELATION TO EACH RESOLUTION

Resolution 1 – Approval of the issue of Options to the SC Lowy Consortium

As part of the consideration for the compromise of approximately \$80 million of the Senior Debt, McAleese is seeking approval for the issue of 151,666,666,667 Options to the SC Lowy Consortium.

(a) Listing Rule 7.1

Listing Rule 7.1 restricts the number of securities a company may issue (or agree to issue) in any 12 month period without shareholder approval to 15% of the number of ordinary securities on issue at the commencement of that 12 month period (subject to specified exceptions).

The purpose of seeking Shareholder approval of the issue of Options in this resolution is that as a security convertible into Shares, the Shares that would be issued upon the exercise of the Options represent more than 15% of the Shares currently on issue.

(b) Listing Rule 7.3

Listing Rule 7.3 requires the following information to be provided to Shareholders in connection with Resolution 1:

- *Maximum number of securities to be issued:*

151,666,666,667 Options will be issued to the SC Lowy Consortium. Upon exercise, the Options will result in the issue of 151,666,666,667 Shares that will represent 34.98%²⁴ of all of the Shares that will be on issue after the Recapitalisation and the exercise of all of the Notes.

- *Date by which the securities will be issued:*

If the Recapitalisation Resolutions are approved by Shareholders, the Options are expected to be issued to the SC Lowy Consortium on the date that the Notes are issued to Shareholders, which is expected to be by late October 2016.

- *Issue price:*

The Options will be issued in part consideration for the compromise of the Senior Debt, not for an individual Option issue price.

- *Allottees:*

The Options will be issued to the members of the SC Lowy Consortium as set out in the table in section 5 of the Explanatory Notes.

- *Terms of the securities:*

The terms of the Options are set out in Annexure 1.

²⁴ This percentage will be 36.82% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

- *Use of Funds:*

No funds are raised upon the issue of Options. The Options are being issued in part consideration for the compromise of the Senior Debt by the SC Lowy Consortium.

Recommendation

The Recommending Directors recommend that Shareholders vote in favour of Resolution 1, in the absence of a Superior Proposal to the Recapitalisation as a whole.

The Recommending Directors note that they are not aware of any party proposing to put forward an alternative proposal to the Recapitalisation. Further, McAleese has already undertaken a detailed strategic review process that culminated in the proposed Recapitalisation. Each of the Recommending Directors intends to vote all of their Shares in favour of all Resolutions, in the absence of a Superior Proposal.

If Shareholders do not approve this Resolution, the Recapitalisation will not proceed and the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. Shareholders should refer to Part 9 of the Explanatory Notes for an explanation of the consequences if the Recapitalisation is not approved.

As explained above, the Options are being issued in part consideration of the compromise by the SC Lowy Consortium of approximately \$80 million of the Senior Debt. The compromise of this debt, in conjunction with the further reduction of the Senior Debt as a result of the funds raised from the Notes Offer and the proposed Cootes Transport sale, is designed to place McAleese in a stable position to service its customers and invest into its business.

While the exercise of the Options will result in a significant dilution for Shareholders, in particular those who do not take up their right to subscribe for Notes in the Notes Offer, this dilution is in consideration for part of the significant reduction in McAleese's debt that results from the Recapitalisation.

Resolution 2 – Approval of the issue of Shares on the exercise of Options

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest (as that term is defined in the Corporations Act) in voting shares of a public company if the acquisition would increase a person's voting power (as that term is defined in the Corporations Act) in the company from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Item 7 of section 611 of the Corporations Act permits the acquisition of a relevant interest in voting shares in a listed company that would otherwise contravene section 606 of the Corporations Act if it has previously been approved by a resolution of members where no votes are cast in favour of the resolution by a person acquiring the relevant interest and its associates.

The Options have a zero exercise price and are exercisable no later than 10 Business Days after the Notes have been converted or repaid in accordance with their terms. Upon exercise of the Options, the SC Lowy Consortium will receive Shares on a post-Recapitalisation basis (i.e. after all Options have been exercised and all Notes have

been converted) that represent 34.98%²⁵ of the Shares then on issue. The Option terms are set out in Annexure 1.

The acquisition by the members of the SC Lowy Consortium of a relevant interest in the Shares of more than 20% upon exercise of the Options would, without shareholder approval pursuant to item 7 of section 611 of the Corporations Act, be prohibited under section 606 of the Corporations Act. While based upon the current arrangements between the members of the SC Lowy Consortium none of the members would individually obtain a relevant interest of 20% or greater, as an associated group they could acquire a relevant interest of up to 36.82%²⁶.

Resolution 2 approves, for the purposes of item 7 of section 611 of the Corporations Act, the acquisition by the SC Lowy Consortium of a relevant interest in the Shares to be issued to the members of the SC Lowy Consortium upon exercise of the Options, on the basis that the SC Lowy Consortium's voting power in McAleese immediately following exercise of all Options will not exceed 36.82% of the Shares on issue after exercise of the Options and after conversion of all of the Notes.

Item 7 of Section 611 of the Corporations Act requires the following information to be provided to Shareholders in connection with Resolution 2:

- *the identity of the person proposing to make the acquisition and their associates:*

The members of the SC Lowy Consortium are set out in the table in section 5 of the Explanatory Notes.

The SC Lowy Consortium has advised McAleese that in its opinion the members of the SC Lowy Consortium are not associates of the Rowsthorn Interests. McAleese and the SC Lowy Consortium have been advised by ASIC that, having regard to the information regarding the arrangement between the parties that is available to ASIC, it does not agree with this view. McAleese understands that the issue has not been resolved at the date of issue of this Notice.

- *the maximum extent of the increase in that person's voting power in the company that would result from the acquisition:*

Upon the exercise of all the Options, the aggregate voting power of the SC Lowy Consortium in Shares will increase from zero (assuming that the members of the SC Lowy Consortium have not otherwise acquired a relevant interest in any Shares prior to the exercise of the Options) to a maximum of 36.82%.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Options are exercised and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the

²⁵ This percentage will be 36.82% if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

²⁶ This percentage will apply if Shareholders do not approve the payment of the underwriting fee in relation to the Notes Offer under Resolution 4 as while the same number of Options will be issued the Shares issued on the exercise of the Options will represent a greater percentage of the Shares.

Notes²⁷, then the maximum voting power of the SC Lowy Consortium would be 99.96%.

- *the voting power that person would have as a result of the acquisition:*

Assuming that the SC Lowy Consortium continues to hold the Options on the same basis upon which the Options are issued, they will have voting power of not more than 36.82% as a result of the exercise of all the Options. If any of the SC Lowy Consortium members transfer any Options before they are exercised, the maximum voting power that the SC Lowy Consortium may have on the exercise of the Options may be less than 36.82%. It may also be the case that at the time that Shares are issued upon the exercise of Options that the members of the SC Lowy Consortium or some of the members will not be associated and therefore not have a relevant interest in Shares held by the other members of the SC Lowy Consortium or their associates.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Options are exercised and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes²⁸, then the maximum voting power of the SC Lowy Consortium would be 99.96%.

- *the maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition:*

The members of the SC Lowy Consortium and their associates will increase voting power from zero (assuming that they have not otherwise acquired a relevant interest in any Shares prior to the exercise of the Options) to a maximum of 36.82% as a result of the exercise of all the Options.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Options are exercised and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes²⁹, then the maximum voting power of the SC Lowy Consortium would be 99.96%.

- *the voting power that each of the acquirer's associates would have as a result of the acquisition:*

The members of the SC Lowy Consortium and their associates will have voting power of 36.82% as a result of the exercise of all the Options.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Options are exercised and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the

²⁷ See the Explanatory Notes in relation to Resolution 3.

²⁸ See the Explanatory Notes in relation to Resolution 3.

²⁹ See the Explanatory Notes in relation to Resolution 3.

Notes³⁰, then the maximum voting power of the SC Lowy Consortium would be 99.96%.

ASIC Regulatory Guide 74 requires that Shareholders should also be given the following information:

- *an explanation of the reasons for the proposed acquisition:*

McAleese proposes to issue the Options to the SC Lowy Consortium as part consideration for the compromise of the Senior Debt acquired by the SC Lowy Consortium.

- *when the proposed acquisition is to occur:*

The Options are expected to be issued to the SC Lowy Consortium on the date that the Notes are issued which is currently expected to be by late October 2016. The Options are to be exercised by no later than 10 Business Days after the conversion of the Notes. The Notes are to be converted within 30 days after the repayment of Tranche A of the New Senior Debt Facility which is due to be repaid on 19 July 2017.

- *the material terms of the proposed acquisition:*

The terms of the Options are set out in Annexure 1.

- *details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) shareholders' approval of the proposed acquisition:*

Recapitalisation Implementation Deed

A copy of the RID was released by McAleese to the ASX on 16 August 2016.

Under the RID, McAleese, the SC Lowy Consortium and the Rowsthorn Interests agree to use all reasonable endeavours in good faith to implement the Recapitalisation on, and subject to, the terms and conditions and in accordance with the timetable set out in the RID.

The RID provides that if Shareholders do not approve the Recapitalisation Resolutions, the SC Lowy Consortium and the Rowsthorn Interests will cooperate together to implement an equivalent transaction on terms substantially consistent with the terms set out in the RID and into which the Rowsthorn Interests will invest \$26 million into an equity position in the recapitalised McAleese.

The RID also contains terms regarding the nomination of directors by the SC Lowy Consortium and the Rowsthorn Interests whereby:

- the SC Lowy Consortium is entitled to nominate, and the Board must appoint, subject to customary criminal and bankruptcy checks prior to their appointment and receipt of signed consents to act as a Director, collectively one director to the Board for each 15% shareholding the SC Lowy Consortium, in aggregate, hold in McAleese; and

³⁰ See the Explanatory Notes in relation to Resolution 3.

- the Rowsthorn Interests are entitled to nominate, and the Board must appoint, subject to customary criminal and bankruptcy checks prior to their appointment and receipt of signed consents to act as a Director, collectively one director to the Board for each 15% shareholding the Rowsthorn Interests, in aggregate, hold in McAleese.

McAleese's obligations under the RID include the following:

- preparing and dispatching this Notice of Meeting and the Prospectus in relation to the Notes Offer;
- commencing the Notes Offer and issuing the Options to the SC Lowy Consortium;
- drawing down the entire amount of funds available under the New Senior Debt Facility and applying the funds towards partially paying the amount of the existing Senior Debt to effect the compromise of the Senior Debt and the draw down of the New Senior Debt Facility;
- requesting to ASX that McAleese be delisted; and
- conducting its business and operations in the ordinary and usual course.

New Senior Debt Facility

Following approval of the Recapitalisation Resolutions, the Senior Debt acquired by the SC Lowy Consortium will be partially repaid using amounts drawn under the New Senior Debt Facility Agreement in an aggregate amount of \$93.3 million plus fees of approximately \$2 million and the amount of interest which has accrued and been capitalised under the Modified SFA from the time of the Senior Debt Acquisition.

A summary of the New Senior Debt Facility Agreement is set out in Annexure 3.

- *a statement of the acquirer's intentions:*

If Resolution 2 is approved by Shareholders, the present intentions of the SC Lowy Consortium regarding the future of McAleese are to maintain McAleese's ongoing business and operations other than the Cootes Transport division and to work with management to improve the operation of the McAleese business and consider the divestment of the Castlereaugh quarry and non-strategic depots in the Heavy Haulage and Lifting division.

- *any intention of the acquirer to significantly change the financial or dividend policies of the entity:*

There is no immediate intention of the SC Lowy Consortium to change the financial or dividend policies of McAleese. McAleese does not expect to pay any dividends in the short to medium term.

- *the interests that any director has in the acquisition:*

Although Mr Rowsthorn, a Director, will not be issued any Options, he (and interests associated with him) is involved in the Recapitalisation in various ways, including the Underwriter being wholly owned by Mr Rowsthorn.

- *details about proposed Directors:*

Subject to the Corporations Act, the Listing Rules and the McAleese constitution in force from time to time, for so long as the SC Lowy Consortium

or their related entities are Option holders or Shareholders, they may nominate, and McAleese must procure that the Board appoints, subject to customary criminal and bankruptcy checks prior to their appointment and receipt of signed consents to act as a Director, collectively one director to the Board for each 15% shareholding, in aggregate, in McAleese held by the SC Lowy Consortium or their related entities.

Prior to the exercise of the Options, the calculation of the percentage shareholdings will apply as if all of the Options had been exercised and Shares issued and all of the Notes had been converted and Shares issued but ignoring any Shares issued pursuant to the Management Incentive Arrangements and which are held by the members of management to which they were issued.

On this basis, the SC Lowy Consortium will be entitled to nominate two directors to the Board following the issue of the Options and Notes.

The SC Lowy Consortium have not yet nominated any persons as proposed Directors.

Recommendation

The Recommending Directors recommend that Shareholders vote in favour of Resolution 2, in the absence of a Superior Proposal to the Recapitalisation as a whole.

The Recommending Directors note that they are not aware of any party proposing to put forward an alternative proposal to the Recapitalisation. Further, McAleese has already undertaken a detailed strategic review process that culminated in the proposed Recapitalisation. Each of the Recommending Directors intends to vote all of their Shares in favour of all Resolutions, in the absence of a Superior Proposal.

If Shareholders do not approve this Resolution, the Recapitalisation will not proceed and the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. Shareholders should refer to Part 9 of the Explanatory Notes for an explanation of the consequences if the Recapitalisation is not approved.

As explained in relation to Resolution 1, the Options are proposed to be issued in part consideration of the compromise of the Senior Debt acquired by the SC Lowy Consortium. This resolution is being proposed to ensure that the Options that are issued are able to be exercised in the future in accordance with their terms.

Resolution 3 – Approval of the issue of Shares on the conversion of Notes

Shareholders should refer to the Chairman's letter for an explanation of why a company owned by Mr Rowsthorn is the Underwriter.

The acquisition by the Underwriter, Mark Rowsthorn Superannuation Fund Pty Ltd and Mostia Dion Nominees Pty Ltd of a relevant interest in Shares upon conversion of the Notes acquired by them under the Notes Offer, including through underwriting and the underwriting fee if paid in Notes, would without shareholder approval pursuant to item 7 of section 611 of the Corporations Act, be prohibited under section 606 of the Corporations Act as the Rowsthorn Interests' voting power in McAleese will increase from a starting point of 30.78% of McAleese to a maximum of 64.98%.

Resolution 3 approves, for the purposes of item 7 of section 611 of the Corporations Act, the acquisition by the Underwriter (and the Rowsthorn Interests) of a relevant interest in the Shares to be issued to the Underwriter, Mark Rowsthorn Superannuation Fund Pty Ltd and Mostia Dion Nominees Pty Ltd upon conversion of the Notes, on the

basis that the Underwriter's (and the Rowsthorn Interests') voting power in McAleese immediately following conversion of the Notes will not exceed 65%, assuming that the Underwriter is required to take up all of the Notes under the Notes Offer in accordance with the Underwriting Agreement, and Shareholders approve the issue of Notes to, or at the direction of, the Underwriter as an underwriting fee in accordance with Resolution 4.

The Rowsthorn Interests intend to fully subscribe for their entitlement of Notes under the Notes Offer. In the event that the Rowsthorn Interests fully subscribe for their entitlement of Notes under the Notes Offer, but the Underwriter is not required to take up any Notes under the Underwriting Agreement as all other existing Shareholders fully subscribe for their entitlement of Notes under the Notes Offer, the voting power of the Rowsthorn Interests in McAleese will be 23.47% if the Underwriting fee is paid in Notes or 19.45% if the Underwriting fee is paid in cash.

The Underwriter has entered into a sub-underwriting agreement with a party not associated with the Rowsthorn Interests, McAleese or the SC Lowy Consortium for \$5 million of the \$26 million. The sub-underwriter will receive 5/26th of the underwriting fee, whether paid in cash or Notes, payable to the Underwriter.

The Board understands that the Underwriter remains open to suitably capitalised shareholders sub-underwriting some of the Notes Offer and being paid a portion of the underwriting fee that the Underwriter would otherwise receive. The Board considers that the potential for sub-underwriting, combined with the ability of Shareholders to apply for more than their entitlement of Notes under the Notes Offer strikes an appropriate balance between McAleese needing to have in place an underwrite of the Notes Offer and Shareholders being given an opportunity to participate.

The minimum and maximum shareholdings of the Rowsthorn Interests, other Shareholders and the SC Lowy Consortium assuming the issue and exercise of all the Options and the issue and conversion of all the Notes (including the Notes proposed to be issued to the Underwriter as an underwriting fee) is included in section 6 of the Explanatory Notes.

Item 7 of section 611 of the Corporations Act

Item 7 requires the following information to be provided to Shareholders in connection with Resolution 3:

- *the identity of the person proposing to make the acquisition and their associates:*

The Underwriter is Contento Investments Pty Ltd as trustee for the Contento Investments Trust. The sole shareholder of the Underwriter is Mr Rowsthorn, who is also a beneficiary of the Contento Investments Trust.

The Rowsthorn Interests comprise, and are associates of each other:

- Mark Rowsthorn;
- Mostia Dion Nominees Pty Ltd;
- Supertara Pty. Limited in its personal capacity and in its capacity as trustee of the Supertara Trust; and
- Contento Investments Pty Ltd in its personal capacity and in its capacity as trustee for Contento Investments Trust.

Mr Rowsthorn is the sole director and sole shareholder of Mostia Dion Nominees Pty Ltd and is the sole director and sole indirect shareholder of Supertara Pty. Limited.

Mr Rowsthorn's relevant interest in McAleese is held as follows:

Shareholding entity	Number of Shares
Contento Investments Pty Ltd ATF Contento Investments Trust	73,133,968
Mostia Dion Nominees Pty Ltd ATF Mark Rowsthorn Family Trust ³¹	4,918,929
Mark Rowsthorn Superannuation Fund Pty Ltd ATF Mark Rowsthorn Superannuation Fund	8,970,321

Each of the entities in the table above and Supertara Pty. Limited are associates of Mr Rowsthorn and each other.

- *the maximum extent of the increase in that person's voting power in the company that would result from the acquisition:*

The voting power of the Rowsthorn Interests in Shares will increase from 30.78% to a maximum of 64.98% on a post-Recapitalisation basis as a result of the conversion of all the Notes, assuming that Resolution 4 is approved and the Underwriter is required to take up the full shortfall of Notes and receives the Notes as an underwriting fee. If Resolution 4 is not approved and the underwriting fee is required to be paid in cash, the Rowsthorn Interests in Shares will increase to a maximum of 63.14%. The table below illustrates the shareholding of the Rowsthorn Interests in McAleese depending on the level of participation in the Notes Offer by Shareholders assuming that the underwriting fee is paid by the issue of Notes:

% of Notes taken up by Shareholders	Rowsthorn Interests' shareholding
0%	63.14% - 64.98% ²
10%	58.77% - 60.83%
30%	50.03% - 52.53%
50%	41.29% - 44.23%
70%	32.55% - 35.92%
100%	19.45% - 23.47% ¹

Explanatory Notes:

1. The minimum percentage figure of 23.47% assumes that the Rowsthorn Interests fully subscribe for their entitlement of Notes under the Notes Offer and the underwriting fee is paid in equity (19.45% if underwriting fee is required to be paid in cash).
2. The maximum percentage figure of 64.98% assumes that: (i) the Rowsthorn Interests are required to take up the full shortfall of Notes under the Notes Offer in accordance with the Underwriting Agreement, and (ii) McAleese shareholders approve Resolution 4 and the underwriting fee is paid in equity (63.14% if underwriting fee is required to be paid in cash).

³¹ Mostia Dion Nominees Pty Ltd ATF Mark Rowsthorn Family Trust is the beneficial owner of the 4,918,929 Shares which are currently pledged as security for a loan with Equities First Holdings LLC and are held on its behalf by HSBC Custody Nominees (Australia) Limited as nominee.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Notes are converted and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes, then the maximum voting power of the Rowsthorn Interests would be 99.96%.

- *the voting power that person would have as a result of the acquisition:*

The Underwriter (and the Rowsthorn Interests) will have voting power in McAleese of between 19.45% and 64.98% on a post-Recapitalisation basis as a result of the conversion of all the Notes. The exact voting power will depend upon the level of participation from the other Shareholders under the Notes Offer and how many Notes and Shares the Rowsthorn Interests continue to hold at the time of conversion.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Notes are converted and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes, then the maximum voting power of the Rowsthorn Interests would be 99.96%.

- *the maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition:*

The Underwriter and its associates will increase voting power from 30.78% to a maximum of 64.98% on a post-Recapitalisation basis as a result of the conversion of all the Notes.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Notes are converted and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes, then the maximum voting power of the Rowsthorn Interests would be 99.96%.

- *the voting power that each of the acquirer's associates would have as a result of the acquisition:*

The Underwriter and its associates will have voting power of between 19.45% and 64.98% on a post-Recapitalisation basis as a result of the conversion of all the Notes.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Notes are converted and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes, then the maximum voting power of the Rowsthorn Interests would be 99.96%.

Additionally, ASIC Regulatory Guide 74 requires that Shareholders should also be given the following information:

- *an explanation of the reasons for the proposed acquisition:*

The Notes Offer proposed to be conducted by McAleese forms part of the Recapitalisation. The Underwriter has agreed to underwrite the Notes Offer and is obliged to acquire any Notes not subscribed for by the Shareholders.

- *when the proposed acquisition is to occur:*

If Resolution 3 is approved by Shareholders, the Notes are expected to be issued by late October 2016.

The Notes are to convert within 30 days after the repayment of all amounts outstanding under Tranche A of the Senior Debt Facility. Tranche A is due to be repaid on 19 July 2017.

- *the material terms of the proposed acquisition:*

The terms of issue of the Notes are set out in in Annexure 2.

- *details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) shareholders' approval of the proposed acquisition:*

Underwriting Agreement

Under the Underwriting Agreement between McAleese and the Underwriter, the Underwriter agrees to underwrite the Notes Offer. The Underwriting Agreement's terms are more favourable to McAleese than a market standard underwriting as the underwrite is available until 19 July 2017 and there are no termination events. In addition, as part of the overall support of the Recapitalisation the Rowsthorn Interests and other entities associated with Mr Rowsthorn have granted security over their assets to support the SC Lowy Consortium to acquire the Senior Debt and to support the availability of the underwriting. As part of these arrangements, the Rowsthorn Interests have entered into, and provided security in support of, a loan arrangement with the SC Lowy Consortium for a loan of up to \$26 million to fund the underwriting commitment. The security provided includes all of the Shares held by Contento Investments Pty Ltd ATF Contento Investments Trust, which represents 25.87% of McAleese.

The material terms of the Underwriting Agreement include the following:

- The obligations of the Underwriter to underwrite the Notes Offer and take up its entitlement are conditional on Shareholders approving Resolution 3, McAleese lodging the Prospectus with ASIC, the Underwriter being funded by the Rowsthorn Interests for all of the funds necessary for the Underwriter to meet its payment obligations under the Underwriting Agreement, McAleese securing a reduction in its annual real property rental costs from TTPH Pty Ltd and securing a waiver from Atlas of any right that Atlas may have to terminate its haulage contracts with the McAleese group as a result of the Recapitalisation.
- The parties provide usual representations and warranties relating to matters such as its power and capacity and McAleese warrants the enforceability of the Notes and that the Prospectus will comply with the Corporations Act.
- The Underwriter's obligation to underwrite the Notes Offer will remain in force until 19 July 2017. The Underwriter has no termination events.

- Subject to approval of Resolution 4, the Underwriter will be issued such number of Notes under the Notes Offer which when converted will convert into Shares equivalent to 5% of the Shares on issue on a post-Recapitalisation basis, assuming exercise of the Options and conversion of the Notes. If Shareholders do not approve the payment of the underwriting fee in Notes, then the underwriting fee will be paid in cash after the repayment of the New Senior Debt Facility.

- *a statement of the acquirer's intentions:*

If Resolution 3 is approved by Shareholders, the present intentions of the Rowsthorn Interests regarding the future of McAleese are to maintain McAleese's ongoing business and operations other than the Cootes Transport division and to work with management to improve the operation of the McAleese business and consider the divestment of the Castlereagh quarry and non-strategic depots in the Heavy Haulage and Lifting division.

- *any intention of the acquirer to significantly change the financial or dividend policies of the entity:*

There is no immediate intention of the Rowsthorn Interests to change the financial or dividend policies of McAleese. McAleese does not expect to pay any dividends in the short to medium term.

- *the interests that any director has in the acquisition:*

Following the conversion of the Notes, Mr Rowsthorn will have a relevant interest in McAleese of between 19.45% and 64.98% depending on the level of participation by Shareholders in the Notes Offer and assuming that the underwriting fee is paid in Notes and that the Rowsthorn Interests' continue to hold the same number of Shares as at the date of this Notice of Meeting and do not sell any Notes.

If, despite the position of the SC Lowy Consortium, the SC Lowy Consortium and the Rowsthorn Interests are associates and continue to be associates at the time that the Notes are converted and the Rowsthorn Interests hold their maximum voting power of 64.98% as a consequence of the conversion of the Notes, then the maximum voting power of Mr Rowsthorn would be 99.96%.

- *details about proposed Directors:*

Subject to the Corporations Act, the Listing Rules and the McAleese constitution in force from time to time, for so long as any of the Rowsthorn Interests or their related entities are Note holders or Shareholders, they may nominate, and McAleese must procure that the Board will appoint, subject to customary criminal and bankruptcy checks prior to their appointment and receipt of signed consents to act as a Director, collectively one director to the Board for each 15% shareholding they, in aggregate, hold in McAleese.

Prior to the conversion of the Notes, the calculation of the percentage shareholdings will apply as if all of the Options had been exercised and Shares issued and all of the Notes had been converted and Shares issued but ignoring any Shares issued pursuant to the Management Incentive Arrangements and which are held by the management to which they were issued.

On this basis, the Rowsthorn Interests (including Mr Rowsthorn who is already a Director) will be entitled to nominate up to four directors to the Board, having regard to how many Notes are acquired by the Underwriter.

The Rowsthorn Interests have not yet nominated any persons as proposed Directors.

Recommendation

The Recommending Directors recommend that Shareholders vote in favour of Resolution 3, in the absence of a Superior Proposal to the Recapitalisation as a whole.

The Recommending Directors note that they are not aware of any party proposing to put forward an alternative proposal to the Recapitalisation. Further, McAleese has already undertaken a detailed strategic review process that culminated in the proposed Recapitalisation. Each of the Recommending Directors intends to vote all of their Shares in favour of all Resolutions, in the absence of a Superior Proposal.

If Shareholders do not approve this Resolution, the Recapitalisation will not proceed and the forbearance arrangements that are in place with the SC Lowy Consortium, as the owner of McAleese's Senior Debt, under the Modified SFA will expire. Shareholders should refer to Part 9 of the Explanatory Notes for an explanation of the consequences if the Recapitalisation is not approved.

It was a requirement of the SC Lowy Consortium's offer to participate in a recapitalisation that McAleese raise \$26 million of new capital and that those funds be used to pay down some of McAleese's senior debt. This requirement meant that McAleese had to have the \$26 million raising underwritten. If these funds were not raised, there would have been no recapitalisation. In those circumstances, the Board believes that the Existing Financiers would have withdrawn their support for McAleese and the Board would have had to appoint a voluntary administrator to McAleese.

McAleese approached various large Shareholders and other parties to determine if they would provide all or some of an underwrite. Mr Rowsthorn was the only party that was prepared to provide the required \$26 million underwriting on terms acceptable to the SC Lowy Consortium and the Board.

The terms of the underwriting are more favourable to McAleese than a market standard underwriting as the underwrite is available until 19 July 2017, compared to most underwritings which are for no more than approximately one month, and there are no termination events – most underwritings of an ASX listed company are subject to numerous termination events including for falls in the market or other material adverse events. Further, the Rowsthorn Interests and other entities associated with Mr Rowsthorn have granted security over their assets to support the SC Lowy Consortium to acquire the Senior Debt and to support the availability of the underwriting. As part of these arrangements, the Rowsthorn Interests have entered into, and provided security in support of, a loan arrangement with the SC Lowy Consortium for a loan of up to \$26 million to fund the underwriting commitment. The security provided includes all of the Shares held by Contento Investments Pty Ltd ATF Contento Investments Trust, which represents 25.87% of McAleese.

While there has been some incorrect assertions made by various parties that the underwriting structure and underwriting fee is overly favourable to Mr Rowsthorn, the Board undertook a comprehensive process testing the market for all available alternatives, and the whole of the Board (excluding Mr Rowsthorn and Mr Maggiolo) approved the underwriting arrangement as the best alternative available and as necessary to enable the Recapitalisation to occur.

All Shareholders will have the opportunity to participate in the Notes Offer and to take up at least their entitlement based on their existing shareholding. Shareholders who choose to participate in the Notes Offer will participate in the continuation of the McAleese business with a more sustainable capital structure, given the reduction in the Senior Debt.

The Underwriter has entered into a sub-underwriting agreement with a party not associated with the Rowsthorn Interests, McAleese or the SC Lowy Consortium for \$5 million of the \$26 million. The sub-underwriter will receive 5/26th of the underwriting fee, whether paid in cash or Notes, payable to the Underwriter.

The Board understands that Mr Rowsthorn remains open to suitably capitalised shareholders sub-underwriting some of the Notes Offer and being paid a portion of the underwriting fee that the Underwriter would otherwise receive.

The Board considers that the potential for sub-underwriting, combined with the ability of Shareholders to apply for more than their entitlement of Notes under the Notes Offer strikes an appropriate balance between McAleese needing to have in place an underwrite of the Notes Offer and Shareholders being given an opportunity to participate.

Resolution 4 – Payment of Underwriting Fee in Notes

Background

As consideration for underwriting the Notes Offer and subject to approval of this Resolution 4, the Underwriter will be issued 24,074,074 Notes that will convert into 5% all of the Shares that will be on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes (**Underwriting Fee**).

If this Resolution 4 is not approved, the Underwriter will receive a cash payment of \$2,166,667 from McAleese, although that payment will be deferred until the New Senior Debt Facility has been repaid. In this scenario, the number of Notes and Options issued will remain the same, with the effect that the shareholding post Recapitalisation of the Rowsthorn Interests set out in the table in section 6 of the Explanatory Notes will not reach 64.98%, the maximum holding will instead be 63.14%, and the shareholding of the other Shareholders will increase proportionately.

Listing Rule 10.11

Listing Rule 10.11 requires the approval of shareholders to issue securities to a related party unless specified exceptions apply. For the purposes of Listing Rule 10.11, a director of an entity is a related party of that entity as is the Underwriter due to its relationship with Mr Rowsthorn.

No relevant exceptions apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Notes to or at the direction of the Underwriter pursuant to Resolution 4.

Listing Rule 10.13

Pursuant to Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Notes:

- the related parties are Mr Rowsthorn by virtue of being a Director of McAleese and the Underwriter. Mr Rowsthorn is also the sole shareholder of the Underwriter and a beneficiary of the Contento Investments Trust of which the Underwriter is the trustee;

- the maximum number of Notes to be issued to the Rowsthorn Interests is equivalent to 5% of the Shares that will be on issue after the Recapitalisation and the exercise of the Options and the conversion of the Notes;
- ASX has agreed to provide McAleese with a waiver from Listing Rule 10.13.3 which permits the Underwriting Fee (paid in Notes) to be issued to or at the direction of the Underwriter later than one month after the date of the Meeting on the condition that:
 - the Underwriting Fee (paid in Notes) is issued no later than the earlier of 15 Business Days after the close of the Notes Offer or 31 December 2016; and
 - if McAleese releases its annual report during a period in which the Underwriting Fee (paid in Notes) is issued or remains to be issued, the annual report discloses details of the Underwriting Fee (paid in Notes) that has been issued and any Underwriting Fee (paid in Notes) remaining to be issued;
- as the Notes are being issued as the underwriting fee for the Note Issue, no funds will be raised by McAleese; and
- the Notes being issued are secured, convertible Notes Offered under their terms of issue set out in Annexure 2.

Recommendation

The Recommending Directors recommend that Shareholders vote in favour of Resolution 4. If this resolution is not approved by Shareholders but the Recapitalisation Resolutions are approved, the Recapitalisation will still occur and the Underwriter will receive a cash underwriting fee rather than Notes.

If the underwriting fee is able to be paid through the issue of Notes that will subsequently convert into Shares, this will enable McAleese to retain its cash for the future operations of its business.

If Shareholders do not approve this resolution but do approve Resolution 3, along with the other Recapitalisation Resolutions, then the Notes Offer and its underwriting will continue, however the underwriting fee of \$2,166,667 will be paid in cash after the repayment of the New Senior Debt Facility. In this scenario, the number of Notes and Options issued will remain the same, with the effect that the shareholding post Recapitalisation of the Rowsthorn Interests set out in the table in section 6 of the Explanatory Notes will not reach 64.98% and the shareholding of the other Shareholders (and ultimately Option holders) will increase proportionately.

The Independent Expert has noted in its report that that the underwriting fee (whether paid in Notes or cash) represents an underwriting fee of 8.33%. The Independent Expert notes that based on its analysis of non-renounceable rights issues (noting that the Notes Offer is a renounceable offer the underwriting for which would usually attract a higher fee) between \$20 million and \$30 million since December 2004, underwriting fees for such non-renounceable offers are within a general range of 2.00% to 6.00%. The Independent Expert notes that the higher underwriting fee payable to the Underwriter reflects the higher level of risk associated with the Recapitalisation, the challenging financial position of McAleese and the binding nature of the 12 month underwrite.

Given the necessity for the underwriting of the Notes Offer for the Recapitalisation to occur, the terms of Underwriting Agreement being more favourable to McAleese than a market standard underwriting as the underwrite is available until 19 July 2017 and there are no termination events and the overall support of the Recapitalisation from the Rowsthorn Interests who (along with other entities associated with Mr Rowsthorn) have granted security over their assets to support the SC Lowy Consortium to acquire

the Senior Debt and to support the availability of the underwriting, the Recommending Directors consider that the underwriting fee is better than on arm's length terms. As such the Recommending Directors consider that the underwriting fee, in Notes or Shares, does not itself need Shareholder approval.

Resolution 5 – Delisting of McAleese from the ASX

Background

As part of the Recapitalisation, McAleese intends to apply to the ASX pursuant to Listing Rule 17.11 to be removed from the official list of ASX.

Once delisted it is proposed that the constitution of McAleese will be subsequently amended (with shareholder approval) to require the board of McAleese to consider pursuing a listing of McAleese on or about 24 months after the date upon which the delisting occurs.

If Resolution 5 is approved, McAleese expects that the delisting will take effect immediately prior to the issue of the Notes and Options, which is expected to be by late October 2016.

Rationale for delisting

The Board has the following key reasons for recommending Shareholders approve the delisting of McAleese from ASX:

Listing and related costs

Given McAleese's endeavours to reduce its debt and put itself in a more stable condition to service its customers and to invest into the business, the Board considers that the financial, administrative and compliance obligations and costs associated with maintaining an ASX listing are no longer justified nor is the high level of compliance costs in the best interests of all Shareholders. The proposed delisting is not expected to have any adverse effect on the financial position of the Company and is expected to result in significant savings in annual listing fees, other registry and trading fees and compliance costs.

Low Share price and liquidity

The Shares have had a low level of liquidity with long periods of little trading and at a low price. This low level of liquidity partly reflects the fact that the Shares are tightly held and the Recapitalisation may increase the concentration of McAleese's shareholding.

Market capitalisation

Given the limited trading of its Shares on the ASX (both in frequency and volume), it may be difficult for the market capitalisation of McAleese (in particular movements in its Share price) to reflect the underlying asset value of the business, particularly after the Recapitalisation.

After the Recapitalisation

The Board considers that operating in a delisted environment following the Recapitalisation will assist McAleese in further reducing its debt, putting McAleese in a more stable condition to service its customers and to invest into the business.

Effects of delisting

If Resolution 5 is approved, McAleese:

- will be removed from the official list of ASX on a date to be determined by ASX, which is expected to be by late October 2016. Prior to the date of delisting, the Shares may continue to be traded on ASX; and
- will not be subject to the Listing Rules but will continue to be subject to regulation under the Corporations Act and McAleese's Constitution.

Annexure 5 sets out the key differences between holding Shares in an ASX-listed company and holding Shares in an unlisted Australian public company following delisting.

Disadvantages of delisting

The Board has considered the potential disadvantages of delisting, including the following:

- the Shares will no longer be able to be traded on ASX. However, once delisted, it is proposed that the constitution of McAleese will be subsequently amended (with shareholder approval) to require the board of McAleese to consider pursuing a listing of McAleese on or about 24 months after the date upon which the delisting occurs; and
- the Listing Rules will no longer apply to McAleese. The reduction of obligations associated with a listing on ASX may include relief from some reporting and disclosure requirements, removal of restrictions on the issue of Shares by the Company, lessening of requirements concerning significant changes to the Company's activities and relief from requirements to address ASX Corporate Governance Principles and Recommendations.

Recommendation

The Recommending Directors recommend that Shareholders vote in favour of Resolution 5. If this resolution is not approved by Shareholders then the Recapitalisation will not proceed.

Definitions

Term	Meaning
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange Limited (or the market it operates, as the context requires).
Board	board of McAleese.
Borrower	McAleese Finance Pty Ltd.
Business Day	a day on which banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday.
Competing Proposal	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a third party (either alone or together with any associate) may:</p> <ol style="list-style-type: none">1. provide a refinancing solution to McAleese which would result in any material reduction of its total debt levels, deferment of debt payment obligations or other material improvement in McAleese's debt terms;2. (other than in the case of Mark Rowsthorn and his associates in respect of an equity underwriting arrangement) directly or indirectly acquire a relevant interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of 20% or more of the Shares or of the share capital of any material subsidiary of McAleese; or3. acquire control of McAleese.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	a director of McAleese.
Existing Financiers	the financiers under McAleese's Syndicated Facility Agreement dated 27 November 2013 immediately prior to the Senior Debt Acquisition.
Independent Expert	PPB Corporate Finance Pty Ltd.
Independent Expert's Report	the report issued by the Independent Expert in connection with the Recapitalisation as set out in Annexure 6.
Listing Rules	listing rules of ASX from time to time.

Term	Meaning
McAleese	McAleese Limited (ACN 156 354 068).
New Senior Debt Facility	the loan note subscription agreement between, among others, McAleese and the SC Lowy Consortium dated 19 July 2016 for \$93.3 million plus the amount of interest accrued and capitalised under the Modified SFA from the time of the Senior Debt Acquisition.
New Working Capital Facility	the working capital loan note subscription agreement between, among others, McAleese and SC Lowy Primary Investments, Ltd dated 19 July 2016.
Non-associated Shareholders	Shareholders that are not associated with the Recapitalisation Resolutions.
Notice of Meeting	this notice of meeting and includes the Explanatory Notes.
Notes	subordinated, secured convertible notes of McAleese to be issued under the Notes Offer the terms of which are set out in Annexure 2.
Notes Offer	the underwritten, renounceable, pro-rata entitlement offer of Notes to Shareholders pursuant to the Prospectus.
Options	the options over Shares with a zero strike price on the terms and conditions set out in Annexure 1.
Prospectus	the prospectus for the Notes Offer to be lodged with ASIC under Part 6D.2 of the Corporations Act in connection with the Notes Offer.
Recapitalisation Resolutions	Resolutions 1, 2, 3 and 5 of the Notice of Meeting.
Recommending Directors	<ol style="list-style-type: none"> 1. Donald Telford 2. Wayne Kent 3. Kerry Gleeson 4. Warren Saxelby
Rowsthorn Interests	<ol style="list-style-type: none"> 1. Mark Rowsthorn 2. Mostia Dion Nominees Pty Ltd 3. Supertara Pty. Limited in its personal capacity and in its capacity as trustee of the Supertara Trust 4. Contento Investments Pty Ltd in its personal capacity and in its capacity as trustee for Contento Investments Trust

Term	Meaning
SC Lowy Consortium	<ol style="list-style-type: none"> 1. SC Lowy Primary Investments, Ltd 2. Cadbury Hedge Fund Alternatives Portfolio 3. Sainsbury's Credit Opportunities Fund, Ltd 4. Investment Partners IV (A), LLC 5. Remagen Nominees Pty Limited as trustee for Remagen Lending Trust 2016-11
Senior Debt	has the meaning given in the Notice of Meeting.
Senior Debt Acquisition	the acquisition by the SC Lowy Consortium of the Senior Debt (following the prepayment by McAleese of \$14 million of the Senior Debt) which occurred on 19 July 2016.
Shares	ordinary shares in the capital of McAleese.
Shareholder	each registered holder of Shares in McAleese.
Superior Proposal	<p>a bona fide Competing Proposal which the Board, acting in good faith, and after receiving written legal advice from its legal advisor and written advice from its financial advisor, determines:</p> <ol style="list-style-type: none"> 1. is reasonably capable of being valued and completed taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent and the identity of the proponent; and 2. would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) than the Recapitalisation, taking into account all terms and conditions of the Competing Proposal.
Underwriter	Contento Investments Pty Ltd in its personal capacity and as trustee for the Contento Investments Trust.

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Option Terms

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OPTION TERMS

(a) **Exercise:**

- (1) Each option (**Option**) issued by McAleese Limited (**Company**) on the terms of this certificate (**Certificate**) entitles its holder (**Option Holder**) to the issue of, subject to clause (d), one (1) fully paid ordinary share in the capital of the Company (**Share**) for no payment, after all of the Notes have been converted or repaid in accordance with the Note Terms.
- (2) Subject to paragraph (a)(4), an Option Holder will be entitled to exercise all (but not less than all) of its Options at any time after the Notes have been converted or repaid in accordance with the Note Terms.
- (3) Options may be exercised in accordance with paragraph (a)(2) by delivering to the Company an Exercise Notice in the form set out on Schedule 5 duly executed by the Option Holder (together with this Certificate) specifying that all of the Options held by the Option Holder are being exercised.
- (4) If an Option Holder has not exercised all of its Options within 10 Business Days after the date of the conversion or repayment of Notes, all of the Options held by that Option Holder will be automatically exercised.
- (5) The Company must within 2 Business Days after the Options have been exercised in accordance with paragraph (a)(2) or (a)(4):
 - (A) issue to the Option Holder the number of Shares to be issued on exercise of the Options; and
 - (B) enter the Option Holder into the Register for the relevant number of Shares and issue, or cause to be issued, to the Option Holder a confirmation of ownership of that number of Shares.
- (6) The Shares issued pursuant to the exercise of the Options will be issued as fully paid.

(b) **Transfer:**

- (1) An Option Holder may transfer all (but not less than all) of the Options the Option Holder holds by a written instrument of transfer and by providing written notice to the Company at least 5 Business Days prior to the purported transfer.
- (2) A transferor of Options remains the owner of Options to be transferred until the transfer is registered and the name of the transferee is entered into the Register in respect of those Options. The transferee of Options on being entered into the Register shall have all the rights and obligations of an Option Holder under these terms from the date of entry of their name into the Register.
- (3) Promptly following any transfer of the Options, subject to the return of the relevant certificate relating to the transferred Options, the Company will issue a new Options Certificate to the transferee.

(c) **Notices / Additional Rights:**

- (1) For so long as the Option Holder holds any unexercised Options, the Company will:
 - (A) give the Option Holder notice of all general meetings of the Company and of all resolutions to be considered at those meetings at the same time the shareholders of the Company are issued with such notices;
 - (B) allow the Option Holder to attend and speak at all general meetings of the Company; and
 - (C) not do anything by way of altering its constitution or otherwise which has the effect of changing or converting any Shares into shares of another class, or restricts the Company's ability to issue the Options or to issue Shares on the exercise of Options.

(d) **Ratio Adjustment**

- (1) If the Conversion Price of the Notes is adjusted in accordance with the Note Terms, then the number of Shares (including a fraction of a Share) to be issued upon the exercise of one Option will be adjusted so that each Option results in the issue of the same number of Shares (including a fraction of a Share) as the conversion of one Note.
- (2) For the purposes of issuing Shares in respect of an Option Holder's aggregate holding of Options, any fraction of a Share will be disregarded.

(e) **Participation in new issues**

- (1) If the Company undertakes a pro rata issue (as that term is defined in the ASX listing rules), Option Holders are entitled to participate in that pro rata issue as if their Options had been exercised.
- (2) Subject to paragraph (e)(1), an Option does not confer any right on its holder to participate in a new issue without exercising the Option.

(f) **Dividends**

An Option does not confer any rights to dividends.

(g) **Ranking**

- (1) Any Shares issued to the Option Holder as a result of the exercise of an Option will rank *pari passu* in all respects with all other Shares then on issue.
- (2) Shares issued upon the exercise of Options will only carry an entitlement to receive a dividend if they were issued before the record date for that dividend.

(h) **Governing law**

- (1) These terms and the Options are governed by the laws of Victoria.
- (2) Each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria, and any court that may hear appeals from any of those courts, for any proceedings in connection with this agreement, and waives any right it might have to claim that those courts are an inconvenient forum.

Note Terms

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1 Defined terms

Words and expressions defined in clause 13 have the meanings given to them in that clause when used in these Terms.

2 Form and Face Value

2.1 Form

The Notes are secured, non-redeemable, convertible notes issued by the Issuer under the Trust Deed. Holders are entitled to the benefit of and are bound by the provisions of the Trust Deed and these Terms.

2.2 Face Value and Issue Price

- (a) Each Note will have a face value of 9 cents (**Face Value**).
- (b) Each Note will be issued by the Issuer at the Face Value (**Issue Price**). The Issue Price must be paid in full on application.

2.3 Currency

The Notes are denominated in Australian dollars.

2.4 Quotation

The Notes will not be quoted on ASX.

2.5 Transfer

- (a) Subject to the terms of the Trust Deed, a Holder may transfer all or any of the Notes the Holder holds by a written instrument of transfer in the form set out in the Trust Deed and by providing written notice to the Issuer at least 5 Business Days prior to the purported transfer.
- (b) A transferor of Notes remains the owner of Notes to be transferred until the transfer is registered and the name of the transferee is entered into the Register in respect of those Notes. The transferee of Notes on being entered into the Register shall have all the rights and obligations of a Holder under these terms and the Trust Deed from the date of entry of their name into the Register.

2.6 Register

- (a) The Trustee must ensure that each Holder's details are entered in a register of Holders as required pursuant to the Corporations Act.
- (b) On giving a notice by advertisement not less than 10 Business Days before the Conversion Date or Repayment Date, the Issuer may close the Register for any transfers.

3 Ranking and security

3.1 Ranking

- (a) The Notes are direct, secured and subordinated debt obligations of the Issuer and rank without preference or priority among themselves but are subordinated pursuant to the Priority Deed which regulates the rights of the Trustee and each Holder in respect of, among other things, recoveries.
- (b) The ranking of Notes is not affected by the date of registration of any Holder in the Register.
- (c) The Notes will at all times rank equally and without any preference among themselves and equally and without preference among the rights and claims of holders of Equal Ranking Obligations in that if at any time a Winding Up occurs the amount payable to the Holder under this clause 3 will be paid at the same time as payments are made to holders of Equal Ranking Obligations.

3.2 Security Interest

- (a) All Notes are secured by the security granted by each Grantor to the Trustee under the Note GSA. The Trustee holds the rights under the Note GSA on trust for the benefit of the Holders in accordance with the terms of the Trust Deed.
- (b) The security granted under the Note GSA is subject to the Priority Deed which regulates the priorities between the Secured Creditors. Pursuant to the Priority Deed, amongst other things, the rights of the Trustee under the Note GSA are postponed to the rights of each other Secured Creditor under its security.

3.3 Holder acknowledgements

Each Holder acknowledges and agrees that, notwithstanding any other provision in these Terms, the Claims, rights and entitlements of each Holder are subordinated pursuant to the Priority Deed and each Holder undertakes not to take any action inconsistent with the acknowledgment in this clause 3.3.

4 Interest

4.1 Interest

- (a) Each Note bears interest on its Face Value from (and including) the Issue Date to (but excluding) the Conversion Date, the Repayment Date or the Maturity Date at the Interest Rate.
- (b) Interest is payable in cash in arrears on the Conversion Date, the Repayment Date or the Maturity Date.

4.2 Calculation of interest

- (a) The amount of interest payable on each Note for the Interest Period is calculated according to the formula:

$$\text{Interest payable} = FV \left(1 + \frac{\text{Interest Rate}}{12} \right)^{(12 \times \frac{N}{365})} - FV$$

where:

N means the number of days from, and including, the Issue Date to, but excluding, the Conversion Date or Repayment Date;

FV means the Face Value; and

Interest rate means 15% per annum.

All calculations of interest will be rounded to 4 decimal places. Any fraction of a cent will be disregarded for the purposes of calculating any payment in respect of a Holder's aggregate holding of Notes.

4.3 Record Dates

All payments under or in respect of any Note will be made only to those persons registered as Holders of that Note at 7.00pm (Melbourne time) on the Business Day immediately before the Conversion Date, Repayment Date or Maturity Date.

4.4 Deductions

- (a) Subject to paragraph (b), all payments under or in respect of these Terms must be made without set off or counterclaim and free of deduction for or on account of any tax or similar amount.
- (b) The Issuer may withhold or deduct from any interest or other amounts payable to a Holder the amount of any Tax which a qualified legal or taxation advisor advises that it is required by law to withhold or deduct in respect of such interest or other amount.
- (c) If the Issuer is required by law to withhold or deduct from any amount payable to a Holder the amount of any Tax, the Issuer will pay such additional amounts to the Holder as are necessary to ensure that the Holder receives, in total, an amount equal to the amount that it would have received if no such withholding or deduction had been required, provided that no additional amounts will be payable for or on account of:
 - (1) any Tax that would not have been required to be withheld or deducted if the Holder or beneficial owner of such Notes complied with the Issuer's request to provide information concerning his, her or its nationality, residence or identity or to make a declaration, Claim or filing or satisfy any requirement for information or reporting that is required to establish the eligibility of the Holder or beneficial owner of such Notes to receive the relevant payment without (or at a reduced rate of) withholding or deduction for or on account of any such Tax;
 - (2) any Tax that would not have been imposed but for the Holder or beneficial owner of such Notes being an associate (as defined in section 128F of the Tax Act) of the Issuer; or
 - (3) any combination of the foregoing.
- (d) The Issuer will pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and will, if required by any Holder, deliver to that Holder a copy of the relevant receipt issued by the revenue authority without unreasonable delay after it is received by the Issuer.
- (e) The Issuer believes that the issue of the Notes will satisfy the public offer test for the purposes of section 128F(3) of the Tax Act.

4.5 No set off

A Holder has no right to set off any amounts owing by it to the Issuer against Claims owing by the Issuer to the Holder.

4.6 Method of payment

Any amount which is payable to Holders in respect of Notes will, unless the Issuer and Holders otherwise agree, be paid by direct credit into a nominated account at an Australian branch of a financial institution. If a Holder fails to nominate such an account, the amount may be deposited by the Issuer in a bank account in the Issuer's name established for the purpose and held by the Issuer until the Holder nominates an account. An amount so deposited will be taken to have been duly paid to the Holder and will not bear interest. Any interest accruing on any such account will be paid to the Issuer.

5 Conversion

5.1 Conversion

- (a) The Issuer must, on the first Business Day after the full repayment of Tranche A under the New Senior Debt Facility, give a notice to each Holder, advising of the Conversion of all of the Notes held by each Holder (**Conversion Notice**).
- (b) Conversion must occur on the date as specified by the Issuer in the Conversion Notice and must be no later than 30 days after the date of the Conversion Notice (**Conversion Date**).
- (c) On the Conversion Date, the Issuer must:
 - (1) Convert the Notes and issue the number of Ordinary Shares calculated in accordance with clause 5.2; and
 - (2) pay the interest for the Interest Period.
- (d) Within 10 business days after the Conversion Date, the Issuer will issue a confirmation to the Holder in respect of the Ordinary Shares issued.
- (e) The relevant Holder irrevocably and unconditionally:
 - (1) acknowledges that compliance with the process set out in clause 5.1(c) is in full and final satisfaction of the Holder's rights in respect of their Notes (whether as to Face Value, interest or otherwise); and
 - (2) consents to be a member of the Issuer and agrees to be bound by the constitution of the Issuer.

5.2 Conversion Number

- (a) The number of Ordinary Shares to which a Holder is entitled upon Conversion of Notes is determined by the following formula:

$$\text{Number of Ordinary Shares} = \text{ARA} / \text{Conversion Price}$$

Where:

ARA means the aggregate of the Issue Price of the Notes being converted.

Conversion Price means \$0.0001, which may be subsequently adjusted under this clause 5.

- (b) Where the number of Ordinary Shares to be issued to a Holder under clause 5.2(a) includes a fraction, that fraction will be disregarded.

5.3 Adjustments to Conversion Price

If the Issuer determines that an adjustment should be made to the Conversion Price as a result of an issue, reorganisation or consolidation of equity, a return of capital or similar circumstance, the Issuer will, at its own expense and acting reasonably, request a Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) will be made and will take effect in accordance with such determination, provided that an adjustment will only be made pursuant to this clause 5.3 if:

- (a) such Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises; and
- (b) if the adjustment would result in a reduction to the Conversion Price.

5.4 Deemed amendment

Any adjustment of the Conversion Price under this clause 5 will be taken to be an amendment to these Terms and will be binding on all Holders and effective on delivery of the instrument of amendment to the Trustee and these Terms will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

5.5 Quotation on ASX

If the Issuer is listed on ASX on the Conversion Date, the Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation on ASX of all Ordinary Shares issued on the Conversion of Notes.

6 Repayment on Maturity Date

The Issuer must on the second Business Day after the Maturity Date Repay all of the Notes which are on issue on the Maturity Date by paying each Holder the Repayment Amount for each of their Notes.

7 Transactions

Subject to clause 9.1, the Issuer may enter into or vary any borrowing, other financial accommodation, guarantee and indemnity and may acquire, dispose of, create any security interest over or otherwise deal with any assets without requiring any consents from Holders or the Trustee.

8 Enforcement

8.1 Events of Default

Each of the following is an Event of Default:

- (a) **(Non-payment)** the Issuer fails to pay any amount payable by it under these Terms within 10 Business Days after the date on which the payment is due;
- (b) **(Non-delivery)** the Issuer fails to issue Ordinary Shares on Conversion in accordance with these Terms within 10 Business Days after the date on which such issue is to be made; or
- (c) **(Insolvency)** an Insolvency Event occurs in respect of the Issuer.

8.2 Consequences of Event of Default

Subject to the terms of the Priority Deed, after the occurrence of an Event of Default and at any time while that Event of Default subsists, the Trustee may or, if so directed by a Special Resolution, must, subject to clause 8.6, by notice in writing to the Issuer, do any one or more of the following:

- (a) specify a date, not earlier than 5 Business Days after the date it gives notice, as the Repayment Date, whereupon the Repayment Amount of all Notes will become, immediately due and payable; and/or
- (b) subject to the Trust Deed and these Terms, exercise all or any of its powers to enforce its rights under the Trust Deed and these Terms.

8.3 Directions of Creditors

Following the Trustee becoming actually aware of the occurrence of an Event of Default, the Trustee must convene a meeting of Holders in accordance with the Trust Deed at which it must seek directions from the Holders as to the action it should take in relation to that Event of Default.

8.4 No obligation to act

Subject to clause 8.3, pending the receipt of directions by a Special Resolution, the Trustee will not be bound to take any action, give any consent or waiver, or make any determination under the Trust Deed or these Terms.

8.5 Waiver

The Trustee must not waive or authorise any Event of Default unless directed to do so by a Special Resolution.

8.6 Trustee not bound to enforce

Without limiting the terms of the Trust Deed, the Trustee need not take any action referred to in clause 8.2 unless all the following conditions are satisfied:

- (a) the Trustee is directed to take the action by a Special Resolution; and
- (b) the Trustee is indemnified, to its satisfaction, against all costs, charges, liabilities and expenses which may be incurred by it in connection with that action; and

- (c) the Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

If the Trustee forms the view that such action is or could be inconsistent with these Terms or the Corporations Act or any applicable law, it must take steps to seek (and, if the court so determines, to obtain) as soon as reasonably practicable a court direction or order to set aside or vary the direction given by Special Resolution, and, while those steps are underway, the Trustee is not obliged to take any action or proceedings it has been directed to take by Special Resolution.

8.7 No individual enforcement

Unless the Trustee, having become obliged to take action to enforce the rights of the Holders under the Trust Deed and these Terms, fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, the rights of each Holder to enforce the obligations of the Issuer under Notes are limited to the exercise of its rights to enforce and seek due administration by the Trustee of the Trust Deed. In particular, unless the Trustee, having become obliged to take action to enforce the rights of the Holders under the Trust Deed and these Terms, fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, no Holder may, with respect to payment of any amount due under the Notes held by it:

- (a) sue the Issuer;
- (b) obtain judgment against the Issuer; or
- (c) apply for or seek Winding Up of the Issuer.

9 General

9.1 Issue of additional debt securities

- (a) The Issuer may from time to time without the consent of Holders or the Trustee create and issue further Notes or any class of debt securities (excluding debt securities convertible into share capital) and create, issue, secure or guarantee any indebtedness upon such terms, as the Issuer may think fit (and including, for the avoidance of doubt, whether ranking ahead, behind or equally with the Claims of Holders).
- (b) The Issuer may not issue share capital (other than the issue of options over Ordinary Shares to the Investors on the same day as Notes are issued and the issue of Ordinary Shares on Conversion) except by the issue of Ordinary Shares provided that such issue is a pro rata issue (as that term is defined in the ASX listing rules).

9.2 Further documents

The Issuer may require the Trustee to execute, on behalf of all Holders, such documents as the Issuer considers necessary or desirable (provided that the Trustee is indemnified to its satisfaction, acting reasonably, against any Taxes, fees, costs, charges, expenses or liabilities (including solicitor and client as well as party and party costs) which it may suffer or incur as a result of doing so, and provided that the Trustee will only be required to execute such documents if the Holders give a direction to the Trustee by a Special Resolution passed in favour of such execution to do so).

9.3 Voting rights

Being a Holder does not entitle that person to attend or vote at meetings of members of the Issuer.

9.4 Ranking of Ordinary Shares

Each Ordinary Share issued on Conversion will, as from the Conversion Date, rank equally in all respects with Ordinary Shares, except that they will not be entitled to any dividend or any other distribution or entitlement that has not been paid as at the Conversion Date but for which the record date was prior to the Conversion Date.

9.5 Participation in new issues

- (a) If the Issuer undertakes a pro rata issue (as that term is defined in the ASX listing rules), Holders are entitled to participate in that pro rata issue as if Notes had been Converted.
- (b) Subject to clause 9.5(a), Notes confer no rights to subscribe for new securities in the Issuer, and Holders acknowledge and agree that the Issuer is free to issue further Notes or other securities (and to buy back or otherwise acquire Notes or other securities) without further reference to Holders.

9.6 Reporting requirements

In addition to any requirements of the Corporations Act, each Holder (if requested by that Holder) will be provided with copies of all annual and half-yearly reports and financial statements provided to holders of Ordinary Shares.

9.7 Delivery of Ordinary Shares and payments to Holders

- (a) Ordinary Shares which are to be issued to a Holder upon Conversion of Notes are to be registered in the name of the relevant Holder and confirmation of shareholding in respect of those Ordinary Shares is to be sent to the Holder at its registered address in respect of the Notes.
- (b) Any amount (including for the avoidance of doubt any amount payable on Repayment of Notes) which is payable to Holders in respect of Notes is to be paid in the manner provided in clause 4.6.

10 Notices

10.1 Service of notices

- (a) A notice may be given by the Issuer to any Holder, or in the case of joint Holders to the Holder whose name appears first in the Register:
 - (1) personally;
 - (2) by leaving it at the Holder's address noted in the Register or by sending it by prepaid post (airmail if posted to a place outside Australia) addressed to the Holder's address noted in the Register;
 - (3) by facsimile transmission to the facsimile number nominated by the Holder;

- (4) by publishing such notice in a national newspaper;
- (5) by the Issuer posting the notice on the Issuer's internet website; or
- (6) by other electronic means, including by email, determined by the Issuer.

If the notice is signed, the signature may be original, printed or in digital format.

- (b) A notice given by a Holder to the Issuer must:
 - (1) be in writing and signed by a person duly authorised by the sender; and
 - (2) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Issuer, or sent by a facsimile transmission to the fax number last notified by the Issuer:

The Issuer
McAleese Limited
Level 4, 697 Burke Road,
Camberwell VIC 3124

Attention: Company Secretary
Fax number: +613 9882 4399

10.2 When notice considered to be received

Any notice is taken to be received:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by prepaid post, on the second Business Day (or, if posted to or from a place outside Australia, the fifth day) after the date of posting;
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error;
- (d) if published in a national newspaper, on the date of such publication; or
- (e) if published on a website, on the day following the date on which such notice is posted by the Issuer on the website,

but if the result is that a notice would be taken to be given or made on a day that is not a Business Day in the place to which the notice is sent or is later than 5.00pm (local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

10.3 Notice to transferor binds transferee

Every person who, by operation of law, transfer or any other means, becomes entitled to be registered as the Holder of any Notes is bound by every notice which, prior to the person's name and address being entered in the Register in respect of the Notes, was properly given to the person from whom the person derived title to those Notes.

10.4 Service on deceased Holders

A notice served in accordance with this clause 10 is (despite the fact that the Holder is then deceased and whether or not the Issuer has notice of the Holder's death)

considered to have been properly served in respect of any Notes, whether held solely or jointly with other persons by the Holder, until some other person is registered in the Holder's place as the Holder or joint Holder. The service is sufficient service of the notice or document on the Holder's personal representative and any persons jointly interested with the Holder in the Notes.

11 Amendments to these Terms

11.1 Amendment without consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may in accordance with these Terms and the Trust Deed, without the consent of the Holders or the Trustee, amend these Terms:

- (a) if the Issuer is of the opinion that such amendment is of a formal or technical nature or is made to correct a manifest error;
- (b) if the Issuer is of the opinion that such amendment is:
 - (1) necessary to comply with the provisions of any law or regulation or any requirement of any Governmental Agency; or
 - (2) necessary or expedient for the purpose of enabling the Notes to be offered for subscription or for sale under the laws for the time being in force in any place.

11.2 Amendment with consent

- (a) At any time, but subject to clause 11.1(b) and compliance with the Corporations Act and all other applicable laws, the Issuer may, by agreement with the Trustee, amend these Terms if such amendment is approved by a Holder Resolution or is otherwise in accordance with the Trust Deed.
- (b) The agreement of the Trustee to amend these Terms that is required under clause 11.2(a) will not be required:
 - (1) if the amendment has been approved by Holders by a Special Resolution and provided the amendment does not alter or conflict with, without its consent, any of the rights (other than rights held by the Trustee on trust for the Holders) or obligations of the Trustee; or
 - (2) in the case of any provision of these Terms or as required under any paragraph of the Meeting Provisions which provides for Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such modification and the direction to amend the Terms is provided by the Holders to the Trustee.
- (c) The Trustee will have no liability for any failure to provide its consent where such consent is not required pursuant to clause 11.2(b) of these Terms.

11.3 No amendment

Notwithstanding any other provision of these Terms, the Issuer must not, in any circumstance, amend any of the following:

- (a) the Interest Rate;
- (b) the initial Conversion Price, other than through an adjustment under clause 5;

- (c) the Conversion Price adjustment mechanism under clause 5; and
- (d) this clause 11.3.

12 Governing law and jurisdiction

12.1 Governing law

Notes and these Terms are governed by the laws of Victoria.

12.2 Jurisdiction

- (a) The Issuer and each Holder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria in connection with matters concerning the Notes or these Terms.
- (b) The Issuer and each Holder waives any right they have to object to an action being brought in those courts, or to Claim that the action has been brought in an inconvenient forum, or to Claim those courts do not have jurisdiction.

13 Interpretation and Definitions

13.1 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply in the interpretation of these Terms unless the context requires otherwise:

- (a) Unless the context otherwise requires, if there is any inconsistency between the Terms and the Trust Deed, then, to the maximum extent permitted by law, the Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Issuer under these Terms as are not, by the Corporations Act or by the constitution of the Issuer required to be exercised by the Issuer in a general meeting.
- (c) Notices may be given by the Issuer to a Holder in the manner prescribed by the Trust Deed.
- (d) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to 4 decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of Notes, any fraction of a cent will be disregarded. For the purposes of issuing or transferring Ordinary Shares in respect of a Holder's aggregate holding of Notes, any fraction of an Ordinary Share will be disregarded.
- (e) Calculations, elections and determinations made by the Issuer under these Terms are binding on Holders in the absence of manifest error.
- (f) A reference to \$ or cents in these Terms is a reference to Australian currency. A reference to time in these Terms is a reference to Melbourne time.
- (g) The terms 'associate', 'relevant interest', 'scheme of arrangement' and 'takeover bid' when used in these Terms have the meaning given in the Corporations Act.

- (h) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (i) If an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (j) If a term is given a defined meaning, different grammatical forms of the term have corresponding meanings.
- (k) The singular includes the plural and the converse.

13.2 Definitions

Terms defined in the Trust Deed have the same meanings in these Terms. In addition, the following expressions have the following meanings:

Term	Meaning
Accession Deed	the accession deed dated [<i>insert date</i>] between the Trustee and the Issuer pursuant to which the Trustee becomes a party to the Priority Deed.
ASX	ASX Limited (ABN 98 008 624 691) or the stock market operated by ASX Limited, as the context requires.
Board	the board of Directors of the Issuer.
Business Day	a day on which banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday.
Claim	in respect of any person, any claim, action, demand, suit or proceeding for damages or other monetary compensation, debt, restitution, equitable compensation, account, injunction, specific performance or other remedy that person has or may have, whether under contract, statute or otherwise, against the Issuer.
Conversion	a Holder ceasing to hold Notes and receiving Ordinary Shares in accordance with clause 5.1. Convert and Converted have corresponding meanings.
Conversion Price	has the meaning given in clause 5.2(a).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).

Term	Meaning
Creditor	all creditors of the Issuer from time to time other than the Trustee and the Holders (in their capacities as such).
Director	a director of the Issuer.
Encumbrance	a mortgage, charge, pledge, lien or other security interest securing any obligation of any person.
Equal Ranking Obligations	any obligation in relation to claims of holders of securities issued by a Grantor which claims rank, or are expressed to rank, equally with the Notes.
Event of Default	has the meaning given in clause 8.1.
Face Value	has the meaning given in clause 2.2(a).
Financial Adviser	an independent financial adviser, holding a relevant Australian Financial Services Licence, appointed by the Issuer and approved in writing by the Trustee (not to be unreasonably withheld or delayed) or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee), appointed by the Trustee following notification to the Issuer provided that the Trustee has no obligation to make such appointment unless it has been indemnified and/or provided with security to its satisfaction in respect of the costs, fees and expenses of such adviser.
Governmental Agency	a government or a governmental, semi-government, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.
Grantor	the Issuer and each of its Subsidiaries.
Holder	a person whose name is for the time being registered in the Register as the holder of Notes.
Holder Resolution	1 a resolution in writing signed by Holders who hold more than 50 per cent in terms of aggregate Face Value of the Notes on issue which resolution may be contained in one document or in several documents in like form each signed by one or more Holders, but only if a copy of the resolution has been delivered to all persons who would otherwise be entitled to receive notice

Term	Meaning
	<p>of a meeting and in like form); or</p> <p>2 a resolution passed at a meeting of Holders, duly called and held under the Meeting Provisions, by more than 50% of the votes cast.</p>
Insolvency Event	<p>occurs in relation to a body corporate if:</p> <ol style="list-style-type: none"> 1 it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or 2 it has a controller (as defined in the Corporations Act) appointed, or is in receivership, in receivership and management, in liquidation, in provisional liquidation, under administration or wound up or has had a receiver appointed to any part of its property; or 3 it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute, dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the creditors); or 4 an application or order has been made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of 1, 2 or 3 above; or 5 it is taken (under section 459(F)(1) of the Corporations Act) to have failed to comply with a statutory demand; or 6 it is the subject of an event described in section 459(C)(2)(b) or section 585 of the Corporations Act (or it makes a statement from which a creditor reasonably deduces it is so subject); or 7 it is otherwise unable to pay its debts when they fall due; or 8 something having a substantially similar effect to 1 to 7 happens in connection with it under the law of any jurisdiction.
Interest Period	<p>in relation to a Note means the period from (and including) the Issue Date of that Note to (but excluding) the Conversion Date, Repayment Date or Maturity Date.</p>
Interest Rate	<p>15% per annum.</p>
Investors	<ol style="list-style-type: none"> 1 SC Lowy Primary Investments, Ltd of Suite 1401-02, Central Tower, 28 Queen's Road, Central, Hong Kong 2 Cadbury Hedge Fund Alternatives Portfolio of 227 Elgin Avenue, P.O. Box 852, Grand Cayman, KY1-1103, Cayman Islands 3 Sainsbury's Credit Opportunities Fund, Ltd of 227 Elgin Avenue, P.O. Box 852, Grand Cayman, KY1-1103, Cayman

Term	Meaning
	<p>Islands</p> <p>4 Investment Partners IV (A), LLC, of 601 Union Street, 56th Floor, Seattle, WA 98101</p> <p>5 Remagen Nominees Pty Limited as trustee for Remagen Lending Trust 2016-11 of Level 10, 67 Castlereagh Street, Sydney New South Wales 2000</p>
Issue Date	in relation to a Note, the date on which that Note is issued.
Issue Price	has the meaning given in clause 2.2(b).
Issuer	McAleese Limited (ACN 156 354 068).
Maturity Date	the date on which Tranche B under the New Senior Debt Facility is fully repaid.
Meeting Provisions	the provisions in the Trust Deed for meetings of Holders set out in the Trust Deed.
New Senior Debt Facility	the "Facility" as defined in the New Senior Debt Facility Agreement.
New Senior Debt Facility Agreement	the document entitled "Syndicated Loan Note Subscription Agreement (McAleese)" between, among others, the Issuer and the Investors.
Note GSA	a general security deed granted by the Grantors in favour of the Trustee.
Notes	secured, non-redeemable, convertible notes issued by the Issuer under the Trust Deed and these Terms.
Ordinary Share	an ordinary fully paid share in the capital of the Issuer.
Priority Deed	the deed of priority between, among others, each Grantor, SC Lowy Primary Investments, Ltd and the Security Trustee and to which the Trustee acceded pursuant to the Accession Deed

Term	Meaning
Record Date	<p>in relation to any payment to be made under or in respect of Notes :</p> <ol style="list-style-type: none"> 1 7:00pm (Melbourne time) on the date which is 8 calendar days before the due date for payment; or 2 such other date as may be required by ASX.
Register	has the meaning given to that term in the Trust Deed.
Repayment	the repayment of Notes in accordance with clause 6 and clause 8.2. Repaid and Repay have corresponding meanings.
Repayment Amount	in relation to a Note, an amount equal to the Face Value plus interest accrued for the Interest Period.
Repayment Date	if the Trustee gives a notice under clause 8.2(a), the date specified in that notice as the Repayment Date.
Secured Creditor	<p>each of:</p> <ol style="list-style-type: none"> 1 SC Lowy Primary Investments, Ltd; 2 the Security Trustee; or 3 the Trustee.
Security Interest	<p>any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind and includes:</p> <ol style="list-style-type: none"> 1 any right of or arrangement with any creditors to have a claim satisfied in priority to other creditors with or from the proceeds of any asset; and 2 retention of title (other than in the ordinary course of day-to-day trading) and a deposit of money by way of security.
Security Trustee	ANZ Fiduciary Services Pty Ltd ABN 91 100 709 493.
Shareholder	a holder of an Ordinary Share.
Special Resolution	has the meaning given to that term in the Trust Deed.
Subsidiary	has the meaning given in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (expressions used in this definition have the meanings given

Term	Meaning
	<p>for the purposes of Chapter 2M of the Corporations Act) and, without limitation:</p> <ol style="list-style-type: none"> 1 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and 2 an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.
Tax	any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Governmental Agency, and any related interest, penalty, charge, fee or other amount. It includes GST.
Tax Act	<ol style="list-style-type: none"> 1 the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth) as the case may be, as amended, and a reference to any section of the <i>Income Tax Assessment Act 1936</i> (Cth) includes a reference to that section as rewritten in the <i>Income Tax Assessment Act 1997</i> (Cth); and 2 any other statute setting the rate of income tax payable and any regulation promulgated thereunder.
Terms	these terms of issue for Notes.
Trust Deed	the Notes Trust Deed dated on or around [insert date] 2016 between the Issuer and the Trustee.
Trust	the trust established under the Trust Deed.
Trustee	the person from time to time acting as trustee of the trusts constituted by the Trust Deed in its capacity as such, initially being [insert] in its capacity as trustee of the Trust.
Winding Up	in respect of a person the appointment of a liquidator or provisional liquidator of that person (and where the appointment is made by a court, by a court of competent jurisdiction in Australia).

Annexure 3

Summary of New Senior Debt Facility Agreement

Term	Description
Facility Structure and Security	<p>Senior secured facility by way of a loan note subscription agreement.</p> <p>Security over all of the assets of the Borrower and Guarantors, provided:</p> <ul style="list-style-type: none">• certain other amounts secured by such security will rank ahead of this facility; and• such security will rank behind the security granted to secure the New Working Capital Facility in respect of receivables and ancillary rights and associated proceeds.
Purpose	Refinance the existing syndicated facility agreement
Size	<ul style="list-style-type: none">• A\$93.3 million (in aggregate across Tranche A of A\$51 million and Tranche B of A\$42.3 million) <i>plus</i> fees of approximately \$2 million and the amount of interest which will accrue and be capitalised under the Modified SFA from the time of the Senior Debt Acquisition.• Facility will be split into two tranches Tranche A and Tranche B, with sizing to reflect certain proposed initiatives.
Maturity Date	<ul style="list-style-type: none">• Tranche A, 12 months from the date on which the Senior Debt Acquisition occurs.• Tranche B, 36 months from the date on which the Senior Debt Acquisition occurs.
Interest Rate	<p>Both Tranches have a base 'all in' rate of 15% per annum <i>plus</i> a Variable Hedging Margin (1.3% for the first 12 months, and to be re-set thereafter)</p> <p>Tranche A will have a 5% step up after the first 6 months.</p> <p>Interest will be combination of cash and payment-in-kind (PIK) (Tranche A: 5% p.a. cash <i>plus</i> Variable Hedging Margin cash and 10% per annum PIK for the first 6 months and 15% per annum PIK after the first 6 months; Tranche B: 5% per annum cash <i>plus</i> Variable Hedging Margin cash and 10% per annum PIK for first 12 months, then 7.5% per</p>

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Term	Description
	annum cash <i>plus</i> Variable Hedging Margin cash and 7.5% per annum PIK)
Minimum interest earned	Minimum interest to be earned on the facility is \$10,952,782.
Financial covenants	<ul style="list-style-type: none"> • Net Debt / EBITDA ratio • Minimum average daily balance of Liquid Assets • Minimum average daily cash balance
Repayment	<ul style="list-style-type: none"> • Pursuant to asset sale requirements; • Proceeds received from Notes Issue; • Certain insurance proceeds; and • Any refinance by the Maturity Date.
Other	<ul style="list-style-type: none"> • Cash flow sweep linked to Net Debt / EBITDA ratio. • Requirements with respect to particular asset sales.

Summary of New Working Capital Facility

Term	Description
Facility Structure and Security	<p>Secured facility by way of a loan note subscription agreement.</p> <p>First-ranking security over all of the receivables of McAleese and its subsidiaries, ancillary rights and associated proceeds.</p> <p>Security over all other assets of the Borrower and Guarantors, provided it ranks last behind all other beneficiaries of that security (including the lenders under the New Senior Debt Facility).</p>
Purpose	To provide a working capital facility to McAleese.
Facility Limit	A\$20.8 million, extendable by mutual agreement.
Facility Term	12 months, extendable by mutual agreement.
Interest Rate	<p>All in rate of 15% per annum.</p> <p>Interest is a combination of cash 6% and payment-in-kind 9%.</p>
Financial covenant	<p>Principal outstanding under this facility not to exceed the aggregate of:</p> <ul style="list-style-type: none"> • the aggregate outstanding amount of receivables (with certain exclusions); and • the aggregate balance in the bank accounts subject to the first ranking security referred to above, <p>tested on a monthly basis.</p>

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Features of McAleese following delisting

Matter	Listed McAleese	Unlisted McAleese
Disposal of Shares	Shares are currently listed on ASX. Therefore, subject to the liquidity of the market for Shares, they can be freely traded on ASX at the prevailing market price.	As an unlisted company, there will be no active market for the sale and purchase of Shares following the delisting.
Continuous disclosure	<p>McAleese must comply with Chapter 3 of the Listing Rules which requires immediate disclosure to the market of certain material price sensitive information.</p> <p>Chapter 3 of the Listing Rules provide an exception to this requirement where each of the following are satisfied:</p> <p>(1) One or more of the following 5 situations applies:</p> <ul style="list-style-type: none"> - it would be a breach of law to disclose the information; - the information concerns an incomplete proposal or negotiation; - the information comprises matters of supposition or is insufficiently definite to warrant disclosure; - the information is generated for the internal management purposes of the entity (McAleese); or - the information is a trade secret; and <p>(2) the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and</p> <p>(3) a reasonable person would not expect the information to be disclosed.</p>	<p>McAleese is required to provide certain information to its shareholders (see “Inspection of register” and “Shareholder reports” below for further details).</p> <p>If McAleese has less than 100 shareholders, there will be no requirement to provide any disclosure to McAleese Shareholders which could be comparable to the continuous disclosure obligations currently applicable to McAleese as a listed company.</p> <p>If, following delisting there are, and for so long there continues to be, at least 100 people holding Shares, McAleese will be subject to the ongoing continuous disclosure provisions in section 675 of the Corporations Act. These provisions will require McAleese, if it becomes aware of information that is not generally available and that a reasonable person would expect, if it were generally available, to have a material effect on the price or value of Shares, to lodge with ASIC a document containing the information as soon as practicable.</p> <p>Shareholders should also note that, when compared to the ASX company announcements platform, documents lodged with ASIC:</p> <ul style="list-style-type: none"> - may not be available free of charge; and - may not be available as promptly following lodgement.

Matter	Listed McAleese	Unlisted McAleese
		<p>The above obligation does not arise if a reasonable person would not expect the information to be disclosed, the information is confidential and at least one of the following applies:</p> <ul style="list-style-type: none"> (4) the disclosure of the information would contravene a law; (5) the information is about a matter of supposition; (6) the information is not definite enough to make disclosure appropriate; (7) the information relates to an incomplete proposal or a matter that is in the course of negotiation; (8) the information was prepared or created for the internal management purposes of McAleese; or (9) the information is a trade secret.
<p>ASX Corporate Governance Principles & Recommendations</p>	<p>In addition to general legal requirements, as a listed company, McAleese is subject to, and must disclose its compliance with, the ASX Corporate Governance Principles & Recommendations.</p>	<p>McAleese will not be subject to the ASX Corporate Governance Principles & Recommendations. Rather, McAleese's corporate governance will be the subject of its constitution and other general legal requirements.</p>
<p>New share issues</p>	<p>The Directors have the power to cause McAleese to issue shares, subject to the law and the Listing Rules.</p>	<p>Under the McAleese Constitution, the Directors may issue Shares and decide the persons to whom Shares are issued, the terms on which Shares are issued and the rights and restrictions attached to those Shares.</p>
<p>Transactions with persons in a position of influence</p>	<p>McAleese must also comply with Chapter 2E of the Corporations Act (Related Party Transactions) and its directors must satisfy their general directors' duties.</p> <p>In addition, McAleese must comply with Chapter 10 of the Listing Rules (Transactions with persons in a position of influence) which imposes certain restrictions on persons in a</p>	<p>If McAleese has less than 50 shareholders, it will be converted to a proprietary company limited by shares and there will be no restrictions on its dealings with related parties.</p> <p>If McAleese is a public company, McAleese must comply with Chapter 2E of the Corporations Act (Related Party Transactions) which imposes</p>

Matter	Listed McAleese	Unlisted McAleese
	<p>position of influence, including related parties and substantial shareholders from entering into certain transactions with McAleese without shareholder approval.</p>	<p>restrictions on McAleese giving a financial benefit to a related party unless it obtains shareholder approval, the transaction is on arms' length terms, or other prescribed exceptions apply.</p> <p>Notwithstanding the above, the McAleese directors will still be subject to their directors' duties imposed by the Corporations Act and general law.</p>
<p>Change of activities / disposal of main undertaking</p>	<p>Chapter 11 of the Listing Rules (Significant Transactions) requires a listed entity to obtain shareholder approval in certain circumstances (and where required by the ASX) if it proposes to make a significant change to the nature or scale of its activities.</p>	<p>After the Recapitalisation, McAleese will continue to conduct its business but with significantly reduced debt, as set out on page 17 of the Notice of Meeting.</p>
<p>General meetings and shareholder approvals</p>	<p>All matters to be passed at a general meeting of McAleese require a simple majority unless the Corporations Act provides otherwise.</p> <p>Under the Corporations Act, an amendment to the constitution or to change the name of McAleese requires a special resolution (passed by 75% or more of the votes cast on the resolution), amongst other matters which require passage by special resolution.</p>	<p>Under the Corporations Act, McAleese must hold an annual general meeting at least once in each calendar year and within 5 months after the end of its financial year.</p> <p>All matters to be passed at a general meeting require a simple majority unless the Corporations Act provides otherwise. Under the Corporations Act, an amendment to the McAleese Constitution or change of McAleese's name requires a special resolution (passed by 75% or more of the votes cast on the resolution), amongst other matters which require passage by special resolution.</p>
<p>Appointment of directors</p>	<p>McAleese must have at least 3 directors. The McAleese directors may appoint additional directors and fill casual vacancies themselves.</p> <p>Shareholders may also appoint directors by resolution passed in general meeting. Subject to the Listing Rules, at the close of each annual general meeting one-third of the directors, or if their number is not a multiple of three, then the number</p>	<p>Under the Corporations Act, McAleese must have at least 3 directors for so long as it is a public company, or at least 2 directors if it is a proprietary company.</p> <p>Under, the McAleese Constitution, the minimum number of Directors is 4 and the maximum number of Directors may not be more than 7 unless resolved otherwise in a Shareholder meeting.</p>

Matter	Listed McAleese	Unlisted McAleese
	<p>nearest to but not more than one-third of the directors, must retire.</p> <p>Shareholders themselves can nominate a director for election at general meeting.</p> <p>Each director in a board meeting has one vote.</p>	
<p>Substantial holdings and takeovers</p>	<p>Chapter 6 of the Corporations Act (Takeovers) and the related provisions referred to in the left hand column apply to Shares.</p> <p>This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel.</p>	<p>Chapter 6 of the Corporations Act (Takeovers) will only apply to McAleese if it has more than 50 shareholders. Among other things, Chapter 6 and related provisions restrict transactions which would allow a person to acquire a relevant interest in voting shares in the company if their voting power would increase from below 20% to above 20% or from a starting point between 20% and 90%. It also requires public disclosure where a shareholder holds 5% or more of the voting shares in a company or changes that position by 1% or more.</p> <p>This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel.</p> <p>If McAleese has less than 50 shareholders, then there is no specific regime under the Corporations Act regulating acquisitions of shares in or assets of McAleese.</p>
<p>Share class rights</p>	<p>Under the McAleese Constitution, the rights attached to any class of Shares may be varied by a special resolution of members holding shares in that class or with the written consent of members with at least 75% of the votes attaching to shares in that class.</p>	<p>The Corporations Act provides that McAleese may not vary or cancel rights attaching to a class of shares without the approval of a special majority of the Shareholders</p>
<p>Inspection of register</p>	<p>The rights of Shareholders to inspect records is similar to the rights of Shareholders following delisting.</p> <p>The Corporations Act also contains a provision which permits a listed company, such as McAleese, to</p>	<p>A shareholder is permitted access to the shareholder register and minute books for meetings of members and member resolutions under the Corporations Act.</p> <p>The McAleese Constitution provides that a person who is not a Director</p>

Matter	Listed McAleese	Unlisted McAleese
	<p>trace the beneficial ownership of its securities and require its members to disclose full details of their relevant interests.</p>	<p>does not have the right to inspect any of the board papers, books, records or documents of the company, except as provided by law, or the Constitution, or as authorised by the Directors, or by resolution of the Shareholders.</p>
<p>Shareholder reports</p>	<p>Under the Listing Rules and the Corporations Act, McAleese is required to provide half year and annual disclosures and quarterly disclosures in certain circumstances. Financial reports are required to include, among other things, financial statements and notes, a directors' declaration that the disclosing entity will be able to meet its debts as and when they become due and payable, and the directors' opinion that the financial statements and notes comply with accounting standards and give a true and fair view of the financial performance of the company.</p>	<p>McAleese must prepare annual audited financial reports in accordance with Chapter 2M of the Corporations Act (Financial Reports and Audit) and send it to Shareholders by the earlier of 4 months after the year end or 21 days before its next AGM.</p> <p>If McAleese is a public company, its financial report must also be laid before the AGM for consideration.</p>
<p>Protection of minority shareholders and oppression remedies</p>	<p>The position for McAleese before and after delisting are the same.</p> <p>Under Australian law, a statutory derivative action may be instituted by a shareholder, former shareholder or person entitled to be registered as a shareholder of McAleese. In all cases, leave of the court is required. Such leave will be granted if (a) it is probable that McAleese will not itself bring the proceedings or properly take responsibility for them; (b) the applicant is acting in good faith; (c) it is in the best interests of McAleese; (d) there is a serious question to be tried; and (e) a written notice of intention is given by the member to McAleese at least 14 days before the application for leave is made.</p> <p>Furthermore under the Corporations Act, shareholders can bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p>	
<p>Compulsory acquisition</p>	<p>In certain circumstances a Shareholder who holds/controls at least 90% of all Shares may move to compulsorily acquire the remaining Shares which it does not hold.</p>	

Independent Expert's Report

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McAleese Limited

Independent Expert's Report and Financial Services Guide

Proposed recapitalisation
and issue of securities

15 August 2016

PART 1: FINANCIAL SERVICES GUIDE

PPB Corporate Finance Pty Ltd

PPB Corporate Finance Pty Ltd (ABN 13 130 176 911) ('PPB') is the licensed corporate finance business of PPB Advisory. PPB is a wholly owned subsidiary of PPB Pty Ltd, trading as PPB Advisory (ABN 67 972 164 718). PPB Advisory provides strategic and financial advisory services to a wide range of clients. PPB's contact details are as set out on our letterhead.

Engagement

PPB has been engaged by the independent directors ('Independent Directors') of McAleese Limited ('McAleese' or the 'Company') to provide general financial product advice in the form of this Independent Expert's Report ('IER' or 'Report'). The IER is to be attached to the explanatory memorandum and notice of meeting ('Documents') that are prepared by the Independent Directors for the shareholders of McAleese, in relation to the proposed recapitalisation of the Company ('Proposed Transaction'). The Documents and IER have been prepared to assist shareholders of McAleese in deciding whether to approve the Proposed Transaction.

Financial Services Guide

This Financial Services Guide ('FSG') has been prepared in accordance with the Corporations Act, 2001 (Cth). It provides important information to help retail investors make decisions regarding the general financial product advice included in the IER, the services we offer, information about PPB, the dispute resolution process and our remuneration.

PPB holds an Australian Financial Services Licence (No. 344626) ('Licence'). PPB is required to issue to you, as a retail client, a FSG in connection with our IER.

PPB is licensed to provide financial services

The Licence authorises PPB to provide reports for the purposes of acting for and on behalf of clients in relation to: proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, carrying on a financial services business, providing general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

You have not engaged PPB directly, but have received this IER because it accompanies the Documents that you have received from the Independent Directors. Our IER includes details of our engagement and identifies the party who has engaged us.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice and does not provide any personal financial product advice. This is because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposed Transaction, as described in the Documents, may be influenced by their particular circumstances. Therefore, individuals should seek independent advice.

Remuneration

PPB will receive a fee of approximately \$120,000 (plus GST and disbursements) based on commercial rates. PPB will not receive any fee contingent upon the outcome of the Proposed Transaction and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

All of our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PPB or PPB Advisory but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

PPB does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that PPB is licensed to provide.

Independence

PPB is unaware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence under regulatory or professional requirements. In particular, PPB has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission.

Complaints resolution

PPB is required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PPB Corporate Finance Pty Ltd, GPO Box 5151, Sydney NSW 2001.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ('FOS').

FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PPB is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

Web: www.fos.org.au

PART 2: INDEPENDENT EXPERT'S REPORT

15 August 2016

The Independent Directors
McAleese Limited
Level 4
697 Bourke Road
CAMBERWELL VIC 3124

Dear Independent Directors

Independent Expert's Report and Financial Services Guide

1. Introduction

PPB Corporate Finance Pty Ltd ('PPB') has been engaged by the independent directors ('Independent Directors') of McAleese Limited ('McAleese' or 'the Company') to prepare an independent expert report ('IER' or 'Report') for the shareholders of McAleese ('Shareholders') in relation to the proposed recapitalisation of the Company ('Proposed Transaction') to be undertaken by way of a series of transactions. The series of transactions are inter-conditional.

The Proposed Transaction is described below. Our opinions expressed in this Report are as at 7 June 2016 ('Valuation Date').

2. The Proposed Transaction

The Company has been experiencing significant financial pressures, with corresponding impairment charges, mostly due to the decline in certain mining sectors in Australia. Accordingly, the directors of McAleese are proposing a recapitalisation of the Company by way of the following transactions (collectively referred to as the 'Proposed Transaction'):

- extinguishment of all existing senior debt of approximately \$191 million in exchange for \$112.3 million, comprising:
 - \$14 million to be repaid by the Company from current cash balances and a new working capital facility
 - the acquisition by the SC Lowy consortium ('SC Lowy') of McAleese's remaining senior debt for \$93.3 million ('Senior Debt Acquisition')
 - \$5 million payable by the Company, which is deferred for up to 12 months after the date of the Senior Debt Acquisition.
- the senior debt to be acquired by SC Lowy will be replaced by a new senior debt facility totalling \$93.3 million plus fees of approximately \$2 million and interest accrued from the time of the Senior Debt Acquisition
- in part consideration of the compromise of the Senior Debt Acquisition by SC Lowy, the Company will issue SC Lowy with options over unissued ordinary shares in McAleese ('Shares') with a zero strike price ('Options') such that SC Lowy will hold 35% of the Shares on issue after-exercise of the Options and after the Proposed Transaction ('Proposed Issue of Options')
- an underwritten, \$26 million, pro-rata entitlement offer of subordinated, secured convertible notes ('Notes') to Shareholders. The Notes will be issued in such number that the Note holders will, on conversion of the Notes, hold 60% of the Shares on after the Proposed Transaction (after the exercise of the Options)
- a proposed delisting of McAleese from the official list of the ASX.

SC Lowy requires that the issue of the Notes be underwritten. All of the \$26 million proceeds will be used to partially repay the New Senior Debt Facility provided by SC Lowy. Entities associated with the Company's major shareholder, managing director and chief executive officer, Mark Rowsthorn ('Rowsthorn' or 'the Underwriter') were the only parties prepared to provide the underwrite on terms acceptable to the Company and SC Lowy ('Proposed Underwriting').

The Proposed Underwriting includes an underwriting fee payable in Notes convertible into 5% of the shares on issue, after the Proposed Transaction, assuming the exercise of the Options and conversion of the Notes.

The Underwriter will be issued any Notes not subscribed for by Shareholders.

If the approval of Shareholders is not provided for the issue of Notes as an underwriting fee as part of the Proposed Underwriting, then Rowsthorn will receive a cash payment of \$2.167 million for the underwriting fee from the Company, although that payment will be deferred until the New Senior Debt Facility has been repaid.

The Proposed Issue of Options and the Proposed Underwriting are collectively referred to in our report as the Proposed Transaction.

3. Requirements for our Report

The issue of Options to SC Lowy and the issue of shares on the exercise of the Options by SC Lowy and the issue of shares on the conversion of Notes by Rowsthorn under the Proposed Transaction require the approval of Shareholders that are not associated with the Proposed Transaction ('Non-Associated Shareholders') in accordance with item 7 of Section 611 the Corporations Act 2001 (Cth) ('the Act') and Chapter 7 of ASX Listing Rules.

The Proposed Transaction includes:

- the Proposed Issue of Options to SC Lowy as consideration for the compromise of the senior debt. The Proposed Issue of Options, on exercise, will result in SC Lowy being issued with 35% of the issued Shares, after the Proposed Transaction. The effect of the Proposed Issue of Options, upon their exercise, will significantly dilute existing shareholders of McAleese and provide SC Lowy with greater than 20% of the voting power.
- the pro-rata offer ('Notes Offer') and the Proposed Underwriting which includes an underwriting fee, in Notes, to Rowsthorn for underwriting the Notes Offer. On conversion of the Notes, note holders could hold up to 60% of the issued Shares. The underwriting fee in Notes, on conversion of those Notes, will result in Rowsthorn being issued with 5% of the issued Shares plus any shares issued on the conversion of Notes not taken up by Shareholders and taken up by Rowsthorn as underwriter. Therefore, Rowsthorn could hold up to 65% of the Shares.

Chapter 6 of the Act deals with takeovers. It applies to listed companies, unlisted companies with more than 50 members and listed managed investment schemes. Section 606 of the Act prohibits the acquisition of a relevant interest in voting shares if, because of that transaction, a person's voting power in the company:

- increases from under 20% to over 20% or
- increases from a starting point that is above 20% and below 90%.

As summarised in Section 1.3 of our Report, the Proposed Issue of Options and the Proposed Underwriting will result in SC Lowy increasing its interest to 35% and may result in Rowsthorn increasing his interest from 30.78% to 65% through the conversion of Notes (depending on the extent to which the Non-Associated Shareholders participate in the Notes Offer).

Approval will also be required for the issue of 21.7 billion Notes to Rowsthorn (as the underwriting fee, which after conversion will represent 5% of the issued Shares after the Proposed Transaction) under the Proposed Underwriting in accordance with ASX Listing Rule 10.11 ('LR 10.11').

The Independent Directors of McAleese are unrelated to the Proposed Transaction and have engaged PPB to prepare an IER advising whether in our opinion the Proposed Transaction comprising the Proposed Issue of Options and the Proposed Underwriting are 'fair' and 'reasonable' to and therefore 'in the best interests' of the Non-Associated Shareholders.

This report is to be included in the Explanatory Memorandum and Notice of Meeting ('Documents') to be sent to the Shareholders and has been prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. Neither PPB, PPB Advisory, any member, any employee thereof undertakes any responsibility to any person, other than the Non-Associated Shareholders and McAleese, in respect of this report, including any errors or omission however caused.

4. Basis of evaluation

We have prepared our Report having regard to Australian Securities and Investments Commission ('ASIC') in its Regulatory Guides ('RGs'), in particular Regulatory Guide 111 *Content of expert reports* ('RG 111'), RG 76 *Related party transactions* ('RG 76') and RG 112 *Independence of experts* ('RG 112').

RG 111 provides guidance for a range of transactions. It states that an expert should focus on the substance of a transaction rather than the legal mechanism and, in particular where a related party is one component of a broader transaction, the expert should consider what level of analysis of the related party is required.

ASIC has reviewed this IER, however does not provide sign off and takes no responsibility for the contents of the IER.

In considering the Proposed Transaction, we have had regard to the economic substance of the Proposed Underwriting and the Proposed Issue of Options and that they are inter-conditional. As such, the Proposed Issue of Options and the Proposed Underwriting (collectively, the Proposed Transaction) must be considered together as it is not possible for one to occur without the other. We note, however, that they involve separate parties.

The Proposed Underwriting involves Rowsthorn, who is a related party.

Given that Shareholders can elect to participate in the Notes Offer or not, we have assessed the fairness of the Proposed Transaction on the basis that a Shareholder *does not participate* in the Notes Offer. In our reasonableness assessment, we have considered the position of a Shareholder that elects to participate in the Notes Offer.

To assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have used tests of whether the Proposed Transaction is fair and reasonable (in the best interests), not fair but reasonable (in the best interests), or neither fair nor reasonable (not in the best interests), as required by RG 111.

RG 111 provides guidance as to how the expert is to consider the Proposed Transaction. The guidance is as follows:

- the Proposed Transaction is fair, if the value of a share in the Company before the Proposed Transaction (on a control basis) is equal to or less than the value of a share in the Company after the Proposed Transaction (on a minority interest basis)
- the Proposed Transaction is reasonable, if it is fair, or despite not being fair, after considering other significant factors, there are sufficient reasons for shareholders to vote for the Proposed Transaction.

The analysis as per above, suggests that the Proposed Transaction be assessed as if it was a takeover of McAleese by SC Lowy and / or Rowsthorn. However:

- no part of the Proposed Transaction will provide Non-Associated Shareholders with any consideration from SC Lowy or Rowsthorn
- the business operations of McAleese are not changing
- after the Proposed Transaction, Shareholders could continue to hold the same (if they *do not participate* in the Notes Offer) or greater number of shares (if they *do participate* in the Notes Offer) in McAleese (although the value and the likely trading price of the shares are likely to be impacted by the Proposed Transaction).

RG 111, provides guidance for the expert assessing the fairness of the Proposed Transaction on the basis that a Shareholder *does not participate* in the Notes Offer.

A Non-Associated Shareholder may consider alternative approaches to assessing the merits of the Proposed Transaction. Therefore, we have considered the Proposed Transaction from the perspective of a Non-Associated Shareholder *who does participate* in the Notes Offer in our reasonableness assessment.

Further details on our basis of evaluation of the Proposed Transaction are set out in Section 9 of our detailed report that is attached.

Our IER is provided to Shareholders for the above purposes only, and should not be used or relied upon for any other purpose, nor should it be disclosed to or discussed with any other party without our prior written consent (except relevant statutory authorities or your professional advisors, acting in that capacity, provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents).

Our Report is subject to the limitations and disclosures set out in Section 10 of the Report.

Opinion

In our opinion, in the absence of a superior offer, and on the basis that a Shareholder *does not participate* in the Notes Offer, the Proposed Transaction is '*not fair*' but '*reasonable*', and therefore '*in the best interests*' of Non-Associated Shareholders, as a whole.

In accordance with RG 111 the expert is to consider the fairness of the Proposed Transaction only from the position of a Shareholder that *does not participate* in the Notes Offer.

There are compelling reasons for Shareholders to approve the Proposed Transaction as they will be clearly better off if the Proposed Transaction proceeds and they elect to participate in the Notes Offer. In accordance with RG 111 the expert is to consider these reasons and the position of a Shareholder that *does participate* in the Notes Offer, as part of the reasonableness assessment of the Proposed Transaction.

We have also assessed the terms of the Proposed Issue of Options and the Proposed Underwriting separately in our reasonableness assessment and are of the opinion that there are compelling reasons for Shareholders to approve the Proposed Issue of Options and the Proposed Underwriting.

McAleese has been experiencing significant financial pressures mostly due to the decline in certain mining sectors in Australia and its significant levels of debt. The forbearance arrangements with its current debt providers will expire if the Proposed Transaction does not proceed and the Company will risk being placed into external administration. McAleese requires a substantial reduction in its debt and additional capital if it is to generate any meaningful recovery in the business. Both will occur if the Proposed Transaction proceeds.

Our opinion should be read in conjunction with the remainder of this letter and our detailed Report that is attached.

4.1. Fairness

We have assessed whether the Proposed Transaction is fair by comparing the fair market value of an issued Share in McAleese before the Proposed Transaction, on a control basis, to the fair market value of an issued share after the Proposed Transaction, on a minority interest basis, assuming the Proposed Transaction is approved. Our fairness assessment has been undertaken on the basis of a Shareholder that *does not participate* in the Notes Offer.

We have considered the position of a Shareholder that *does participate* in the Notes Offer as part of our reasonableness assessment.

In Section 9.3 of our Report, we set out our fairness assessment.

On the basis that a Shareholder *does not participate* in the Notes Offer, our fairness assessment indicates that the fair market value of an issued Share after the Proposed Transaction, on a pro-forma fully diluted basis² ('Pro-forma Number of Shares'), is *lower* than the range of the fair market value of an issued Share before the Proposed Transaction.

A Shareholder that *does not participate* in the Notes Offer will continue to hold their shares. By virtue of the Notes Offer, if all Shareholders elect not to participate in the Notes Offer their interests will be diluted from 69.2% to 0.05% of the total issued Shares of the Company³.

The Proposed Issue of Options and Proposed Underwriting are inter-conditional. Therefore, if the Proposed Issue of Options is not approved, the Proposed Underwriting will not proceed, and vice versa.

² Under the Notes Offer, Shareholders will be given the opportunity to subscribe for 1.0218 Notes for every one Share held for \$0.09 per Note. Each Note will convert to 900 Shares. Therefore, the effective subscription price is \$0.0001 per Share. The face value of the Notes to be issued is \$26 million and will convert into 260 billion Shares. The number of Shares on issue will increase significantly because the Notes Offer is on a 1:900 basis (effectively 920:1 per Share, because of the 1.0218 Notes issued per Share), hence the 'effective value' per Share decreases significantly. The Notes Offer is fully underwritten

³ Excluding Rowsthorn's existing interest

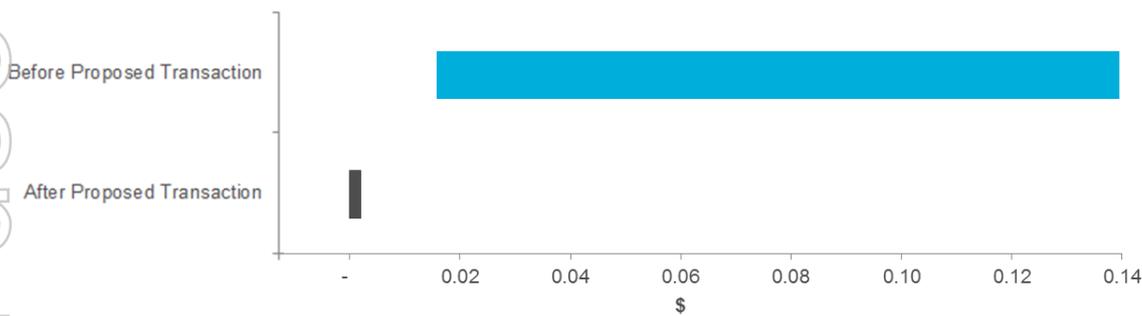
However, as the Proposed Issue of Options and Proposed Underwriting are both 'control' transactions involving different parties, and the Proposed Underwriting involves a related party, we have analysed each of these transactions separately.

On the basis that a Shareholder *does not participate* in the Notes Offer, we have assessed the fair market value of an issued Share in McAleese:

- before the Proposed Transaction, on a control basis, to be in the range of \$0.016 (1.6 cents) to \$0.140 (14.0 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of \$0.00019 (0.019 cents) to \$0.00025 (0.025 cents).

A summary of our fairness assessment is set out in Figure 1.

Figure 1: Fairness summary – Proposed Transaction (Shareholder *does not participate* in the Notes Offer)



Source: PPB analysis

On the basis that a Shareholder *does not participate* in the Notes Offer, our assessed fair market value of an issued Share after the Proposed Transaction is significantly *lower* than the range of the fair market value of an issued Share before the Proposed Transaction. Therefore, we have determined that the Proposed Transaction is *not fair* to a Shareholder that *does not participate* in the Notes Offer, according to RG 111.

Comparison of value before Proposed Transaction on a control basis with value after Proposed Transaction on a minority basis

RG 111 recommends that the Proposed Transaction is assessed on the basis that McAleese is subject to a change of control transaction. This reflects the possibility that shareholders, in approving the Proposed Transaction, may give up the opportunity to realise a control premium.

Our assessment involves comparison of the underlying value with the 'consideration' to be received by shareholders, where that consideration is deemed to be shares in McAleese after the Proposed Transaction. For the purposes of the comparison, we have valued the Shares after the Proposed Transaction on a minority interest basis (trading value) and compared it to the value of the Shares before the Proposed Transaction which on a control basis.

We have applied a control premium of 30% in our analysis, however a control premium effectively represents the outcome of pricing decisions in change of control transactions. The trading price of McAleese Shares on the ASX will not incorporate a control premium, in the absence of any takeover offer.

4.2. Reasonableness

There are a number of potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction. These are summarised below.

Advantages

Shareholder participation in Notes Offer

Shareholders will have the ability to participate in the Notes Offer that will result in them holding an interest of up to 60% of the issued Shares after the Proposed Transaction.

In the event that the Notes are not subscribed for by the Shareholders they will be subscribed for by Rowsthorn. This could result in Rowsthorn holding up to 65%.

Shareholders are being offered favourable pricing under the Notes Offer

Under the Notes Offer, Shareholders are given the opportunity to subscribe for new Shares at a *discount* of between 48% and 60% to our assessed fair market value after the Proposed Transaction⁶.

In analysing the position of a Shareholder that *does participate* in the Notes Offer, we have assessed the fair market value of an issued Share in McAleese:

- before the Proposed Transaction, on a control basis, to be in the range of \$0.016 (1.6 cents) to \$0.140 (14.0 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of \$0.175 (17.5 cents) to \$0.233 (23.3 cents).

Shareholders that subscribe for the Notes will pay a subscription price in order to participate in the Notes Offer. Effectively, the net value to a Shareholder that participates in the Notes Offer is \$0.083 (8.3 cents) to \$0.140 (14.0 cents) per Share. Our analysis is summarised in Table 1 and Figure 2.

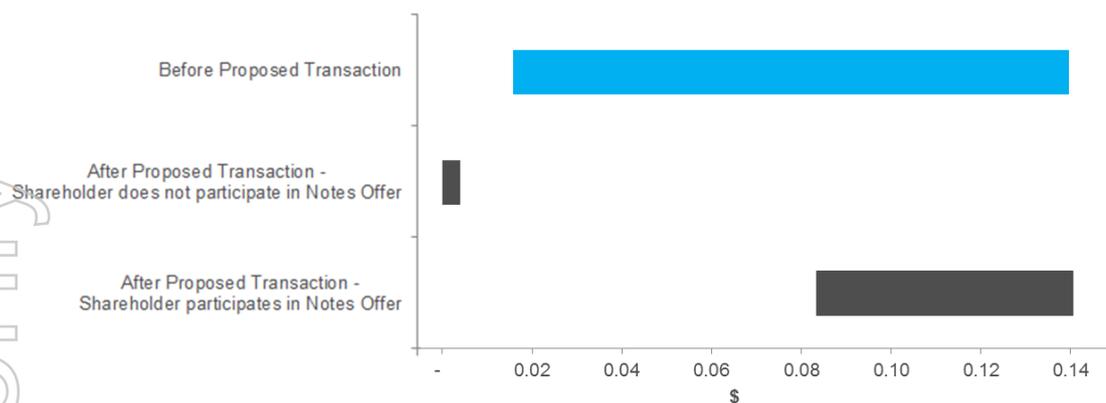
Table 1: Assessment of value to Shareholder after the Proposed Transaction

	Before Proposed Transaction		After Proposed Transaction			
			Shareholder does not participate in Notes Offer		Shareholder does participate in Notes Offer	
	Low	High	Low	High	Low	High
Fair market value per Share (cents)	1.6	14.0	0.019	0.025	0.019	0.025
Number of Shares	1	1	1	1	921	921
Fair market value per Share on before Proposed Transaction basis (cents)	1.6	14.0	0.019	0.025	17.5	23.3
Less subscription price (0.01 cents for each new share)	-	-	-	-	(9.2)	(9.2)
Total value to shareholder (cents)	1.6	14.0	0.019	0.025	8.3	14.1
Increase/(decrease) in value	n/a	n/a	(99%)	(100%)	430%	1%

*For every one Share held, a shareholder is effectively entitled to 920 new shares under the Notes Offer, in addition to the share already held

⁶ The subscription price of the Notes Offer is 0.01 cents per share, compared to our assessed fair market value after the Proposed Transaction of between 0.019 cents and 0.025 cents.

Figure 2: Summary – Proposed Transaction (Shareholder *does* and *does not* participate in the Notes Offer)



Note: Values after the Proposed Transaction, for a shareholder that does participate, are net of the subscription price

Comparison to share price

The value of an issued Share to a shareholder that participates in the Notes Offer, net of the subscription price, is higher than the 5 day volume weighted average price ('VWAP') of McAleese Shares after 7 June 2016 of \$0.024 ('5 Day VWAP').

As noted in our analysis of the share price performance in Section 3.11, the quoted share price both before and after the announcement of the Proposed Transaction may not reflect fair market value because:

- the volume of shares traded indicates that the liquidity of McAleese shares is limited
- the extended period of suspension of the shares from official quotation up to 7 June 2016.

Company's debt level is reduced significantly

The Proposed Transaction will significantly reduce the Company's debt and lessen the associated financial pressures, allowing Directors to focus on stabilising the business.

Under the Proposed Transaction, the Company's debt will be reduced by approximately \$80 million⁸ which will result in:

- a significant reduction of its excessive financial leverage
- the interest coverage ratio⁹ increasing from *negative* (1.37) times to between *negative* (0.18) times and 1.60 times (which compares to its peer average of 4.45 times)
- net debt to earnings before interest, tax, depreciation and amortisation ('EBITDA')⁹ decreasing from 7.21 times to between 1.07 and 2.44 times (which compares to its peer average of 2.45 times)
- an annual interest cost¹⁰ of \$17.0 million (based on an interest rate of 15% per annum) compared to \$14.0 million (based on an average interest rate of approximately 6% per annum). The \$17.0 million annual interest expense equates to a cash payment of approximately \$6.8 million as a result of the Payment In Kind ('PIK') component.

Continue as a Shareholder

Shareholders will continue to hold shares in McAleese. However, as part of the Proposed Transaction, the Company is seeking Shareholder approval to delist from the ASX. In which, case Shareholders will hold shares in an unlisted company.

Recommendation of Independent Directors

The majority of the Independent Directors of McAleese recommend the Proposed Transaction.

⁸ Calculated as the current senior debt facility of \$191 million less the new SC Lowy senior debt facility of \$93.3 million

⁹ Calculated as at 31 December 2015 and using the forecast estimates provided in the forecast model

¹⁰ Calculated based on 1HY FY16 annualised and 1HY FY17F annualised

Alignment of interests of debt providers

The interests of SC Lowy, as senior debt provider, by virtue of the exercise of the Options, will become aligned with Shareholders.

From a control perspective, the Proposed Underwriting does not confer any meaningful additional control, over and above that, which Rowsthorn already has through his 31% interest and seat on the board.

Underwriting fee at market

The issue of Notes (or the cash payment) to Rowsthorn under the Proposed Underwriting represents an underwriting fee of 8.33% of the capital raised. Based on our analysis of non-renounceable rights issues since December 2004, Rowsthorn's underwriting fee is within the range of underwriting fees, albeit towards the high end.

In our opinion, this reflects the high level of perceived risk associated with the Proposed Transaction, the challenging financial position of McAleese and the binding nature of the agreement for 12 months. Our analysis is summarised in Table 2 and Appendix G.

Table 2: Summary market non-renounceable rights issues

Transaction size		Number of transactions	Underwriting fee		
\$ million	\$ million		Average	Min	Max
10	20	78	4.8%	0.8%	11.4%
20	30	17	4.1%	2.0%	6.0%
30	40	12	4.1%	1.0%	5.0%

Source: Capital IQ

Proposed Issue of Options is favourable to Shareholders

SC Lowy has facilitated the reduction of the Company's senior debt of approximately \$80 million, from \$191 million to \$112.3 million in exchange for the Proposed Issue of Options. Based on our analysis, in the absence of dilution, the fair market value of the Shares to be issued to SC Lowy under the Proposed Issue of Options is in the range of \$29 million to \$38 million which is significantly lower than the reduction of senior debt of \$80 million.

Therefore, the Proposed Issue of Options to Shareholder adds between \$42 million and \$51 million of value to the Company. Refer to Section 7 for our analysis on the Proposed Issue of Options. A summary of our analysis is replicated below in Table 3:

Table 3: Fair market value of an issued share after the Proposed Issue of Options

\$'000	Low	High
Equity Value before the Proposed Transaction (Control Basis)	4,447	39,447
Plus: Existing Senior Debt Facility	191,245	191,245
Less: New SC Lowy Facility	(93,300)	(93,300)
Less: New Working Capital Facility	(14,000)	(14,000)
Less: Deferred Consideration	(5,000)	(5,000)
Less: Loan origination fees added to SC Lowy Facility	(2,000)	(2,000)
Sub-Total	76,945	76,945
Equity Value post Proposed Issue of Options (Control Basis)	81,392	116,392
Less: Discount for minority interest of 23%	(18,783)	(26,860)
Equity Value post Proposed Issue of Options (Minority Interest Basis)	62,610	89,533

Source: PPB analysis, Management

Disadvantages

Significant dilution

Shareholders' interests will be significantly diluted by:

- SC Lowy being offered the Options at no cost, for an interest of 35% of the issued Shares after the Proposed Transaction
- Rowsthorn being offered Notes as an underwriting fee, for an interest of 5% of the issued Shares after the Proposed Transaction

To the extent that Shareholders *do not participate* in the Notes Shareholders will be further diluted by Rowsthorn, as underwriter, who will take up the Notes and may accrue an interest of up to 65% of the issued Shares after the Proposed Transaction.

Cost of Proposed Underwriting borne by Shareholders

Based on our analysis, the fair market value of the Shares to be issued to Rowsthorn under the Proposed Underwriting is in the range of \$4.1 million to \$5.5 million.

The Proposed Underwriting reduces the value of the Company by virtue of the underwriting fee paid to Rowsthorn.

Restricted opportunity to participate in Proposed Underwriting

Shareholders have a restricted opportunity to participate in the Proposed Underwriting, however Rowsthorn is open to suitably capitalised shareholders sub-underwriting some of the Notes Offer and being paid a portion of the underwriting fee that Rowsthorn would otherwise receive¹¹. Not all Shareholders would be eligible or have the capacity to be an underwriter. This may lead to direct dilution of Shareholders interests.

No opportunity to participate in Proposed Issue of Options

Shareholders do not have the ability to participate in the Proposed Issue of Options, which will, when exercised, comprise 35% of the issued Shares after the Proposed Transaction. This will lead to direct dilution of Shareholders interests.

No alternatives

If the Proposed Issue of Options and / or the Proposed Underwriting are not approved, the Proposed Transaction will not proceed and there is a significant risk that the Company will be placed into external administration. In this circumstance, Shareholders would likely receive little, if any, proceeds for the Shares they hold.

If the Proposed Issue of Options and Proposed Underwriting are not approved, the Share price of McAleese may fall below the current share price (of \$0.024 per share on 8 June 2016).

Delisting

As part of the Proposed Transaction, the Company is seeking Shareholder approval to delist from the ASX. In which case Shareholders will hold shares in an unlisted company. Shareholders will not be able to trade their shares on the open market. Refer to Appendix 6 of the Documents for the key difference between holding shares in an ASX listed company compared to an unlisted public company.

Reasonableness conclusion

Based on the qualitative factors summarised above, it is our opinion that the Proposed Transaction is reasonable to Shareholders.

Other factors

If the Proposed Issue of Options and the Proposed Underwriting are not approved, the Proposed Transaction will not proceed and the Share price of McAleese may not rise from the current trading price because the Company has no alternative plans.

¹¹ Documents, page 5

It is a condition of the forbearance with the existing financiers that the Proposed Transaction precedes. In the event this does not occur, then the forbearance period will cease and the directors would likely consider appointing a voluntary administrator and / or the financiers would likely consider appointing receivers and managers. As a result, Shareholders would likely receive little, if any, proceeds.

The directors have investigated numerous options to alleviate the funding pressures, including running a tender process over an extended time period for the recapitalisation of the Company. The Proposed Transaction is, in the view of the majority of the Independent Directors, the most beneficial to Shareholders in the Company's current circumstances.

Other matters

PPB has prepared a FSG in accordance with the Act. The FSG is set out in Part 1 of this document.

The decision of whether or not to accept the Proposed Transaction is a matter for each Shareholder to decide, based on their own views as to the value of McAleese and their own expectations about future market conditions, the future performance of McAleese, risk profile and investment strategy.

If Shareholders are in any doubt as to the action that they should take in relation to the Proposed Transaction, they should seek their own professional advice.

This letter should be read in the context of our full report that is attached.

Yours faithfully

PPB Corporate Finance Pty Ltd



Campbell Jaski
Director



Fiona Hansen
Authorised Representative
AR Number 246371

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Appendix B	Sources of information
Appendix C	Valuation methods
Appendix D	Potentially comparable listed company descriptions
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Appendix F	Control premium analysis
Appendix G	Underwriting fee analysis

All references to \$ in this report are Australian dollars unless stated otherwise

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1. Summary of the Proposed Transaction

1.1 The Proposed Transaction

On 7 June 2016, McAleese announced that, subject to shareholder approval, the Company had agreed to a recapitalisation of the Company by way of the following transactions (together referred to as the 'Proposed Transaction'):

- extinguishment of all existing senior debt of \$191 million¹⁶ in exchange for \$112.3 million, comprising:
 - \$14 million to be repaid by the Company from current cash balances and a new working capital facility
 - the acquisition by the SC Lowy consortium ('SC Lowy') of the remaining senior debt for \$93.3 million ('Senior Debt Acquisition')
 - \$5 million payable by the Company, which is deferred for up to 12 months after the date of the Senior Debt Acquisition.
- the senior debt to be acquired by SC Lowy will be replaced by a new senior debt facility totalling \$93.3 million plus fees and interest accrued from the time of the Senior Debt Acquisition
- in part consideration of the compromise of the Senior Debt Acquisition by SC Lowy, the Company will issue options with a zero strike price to SC Lowy for ordinary shares in McAleese ('Options') such that SC Lowy will hold 35% of the shares on issue in McAleese after-exercising the Options and after the Proposed Transaction ('Proposed Issue of Options')
- an underwritten \$26 million pro-rata entitlement offer of subordinated, secured convertible notes ('Notes') to McAleese shareholders ('Shareholders'). The Notes will be issued in such number that the note holders will, on conversion of the Notes, hold 60% of the shares on issue in McAleese post-recapitalisation (assuming the Options are exercised)
- the proposed delisting of McAleese from the official list of the ASX.

SC Lowy requires that the pro rata issue of the Notes be fully underwritten. The proceeds of \$26 million will be used to partially repay the new senior debt facility. Entities associated with the Company's major shareholder, Managing Director and CEO, Mark Rowsthorn ('Rowsthorn') were the only parties prepared to provide this underwrite on terms acceptable to the Company and SC Lowy ('Proposed Underwriting').

Under the Notes Offer, existing shareholders will be given the opportunity to subscribe for 1.218 Notes for every one share held for \$0.09 per Note. Each Note will convert to 900 shares. Therefore, the effective subscription price is \$0.0001 per share ('Pro-forma Number of Shares').

Rowsthorn will, subject to shareholder approval, be issued Notes, as an underwriting fee, which are convertible to 5% of the shares on issue, after the Proposed Transaction, assuming exercise of the Options and conversion of the Notes, Rowsthorn will also be issued with any Notes not taken up by Shareholders.

If shareholder approval is not provided for the Proposed Underwriting and the issue of Notes to Rowsthorn as underwriter, then Rowsthorn will receive a cash underwriting fee of \$2.167 million from the Company, although that payment will be deferred until the New Senior Debt Facility has been repaid.

The Proposed Issue of Options and the Proposed Underwriting comprising the Proposed Transaction are inter-conditional. If the Proposed Issue of Options is not approved, the Proposed Underwriting will not proceed.

¹⁶ Includes approximately \$5 million owed as a result of the closing out of certain hedging transactions

The Proposed Transaction is conditional on, and subject to, the approval of the shareholders of McAleese that are not associated with the transactions (‘Non-Associated Shareholders’) at a general meeting. After the Proposed Transaction:

- SC Lowy and Rowsthorn will be entitled to appoint one director for each 15% share interest in the Company, as if the Options were exercised and the Notes converted
- and after delisting, the constitution will be amended (with shareholder approval) to require the board to consider pursuing a listing on or about 24 months after delisting occurs.

PPB Corporate Finance Pty Ltd (‘PPB’) has been engaged by the independent directors of McAleese (‘Independent Directors’) to prepare an Independent Expert Report (‘IER’ or ‘Report’) in relation to the Proposed Transaction.

1.2 Summary of the terms of the Options and the Notes

The key terms of the Options are summarised in Table 4.

Table 4: Summary of terms of Options

Term	Description
Exercise price	Nil
Term	Exercisable at any time after the Notes have been converted in accordance with their terms, with any exercise of Options being for all of the Options held by or for that investor
Exercise ratio	On exercise of the Options SC Lowy will receive shares on an ‘after Proposed Transaction’ basis (ie after all Options have been exercised and all Notes have been converted that represent 35% of the McAleese shares on issue)

Source: Discussions with McAleese Management, directors and its legal and corporate advisers

The offer of Notes (‘Notes Offer’) to Shareholders will be made by McAleese in a Prospectus to be issued within 10 days following the Shareholder approval of the Proposed Transaction.

The key terms of the Notes are summarised in Table 5.

Table 5: Summary of terms of Notes

Term	Description
Offer ratio	Shareholders will be offered the opportunity to acquire 1.02184 Notes for every Share that they hold on the record date for the Notes Offer
Underwriter	Contento Investments Pty Ltd, as trustee for the Contento Investments Trust. Mark Rowsthorn is the sole shareholder and a beneficiary of the Contento Investments Trust
Conversion	Each Note will have an offer price of 9 cents and will convert into 900 Shares Notes will convert on the date which is no later than 30 days after the date on which Tranche A under the New Senior Debt Facility has been repaid as of 7 July 2017
Security	The Notes will be secured but subordinated to all amounts owing under the New Senior Debt Facility, under the deferred consideration arrangements (\$5 million), the New Working Capital Facility and McAleese’s bank guarantee, lease finance and transactional banking facilities
Interest rate	Interest to be calculated at 15% per annum with accrued interest payable in cash on the conversion of the Notes
Subordination	Secured but subordinated to all amounts owing under the New Senior Debt Facility, under the deferred consideration arrangements, the New Working Capital Facility and the Company’s bank guarantee, lease finance and transactional banking facilities

Source: Discussions with McAleese Management, directors and its legal and corporate advisers

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1.3 Shareholdings before and after the Proposed Transaction

If Shareholders do not subscribe for their entitlement of Notes, their shareholding will be materially diluted by the conversion of the Notes by Rowsthorn.

Table 6 summarises the shareholdings before the Proposed Transaction.

Table 6: Summary Shareholdings – before the Proposed Issue of Options

	Before Proposed Issue of Options	
	Number '000	%
Existing shareholders (excluding Rowsthorn)	195,690	69.22%
Rowsthorn	87,023	30.78%
SC Lowy	0	0.0%
Total	282,713	100%

Source: Discussions with McAleese Management, directors and its legal and corporate advisers

Table 7 summarises the pro-forma shareholdings after the Proposed Issue of Options. Shareholders *do not participate* in the Proposed Issue of Options, on a Pro-forma Number of Shares basis¹⁷.

For the purposes of our analysis of the Proposed Issue of Options, SC Lowy, is 'theoretically' issued with Options that on exercise comprise 36.82% of the issued shares after the Proposed Issue of Options, but before the payment of the underwriting fee in Notes. SC Lowy's interest is then 'diluted' by virtue of the issue of the Notes to 35% of the issued shares after the Proposed Underwriting (on an after the Proposed Transaction basis).

Table 7: Summary Shareholdings – after Proposed Issue of Options

Summary of shareholdings after Proposed Issue of Options	Assuming all Shareholders participate in the Notes offer		Assuming Shareholders <i>do not</i> participate in the Notes Offer	
	Number '000	% of Total	Number '000	% of Total
Rowsthorn Total Shares after Proposed Issue of Options	80,118,821	19.45%	260,087,023	63.14%
Total Existing Shareholder (Excl Rowsthorn)	180,163,892	43.73%	195,690	0.05%
Shares Issued to SC Lowy as part of Proposed Issue of Options	151,666,667	36.82%	151,666,667	36.82%
Total	411,949,380	100.00%	411,949,380	100.00%

Source: Discussions with McAleese Management, directors and its legal and corporate advisers

¹⁷ The number of shares on issue increases significantly because the Notes Offer is on a 1:900 basis

Table 8 summarises the pro-forma shareholdings after the Proposed Transaction, assuming the Shareholders subscribe for either 0% or 100% of the Notes.

Table 8: Summary Shareholdings – Proposed Underwriting / Proposed Transaction

	After Proposed Underwriting All Shareholders <i>participate</i>		After Proposed Underwriting Shareholders <i>do not participate</i>	
	Number '000	%	Number '000	%
Existing shareholders (excluding Rowsthorn)	180,163,892	41.55%	195,690	0.05%
Rowsthorn	101,785,488	23.47%	281,753,690	64.98%
SC Lowy	151,666,667	34.98%	151,666,667	34.98%
Total	433,616,046	100%	433,616,046	100%

Source: Discussions with McAleese Management, directors and its legal and corporate advisers

Comments on Shareholdings before and after the Proposed Transaction:

- The face value of the Notes to be issued is \$26 million, which will convert into 260 billion shares (ie \$26 million divided by the subscription price of \$0.0001 representing approximately 60% of the total shares on issue after the Proposed Transaction (18.46% of which will be held by Rowsthorn by way of his existing shareholding).
- After the Proposed Transaction it is proposed that McAleese management ('Management') will be incentivised by way of equity linked incentives. The above tables exclude any allowance for shares to be issued to Management.
- Shareholders that *do not participate* in the Notes Offer will not be entitled to receive any new shares on conversion of the Notes. Shareholders that *do not participate* will retain the shares they hold before the Proposed Transaction.
- The existing Shareholders interest of 41.55% assumes that all existing Shareholders participate for their entitlement of Notes and those Notes are converted into new shares.
- Rowsthorn's interest of 23.47% assumes that Rowsthorn will fully subscribe for his entitlement of Notes and that all other existing Shareholders will fully subscribe for their entitlement of Notes. Rowsthorn is not required to take up any Notes under the Proposed Underwriting.
- Rowsthorn's interest of 64.98% assumes that:
 - Rowsthorn is required to take up the full shortfall of Notes under the Proposed Underwriting in accordance with the Underwriting Agreement
 - Shareholders approve the issue of Notes under the Proposed Underwriting (convertible to 5% of total shares on issue after the Proposed Transaction), as consideration for Rowsthorn agreeing to fully underwrite the Notes.
- SC Lowy's interest of 35% assumes that Shareholders approve the Proposed Issue of Options (on an after Proposed Transaction basis).

1.4 Rationale for the Proposed Transaction

The directors' rationale for the Proposed Transaction is summarised as follows:

- As a result of challenging mining conditions, the Company breached its financial undertakings with its debt provider at 30 June 2015 and 31 December 2015. The Company received a waiver on the basis that it continued its review of its financial position.
- After June 2015 financial year end, the directors appointed an independent adviser and sought expressions of interest to recapitalise the Company. The directors have undertaken a thorough process and search for alternative transactions that may have resulted in a different outcome for Shareholders throughout the strategic review process where over 65 parties were approached including private equity funds, alternative capital providers and strategic and trade investors.

The majority of the Independent Directors believe that the Proposed Transaction is the most favourable to Shareholders.

1.5 Conditions precedent

Completion of the Proposed Transaction is subject to the approval of the Proposed Issue of Options and conversion of the Notes held by Rowsthorn as Underwriter by the requisite majority of Shareholders at a general meeting

If the Senior Debt Acquisition does not occur, then McAleese's senior debt with the existing financiers will remain outstanding and the Proposed Transaction will not occur. In that circumstance, McAleese would need to rely upon the continued support and forbearance of its existing financiers to continue as a going concern.

SC Lowy has agreed to extend the current forbearance arrangements with the Company, from the time of the Senior Debt Acquisition until the earlier of:

- compromise of the Senior Debt
- the occurrence of any new event of default
- the Note Issue completion date
- 16 September 2016.

If Shareholders do not approve the Proposed Transaction at the general meeting or SC Lowy's forbearance expires, SC Lowy, as the majority secured creditor (assuming that the Senior Debt Acquisition has occurred), may withdraw its support as lender and may then seek to acquire its equity interest in McAleese by way of an alternative transaction (such as through a deed of company arrangement or creditors scheme) which otherwise reflects, in substance, the overall transaction contemplated by the Proposed Transaction, including the preservation of unsecured trade creditor claims (other than as contemplated in this announcement) and employee entitlements. In this scenario there would be no issue of Notes.

Full details of all the conditions precedent are included in the explanatory memorandum and notice of meeting ('Documents') prepared by the directors, to which this Report forms part.

1.6 Pro-forma net assets of McAleese after the Proposed Transaction

Table 9 summarises the pro-forma net assets of McAleese before and after the Proposed Transaction.

Table 9: Summary of pro-forma net assets before and after the Proposed Transaction

	\$000
Pro-forma Net Assets before Proposed Transaction (refer section 3.5)	23,206
After Proposed Issue of Options	
<i>Plus:</i> Existing Senior Debt Facility	191,245
<i>Less:</i> New SC Lowy Facility	(93,300)
<i>Less:</i> New Working Capital Facility	(14,000)
<i>Less:</i> Deferred Consideration	(5,000)
<i>Less:</i> Loan origination fees added to SC Lowy Facility	(2,000)
Sub-Total	76,945
Pro-forma net assets after Proposed Issue of Options	100,151
After Proposed Underwriting	
<i>Plus:</i> Capital raised from Notes Offer	26,000
Pro-forma net assets after the Proposed Transaction	126,151

Source: Documents

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2. Scope of report

2.1 Purpose and scope

The Independent Directors have appointed PPB to prepare this Report to express an opinion as to whether the Proposed Transaction is fair and reasonable to (and in the best interests of) Non-Associated Shareholders, as a whole.

This Report has been prepared at the request of, and for the benefit of, the directors and for the benefit of Shareholders, to assist the directors in fulfilling their obligations to provide Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction and to decide whether to agree to the resolutions set out in the Documents

This Report is to accompany the Documents to be provided to the Shareholders.

Our IER has been prepared in accordance with APES 225 Valuation Services ('APES 225') issued by the Accounting Professional & Ethics Standards Board. As required under APES 225, we confirm that we are independent of the directors, McAleese, SC Lowy and Rowsthorn.

2.2 Regulatory requirements

Although there is no requirement for an independent expert report for the Proposed Transaction as a whole, pursuant to the Act, or the ASX listing rules, the Independent Directors have engaged PPB to prepare an independent expert report setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to, (and in the best interests of) the Non-Associated Shareholders.

Corporations Act

The Proposed Transaction requires the approval of the Non-Associated Shareholders in accordance with item 7 of Section 611 of the Act.

Section 606 of the Act prohibits a person from acquiring a relevant interest in a public company where that person's voting power increases from 20% or below to in excess of 20% or, if that person already has a voting power in excess of 20%, their voting power would increase further.

The Proposed Transaction will result in SC Lowy and may result in Rowsthorn being issued with shares that could result in their interests exceeding the limit allowed by Section 606 (depending on the extent of subscription of Notes by Shareholders in the pro-rata offer). As such, McAleese is seeking Shareholder approval for the issue of shares as a result of the Proposed Issue of Options and the Proposed Underwriting under the Proposed Transaction.

ASX Listing Rules

LR 10.11 requires a company to obtain shareholder approval for the issue of equity securities to:

- a related party
- a person whose relationship to the entity or a related party¹⁸ is, in the ASX's opinion, such that approval should be obtained.

As Rowsthorn is a related party, LR 10.11 applies to the Proposed Underwriting.

¹⁸ As defined by the ASX listing rules

ASIC Regulatory Guides

ASIC Regulatory Guide RG 111 *Content of expert reports* and RG 76 provide guidelines for an expert preparing an independent expert report. RG 112 *Independence of experts* deals with the independence of the expert.

We confirm that we are independent under the requirements of RG 112.

RG 111 provides guidance in relation to the content of independent expert’s reports for a range of transactions. It notes that an expert should focus on the substance of a related party transaction, rather than the legal mechanism and, in particular where a related party is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

In considering the Proposed Transaction, we have had regard to the economic substance of the Proposed Issue of Options and the Proposed Underwriting (collectively, the Proposed Transaction), and that they are inter-conditional. As such, the Proposed Issue of Options and the Proposed Underwriting must be considered together as it is not possible for one to occur without the other.

To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have considered whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as required by RG 111.

RG 111 states that, in the context of a “control transaction”, the words “fair” and “reasonable” establish two distinct criteria:

- is the offer “fair”; and
- is it “reasonable”?

RG 111 recommends us to consider the Proposed Transaction as follows:

- the Proposed Transaction is fair, if the value of a share in the Company before the Proposed Transaction (on a control basis) is equal to or less than the value of a share in the Company after the Proposed Transaction (on a minority interest basis)
- the Proposed Transaction is reasonable if it is fair, or despite not being fair, after considering the other significant factors, there are sufficient reasons for Non-Associated Shareholders to vote for the Proposed Transaction in the absence of any alternative transaction.

RG 76 *Related party transactions* (“RG 76”) states that it may be necessary to commission an independent expert’s report to provide members with sufficient information to assess a proposed related party transaction that is also a control transaction.

2.3 Our approach

Although this IER is not required by the Act or ASX LRs, we have followed the guidance of the RGs in the preparation of this Report.

Fairness

The approach required by RG 111, recommends the independent expert to assume that Non-Associated Shareholders are:

- ‘selling’ their shares in McAleese
- ‘receiving’ new shares after the Proposed Transaction.

In ‘selling’ their shares, Non-Associated Shareholders are ceding control to SC Lowy and Rowsthorn. Therefore RG 111 recommends the valuation of the shares before the Proposed Transaction to be undertaken on a control basis. In the Non-Associated Shareholders receiving new shares after the Proposed Transaction, we are to assume that the Non-Associated Shareholders will no longer have control, and therefore have a minority interest in McAleese. Consequently the valuation of the shares after the Proposed Transaction is to be undertaken on a minority interest basis.

The approach of RG 111 recommends the Proposed Transaction to be assessed as a takeover. However:

- no part of the Proposed Transaction will result in Non-Associated Shareholders being offered consideration
- the business operations of McAleese will not change in any material respect
- after the Proposed Transaction, Non-Associated Shareholders will still hold their shares in the Company (although the value and the likely trading price may change, as they will be impacted by the Proposed Transaction).

Whilst this approach is in line with the requirements of ASIC, it may not necessarily be the only approach Non-Associated Shareholders should consider when assessing the Proposed Transaction.

We have also had regard to other potential approaches in assessing the merits of the Proposed Transaction, as part of our reasonableness assessment. This considers other factors relevant to the Proposed Transaction from the perspective of Non-Associated Shareholders.

We have also considered whether SC Lowy and Rowsthorn will be paying any premium for control.

Reasonableness

In forming our opinion, we have considered the advantages and disadvantages to the Shareholders if the Proposed Transaction proceeds. ASIC suggests the factors that an expert should consider when determining whether an offer is reasonable, should include the following:

- substance of the Proposed Transaction
- the pricing of the Proposed Issue of Options compared to the Proposed Underwriting
- the financial situation and solvency of the entity
- opportunity costs
- the alternative options available to the Company and the likelihood of those options occurring
- the entity's bargaining position
- removal of risks associated with the rights that SC Lowy and Rowsthorn have through the ownership (control) of McAleese
- whether there is selective treatment of any security holder, particularly the related party
- implications of the Proposed Transaction on leverage, complexity of the capital structure, share price and earnings per share
- alternatives available to Non-Associated Shareholders
- other factors related to capital structure and opportunities for growth of the Company.

RG 111.15 states that the value of the securities that are the offer should be determined ignoring that the target may be in financial distress.

RG 76 recommends an independent expert to assess a related party transaction as if it was a control transaction. Therefore, where an independent expert assesses whether or not a related party transaction is "fair and reasonable" (whether for the purposes of Ch 2E or LR 10.1), there should be a separate assessment of whether the transaction is "fair" and "reasonable".

2.4 Definition of value

Fair market value

The assessment of whether the Proposed Transaction is fair and reasonable to Shareholders, as a whole, necessarily involves determining the fair market value of the issued shares of McAleese.

For the purposes of our opinion, the term “*fair market value*” is defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length”.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5 Valuation Date

Our opinions expressed in this Report are as at 7 June 2016 (‘Valuation Date’).

2.6 Shareholders’ decision

This IER has been prepared specifically for the Independent Directors and the Shareholders. Neither PPB, PPB Advisory, any member nor employee thereof undertakes responsibility to any person, other than the Shareholders, in respect of the IER, including any errors or omissions howsoever caused.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual Shareholders.

Individual Shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual Shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for Shareholders based on their own views as to the value of McAleese and their expectations about future market conditions, McAleese’s performance, and risk profile and investment strategy.

If Shareholders are in doubt as to the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

PPB has prepared a Financial Services Guide (‘FSG’) in accordance with the Act. The FSG is included as Part 1 of the Report.

2.7 Consent and other matters

This IER is to be read in conjunction with the Documents, and is prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

PPB's opinion is based on economic, market and other external conditions prevailing at the date of this report. These conditions can change significantly over a relatively short period of time.

The Report has been based on financial and other information provided by McAleese in relation to the Proposed Transaction. PPB has considered and relied upon this information.

PPB consents to the issue of this Report in its form and context and consents to its inclusion in the Documents.

Refer to Section 10 for limitations and disclosures regarding the basis of preparation and use of this report.

2.8 Sources of information

In preparing this Report, we have relied on information as summarised in Appendix B, some of which was provided by McAleese and some was obtained from public sources.

All documents relied on in support of our opinion are either referred to in the body of this Report, identified by way of footnote, or are referred to in the appendices to this Report.

We have had discussions with Management in relation to the Proposed Transaction, operations, financial position and outlook for McAleese.

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3. Overview of McAleese

3.1 Brief history

McAleese was founded in the early 1930's and has developed from a regional transport operator situated in Northern Queensland to a diversified national transport business offering heavy haulage and lifting solutions, bulk haulage, liquid fuels distribution, and express freight services across Australia.

The growth of the business benefited from a number of acquisitions, summarised in Table 10.

Table 10: Summary McAleese acquisitions

Date	Acquired	Service offering
1992	Walter Wright Cranes Australia	Lifting solutions
2001	JN Nicholson Transport	Heavy haulage
2002	National Crane Hire	Lifting solutions
2004	Miers Heavy Haulage	Heavy haulage
2007	Wescomb Heavy Haulage	Heavy haulage
2008	Brimco Hire Services	Lifting solutions
2011	Legend Cranes	Lifting solutions
2012	International Energy Services	Bulk haulage, liquid fuels distribution, manufacture of specialist fluid handling equipment and associated services
2014	WA Freight Group	Express transport services to and from all major capital cities both interstate and intrastate. Perth metropolitan division provides overnight parcel distribution, break bulk, couriers and taxi truck services.

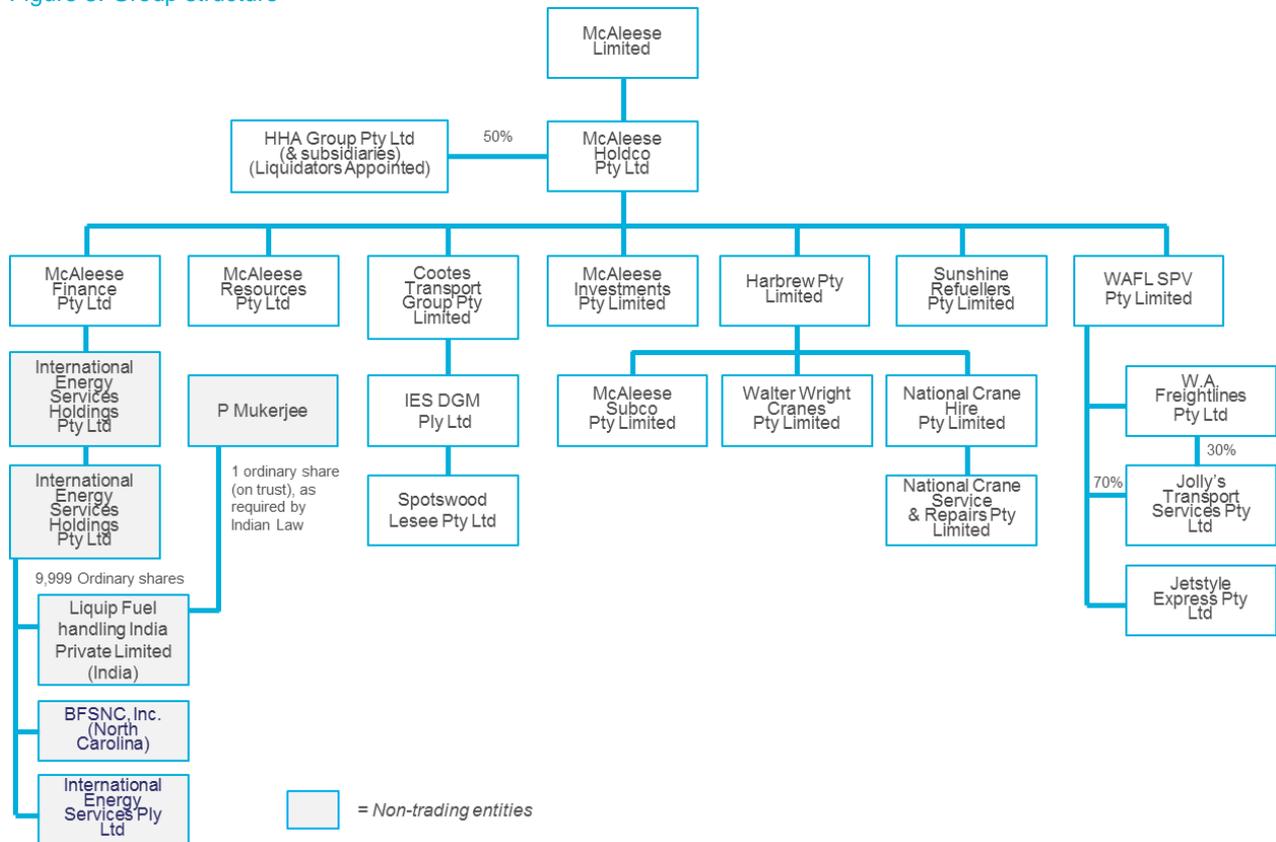
Source: McAleese Group Website (www.mcaleese.com.au/overview) 16 June 2016

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3.2 Group structure

The McAleese group structure is summarised in Figure 3.

Figure 3: Group structure



Data Room Developed by McAleese, McAleese’s Legal Advisors and McAleese’s Corporate Advisors
 All entities are 100% owned unless otherwise stated

3.3 Business operations

McAleese is a specialised transport and logistics services businesses. The Company operates through the following business divisions:

Heavy Haulage and Lifting

McAleese Transport, National Crane Hire and Walter Wright Cranes provide a range of heavy haulage, lifting solutions and general freight transport services across Australia to the resources, construction, and industrial and infrastructure sectors.

Bulk Haulage

McAleese Resources provides a range of services to bulk commodity producers, including transport, materials handling, mine site logistics, quarry operations, stockpiling, and crushing and road construction. Additionally, McAleese Resources operates a quarry in Queensland to source material used in road construction and maintenance.

Oil and Gas

McAleese Oil and Gas operates through two subsidiaries: Cootes Transport, a transporter of petroleum and liquid fuels, and Refuel International, a manufacturer of specialist fuel transfer equipment for domestic and international markets.

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Specialised Transport

The WA Freight Group is based in Forrestfield, Western Australia, and provides long haul transport services from the West coast to Adelaide, Melbourne, Sydney, Brisbane and Darwin.

McAleese Group has a nationwide network, its service offering is summarised in the Figure 4.

Figure 4: McAleese's geographic presence



Source: McAleese Group Website (www.mcaleese.com.au/overview) 13 July 2016

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3.4 Historical financial performance

The financial performance of McAleese for the Financial Year ended 30 June 2014 ('FY14'), 30 June 2015 ('FY15') and 6 months ended 31 December 2016 ('1HY FY16') is summarised in Table 11.

Table 11: Summary of McAleese's recent financial performance

\$'000	FY14	FY15	1HY FY16
Revenue	762,359	636,888	284,962
Other income	4,868	53,154	1,300
Direct transport and logistics costs	(136,866)	(140,306)	(85,923)
Cost of goods sold	(49,250)	(14,490)	(3,202)
Repairs and maintenance	(37,400)	(30,119)	(16,350)
Employee benefits	(305,260)	(245,928)	(110,582)
Fuel, oil, electricity	(79,157)	(67,748)	(28,470)
Occupancy and property costs	(27,682)	(30,811)	(13,648)
Depreciation and amortisation	(46,601)	(46,712)	(20,465)
<i>Impairment charges:</i>			
- Goodwill and intangibles	(30,621)	(53,092)	(50,144)
- Plant and equipment	(16,688)	(83,514)	–
- Equity investment, associated loans and net receivables	–	(18,886)	(8,320)
Other expenses	(74,864)	(47,943)	(25,721)
Profit/(loss) before finance costs and income tax	(37,162)	(89,507)	(76,563)
EBITDA	9,439	(42,795)	(56,098)
EBITDA (before significant items)	85,262	61,705	6,663
Net finance costs	(39,230)	(15,395)	(7,019)
Profit/(loss) before income tax	(76,392)	(104,902)	(83,582)
Income tax benefit	12,768	13,958	(13,779)
Profit/(loss) after income tax	(63,624)	(90,944)	(97,361)
Profit/(loss) attributable to:			
Owners of the company	(63,292)	(90,944)	(97,361)
Non-controlling interest	(332)	–	–
Profit/(loss) before other comprehensive income	(63,624)	(90,944)	(97,361)
Other comprehensive income			
Changes in fair value fair value of cash flow hedges	1,774	–	–
Translation of foreign operations	(199)	369	(18)
Revaluation of available-for-sale financial assets	–	–	8,664
Reclassification of translation reserve to profit or loss	(533)	(762)	(8,664)
Tax on items that may be reclassified subsequent to profit or loss	(532)	–	–
Total	510	(393)	(18)
Total comprehensive income/(loss) for the year	(63,114)	(91,337)	(97,379)

Source: McAleese consolidated financial statements for the year ended 30 June 2015 (and prior year comparatives) and half year report 31 December 2015.

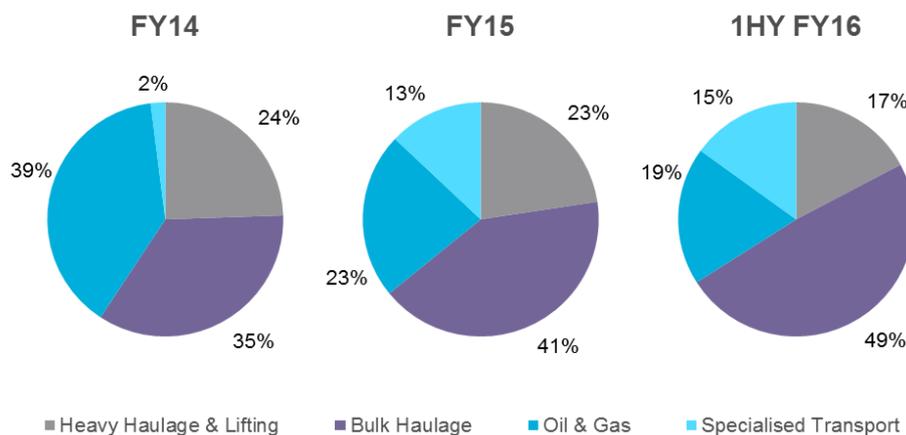
Revenue for each of McAleese's businesses is summarised in Table 12 and the revenue contribution to the group from each business is illustrated in Figure 5.

Table 12: Historical revenue by business

\$'000	FY14	FY15	1HY FY16	FY15 YoY growth	1HY FY16 (annualised) YoY growth
Heavy Haulage & Lifting	186,548	143,922	49,228	(22.8%)	(31.6%)
Bulk Haulage	265,175	264,420	138,766	(0.3%)	5.0%
Oil & Gas	295,408	146,036	54,131	(50.6%)	(25.9%)
Specialised Transport	15,215	82,465	42,818	442.0%	3.8%
Unallocated	13	45	19	246.2%	(15.6%)
Total	762,359	636,888	284,962	(16.5%)	(10.5%)

Source: McAleese consolidated financial statements for the year ended 30 June 2015 (and prior year comparatives) and half year accounts for 31 December 2015.

Figure 5: Relative revenue contribution by business



Source: McAleese consolidated financial statements for the year ended 30 June 2015 and half year accounts for 31 December 2015

Revenue declined by 16.5% in FY15. Results for 1HY FY16 suggest revenues are likely to decline by a further 10.5% in FY16. Profit after tax losses were reported for each period. The decline in financial performance is mainly attributable to:

- the Oil & Gas division being impacted by the cessation of key contracts with Caltex NSW and Victoria in FY15, which resulted in division revenue declining by more than 50% (offset slightly by cost reductions)
- the Bulk Haulage division being impacted by financial difficulties experienced by Atlas, a major customer of McAleese. The Company has a profit sharing agreement with Atlas, an iron ore mining company, and its financial performance is highly dependent on the operations of Atlas and the price of Iron Ore. Atlas’ operations have been impacted in recent years by the decline in the price of iron ore
- the Heavy Haulage & Lifting division being impacted by the slowdown in the mining industry, which has reduced the demand for these services
- a decline in the earnings margins of the Specialised Transport division in FY15 as a result of transporting less than full truck loads. We note that revenue increased in FY15 because it was the first year that included the full year trading results of WA Freight Group (‘WAFG’), which was acquired in April 2014
- an increase in direct transport and logistics costs, due to the acquisition of WAFG in April 2014 which is a low margin business, ie transports freight at less than full truck loads.
- significant asset impairments since FY14.

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Table 13 reconciles EBITDA based on the statutory financial statements and adjusts for significant one off and non-cash items.

Table 13: Significant items and reconciliation of EBITDA

\$'000's	FY14	FY15	1HY FY16
Profit on disposal of subsidiary	2,523	51,341	–
Loss on disposal of business	–	(2,539)	–
Loss on disposal of available-for-sale financial assets	–	–	(344)
IPO costs	(2,673)	–	–
Acquisition and sale costs	–	(576)	–
Impairment charges – goodwill and intangibles	(30,621)	(53,092)	–
Impairment charges/reversals – plant and equipment	(16,688)	(83,514)	(50,144)
Impairment charges – equity investment, associated loans and net receivables	–	(18,886)	–
Impairment charges of available-for-sale financial assets	–	–	(8,320)
Mona Vale accident costs	(11,329)	2,259	–
Restructure costs and superannuation	(15,935)	1,757	(1,187)
Onerous lease	(1,100)	–	–
Consulting and advisory costs	–	(1,051)	(3,652)
Revaluation of listed options	–	–	560
Insurance recovery – International Energy Services acquisition	–	–	740
Litigation settlement – Beta disposal	–	–	(414)
Total significant items	(75,823)	(104,301)	(62,761)
Other: Elimination of profit on transactions with equity investee	–	(199)	–
Total	(75,823)	(104,500)	(62,761)
EBITDA	9,439	(42,795)	(56,098)
<i>add back significant items and other adjustments</i>	<i>75,823</i>	<i>104,500</i>	<i>62,761</i>
EBITDA(before significant items)	85,262	61,705	6,663

Source: McAleese consolidated financial statements for the year ended 30 June 2015 (and prior year comparatives) and half year accounts for 31 December 2015.

3.5 Historical financial position

Table 14 summarises the financial position of McAleese at 30 June 2014, 30 June 2015 and 31 December 2015.

Table 14: Summary of McAleese financial position at 30 June 2014, 30 June 2015 and 31 December 2015

\$'000	30-Jun-2014	30-Jun-2015	31-Dec-2015
Current assets			
Cash and cash equivalents	50,958	44,782	18,635
Trade and other receivables	96,206	62,245	64,321
Prepayments	5,972	5,639	8,389
Inventories	2,204	4,845	7,647
Assets classified as held for sale	53,104	18,775	10,741
Total current assets	208,444	136,286	109,733
Non-current assets			
Financial instruments	–	–	560
Investments	–	–	3
Property, plant and equipment	374,209	278,057	204,320
Intangible assets	54,691	1,119	972
Available-for-sale financial assets	–	–	4,680
Deferred tax assets	–	13,740	–
Total non-current assets	428,900	292,916	210,535
Total assets	637,344	429,202	320,268
Current liabilities			
Trade and other payables	67,022	47,368	47,475
Financial instruments	1,600	2,515	2,367
Loans and borrowings	18,488	209,228	202,739
Current tax provision	–	(1)	(1)
Employee provisions	24,377	18,124	18,380
Other provisions	17,066	2,734	2,022
Liabilities classified as held for sale	10,145	657	–
Total current liabilities	138,698	280,625	272,982
Non-current liabilities			
Financial instruments	2,248	2,692	1,792
Loans and borrowings	258,439	4,210	1,144
Employee provisions	2,318	1,765	1,821
Other provisions	3,053	2,846	2,739
Deferred tax liabilities	501	–	–
Total non-current liabilities	266,559	11,513	7,496
Total liabilities	405,257	292,138	280,478
Net assets	232,087	137,064	39,790
Equity			
Contributed equity	251,417	251,417	251,417
Reserves	(1,297)	(3,486)	(3,399)
Accumulated losses	(19,923)	(110,867)	(208,228)
Total equity attributable to equity holders of the Company	230,197	137,064	39,790
Non-controlling interest	1,890	–	–
Total equity	232,087	137,064	39,790

Source: McAleese consolidated financial statements for the year ended 30 June 2015 (and prior year comparatives) and half year accounts for 31 December 2015.

Net assets declined by 82.9% between 30 June 2014 and 31 December 2015. The pro-forma net assets on the Valuation Date are summarised in Table 15.

Table 15: Pro-forma Net Assets at Valuation Date

\$'000	Valuation Date
Pro-forma Net Assets	23,206
Less: Intangible assets	(841)
Pro-forma Net Tangible Assets	22,365

Source: Management

We make the following observations in relation to the key changes in reported assets and liabilities:

- the Company's cash balances declined as a result of the operating losses
- Pro-forma net assets at the Valuation Date were \$23.2 million reflect a decline of 41.6%. The decline in net assets is mainly attributable to the Company's operating losses and significant assets impairments as a result of those losses
- property, plant and equipment ('PPE') comprises approximately 90% of plant and equipment. PPE has declined significantly due to:
 - a write-down of assets to their recoverable amounts in the Oil and Gas, Heavy Haulage and Lifting and Bulk Haulage divisions (totalling \$150.3 million between 30 June 2014 and 31 December 2015)
 - the sale of various plant and equipment, eg excess to requirements in the Oil and Gas, and Heavy Haulage and Lifting divisions.
- goodwill and intangibles were impaired to close to nil to reflect the decline in profitability of the business
- significant non-current loans and borrowings as at 30 June 2014 were reclassified to current loans and borrowing at 30 June 2015. This is because the Company was not able to comply with its financial undertakings and therefore did not have an unconditional right to defer settlement for at least 12 months after that date. The default was subsequently waived by the existing financiers
- assets and liabilities classified and held for sale comprise of:
 - Liquip Group (FY14)
 - Castlereagh Quarry (FY14 and FY15) not sold and reclassified in 1HY FY16
 - Excess equipment
- Pro-forma loan and cash balance used for the purposes of the valuation are summarised in Table 16. Changes in balances primarily relate to asset sales.

Table 16: Pro-forma Cash and Loan balances as at Valuation Date

\$'000	31 Dec 2015	Pro-forma	Change
Cash	18,635	20,692	2,057
Loans/borrowings	203,883	191,245	12,638
Net movement			14,695
PPE	204,320	192,546	(11,774)
Accumulated Losses	(208,228)	(205,307)	(2,921)
Net movement			(14,695)

Source: Management

3.6 Forecast financial performance

Management has provided us with a financial model containing forecast financial information up to 30 June 2018 ('Financial Model'). The forecasts for FY16 and FY17 have been approved and signed off by the Independent Directors, however the FY18 forecasts have not been approved. The Financial Model was also provided to SC Lowy during the negotiations regarding the Proposed Transaction.

The key assumptions underpinning the financial forecasts are summarised in Table 17.

Table 17: Summary of key assumptions

Assumption	Details
Bulk Haulage	Forecast revenue is derived based on estimated haulage volumes and estimated commodity prices Gross profit and EBITDA margins are forecast to improve from FY16
Corporate savings	Forecast cost savings of \$1 million for corporate expenditure Further cost savings are likely if the McAleese delists from the ASX through the elimination of listing fees and compliance costs
Exchange rate	AUD/USD exchange rate is forecast to be constant at 0.743
Forecast Model	The Financial Model contains forecasts for 1 June 2016 to 30 June 2018. Management has not approved the FY18 forecast Historical data is disclosed for comparative purposes for 1 July 2014 to 31 May 2016
Heavy Haulage and Lifting	Revenue is forecast to decline reflecting continued difficult trading conditions, however this is forecast to be offset by an improvement in gross profit and EBITDA margins
Inflation	Inflation of 3% has been applied to all overheads No inflation is included for revenue and cost of goods sold
Oil and Gas	Revenue is forecast to increase due to the full year benefit of an Elgas contract Gross profit and EBITDA margins are forecast to remain broadly consistent with FY16
Specialised Transport	Revenue and gross profit margin are forecast to improve due to an increase in pricing EBITDA margins are forecast to return to FY15 levels
Tax payable	A tax rate of 30% has been assumed, in line with the Australian corporate tax rate McAleese has carry forward tax losses totalling about \$18 million at 31 December 2015

Source: Financial Model and PPB analysis

3.7 Audit report

The 30 June 2015 audit report raised doubts as to the going concern prospects of McAleese because:

- a loss of \$90.9 million was generated for the year ending 30 June 2015
- current liabilities exceeded current assets by \$144.3 million at 30 June 2015.

In August 2015, McAleese and its financiers entered into an agreement to amend the syndicated facility agreement that, subject to the satisfaction of conditions precedent, waives the non-compliance with financial undertakings as at 30 June 2016.

The 30 June 2015 and 31 December 2015 financial statements (note 2 – basis of measurement and the going concern assumption) indicated that McAleese's ongoing viability depends on:

- the performance of key customer Atlas Iron Limited (specifically, the achievement of AUD iron ore prices in excess of its operating costs)
- the operating environment
- extent of capital expenditure
- working capital levels
- the successful execution of cost reduction programs
- cash flows from the realisation of assets held for sale and other surplus assets.

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3.8 Business outlook

McAleese is required to operate within the constraints of revised facility terms, agreed in August 2015. Management has developed a number of strategies to improve business performance, including:

- Bulk Haulage: Optimising operations (including adjustments to trailer configurations), seeking out growth opportunities with existing customers and networks.
- Heavy Haulage and Lifting: Difficult conditions are expected to continue into FY17 and Management will continue to right sizing the business for current and expected market conditions.
- Oil and Gas: Full year benefit of the revised Elgas contract (struck in December of 2015), to be reflected in the ongoing performance of the Cootes division. Further growth anticipated due to new contracts in Refuel International.
- Specialised transport: Division has faced difficult market conditions and management re-focusing on high value customers to improve operating margins.

3.9 Directors and Management

Table 18 summarises the experience of the directors and Management of McAleese at the date of this Report.

Table 18: Directors and key management

Name	Position	Brief resume
Don Telford	Non-Executive Chairman	Joined McAleese Group in September 2013. Over 40 years’ experience in the transport and logistics industry
Mark Rowsthorn	Managing Director and Chief Executive Officer	Joined the McAleese Group in October 2011. Over 35 years of experience in the Australian and international transport sector
John Russell	Group Chief Financial Officer	Joined McAleese Group in November 2014. Over 15 years’ experience working across strategy consulting, private equity investing and senior operating roles
Andrew Simpson	Chief Operating Officer	Appointed Chief Operating Officer of McAleese Group in November 2015. Over 16 years of industry experience including management roles at Toll Holdings Limited and Asciano Limited, where he held General Management roles in both the Patrick and Pacific National Divisions
Philip Tonks	Divisional General Manager Oil & Gas	Joined McAleese Group in 2015 as Realignment Project Director and was appointed GM of our McAleese Oil & Gas Division in January 2016. Philip is a Senior Executive and Director with over 30 years of commercial, operational and senior executive management experience in ports, rail, infrastructure, transport and logistics supply chains in Australia and New Zealand
Wayne Kent	Non-Executive Deputy Chairman	Joined McAleese Group in September 2013. 25 years of experience in corporate finance and capital markets, including 20 years as Head of Equity Capital Markets at Macquarie Group
Gilberto Maggiolo	Non-Executive Director	A prominent Queensland-based businessman with extensive experience in construction, transport and commercial property development
Kerry Gleeson	Non-Executive Director*	Joined the McAleese Board in September 2014. Extensive boardroom and senior management experience, having worked both nationally and internationally across several industries including chemicals, mining, agriculture, manufacturing and logistics

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Name	Position	Brief resume
Warren Saxelby	Non-Executive Director*	Joined the McAleese Board in March 2015. Over 40 years of experience working in senior finance roles in Australia, Asia and Europe and brings a strong financial and strategic focus to the Board.
Rohan Abeyewardene	Company Secretary	Appointed Company Secretary in March 2013. Previously held senior auditor and senior adviser roles at PKF and ASX.
Gary Ireson	General Manager Business Development & Marketing	Appointed Group GM Business Development and Marketing in March 2015. Over 25 years’ commercial and operations management experience in the downstream energy and resources industries.

*Appointed to the Board of Directors

Source: Data Room Developed by McAleese, McAleese’s Legal Advisors and McAleese’s Corporate Advisors

3.10 Capital structure

Table 19 summarises McAleese’s ordinary shares on issue as at 14 June 2016.

Table 19: McAleese's ordinary shares on issue at 14 June 2016

Range	Number of Shares	Percentage total issued shares	Number of holders
100,001 and over	260,049,168	91.98%	168
10,001 to 100,000	20,544,218	7.27%	510
5,001 to 10,000	1,397,468	0.49%	169
1,001 to 5,000	694,600	0.25%	220
1 to 1,000	27,633	0.01%	61
Total	282,713,087	100%	1,128

Source: Management

Note: The number of shareholders with less than a marketable parcel of 6,667 ordinary shares (at 7.5 cents per share) was 332, and they held 992,727 ordinary shares in total.

We have assumed that the issued shares as at 14 June 2016 are consistent with the issued shares as at 7 June 2016.

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Table 20 summarises the top ten ordinary shareholders of McAleese at 14 June 2016.

Table 20: Top 10 Shareholders at 14 June 2016

Rank	Shareholder	Number of shares	Percentage of total
1	Mostia Dion Nominees Pty Ltd (Mark Rowsthorn)	73,133,968	25.9%
2	National Nominees Limited	32,181,902	11.4%
3	Havenfresh Pty Ltd	19,918,941	7.0%
4	Gainslip Pty Ltd	19,918,941	7.0%
5	Rasmussen Holdings Pty Ltd	12,998,577	4.6%
6	Mr Peter Gunn	10,000,000	3.5%
7	Mark Rowsthorn Superannuation Fund Pty Ltd	8,970,321	3.2%
8	H K Price Pty Ltd	8,031,489	2.8%
9	Mr Andre David Malko	4,720,263	1.7%
10	HSBC Custody Nominees (Australia) Limited	4,584,674	1.6%
		194,459,076	68.8%
	Other Shareholders	88,254,011	31.2%
	Total shares on issue	282,713,087	100%

Source: Management

3.11 Share price performance

Figure 6 illustrates the movements in the share price and volumes traded between 31 December 2013 and 30 June 2016. McAleese shares traded in the range of \$0.02 to \$1.55 during this period. Table 21 summarises the key events that occurred during this period.

Figure 6: McAleese's historical share performance



Source: Capital IQ

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Table 21: Key events related to historical share performance

Note	Date	ASX announcement / event
1	30-Jan-14	Announcement of Cootes Transport restructuring
2	17-Feb-14 to 18-Feb-14	The shares of McAleese are voluntarily suspended from quotation pending an announcement on the restructuring of Cootes Transport
3	13-Apr-15 to 4-May-15	The shares of McAleese are voluntarily suspended from quotation regarding the decision of Atlas to progressively place its Pilbara mines into the care of maintenance
4	4-May-15	Announcement of reinstatement of quotation and revised outlook for FY15
5	15-May-15	Announcement of revised haulage agreement and commitment to Atlas equity subscription
6	23-Dec-15	McAleese successfully tender for an LPG Cartage contract with Elgas Limited
7	29-Feb-16 to 7-Jun-16	The shares of McAleese are voluntarily suspended from quotation pending an announcement on its recapitalisation plan
8	7-Jun-16	Announcement of the Proposed Transaction. •The share price declined 59% on the day following the announcement, from \$0.058 on 29 February 2016 to \$0.024 on 8 June 2016.

Source: McAleese Group Website (www.mcaleese.com.au/overview), viewed 30 June 2016, ASX website

Table 22 summarises McAleese's VWAP and the total value of shares traded per month between June 2015 and June 2016. McAleese shares traded in the range of \$0.02 to \$0.135 during this period.

Table 22: Month end share analysis between 30 June 2015 and 30 June 2016

Month Ending	Volume traded '000	Average VWAP \$	Total value of shares traded \$'000	Average bid/ask spread %
31-Jul-15	17,970	0.09	1,592	6.85%
31-Aug-15	3,438	0.07	256	6.37%
30-Sep-15	1,669	0.07	109	4.84%
31-Oct-15	1,744	0.06	109	7.11%
30-Nov-15	1,635	0.06	101	6.68%
31-Dec-15	4,616	0.04	198	4.20%
31-Jan-16	8,265	0.04	331	8.79%
29-Feb-16	1,745	0.04	71	8.75%
31-Mar-16	-	-	-	-
30-Apr-16	-	-	-	-
31-May-16	-	-	-	-
30-Jun-16	25,350	0.02	399	9.55%

Source: Capital IQ

Notes:

- Average VWAP is calculated as the average of the daily VWAP for each month
- trading of shares was suspended between 29 February 2016 and 7 June 2016 pending the announcement on the recapitalisation plan

Since the announcement of the Proposed Transaction, the McAleese's share price has decreased by approximately 59% as illustrated in Table 23.

Table 23: Quoted share price increase / (decrease) since announcement of Proposed Transaction

	Last Quoted Price
McAleese share price – last trading day prior to announcement of Proposed Transaction	\$0.058
McAleese 5 Day VWAP	\$0.024
Decrease in quoted price since announcement	(58.6%)

Source: Capital IQ

We note the quoted share price both before and after the announcement of the Proposed Transaction may not reflect fair market value because:

- the volume of shares traded indicates that the liquidity of McAleese shares was limited over the period considered
- the bid / ask spread is reasonably high, nearing 10%
- the extended period of suspension of the shares from official quotation
- McAleese's last trading day prior to announcement of the Proposed Transaction was 29 February 2016, accordingly, the quoted share prices may not reflect all available information and the market sentiment immediately prior to the Valuation Date.

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4. Industry overview

We have referred to the latest applicable IBISWorld reports¹⁹, Reserve Bank of Australia reports, Bloomberg and other publicly available market publications as sources for our commentary on the Road and Freight industry in Australia (‘Industry’), as summarised in this section.

The services provided by McAleese are directly impacted by the following industries:

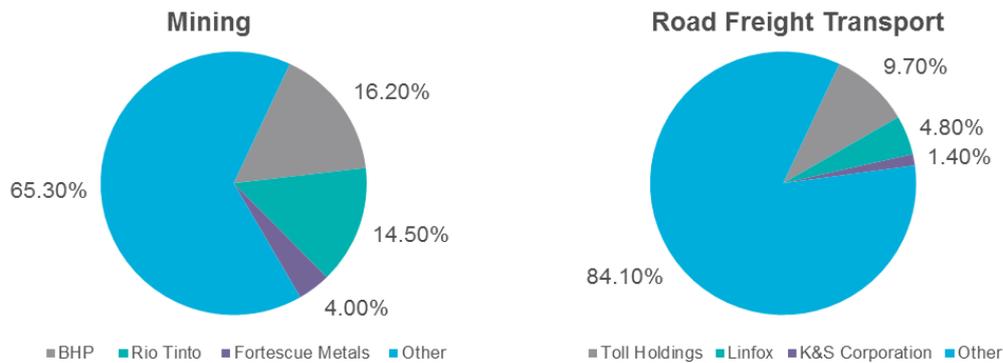
- Mining – specifically, the demand for haulage of commodities, such as iron ore and oil and liquefied gas. The Australian mining industry has been experiencing a decline, following reduced demand from China and India especially for iron ore. This resulted in an excess of supply and decline in commodity prices as well as putting pressure on production costs and margins.

However, the industry is forecast to return to growth of 5.5% per annum between calendar year 2016 and 2021, as the demand for oil and gas and iron ore returns.

- Road Freight Transport – demand is driven by economic conditions and the link to consumption expenditure. Growth in this industry over the last five years (to calendar year 2015/16) has been steady at approximately 2.8% per annum and is likely to remain at similar levels over the next five years (to calendar year 2020/21).

Figure 7 summarises the segments and key players in the industry and the respective market shares.

Figure 7: Summary of key players



Source: IBISWorld reports²⁰

4.1 Mining

McAleese provides transport services to the mining industry, via its Bulk Haulage, Heavy Haulage and Lifting, and Oil and Gas divisions. The recent decline in commodity resulted in mining companies reducing production levels and this has had a negative flow on effect to transport volumes.

Additionally, the world oil markets have responded to oversupply concerns by reducing production. Both of these factors have adversely affected McAleese, due to its relationship with Atlas an Iron ore producer and through its Oil and Gas division.

Over the next five years, the Industry will be faced with challenges due to an increase in competition from rail freight. Additionally, road infrastructure may limit any increase in truck and trailer sizes.

¹⁹ IBISWorld reports – Mining in Australia – May 2016 and Road Freight Transport in Australia – May 2016

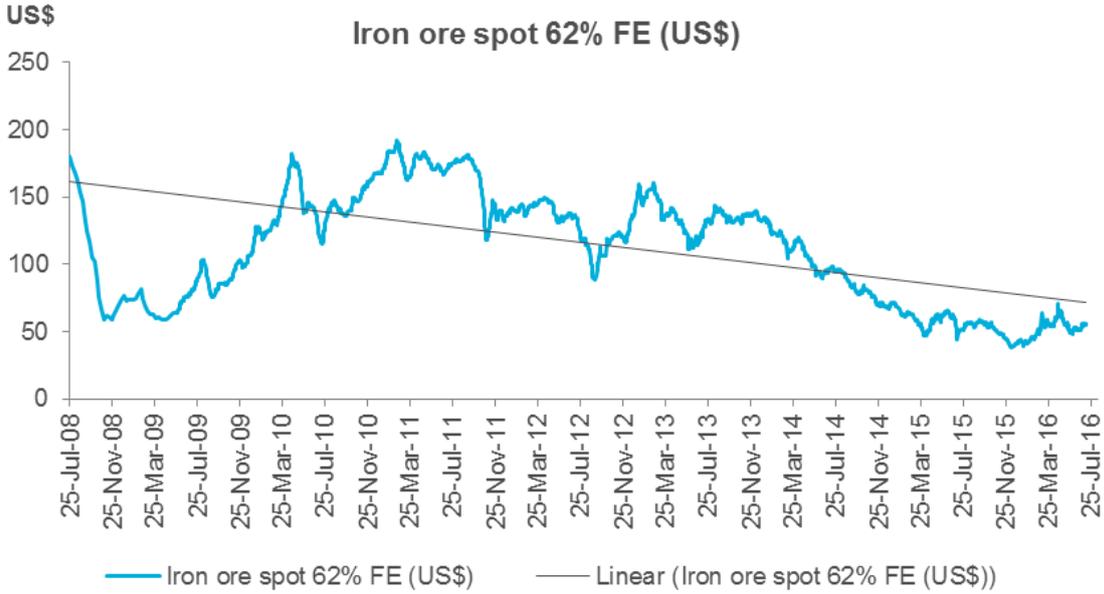
²⁰ as above

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Iron Ore

The Australian mining industry, specifically iron ore has declined in recent years due as Chinese demand for iron ore has reduced. This reduced demand by China led to a global oversupply and as a result the price for Iron ore fell from 2011, as illustrated in Figure 8.

Figure 8: Summary spot price for iron ore (62% Fe)



Source: Bloomberg

McAleese’s key customer, Atlas, has reduced its iron ore production volumes, including implementing temporary production halts to curb losses. This has had a direct and negative impact on McAleese’s performance, by reducing demand for transport services and adversely impacting the contracted profit sharing arrangements.

Additionally, a number of smaller mining producers exiting the market and this further reduce the demand for McAleese’s services.

Market predictions are mixed and continue to change, however IBIS World predicts a return to positive growth of 5.5% per annum between calendar years 2016 and 2021, predicated on increased demand for iron ore and liquefied natural gas.

Additionally, as the iron ore mining industry is export oriented and trades in USD, a weaker Australian dollar may benefit the Australian mining industry. Given that a weaker Australian dollar increases revenue to local miners, ie they receive more Australian dollars per tonne sold, and this would likely have a positive flow on effect to transport operators such as McAleese.

Oil and Gas

Worldwide demand for is forecast to increase, specifically for Liquefied Natural Gas (“LNG”). Australia has significant natural gas resources and give its low sovereign risk has been able to secure a large number large projects. This is expected to result in growth for Australia’s gas industry and may have a positive flow on effect to McAleese’s, through its Oil and Gas division.

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4.2 Road Freight Transport

The Road Freight Transport industry over the past five years has experienced growth at an annual rate of approximately 2.8% to 2015/16, fuelled by favourable economic conditions and growth in consumption expenditure.

IBIS World has projected the industry to grow at a compound annual rate of 3.0% over the next five years (to 2020/21). Factors which may negatively impact profitability in the industry are:

- current skills shortages
- potentially for higher access costs on country roads
- rising fuel prices
- high competition
- cost pressures.

The transport and logistics Industry has experienced a skills shortage as a result of the aging workforce and the industry struggling to attract new employees.

Given the potential danger that large vehicles pose on other road users, the industry is heavily regulated to ensure safety and the time and investment it takes to train staff within this regulated environment also makes recruitment difficult.

Domestic fuel prices are projected to rise over the next five years. However, the effect of this rise is unclear. As a number of the operators integrate fuel costs into their customer contracts and are therefore able to pass these costs on through surcharges, which in turn has an inflationary effect on industry revenue.

The industry is highly competitive and significant economies of scale are achieved by key players, such as Toll and Linfox. This creates significant barriers to entry and places downward pressure on the margins for smaller and mid-tier players.

Cost pressures are significant due the initial and on-going requires for capital expenditure, for example:

- initial investment required for the acquisition of the larger-sized rigid and articulated vehicles
- maintenance costs
- the cost of the supporting IT systems
- constant ongoing training and safety monitoring
- the significant regulatory requirements which must be adhered to (including the potential for fleet modification/upgrades to meet changes in emission and safety requirements).

5. Valuation methodologies

5.1 Introduction

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to the Shareholders. We have valued McAleese assuming it is a going concern. We have determined the value of the issued shares of McAleese on a fair market value basis. Business valuers typically define fair market value as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 sets out the valuation methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share capital returns, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The following methodologies are included:

- discounted Cash Flow ('DCF') method and the estimated realisable value of any surplus assets
- application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets. This is typically referred to as the Capitalisation of Future Maintainable Earnings ('CFME') method
- amount available for distribution to security holders on an orderly realisation of assets. This is typically referred to as the Net Assets ('NA') method
- quoted price for listed securities, when there is a liquid and active market. This method is typically used as a cross check to any of the above methods
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets. This method is typically used as a cross check to any of the above methods.

Each of these methodologies may be appropriate in certain circumstances. The decision as to which method to apply generally depends on the nature of the business being valued, the availability of appropriate information and the methodology most commonly adopted in valuing such a business. Further details on these methodologies are set out in Appendix C to this report.

RG 111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

We have valued McAleese on a whole of business basis and as a going concern. We have not valued each of the individual cash generating business units/divisions (eg Bulk Haulage, Heavy Haulage and Lifting, Oil and Gas etc) separately. Our approach is based on the following rationale:

- comparable data – there is limited comparable data at a divisional level, ie it is rare for a transport and logistic provider to specialise in one service, for example Bulk Haulage
- complementary services – the services provided by McAleese across the various divisions are not dissimilar (eg involve transport mostly via truck and trailer) and are exposed to similar market and risk factors.

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5.3 Methodology selected to value McAleese

In determining the appropriate methodology to value McAleese, we have considered:

- McAleese is a going concern business
- the available valuation methodologies (refer above)
- the nature of the operations of McAleese
- the quality and availability of forecast financial information
- the actual financial performance of McAleese for the financial years ended 30 June 2014 and 30 June 2015 and half year 31 December 2015 financial performance.

We have selected the CFME method as our primary valuation methodology because:

- the earnings of the business are sufficient to justify a value exceeding the value attributable to the underlying net assets
- the business is operating as a going concern
- we have not been provided with robust long term financial forecasts
- the business is mature and has reported consistently positive EBITDA.

We have used the following methodologies to cross-check the reasonableness of our CFME assessment:

- quoted share price
- DCF method
- NA method

We have not used the quoted share price as our primary methodology, because the quoted shares have been in a trading halt for an extended time period, are thinly traded and the quoted share price may not reflect the fair market value of the Company. Refer to Section 3.11 for our analysis on share price performance.

We have not used the DCF method as our primary methodology because the directors have only approved the financial forecasts in the Financial Model for FY16 and FY17 and have not released this information to the market. The forecast for FY18 in the Financial Model has not been approved by the directors.

We have not used the NA method as our primary methodology because this methodology generally provides a minimum value for a business. The NA method is relevant where:

- a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation
- it is a holding company
- all its assets are liquid (such as listed shares) or it holds significant property and plant and equipment or is considered 'asset rich'
- businesses are being segmented and divested
- assets are surplus to the core operating business.

McAleese is not considered an 'asset rich' company and we do not have the fair market values for each of the assets of the Company at Valuation Date. The Company has been generating profits, although its profitability, in recent years, has been impacted by the volatility of the mining sector in Australia. Therefore the NA method would not represent the fair market value of the business as a going concern.

5.4 Prospective financial information

PPB has not been engaged to undertake an independent review of the financial forecasts (Prospective Financial Information) in the Financial Model for FY16 to FY18, and has not undertaken such a review. Accordingly, we do not express an opinion on the reasonableness of the assumptions underlying the financial forecasts in the Financial Model, or their achievability.

We have reviewed the Prospective Financial Information provided as noted in Section 3.6 of this Report and are of the opinion that the financial forecasts for FY16 to FY18 are reasonably based for the purpose of preparing this Report.

We have considered the Prospective Financial Information and the general prospects of McAleese's business, including its business plans, for the purpose of undertaking a valuation of McAleese.

PPB has assumed that any Prospective Financial Information provided by the Company have been prepared fairly and honestly based on the information available to the directors at the time and within the practical constraints and limitations of such financial forecasts. We have assumed that the financial forecasts do not reflect any material bias, either positive or negative. The achievability of the financial forecasts including the forecast cash flows is not warranted or guaranteed by the directors of the Company or PPB.

The achievement of the Prospective Financial Information is dependent on the outcome of many assumptions, some of which are outside the control of the Company. Assumptions relating to the financial forecasts can be reasonable at the time of their preparation, but can change materially over a relatively short time.

In our consideration of the Prospective Financial Information we have had regard to RG 170 *Prospective Financial Information* ('RG 170'). PPB notes that RG 170 relates to the use of prospective financial information in disclosure documents and product disclosure statements.

The Prospective Financial Information contains assumptions which are largely hypothetical. Accordingly, in line with the guidance in RG 170 there are insufficient grounds for disclosing specific details of McAleese's Prospective Financial Information. For this reason, we have not included a detailed disclosure of any Prospective Financial Information with respect to McAleese in this report.

The directors are of the view that the disclosure of the full details of the Prospective Financial Information for FY16 to FY18 would release commercially sensitive information regarding McAleese's business plans to competitors and would not be in the best interests of McAleese, or its shareholders. For this reason, except for the central assumptions underlying McAleese's Prospective Financial Information, we have not included a detailed disclosure of any Prospective Financial Information to McAleese in this report.

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6. Value of an issued Share before the Proposed Transaction

6.1 Summary

In our opinion, the fair market value of an issued share of McAleese before the Proposed Transaction is between \$0.016 (1.6 cents) and \$0.140 (14.0 cents) per share (on a control basis) and \$0.00002 (0.002 cents) and \$0.00015 (0.015 cents) per Share on a Pro-forma Number of Shares basis as summarised in Table 24 and Table 25.

Table 24: Fair market value of an issued Share before the Proposed Transaction

\$'000	Low	High
FME (Based on EBITDA)	35,000	35,000
EBITDA Multiple	5.0x	6.0x
Enterprise Value	175,000	210,000
<i>Less:</i> Interest Bearing Debt	(191,245)	(191,245)
<i>Plus:</i> Cash and Equivalents	20,692	20,692
Net Debt	(170,553)	(170,553)
Equity Value (Control Basis)	4,447	39,447
<i>Divided by:</i> Total Shares Outstanding ('000)	282,713	282,713
Fair Market Value per Share before the Proposed Transaction (\$)	0.016	0.140
Fair Market Value per Share before the Proposed Transaction (cents)	1.6	14.0

Source: PPB analysis

We note that the range of the low and the high values for the enterprise value is 20% and over 100% for the equity value. The increase in the range increases substantially because of the adjustment for net debt to derive the equity value. This is primarily because of the magnitude of the net debt adjustment. We believe that our range of enterprise values is appropriate given the risks and factors considered in the valuation of McAleese.

We have adjusted the number of shares on issue before the Proposed Transaction to reflect the Pro-forma Number of Shares after the Proposed Transaction. Our 'adjusted' fair market value per Share on a Pro-forma Number of Shares basis before the Proposed Transaction is summarised in Table 25.

Table 25: Fair market value of an issued Share before Proposed Transaction

	Low	High
Equity Value before the Proposed Transaction (control basis) (\$'000)	4,447	39,447
<i>Divided by:</i> Pro-forma Number of Shares ('000)	260,282,713	260,282,713
Fair Market Value per Share before the Proposed Transaction (\$)	0.00002	0.00015
Fair Market Value per Share before the Proposed Transaction (cents)	0.002	0.015

Source: PPB analysis

6.2 Valuation: Capitalisation of future maintainable earnings

Estimate of future maintainable earnings

We have assessed Future Maintainable Earnings ('FME'), based on EBITDA, to be \$35.0 million.

FME represents the level of earnings that the existing operations of a business could reasonably be expected to generate.

We have selected EBITDA as an appropriate measure of earnings because EBITDA multiples are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates compared to multiples based on EBIT or NPAT. Ordinarily, EBIT would also be considered an appropriate measure of earnings for McAleese because of its significant depreciation charges and capital expenditure, however the potentially comparable companies also have significant depreciation charges and capital expenditure. Therefore, in our opinion EBITDA allows for better comparison with earnings multiples of potentially comparable companies.

Our selected FME is based on an assessment of:

- recent financial performance of the business and forecast financials prepared by Management. The forecast indicates improved performance and a return to historical levels
- outlook for the transport and logistics and mining services industries on the Valuation Date
- the operations and prospects of McAleese's key customer as at the Valuation Date. McAleese has a profit sharing arrangement with its key customer which has been impacted by a decline in the commodity prices and pressures in the mining industry in Australia
- the earnings profile of each of its businesses, including consistency of earnings and risk factors
- the varying characteristics of the business as a whole and its businesses
- operational insights provided by Management.

Selection of earnings multiple

We have selected an earnings multiple in the range of 5.0 times to 6.0 times EBITDA for the valuation of McAleese.

Our selected EBITDA multiple range is based on an assessment of:

- potentially comparable listed company multiples
- potentially comparable transaction multiples
- key operational characteristics of McAleese.

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Potentially comparable listed company multiples

In selecting an earnings multiple for McAleese, we have considered earnings multiples derived from share market prices of companies listed on the ASX with comparable operations to McAleese’s businesses.

We have identified four potentially comparable companies listed on the ASX that operate in the transport and logistics industry in Australia and are of a similar size to McAleese. The average historical and forecast EBITDA multiples for the potentially comparable listed companies as at the Valuation Date was 8.3 times and 6.9 times, respectively, as summarised in Table 26.

Table 26: Summary of potentially comparable ASX listed company multiples

Company Name	Enterprise Value	Revenue	EBITDA Margin	Revenue Growth	EBITDA Multiple	EBITDA Multiple
	at 7/06/16	LTM	LTM	LTM	LTM	NTM
	\$ million	\$ million	%	%	times	times
McAleese Limited	206	565	2.0%	(29.1%)	18.3	n/a
Chalmers Limited	33	59	5.5%	(4.0%)	12.4	n/a
CTI Logistics Limited	101	138	11.8%	6.4%	7.2	n/a
K&S Corporation Limited	275	694	7.6%	1.0%	6.2	6.3
Lindsay Australia Limited	239	322	11.4%	3.3%	7.6	7.4
Average			9.1%	1.7%	8.3x	6.9x
Median			9.5%	2.2%	7.4x	6.9x

Source: Capital IQ and PPB analysis

Notes:

1. Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash
2. Control premium of 30% has been applied to market capitalisation to calculate the multiples above
3. LTM = Last Twelve Months; NTM = Next Twelve Months; n/a = not available
4. McAleese figures have not been included in the calculations of Average and Median

We make the following comments regarding our analysis of potentially comparable listed companies:

- the LTM historical EBITDA multiples range between 6.2 times and 12.4 times, and average 8.3 times (including a control premium of 30%)
- the NTM forecast EBITDA multiples range between 6.3 times and 7.4 times, and average 6.9 times (including a control premium of 30%)
- McAleese LTM EBITDA margin of 2.0% is lower than the average EBITDA margin of 9.1% of the selected comparable listed companies
- McAleese’s LTM revenue growth of *negative* 29.1% is low compared to the average growth of 1.7% of the selected comparable listed companies
- We note that the historical EBITDA multiple for McAleese as at the Valuation Date was 18.3 times. We do not consider this multiple to be meaningful for the purpose of our assessment because it is impacted by the company’s recent financial difficulties, low profitability and illiquid share price (refer Section 3.11).

We have also identified four larger, more diversified ASX listed companies that operate in the transport and logistics industry. The average LTM historical EBITDA multiple for these companies as at the Valuation Date was 13.4 times, summarised in Table 27. We would expect these companies to trade on a higher EBITDA multiple than McAleese's direct peers due to their larger scale and greater diversification of operations. We have undertaken analysis on these companies for completeness.

Table 27: Summary of multiples of large, diversified ASX listed transport and logistics companies

Company Name	Enterprise Value	Revenue	EBITDA Margin	Revenue Growth	EBITDA Multiple	EBITDA Multiple
	as at 7/06/16	LTM	LTM	LTM	LTM	NTM
	\$ million	\$ million	%	%	times	times
Qube Holdings Limited	3,847	1,381	20.7%	2.6%	16.3	17.0
Mainfreight Limited	1,879	2,061	7.3%	2.1%	15.2	13.0
Asciano Limited	12,299	3,698	28.6%	(4.8%)	11.6	10.3
Aurizon Holdings Limited	12,642	3,573	42.1%	(5.2%)	10.3	10.6
Average			24.7%	(1.3%)	13.4x	12.7x
Median			24.6%	(1.4%)	13.4x	11.8x

Source: Capital IQ and PPB analysis

Notes:

1. Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash
2. Control premium of 30% has been applied to the market capitalisation of all companies, except for Asciano, to calculate the above multiples. No control premium has been applied to Asciano because it is currently the subject of a takeover offer and we have assumed there was already a control premium implicit in its market capitalisation on Valuation Date
3. LTM = Last Twelve Months; NTM = Next Twelve Months

Refer to Appendix D for business descriptions of each of the identified potentially comparable listed companies.

Potentially comparable transaction multiples

In selecting an earnings multiple for McAleese, we have considered the implied multiples paid to acquire companies with operations comparable to McAleese.

We have identified eight potentially comparable transactions that occurred between 2011 and 2016 involving companies that operate in the transport and logistics industry in Australia. The average implied historical EBITDA multiple for the transactions was 6.8 times.

We note that the implied multiples for the transactions involving Asciano Limited and Toll Holdings were significantly higher than the other observed transactions. In our opinion, these two transactions are less comparable to McAleese than the other observed transactions due to their significant size and diversification of operations. The average implied historical EBITDA multiple for the transactions excluding the Toll Holdings transaction was 6.0 times. The transaction multiples typically include a premium for control.

Our potentially comparable transactions analysis is summarised in Table 28.

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Table 28: Summary of potentially comparable transaction multiples

Ann. Date	Target Company	Implied Enterprise Value (AUDm)	Revenue (AUDm)	Implied EBITDA Multiple	Target Company Description
10/06/2015	G.M. Kane & Sons Pty Ltd	27	N/A	4.5	G.M. Kane & Sons Pty Ltd (GMK Logistics) is an Australia-based company headquartered in New South Wales, engaged in logistics, warehousing and transportation services.
18/02/2015	Toll Holdings Limited	8,019	8,811	11.3	Toll Holdings Ltd is an Australian listed logistics company.
13/11/2013	Scott Corporation Limited	83	187	4.0	Scott Corporation Limited (ASX:SCC) is a listed Australian based company headquartered Padstow, New South Wales that provides of bulk and special materials transport, logistics, and associated activities, including equipment repairs and maintenance.
21/08/2013	Mountain Industries Pty Ltd	93	84	9.3	Mountain Industries Pty Ltd is an Australian based company engaged in providing integrated logistics solutions.
24/02/2012	Giacci Holdings Pty Limited	146	87	6.6	Giacci Holdings Pty Limited is an Australian based company involved in mineral haulage and handling.
18/04/2011	POTA Holdings Pty Limited (47.3% Stake)	212	293	6.2	POTA Holdings Pty Limited (POTA) is an Australia based operator of landside port service logistics business, servicing import and export marine container provisions, from DP World Limited, the listed United Arab Emirates based marine terminal ports operator.
11/03/2011	Mitchell Corp	153	174	5.6	Mitchell Corp is an Australian based road haulage company engaged in providing logistic solutions.
Average				6.8x	
Median				6.2x	
Average excluding Toll Holdings				6.0x	
Median excluding Toll Holdings				5.9x	

Source: Capital IQ and PPB analysis

Key operational characteristics of McAleese

In addition to our analysis of potentially comparable listed companies and transactions, we have also had regard to the following key operational characteristics in our selection of an appropriate earnings multiple for McAleese:

- the impact of the decline in the mining and resources industry and the exposure of McAleese’s business to the mining and resources industry through its customers. In particular McAleese has a profit sharing arrangement with its key customer whereby it is exposed to fluctuations in the iron ore price
- McAleese’s recurring revenue stream and track record of winning new contracts
- McAleese’s recent cost reduction program (as discussed in section 3.8)
- McAleese’s recent financial difficulties, significant impairment charges and its declining net assets as at the Valuation Date.

Net debt

Net debt on the Valuation Date based on pro-forma management accounts was \$171 million, as summarised in Table 29.

Table 29: Summary of pro-forma net debt at Valuation Date

\$'000	Pro-forma
Less: Loans and Borrowings	(191,245)
Plus: Cash and Equivalents	20,692
Net Debt	(170,553)

Source: Management

Net debt after the Proposed Transaction will differ because of the conversion of the Notes. Our analysis of the value of a Share after the Proposed Transaction takes account of the conversion moneys received by the Company assuming 100% take up and conversion of the Notes, because the Notes are to be fully underwritten by Rowsthorn.

Number of shares outstanding

McAleese had 282.7 million shares on issue as at the Valuation Date. This reflects the number of shares outstanding before the Proposed Transaction. Refer section 3.11.

6.3 Cross checks

We have cross-checked our assessed fair market value of an issued Share before the Proposed Transaction for reasonableness using the following methods:

- quoted share price
- NA method
- DCF method.

In our opinion, the cross-checks support the reasonableness of our assessed fair market value, as summarised in Table 30.

Table 30: Summary of cross-checks

	Value per Share
Assessed Fair Market Value	0.016 – 0.140
Quoted share price (minority interest)	0.058
NA method	0.079
DCF method	(0.088) – 0.166

Source: PPB analysis

Quoted share price

McAleese shares are listed on the ASX. The quoted share price of a company on the ASX provides an objective assessment of fair market value where the market is fully informed of all relevant information and there is sufficient liquidity of shares traded.

We have considered the share trading price as an indicative cross check to our valuation of McAleese, however, we note that it may not reflect fair market value because:

- the liquidity of McAleese shares traded was limited over the period considered
- the share price reflects a minority interest, whereas our valuation of an issued share is on a control basis

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- McAleese’s last trading day prior to announcement of the Proposed Transaction was 29 February 2016, accordingly, the quoted share prices may not reflect all available information and the market sentiment immediately prior to the Valuation Date.

Prior to announcement of the Proposed Transaction, the ASX quoted price of McAleese’s shares was \$0.058 and the 60 day VWAP was \$0.052. Our analysis of the McAleese quoted share price is summarised in Table 31.

Table 31: Summary of McAleese quoted share price prior to announcement of Proposed Transaction

	Last Quoted Price	5 day VWAP	10 day VWAP	30 day VWAP	60 day VWAP
McAleese Quoted Share Price –before the Proposed Transaction	\$0.058	\$0.058	\$0.059	\$0.056	\$0.052

Source: Capital IQ

We note that the quoted share price represents a minority interest value of the Company because it is based on share prices for trades in minority parcels of shares

NA method

The pro-forma net assets of McAleese represents the total value of McAleese’s assets as at the Valuation Date less the total value of McAleese’s liabilities as at the Valuation Date.

At Valuation Date, the pro-forma net tangible assets of \$22.4 million represents a NA value of \$0.079 per share, summarised in Table 32. For the purpose of the cross check, we have assumed that the book values of assets and liabilities represent their fair market values.

Table 32 Summary of McAleese net assets on the Valuation Date

\$'000	Valuation Date
Pro-forma Net Tangible Assets	22,365
Total Shares outstanding	282,713
NA Value per Share	\$0.079

Source: Management, Pro-forma net assets at Valuation Date

The NA method normally provides the minimum value for a company, however, in this case, we note that the NA method provides a value at the mid-point of our valuation range. We consider that the low end of our valuation range is appropriate given that the business is exposed to significant risks as discussed in Section 6.2 and considered in our estimate of future maintainable earnings and the earnings multiple. In addition, our Assessed Fair Market Value indicates that:

- the net assets of the business are potentially impaired because the cash flows of the business are insufficient to provide an adequate rate of return on the assets or there is unused capacity in the business
- the NA method provides a valuation at a point in time and does not take into account future cash flows
- the business is exposed to significant risks and volatility of the mining sector
- some of the businesses of McAleese are not profitable.

DCF method

The DCF method estimates the value of a business by discounting future cash flows to a net present value using an appropriate discount rate.

Based on our DCF analysis, the value of McAleese is in the range of *negative* (\$0.088) (negative 8.8 cents) to \$0.166)16 cents) per Share, summarised in Table 33.

Table 33: Value of McAleese using DCF method

	Low	High
	<i>\$ million</i>	<i>\$ million</i>
Enterprise value of McAleese	145.8	217.4
Less: Interest bearing debt	(191.2)	(191.2)
Plus: Cash and equivalents	20.7	20.7
Value of McAleese	(24.8)	46.8
Divided by: Total shares outstanding (before the Proposed Transaction) ('000)	282,713	282,713
Value per Share before the Proposed Transaction (\$)	(0.088)	0.166
Value per Share before the Proposed Transaction (cents)	(8.8)	16.6

Source: PPB and Financial Model

Details of the valuation methodology, inputs, assumptions and calculations used in arriving at the above conclusion are set out in the remainder of this section.

The key inputs into a DCF method are:

- forecast cash flows
- discount rate
- net debt.

Each of the above items is discussed below.

Forecast cash flows

We have used the financial forecasts from the Financial Model provided by Management. In line with the requirements of RG 111, we have assumed that the business will continue to trade as a going concern.

Refer to Section 3.6 for further information on the future cash flow forecasts. We have extended financial forecasts to 2030 assuming annual revenue growth of 2.5%, in line with the RBA target inflation rate. Further, we have adjusted bulk haulage volumes in FY17 to reflect updated data provided by Management.

Discount rate

We have assessed the post-tax discount rate based on weighted average cost of capital ('WACC') for McAleese to be in the range of 13.0% to 18.0%. Our discount rate calculation is summarised in Appendix E

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Key value drivers

Under the DCF method, the value of McAleese is highly sensitive to the assumptions of revenue generated from bulk haulage services and in particular the services provided to McAleese's key customer, Atlas.

Currently, Atlas does not have mining projects extending beyond 2025 and haulage volumes may decline following the anticipated closure of Wodgina in 2017.

In the event bulk haulage volumes reduce and McAleese's assets are unable to be redeployed to other non-Atlas projects the value of McAleese is reduced to nil.

Management advised that a number of factors exist, which may mitigate the above:

- Atlas may seek to extend the life of the Wodgina mine by blending value fines with higher grade product from another site or by selling value fines as a stand-alone product according to market demand
- Atlas's development projects come on line
- McAleese has previously (successfully) redeployed assets when Atlas halted production in response to the falling market price of iron ore.

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7. Value of an issued Share before and after the Proposed Issue of Options

7.1 Summary

Based on the following analysis, the fair market value an issued Share of McAleese after the Proposed Issue of Options is between \$0.00015 (0.015 cents) and \$0.00022 (0.022 cents) per Share, on a minority interest basis, summarised in Table 34.

Table 34: Fair market value of an issued share after the Proposed Issue of Options

\$'000	Low	High
Equity Value before the Proposed Transaction (Control Basis)	4,447	39,447
<i>Plus: Existing Senior Debt Facility</i>	191,245	191,245
<i>Less: New SC Lowy Facility</i>	(93,300)	(93,300)
<i>Less: New Working Capital Facility</i>	(14,000)	(14,000)
<i>Less: Deferred Consideration</i>	(5,000)	(5,000)
<i>Less: Loan origination fees added to SC Lowy Facility</i>	(2,000)	(2,000)
Sub-Total	76,945	76,945
Equity Value post Proposed Issue of Options (Control Basis)	81,392	116,392
<i>Less: Discount for minority interest of 23%</i>	(18,783)	(26,860)
Equity Value post Proposed Issue of Options (Minority Interest Basis)	62,610	89,533
<i>Divided by: Pro-forma Number of Shares ('000)</i>	411,949,380	411,949,380
Fair Market Value per Share after Proposed Issue of Options (\$) (Minority Interest Basis)	0.00015	0.00022
Fair Market Value per Share after Proposed Issue of Options (cents) (Minority Interest Basis)	0.015	0.022

Source: PPB analysis, Management

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7.2 Pro-forma net assets after the Proposed Issue of Options

Based on our assessment, there is a \$76.9 million net benefit to McAleese from the Proposed Issue of Options, summarised in Table 35. The net benefit is a result of the extinguishment of the existing senior debt facility and replacing it with a reduced debt level. Refer to Section 1 for further details of the Proposed Issue of Options.

Table 35: Pro-forma net assets after the Proposed Issue of Options

	\$'000
Net Assets before Proposed Transaction (refer Section 3)	23,206
After Proposed Issue of Options	
Plus: Existing Senior Debt Facility	191,245
Less: New SC Lowy Facility	(93,300)
Less: New Working Capital Facility	(14,000)
Less: Deferred Consideration	(5,000)
Less: Loan origination fees added to SC Lowy Facility	(2,000)
Sub-Total	76,945
Pro-forma net assets after Proposed Issue of Options	100,151

Source: PPB analysis. Management

7.3 Minority interest discount

Our valuation of an issued share in McAleese before the Proposed Transaction has been undertaken on a control basis, and our valuation of an issued share in McAleese after the Proposed Transaction has been undertaken on a minority interest basis consistent with the requirements of RG 111.

Earnings multiples derived from share market trading (which we refer to as potentially comparable listed company multiples in Section 6.2) do not reflect the fair market value for control of a company as they are based on portfolio holdings in the subject companies. We have adjusted the earnings multiples with a premium for control of 30%.

The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

In comparison, the acquisition price achieved in mergers or acquisitions of companies represents the fair market value of a controlling interest in that company. An owner of a controlling interest has the ability to do make decisions that an owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors and managers
- determine and change the strategy and policies of the company
- make acquisitions, restructure the business or divest operations
- control the composition of the board of directors.

We provide further analysis with respect to control premiums observed in transactions in Australia since 2012 in Appendix F. Table 36 summarises our findings.

Table 36: Control premium analysis

Transactions analysed	178
Period analysed	1 January 2012 to Valuation Date
Average control premium	33%
Median control premium	29%
Bottom Quartile	9%
Top Quartile	47%

Source: PPB analysis, Capital IQ

The calculated control premium based on share prices in market transactions can reflect a combination of factors including:

- historical underperformance on the part of the target
- the passing across of synergy benefits
- actual control factor as described above.

Having regard to the above analysis, we consider a control premium of 30% to be appropriate.

The discount for minority interest is the inverse of the control premium. Therefore, we consider a minority interest discount of 23% to be appropriate.

7.4 Number of issued Shares

Table 37 summarises the number of shares on issue before and the Pro-forma Number of shares on issue after the Proposed Issue of Options, assuming that there is a 100% exercise of the Options.

Table 37: Pro-forma Number of Shares on issue after the Proposed Issue of Options

Shareholder	Before Proposed Transaction		After Proposed Issue of Options ¹	
	Number '000	% of Total	Number '000	% of Total
Existing Shareholders ²	282,713	100.0%	282,713	0.07%
Existing Shareholders – New Shares	-	0.0%	260,000,000	63.11%
SC Lowy	-	0.0%	151,666,667	36.82%
Total	282,713	100.0%	411,949,380	100.0%

Source: PPB analysis

1. On the basis of Pro-forma Number of Shares

2. Includes Rowsthorn's existing interest

The Proposed Transaction has been structured so that the number of Options issued to SC Lowy provides SC Lowy with an interest of 35% of the issued Shares after the Proposed Transaction on a Pro-forma Number of Shares basis. Accordingly, the number of Options to be issued to SC Lowy in the Proposed Issue of Options is 36.82% to allow for the dilution following the issue and conversion of the Notes to Rowsthorn under the Proposed Underwriting.

In addition, the ratio of Notes to be issued to Shareholders will be 1.0218 Notes for every one Share held. Each Note will have an offer price of \$0.09 and will convert into 900 Shares. Therefore, as a result of the issue of Notes, there will effectively be a share split of 1:920.

7.5 Comparison of the value of an issued Share before the Proposed Issue of Options to the value of an issued Share after Proposed Issue of Options

We have assessed the value of an issued share after the Proposed Issue of Options based on the Pro-forma Number of Shares basis after the Proposed Transaction. In order to compare the value of an issued Share after the Proposed Issue of Options with the value of an issued Share before the Proposed Issue of Options, we have ‘adjusted’ the number of shares on issue before the Proposed Issue of Options to reflect effective expanded number of shares. Our ‘adjusted’ fair market value per share before the Proposed Issue of Options is summarised in Table 38.

Table 38: Adjusted fair market value of an issued Share before Proposed Issue of Options

	Low	High
Equity Value before the Proposed Issue of Options (control basis) (\$000)	4,447	39,447
<i>Divided by:</i> Pro-forma Number of Shares on issue ('000)	260,282,713	260,282,713
Fair Market Value per Share before the Proposed Issue of Options (\$)	0.00002	0.00015
Fair Market Value per Share before the Proposed Issue of Options (cents)	0.002	0.015

Source: PPB analysis

Based on our assessment, the fair market value per Share before and after the Proposed Issue of Options is summarised in Table 39.

Table 39: Fair market value of an issued Share before and after Proposed Issue of Options

	Low \$	High \$
Fair market value per Share before the Proposed Issue of Options (control basis)	0.00002	0.00015
Fair market value per Share after the Proposed Issue of Options (minority interest basis)	0.00015	0.00022
% difference – increase	790%	43%

Source: PPB analysis

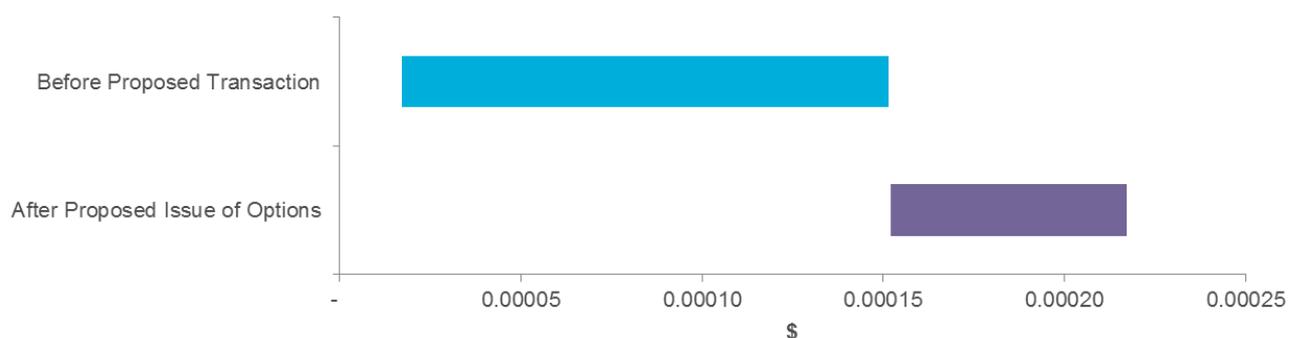
Based on our assessment, the fair market value per Share after the Proposed Issue of Options is higher than the range of the fair market value after the Proposed Issue of Options.

We have assessed the fair market value of an issued share in McAleese:

- before the Proposed Transaction, on a control basis, to be in the range of \$0.00002 (0.002 cents) to \$0.00015 (0.015 cents), after adjusting for the Pro-forma Number of Shares
- after the Proposed Issue of Options, on a minority interest and fully diluted basis, to be in the range of \$0.00015 (0.015 cents) to \$0.00022 (0.022 cents).

A summary of our assessment is set out in Figure 9.

Figure 9: Summary – Proposed Issue of Options



Source: PPB analysis

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The fair market value per Share after the Proposed Issue of Options is higher than the fair market value per Share before the Proposed Issue of options, primarily because SC Lowy has facilitated the reduction of the Company's senior debt of approximately \$80 million, from \$191 million to \$112.3 million in exchange for the Proposed Issue of Options. Based on our analysis, the fair market value of the Shares to be issued to SC Lowy under the Proposed Issue of Options is in the range of \$29 million to \$38 million which is significantly lower than the reduction of senior debt of \$80 million.

Therefore, the Proposed Issue of Options to Shareholder adds between \$42 million and \$51 million of value to the Company.

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8. Value of an issued Share before and after the Proposed Underwriting

8.1 Summary

Based on the following analysis, the fair market value an issued Share after the Proposed Underwriting (and the Proposed Transaction) is between \$0.00019 (0.019 cents) and \$0.00025 (0.025 cents) per Share, on a minority interest basis, summarised in Table 40.

Table 40: Fair market value of an issued Share after the Proposed Underwriting (and the Proposed Transaction)

\$'000	Low	High
Equity Value after before the Proposed Underwriting (control basis)	81,392	116,392
<i>Plus: Capital raised from Notes Offer</i>	26,000	26,000
Equity Value after Proposed Underwriting (and Proposed Transaction) (control basis)	107,392	142,392
<i>Less: Discount for minority interest of 23%</i>	(24,783)	(32,860)
Equity Value after Proposed Underwriting (and Proposed Transaction) (Minority Interest Basis)	82,610	109,533
<i>Divided by: Total Shares outstanding after Proposed Underwriting (and Proposed Transaction) ('000)</i>	433,616,046	433,616,046
Fair Market Value per Share after Proposed Underwriting (and Proposed Transaction) (Minority Interest Basis) (\$)	0.00019	0.00025
Fair Market Value per Share after Proposed Underwriting (and Proposed Transaction) (Minority Interest Basis) (cents)	0.019	0.025

Source: PPB analysis

On the basis that the existing shareholders pay a subscription price of \$0.0001 (0.01 cents) per Share in order to participate in the Notes Offer, the 'net value' to existing shareholders that subscribe for Notes is \$0.00009 (0.009 cents) to \$0.00015 (0.015 cents), summarised in Table 41.

Table 41: Analysis of net value for existing shareholders

	Low	High
Fair Market Value per Share after Proposed Underwriting (and Proposed Transaction) (Minority Interest Basis) (\$)	0.00019	0.00025
<i>Less: Subscription price per Share (\$)</i>	<i>0.00010</i>	<i>0.00010</i>
Net value per Share for existing shareholders (\$)	0.00009	0.00015
Net value per Share for existing shareholders (cents)	0.009	0.015

Source: PPB analysis

8.2 Capital raised from Notes Offer

The face value of the Notes to be issued is \$26 million. The \$26 million from the Notes Offer decreases the pro-forma net debt, and therefore increases the equity value.

8.3 Number of Shares on issue

Table 42 summarises the Pro-forma Number of Shares on issue after the Proposed Underwriting (and Proposed Transaction), assuming there is either 0% or a 100% take up and exercise / conversion of the Options and Notes. We have analysed other scenarios and conclude they do not impact our opinion because of the pro rata offer with a subscription price and the Notes Offer is fully underwritten.

Table 42: Scenarios for take up and conversion of the Notes

Shareholder summary after Proposed Underwriting	Assuming Full Take-Up		Assuming Nil Take-Up	
	Number '000	% of Total	Number '000	% of Total
Shares on issue before Proposed Transaction (excluding Rowsthorn)	195,690	0.05%	195,690	0.05%
Shares held by Rowsthorn before Proposed Transaction	87,023	0.02%	87,023	0.02%
New shares to be issued to existing shareholders (excluding Rowsthorn)	179,968,202	41.50%	0	0.00%
New shares to be issued to Rowsthorn as an existing shareholder	80,031,798	18.46%	260,000,000	59.96%
Shares to be issued to Rowsthorn as Underwriting Fee	21,666,667	5.00%	21,666,667	5.00%
Shares to be issued to SC Lowy as part of Proposed Issue of Options	151,666,667	34.98%	151,666,667	34.98%
Total shares on issue after Proposed Transaction	433,616,046	100.0%	433,616,046	100.0%
Rowsthorn total shareholding after Proposed Transaction	101,785,488	23.47%	281,753,690	64.98%

Source: PPB analysis

8.4 Net value per Share

If an existing shareholder participates in the Notes Offer, they will pay a subscription price per Note of \$0.00010 (0.01 cents). Accordingly, although the equity value of McAleese increases due to the issuance of the Notes and receipt of subscription moneys, the value to the existing shareholders should take into account the subscription price that reduces the value per share to the shareholder.

8.5 Comparison of the value of an issued Share before the Proposed Underwriting to the value of an issued Share after Proposed Underwriting

Based on our assessment, assuming that a Shareholder *does participate* in the Notes Offer, the fair market value per Share before and after the Proposed Underwriting is summarised in Table 43.

Table 43: Fair market value per Share before and after Proposed Underwriting

	Low \$	High \$
Fair Market Value per Share before the Proposed Underwriting and after the Proposed Issue of Options (Minority Interest Basis)	0.00015	0.00022
Fair Market Value per Share after the Proposed Underwriting (Minority Interest Basis)	0.00019	0.00025
% difference –increase/(decrease)	25%	16%

Source: PPB analysis

Based on our assessment, the fair market value per Share after the Proposed Underwriting is higher than the range of the fair market value before the Proposed Underwriting, and after the Proposed Issue of Options.

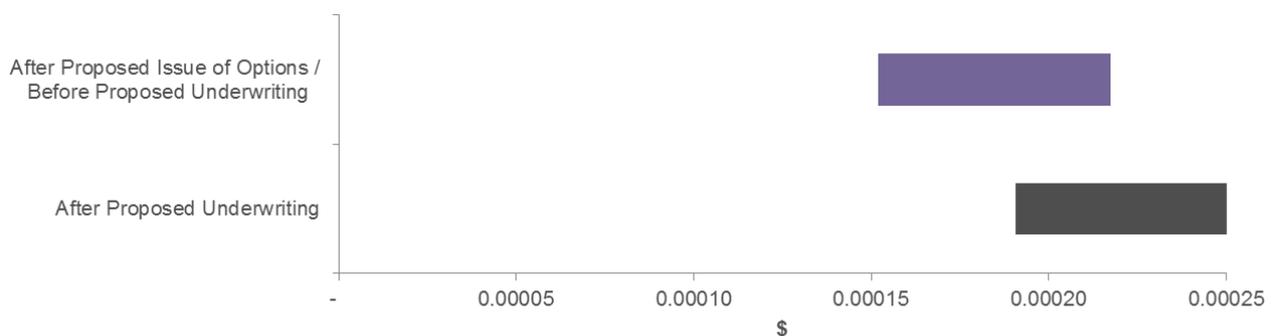
Our assessment is undertaken after considering the subscription price required to be paid by Shareholders for the Notes.

We have assessed the fair market value of an issued share in McAleese:

- before the Proposed Underwriting, on a control basis, to be in the range of \$0.00015 (0.015 cents) to \$0.00022 (0.022 cents), after adjusting for the Pro-forma Number of Shares
- after the Proposed Underwriting, on a minority interest and fully diluted basis, to be in the range of \$0.00019 (0.019 cents) to \$0.00025 (0.025 cents).

A summary of our assessment is set out in Figure 10.

Figure 10: Summary – Proposed Underwriting



Source: PPB analysis

The fair market value per share after the Proposed Underwriting is impacted by:

- to the extent that Shareholders participate in the Notes Offer, they benefit from the discount of between 48% and 60% implied in the subscription price as compared to our assessed fair market value after the Proposed Transaction²¹. A Shareholder that *does not participate* in the Notes Offer will not benefit from the discount, in which case Rowsthorn as underwriter will benefit
- Rowsthorn being offered Notes as an underwriting fee, for an interest of 5% of the issued Shares after the Proposed Transaction. Based on our analysis, the fair market value of the Shares to be issued to Rowsthorn under the Proposed Underwriting is in the range of \$4.1 million to \$5.5 million
- to the extent that Shareholders *do not participate* in the Notes, Shareholders will be further diluted by Rowsthorn, as underwriter, who will take up the Notes and may accrue an interest of up to 65% of the issued Shares after the Proposed Transaction
- the fair market value after the Proposed Underwriting incorporates a minority interest discount of 23%.

²¹ The subscription price of the Notes Offer is 0.01 cents per share, compared to our assessed fair market value after the Proposed Transaction of between 0.019 cents and 0.025 cents.

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9. Assessment of the Proposed Transaction

9.1 Conclusion

Based on our analysis, as set out above, PPB is of the opinion that, in the absence of a superior offer, and on the basis that a Shareholder *does not participate* in the Notes Offer, the Proposed Transaction is 'not fair' but 'reasonable', and therefore 'in the best interests' of Non-Associated Shareholders, as a whole.

There are compelling reasons for Shareholders to approve the Proposed Transaction as they will be clearly better off if the Proposed Transaction proceeds and they elect to participate in the Notes Offer. In accordance with RG 111, the expert is to consider these reasons and the position of a Shareholder that *does participate* in the Notes Offer, as part of the reasonableness assessment of the Proposed Transaction.

We have also assessed the terms of the Proposed Issue of Options and the Proposed Underwriting separately in our reasonableness assessment and are of the opinion that there are compelling reasons for Shareholders to approve the Proposed Issue of Options and the Proposed Underwriting.

McAleese has been experiencing significant financial pressures, mostly due to the decline in certain mining sectors in Australia and its significant levels of debt. The forbearance arrangements with its current debt providers will expire if the Proposed Transaction does not proceed and the Company will risk being placed into external administration. McAleese requires a substantial reduction in its debt and additional capital if it is to generate any meaningful recovery in the business. Both will occur if the Proposed Transaction proceeds.

9.2 Approach

Fairness

The Proposed Transaction will be fair to Shareholders if the fair market value of an issued share after the Proposed Transaction (on a minority interest basis) is equal to or greater than the fair market value of an issued share before the Proposed Transaction (on a control basis).

Therefore, for the purpose of assessing the fairness of the Proposed Transaction, we have assessed and compared the fair market value of an issued share in McAleese:

- before the Proposed Transaction, on a controlling interest basis and
- after the Proposed Transaction, on a minority interest basis.

In accordance with RG 111, we are required to assess the fairness of the Proposed Transaction on the basis that a Shareholder *does not participate* in the Notes Offer.

Reasonableness

In assessing the reasonableness of the Proposed Transaction, we considered the advantages and disadvantages of the Proposed Transaction proceeding as well as any other factors that we identified. We have also considered the:

- existence of any premium for control
- likelihood of an alternative superior offer being made to the Shareholders
- alternatives available to the Shareholders.

9.3 Fairness

We have assessed whether the Proposed Transaction is fair by comparing the fair market value of an issued Share in McAleese before the Proposed Transaction, on a control basis, to the fair market value of an issued share after the Proposed Transaction, on a minority interest basis, assuming the Proposed Transaction is approved. Our fairness assessment has been undertaken on the basis of a Shareholder that *does not participate* in the Notes Offer.

We have considered the position of a Shareholder that *does participate* in the Notes Offer as part of our reasonableness assessment.

On the basis that a Shareholder *does not participate* in the Notes Offer, our fairness assessment indicates that the fair market value of an issued Share after the Proposed Transaction, on a Pro-forma Number of Shares basis²², is *lower* than the range of the fair market value of an issued Share before the Proposed Transaction.

A Shareholder that *does not participate* in the Notes Offer will continue to hold their shares. By virtue of the Notes Offer, if all Shareholders elect not to participate in the Notes Offer their interests will be diluted from 69.2% to 0.05% of the total issued Shares of the Company²³.

The Proposed Issue of Options and Proposed Underwriting are inter-conditional. Therefore, if the Proposed Issue of Options is not approved, the Proposed Underwriting will not proceed, and vice versa.

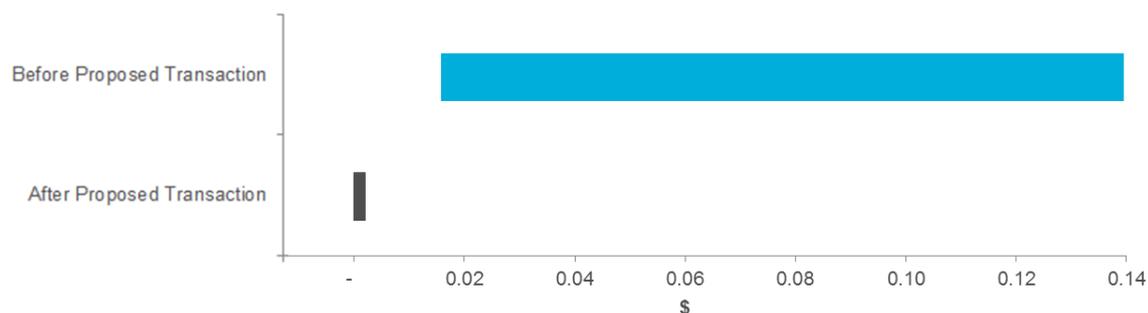
However, as the Proposed Issue of Options and Proposed Underwriting are both ‘control’ transactions involving different parties, and the Proposed Underwriting involves a related party, we have analysed each of these transactions separately.

On the basis that a Shareholder *does not participate* in the Notes Offer, we have assessed the fair market value of an issued Share in McAleese:

- before the Proposed Transaction, on a control basis, to be in the range of \$0.016 (1.6 cents) to \$0.140 (14.0 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of \$0.00019 (0.019 cents) to \$0.00025 (0.025 cents).

A summary of our fairness assessment is set out in Figure 11

Figure 11: Fairness summary – Proposed Transaction (Shareholder *does not participate* in the Notes Offer)



Source: PPB analysis

On the basis that a Shareholder *does not participate* in the Notes Offer, our assessed fair market value of an issued Share after the Proposed Transaction is significantly *lower* than the range of the fair market value of an issued Share before the Proposed Transaction. Therefore, we have determined that the Proposed Transaction is *not fair* to a Shareholder that *does not participate* in the Notes Offer, according to RG 111.

Comparison of value before Proposed Transaction on a control basis with value after Proposed Transaction on a minority basis

RG 111 recommends that the Proposed Transaction is assessed on the basis that McAleese is subject to a change of control transaction. This reflects the possibility that shareholders, in approving the Proposed Transaction, may give up the opportunity to realise a control premium.

Our assessment involves comparison of the underlying value with the ‘consideration’ to be received by shareholders, where that consideration is deemed to be shares in McAleese after the Proposed Transaction. For the purposes of the comparison, we have valued the Shares after the Proposed Transaction on a

²² Under the Notes Offer, Shareholders will be given the opportunity to subscribe for 1.0218 Notes for every one Share held for \$0.09 per Note. Each Note will convert to 900 Shares. Therefore, the effective subscription price is \$0.0001 per Share. The face value of the Notes to be issued is \$26 million and will convert into 260 billion Shares. The number of Shares on issue will increase significantly because the Notes Offer is on a 900:1 basis (effectively 920:1 per Share, because of the 1.0218 Notes issued per Share), hence the ‘effective value’ per Share decreases significantly. The Notes Offer is fully underwritten

²³ Excluding Rowsthorn’s existing interest

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minority interest basis (trading value) and compared it to the value of the Shares before the Proposed Transaction which on a control basis.

We have applied a control premium of 30% in our analysis, however a control premium effectively represents the outcome of pricing decisions in change of control transactions. The trading price of McAleese Shares on the ASX will not incorporate a control premium, in the absence of any takeover offer.

9.4 Reasonableness

We have summarised below some of the relevant factors associated with the Proposed Transaction. In assessing the reasonableness of the Proposed Transaction, we have considered the potential advantages and disadvantages to the Shareholders and considered whether the advantages outweigh the disadvantages in the context of the Proposed Transaction. Individual shareholders may interpret these factors differently, depending on their circumstances.

We have assessed that the advantages and disadvantages of rejecting the Proposed Transaction are the inverse of accepting the Proposed Transaction.

The potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction are summarised below

Advantages

Shareholder participation in Notes Offer

Shareholders will have the ability to participate in the Notes Offer that will result in them holding an interest of up to 60% of the issued Shares after the Proposed Transaction.

In the event that the Notes are not subscribed for by the Shareholders they will be subscribed for by Rowsthorn. This could result in Rowsthorn holding up to 65%.

Shareholders are being offered favourable pricing under the Notes Offer

Under the Notes Offer, Shareholders are given the opportunity to subscribe for new Shares at a *discount* of between 48% and 60% to our assessed fair market value after the Proposed Transaction²⁴.

In analysing the position of a Shareholder that *does participate* in the Notes Offer, we have assessed the fair market value of an issued Share in McAleese:

- before the Proposed Transaction, on a control basis, to be in the range of \$0.016 (1.6 cents) to \$0.140 (14.0 cents)
- after the Proposed Transaction, on a minority interest and fully diluted basis, to be in the range of \$0.175 (17.5 cents) to \$0.233 (23.3 cents).

Shareholders that subscribe for the Notes will pay a subscription price in order to participate in the Notes Offer. Effectively, the net value to a Shareholder that participates in the Notes Offer is \$0.083 (8.3 cents) to \$0.140 (14.0 cents) per Share. Our analysis is summarised in Table 44 and Figure 12.

Table 44: Assessment of value to Shareholder after the Proposed Transaction

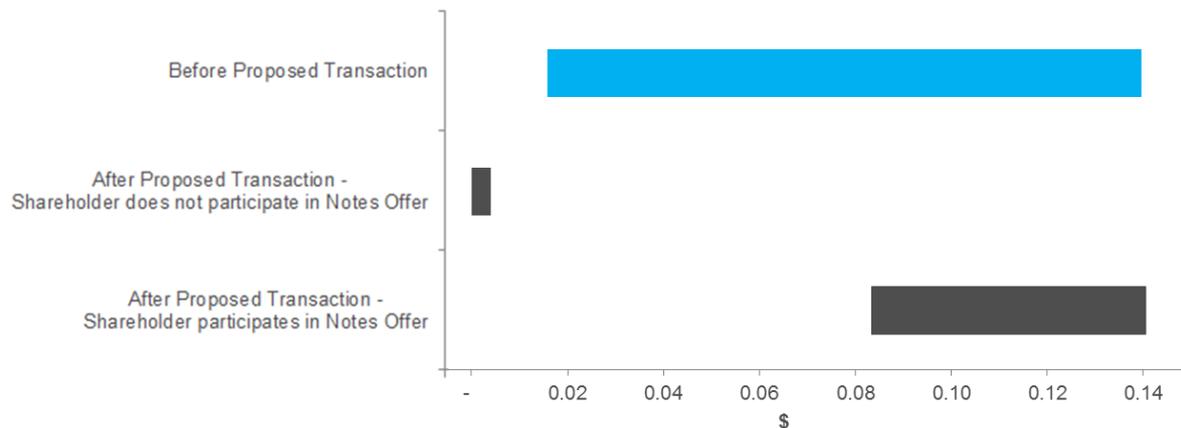
	Before Proposed Transaction		After Proposed Transaction			
			Shareholder <i>does not</i> participate in Notes Offer		Shareholder <i>does</i> participate in Notes Offer	
	Low	High	Low	High	Low	High
Fair market value per Share (cents)	1.6	14.0	0.019	0.025	0.019	0.025
Number of Shares	1	1	1	1	921	921

²⁴ The subscription price of the Notes Offer is 0.01 cents per share, compared to our assessed fair market value after the Proposed Transaction of between 0.019 cents and 0.025 cents.

Fair market value per Share on before Proposed Transaction basis (cents)	1.6	14.0	0.019	0.025	17.5	23.3
Less subscription price <i>(0.01 cents for each new share)</i>	-	-	-	-	(9.2)	(9.2)
Total value to shareholder (cents)	1.6	14.0	0.019	0.025	8.3	14.1
<i>Increase/(decrease) in value</i>	<i>n/a</i>	<i>n/a</i>	<i>(99%)</i>	<i>(100%)</i>	<i>430%</i>	<i>1%</i>

**For every one Share held, a shareholder is effectively entitled to 920 new shares under the Notes Offer, in addition to the share already held*

Figure 12: Summary – Proposed Transaction (Shareholder *does* and *does not* participate in the Notes Offer)



Note: Values after the Proposed Transaction, for a shareholder that does participate, are net of the subscription price

Comparison to share price

The value of an issued Share to a shareholder that participates in the Notes Offer, net of the subscription price, is higher than the 5 Day VWAP.

As noted in our analysis of the share price performance in Section 3.11, the quoted share price both before and after the announcement of the Proposed Transaction may not reflect fair market value because:

- the volume of shares traded indicates that the liquidity of McAleese shares is limited
- the extended period of suspension of the shares from official quotation up to 7 June 2016.

Company’s debt level is reduced significantly

The Proposed Transaction will significantly reduce the Company’s debt and lessen the associated financial pressures, allowing Directors to focus on stabilising the business.

Under the Proposed Transaction, the Company’s debt will be reduced by approximately \$80 million²⁵ which will result in:

- a significant reduction of its excessive financial leverage
- the interest coverage ratio²⁶ increasing from negative (1.37) times to between negative (0.18) times and 1.60 times (which compares to its peer average of 4.45 times)
- net debt to EBITDA decreasing from 7.21 times to between 1.07 and 2.44 times (which compares to its peer average of 2.45 times)

²⁵ Calculated as the current senior debt facility of \$191 million less the new SC Lowy senior debt facility of \$93.3 million

²⁶ Calculated as at 31 December 2015 and using the forecast estimates provided in the forecast model

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- an annual interest cost²⁷ of \$17.0 million (based on an interest rate of 15% per annum) compared to \$14.0 million (based on an average interest rate of approximately 6% per annum). The \$17.0 million annual interest expense equates to a cash payment of approximately \$6.8 million as a result of the PIK component.

Continue as a Shareholder

Shareholders will continue to hold shares in McAleese. However, as part of the Proposed Transaction, the Company is seeking Shareholder approval to delist from the ASX. In which case Shareholders will hold shares in an unlisted company.

Recommendation of Independent Directors

The majority of the Independent Directors of McAleese recommend the Proposed Transaction.

Alignment of interests of debt providers

The interests of SC Lowy, as senior debt provider, by virtue of the exercise of the Options, will become aligned with Shareholders.

From a control perspective, the Proposed Underwriting does not confer any meaningful additional control, over and above that, which Rowsthorn already has through his 31% interest and seat on the board.

Underwriting fee at market

The issue of Notes (or the cash payment) to Rowsthorn under the Proposed Underwriting represents an underwriting fee of 8.33% of the capital raised. Based on our analysis of non-renounceable rights issues since December 2004, Rowsthorn's underwriting fee is within the range of underwriting fees, albeit towards the high end.

In our opinion, this reflects the high level of perceived risk associated with the Proposed Transaction, the challenging financial position of McAleese and the binding nature of the agreement for 12 months. Our analysis is summarised in Table 45 and Appendix G.

Table 45: Summary market non-renounceable rights issues

Transaction size		Number of transactions	Underwriting fee		
\$ million	\$ million		Average	Min	Max
10	20	78	4.8%	0.8%	11.4%
20	30	17	4.1%	2.0%	6.0%
30	40	12	4.1%	1.0%	5.0%

Source: Capital IQ

Proposed Issue of Options is favourable to Shareholders

SC Lowy has facilitated the reduction of the Company's senior debt of approximately \$80 million, from \$191 million to \$112.3 million in exchange for the Proposed Issue of Options. Based on our analysis, in the absence of dilution, the fair market value of the Shares to be issued to SC Lowy under the Proposed Issue of Options is in the range of \$29 million to \$38 million which is significantly lower than the reduction of senior debt of \$80 million.

Therefore, the Proposed Issue of Options to Shareholder adds between \$42 million and \$51 million of value to the Company. Refer to Section 7 for our analysis on the Proposed Issue of Options. A summary of our analysis is replicated below in Table 46:

²⁷ Calculated based on 1HY FY16 annualised and 1HY FY17F annualised

Table 46: Fair market value of an issued share after the Proposed Issue of Options

\$'000	Low	High
Equity Value before the Proposed Transaction (Control Basis)	4,447	39,447
<i>Plus:</i> Existing Senior Debt Facility	191,245	191,245
<i>Less:</i> New SC Lowy Facility	(93,300)	(93,300)
<i>Less:</i> New Working Capital Facility	(14,000)	(14,000)
<i>Less:</i> Deferred Consideration	(5,000)	(5,000)
<i>Less:</i> Loan origination fees added to SC Lowy Facility	(2,000)	(2,000)
Sub-Total	76,945	76,945
Equity Value post Proposed Issue of Options (Control Basis)	81,392	116,392
<i>Less:</i> Discount for minority interest of 23%	(18,783)	(26,860)
Equity Value post Proposed Issue of Options (Minority Interest Basis)	62,610	89,533

Source: PPB analysis, Management

Disadvantages

Significant dilution

Shareholders' interests will be significantly diluted by:

- SC Lowy being offered the Options at no cost, for an interest of 35% of the issued Shares after the Proposed Transaction
- Rowsthorn being offered Notes as an underwriting fee, for an interest of 5% of the issued Shares after the Proposed Transaction

To the extent that Shareholders *do not participate* in the Notes Shareholders will be further diluted by Rowsthorn, as underwriter, who will take up the Notes and may accrue an interest of up to 65% of the issued Shares after the Proposed Transaction.

Cost of Proposed Underwriting borne by Shareholders

Based on our analysis, the fair market value of the Shares to be issued to Rowsthorn under the Proposed Underwriting is in the range of \$4.1 million to \$5.5 million.

The Proposed Underwriting reduces the value of the Company by virtue of the underwriting fee paid to Rowsthorn.

Restricted opportunity to participate in Proposed Underwriting

Shareholders have a restricted opportunity to participate in the Proposed Underwriting, however Rowsthorn is open to suitably capitalised shareholders sub-underwriting some of the Notes Offer and being paid a portion of the underwriting fee that Rowsthorn would otherwise receive²⁸. Not all Shareholders would be eligible or have the capacity to be an underwriter. This may lead to direct dilution of Shareholders interests.

No opportunity to participate in Proposed Issue of Options

Shareholders do not have the ability to participate in the Proposed Issue of Options, which will, when exercised, comprise 35% of the issued Shares after the Proposed Transaction. This will lead to direct dilution of Shareholders interests.

²⁸ Documents, page 5

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No alternatives

If the Proposed Issue of Options and / or the Proposed Underwriting are not approved, the Proposed Transaction will not proceed and there is a significant risk that the Company will be placed into external administration. In this circumstance, Shareholders would likely receive little, if any, proceeds for the Shares they hold.

If the Proposed Issue of Options and Proposed Underwriting are not approved, the Share price of McAleese may fall below the current share price (of \$0.024 per share on 8 June 2016).

Delisting

As part of the Proposed Transaction, the Company is seeking Shareholder approval to delist from the ASX. In which case Shareholders will hold shares in an unlisted company. Shareholders will not be able to trade their shares on the open market. Refer to Appendix 6 of the Documents for the key difference between holding shares in an ASX listed company compared to an unlisted public company.

Reasonableness conclusion

Based on the qualitative factors summarised above, it is our opinion that the Proposed Transaction is reasonable to Shareholders.

Other factors

If the Proposed Issue of Options and / or the Proposed Underwriting are not approved, the Proposed Transaction will not proceed and the Share price of McAleese may not rise from the current trading price because the Company has no alternative plans. The Company's cash on hand will continue to be diminished as it continues to operate in the short to medium term.

If the Proposed Issue of Options and / or the Proposed Underwriting are not approved, the Independent Directors expect to consider appointing a voluntary administrator immediately after the shareholders meeting which could result in SC Lowy appointing a receiver or receiver and manager in relation to McAleese's secured assets, and SC Lowy, as the majority secured lender, may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt of approximately \$191 million.

It is a condition of the forbearance with the existing financiers that the Proposed Transaction precedes. In the event this does not occur, then the forbearance period will cease and the directors would likely consider appointing a voluntary administrator and / or the financiers would likely consider appointing receivers and managers. As a result, Shareholders would likely receive little, if any proceeds.

Should external administrators be appointed, the business of McAleese could be sold on a going concern basis. However, the proceeds would likely be insufficient to repay the debts of McAleese and hence, there would be insufficient funds to distribute any amounts to Shareholders.

9.5 Alternatives

The directors did consider alternatives to the Proposed Transaction. The directors have undertaken a thorough process over an extended period of time to seek alternative transactions that may have resulted in a different outcome for Shareholders. The strategic review commenced in August 2015 in which over 65 parties were approached including private equity funds, alternative capital providers and strategic and trade investors. However, no suitable alternative transaction was able to be undertaken.

At the date of the report, there were no other alternatives available to the directors.

The Proposed Transaction is, in the view of the majority of the Independent Directors, the most beneficial to Shareholders in the Company's current circumstances.

9.6 Any premium for control

In accordance with RG 11.43, we determined that the Proposed Issue of Options and the Proposed Underwriting are control transactions and as such, the Shareholders should receive a premium for control.

Table 47 summarises our assessment of the premium / (discount) for control.

Table 47: Premium for control

Description	% Holding	Face value \$ million	Fair Value of shares * \$ million	Control premium / (discount)
Rowsthorn – underwriting fee	5%	-	4.8	(100%)
Rowsthorn – assuming Shareholders <i>do not participate</i>	60%	26	57.6	(55%)
SC Lowy	35%	80	33.6	138%

Source: PPB analysis
Based on midpoint valuation

Rowsthorn

Rowsthorn will receive 5% of the Notes (equating to 26.7 billion Shares) for nil consideration. The fair market value of these Notes is in the range of \$4.1 million to \$5.5 million. In essence the existing shareholders bear the ‘cost’ of these Notes.

In addition, Rowsthorn has the potential ability to subscribe for a further 60% of the Notes (260 billion Shares), in the event there is no participation by Shareholders in the Notes Offer. Under the Proposed Underwriting Rowsthorn would be required to subscribe for the Notes at \$0.0001 per Note.

However, as the fair market value of the shares after conversion exceeds the subscription price by between 48% and 60% to our assessed fair market value after the Proposed Transaction³⁵. Rowsthorn, would therefore receive a further benefit of this discount.

SC Lowy

SC Lowy will receive 35% of the Notes (151.7 billion Shares) at a nil strike price. However, SC Lowy is effectively contributing \$80 million, being the benefit that McAleese receives from the Proposed Issue of Options by virtue of the debt reduction from financiers and SC Lowy.

Based on our analysis, the fair market value of the Shares to be issued to SC Lowy under the Proposed Issue of Options is in the range of \$29 million to \$38 million which is significantly lower than the reduction of senior debt of \$80 million.

Therefore using the debt reduction as a proxy for cost, this effectively results in SC Lowy paying a control premium of 138%.

9.7 Other considerations

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

Whether or not individual Shareholders vote to implement the Proposed Transaction depends on their own circumstances, as well as each Shareholders view on the reasonableness factors summarised above.

³⁵ The subscription price of the Notes Offer is 0.01 cents per share, compared to our assessed fair market value after the Proposed Transaction of between 0.019 cents and 0.025 cents.

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9.8 Conclusion on the Proposed Transaction

In our opinion, in the absence of a superior offer, on the basis that a Shareholder *does not participate* in the Notes Offer, the Proposed Transaction is '*not fair*' but '*reasonable*', and therefore '*in the best interests*' of Non-Associated Shareholders, as a whole.

As part of assessing whether or not the Proposed Transaction is fair and reasonable to the Shareholders, PPB has assessed the value of an issued share of McAleese before the Proposed Transaction on a control basis and compared it to the value of an issued share of McAleese after the Proposed Transaction, assuming that the Proposed Transaction proceeds.

The alternative to the Proposed Transaction for Shareholders is to vote against the Proposed Transaction and continue to hold shares in McAleese. As discussed above, given the financial position of McAleese, if the Proposed Transaction does not proceed, the Directors expect that they will appoint a voluntary administrator which could result in SC Lowy appointing a receiver or receiver and manager in relation to McAleese's secured assets or SC Lowy may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt of approximately \$191 million.

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10. Limitations and disclosures

10.1 Qualifications

PPB holds an Australian Financial Services Licence (No. 344626) under the Act and its authorised representatives are qualified to provide this Report.

PPB provides a range of corporate advisory services and has advised on numerous takeovers, valuations, acquisitions and restructures.

This report has been prepared by Fiona Hansen B Com, Hon Acc Science, CA, CA (SA) and a Partner at PPB Advisory. Fiona has over 20 years of experience in corporate finance advice including business valuations, preparing independent expert's reports, transaction advisory, financial due diligence and mergers and acquisitions.

This report has also been prepared by Campbell Jaski BSc (Hons), MBA, FAusIMM, FFin, FCI Arb and a Director of PPB and Partner at PPB Advisory. Campbell has over 20 years of experience in management and corporate finance.

Based on their experience, Fiona and Campbell have the appropriate experience and qualifications to provide the advice offered.

10.2 Disclaimers

This Report was not prepared for any other purpose or for use by any other person. PPB does not accept any responsibility to any person other than the Directors and Shareholders for the use of the Report outside the stated purpose without the written consent of PPB. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Approval or rejection of the Proposed Transaction are matters for individual Shareholders based on their expectations as to various factors including the value and future prospects of McAleese, the terms of the Proposed Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Documents. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

10.3 Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PPB reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PPB.

10.4 Currency

All references to '\$' and 'dollars' are references to Australian dollars unless stated otherwise.

10.5 Independence

Prior to accepting this engagement, PPB considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 *Independence of Experts* ('RG112') and APES 110 Code of ethics for professional accountants issued by the Accounting Professional and Ethics Standards Board.

PPB Advisory has prepared the independent expert's report and valuation of Atlas as at 30 November 2016 and the supplementary independent expert's report and valuation of Atlas as at 29 February 2016 for the creditors for a creditors' scheme. We believe that our role was independent in the preparation of those reports and that our role does not compromise our independence in preparing this IER for Shareholders of McAleese.

We have concluded that there are no conflicts of interest with respect to McAleese, SC Lowy and Rowsthorn involved in the Proposed Transaction.

PPB has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert for the creditors and for the Shareholders. PPB is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, PPB will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction. PPB will receive no other benefit for the preparation of this Report.

10.6 Consents

PPB consents to issuing this report in the form and context in which it is included in the accompanying the Documents. Apart from the Report, PPB is not responsible for the contents of the Documents, or any other document or announcement associated with the Proposed Transaction. PPB acknowledges that its Report may be lodged with regulatory bodies.

10.7 Reliance on information

The statements and opinions contained in this Report are given in good faith and are based upon PPB's consideration and assessment of information provided by McAleese. PPB believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PPB in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PPB's role to undertake, and PPB has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction. PPB understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PPB does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the directors and/or their advisors.

An opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PPB advises that it is not in a position, nor is it practical for PPB, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PPB was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to

International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by McAleese in previous accounting periods.

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

McAleese 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 McAleese, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

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Appendix A – Glossary of terms

Term	Definition
Act	Corporations Act 2001
AFSL	Australian Financial Services Licence
APES 225	Accounting Professional & Ethical Standards Board Limited professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD/\$	Australian dollars
CAPM	Capital Asset Pricing Model
CFME	Capitalisation of Future Maintainable Earnings
CGB	Commonwealth Government Bond
5 Day VWAP	5 day VWAP after 7 June 2016
DCF	Discounted cash flow
Directors	Directors of McAleese
dmt	Dry metric tonne
Documents	Explanatory Memorandum and Notice of Meeting
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest tax depreciation and amortization
EV	Enterprise Value – calculated as equity plus debt minus cash
Fair Market Value	The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length
Financial Model	Financial model prepared by Management and provided to PPB
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY	Financial Year ending or ended 30 June
HY	Half year ended 31 December 2015
IER or Report	This Independent Expert's Report in relation to the Proposed Transaction
Independent Directors	The directors of McAleese that are unrelated to the Proposed Transaction
Kd	Cost of debt
Ke	Cost of equity
Km	Kilometres
LR 10.11	ASX listing rule 10.11
Management	The management of McAleese
McAleese or the Company	McAleese Limited

Term	Definition
MRP	Market Risk Premium ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the difference between the expected return on holding the market portfolio and the risk free rate. It represents the additional return above the risk free rate that investors seek to invest in equity securities.
month	Month
NA	Net Assets
NBV	Net book value
Non-Associated Shareholders	Shareholders that are not associated with the Proposed Transaction
Notes	Secured convertible notes
Notes Offer	The pro-rata offer of Notes to Shareholders
Options	Options over ordinary Shares with a zero strike price
pa	Per annum
PIK	Payment In Kind
PPB	PPB Corporate Finance Pty Ltd
PPE	property, plant and equipment
Pro-forma Number of Shares	Under the Proposed Transaction, existing shareholders will be given the opportunity to subscribe for 1.0218 Notes for every one Share held for \$0.09 per Note. Each Note will convert to 900 Shares. Therefore, the effective subscription price is \$0.0001 per Share. The face value of the Notes to be issued of \$26 million will convert into 260 billion shares. The number of shares on issue will increase significantly because the Notes Offer is on a 1:900 basis, hence the effective 'value' per share decreases significantly
Proposed Issue of Options	in part consideration of the compromise of the Senior Debt Acquisition by SC Lowy, the Company will issue to the SC Lowy options over ordinary Shares with a zero strike price such that SC Lowy will hold 35% of the shares on issue after-exercise of the Options and after the Proposed Transaction
Proposed Transaction	The Recapitalisation of the Company through the Proposed Issue of Options and the Proposed Underwriting
Proposed Underwriting	SC Lowy requires that the issue of the Notes be underwritten with \$14 million of proceeds of \$26 million to be used to partially repay the new senior debt facility. Entities associated with the Company's major shareholder and managing director and chief executive officer, Mark Rowsthorn were the only parties prepared to provide this underwrite on terms acceptable to the Company and SC Lowy.
Prospective Financial Information	Definition according to RG 170 comprising the Financial Model prepared by Management
R_f	Risk free rate
RG	ASIC Regulatory Guide
RG 111	RG 111 <i>Content of Experts Reports</i>
RG 112	RG 112 <i>Independence of Experts</i>
RG 170	RG 170 <i>Prospective financial information</i>
RG 76	RG 76 <i>Relate party transactions</i>
Rowsthorn or the Underwriter	Mark Rowsthorn or, where applicable, one or more entities controlled by Mark Rowsthorn
Report	This report prepared by PPB

Term	Definition
SC Lowy	SC Lowy consortium, comprising of: <ul style="list-style-type: none"> • SC Lowy: Investment lender, specialising in the secondary loan and high-yield bond market across the Asia-Pacific region • BlackRock: is an investment management firm • Remagen: is a privately owned investment and advisory firm.
Senior Debt Acquisition	The acquisition by SC Lowy of McAleese's remaining senior debt for \$93.3 million
Shareholders	The shareholders of McAleese
Shares	Shares in McAleese
The Underwriter	Contento Investments Pty Ltd, as trustee for the Contento Investments Trust
USD	US Dollars
Valuation	Valuation of the business of McAleese as at the Valuation Date
Valuation Date	7 June 2016
VWAP	Volume Weighted Average share Price
WACC	Weighted Average Cost of Capital
YTD	Year to date

Appendix B – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

- Audited annual and half year reports of McAleese
- IBIS World reports Industry Reports (Mining and Road Freight)
- McAleese's ASX announcements
- McAleese website (www.mcaleese.com.au)
- Capital IQ
- Merger Markets
- Reserve Bank of Australia website
- McAleese board reports (inclusive of Financial information)
- Discussions with McAleese Management, directors and its legal and corporate advisers
- Announced Transaction overview
- Data Room Developed by McAleese, McAleese's Legal Advisors and McAleese's Corporate Advisors. Key documents Include but are not limited to; Financial model Stage II, Corporate Structure Chart, Shareholder Register, FY17 Budget, Sharetrak Report, Confidential Information Memorandum

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Appendix C – Valuation methods

To estimate the fair market value of McAleese, we have considered the common market practice and the valuation approaches recommended by RG 111, which provide guidance in respect of the content of independent expert reports. The common valuation approaches are as follows:

- market based approach
- income based approach
- asset based approach.

Each approach is appropriate in certain circumstances. The decision as to which approach and specific methodology to apply generally depends on the nature of the company or asset being valued, the methodology most commonly adopted in valuing such companies or assets and the availability of appropriate information.

These approaches are summarised below:

Market based approach

Market based approach estimates the fair market value by considering the market price of transactions in its shares or the market value of comparable companies. The market based approach includes the following methods:

- capitalisation of earnings method
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of earnings method estimate the fair market value based on a company's FME and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where a company's earnings are relatively stable and it is assumed that the business will continue trading as a going concern indefinitely.

The most recent share trading history provides evidence of the market value of the shares of the company where they are publicly traded in an informed market.

Industry specific methods estimate the fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods, because they do not account for company specific factors. Industry specific methods are typically used as cross checks in specific industries.

Income based approach

Under the income approach, the discounted cash flow ('DCF') method estimates the fair market value by discounting a company's future cash flows to a net present value using an appropriate discount rate. The DCF method is appropriate where there are long term projections of future cash flows of at least five to ten years and the projections can be made with a reasonable level of confidence. DCF method is typically used where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy
- earnings or cash flows are expected to fluctuate significantly from year to year
- the business or asset has a finite life
- the business is in a 'start up' or in early stages of development
- the business has irregular capital expenditure requirements
- the business involves infrastructure projects with major capital expenditure requirements
- the business is currently making losses but is expected to recover.

Asset based approach

Asset based approach estimates the fair market value of a company's shares based on the realisable value of its identifiable net assets. The asset based approach includes the following methods:

- orderly realisation of assets
- liquidation of assets
- net assets on a going concern basis.

The orderly realisation of assets method estimates the fair market value of the net assets by estimating the amount that would be distributed to its shareholders after the payment of all liabilities are satisfied including realisation costs and taxation, assuming that the company is wound up in an orderly manner.

The liquidation of assets method is similar to the orderly realisation of assets method except that the liquidation method assumes that the assets are sold in a shorter timeframe. Since wind up or liquidation of the company may or may not be contemplated, this method in its strictest form may not necessarily appropriate.

The net assets on a going concern basis estimates the market value of the net assets of the company but does not take into account realisation costs.

The net asset value of a trading will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The assets based methods are relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business.

The net realisable assets method is also used as a cross check for the values derived using other methods.

Appendix D – Potentially comparable company descriptions

Business Description

Chalmers Limited, together with its subsidiaries, provides road transportation, logistic, warehousing, tank and container storage, and repair and sales services in Australia. The company operates through Transport, Containers, and Property segments. The company offers container transportation services primarily for importers and exporters; and operates a fleet of B-doubles, side loaders, drop deck and retractable trailers, super B-doubles, taut liners, and trays vehicles. It also provides logistic services, including packing and unpacking general and specialized cargo that comprises machinery, steel, wine, personal effects, and food stuffs; and handling of break bulk steel products comprising coil, sheet, bar, wire, L-channel, and pipe products. In addition, the company offers quarantine services; biosecurity washing services for heavy plant and machinery, parts, automobiles, and agricultural and earth moving machinery/vehicles; fumigation services; and tailgate inspection services, as well as tracking services. Further, it operates container parks that provide integrated container service facilities, such as handling, repair, sale, washing, and lining of containers, as well as rents properties. Chalmers Limited was founded in 1882 and is headquartered in Yarraville, Australia.

CTI Logistics Limited provides transport and logistics services in Australia. It operates through Transport Services, Logistics Services, Property, and Others segments. The company offers transport services, such as couriers, parcels, taxi trucks, fleet management, heavy haulage, line haul, container transport, and freight forwarding. It also provides warehousing and distribution services, including contracted distribution, general warehousing, temperature controlled storage, pick and pack, bulk product storage, minerals and energy supply base, and stock control management. In addition, the company offers security services comprising electronic security alarm, CCTV, and access control services for residential or commercial customers; pest control services comprising termite inspection and treatments, quarantine and fumigation, and pre-construction treatments; and records management services consisting of document and archive storage, core sample storage, data and media storage, imaging and scanning, and document destruction. Further, it provides shredding and recycling services; and wrapping services, including cleaning of plant and equipment, fumigation and spraying services, and sealed quarantine wrapping. Additionally, the company is involved in the rental of owner-occupied and investment properties. CTI Logistics Limited was founded in 1974 and is based in West Perth, Australia.

K&S Corporation Limited provides transportation and logistics, contract management, warehousing and distribution, and fuel distribution services primarily in Australia and New Zealand. The company operates through Australian Transport, Fuels, and New Zealand Transport segments. It provides road, rail, and coastal sea forwarding for full and break bulk loads, including export packing, wharf lodgement, and the delivery of integrated supply chain and system solutions to timber, paper, dairy, agriculture, and general transportation industries; support services to offshore exploration and drilling projects; dry and liquid bulk transportation services to mining, sugar, cement, and fertilizer industries; and fuel distribution services to retail and service stations, primary producers, fishing industry, and transport operators. The company also manages distribution services, as well as provides equipment and personnel. In addition, it offers facility management services to various companies; distribution chain management services for various importers; general, full load, and part load freight services, as well as project services; and heavy haulage services. Further, the company transports bulk solids, liquids, and explosives by road, rail, and sea. The company was formerly known as Scott Corporation Limited and changed its name to K&S Corporation Limited in December 1998. K&S Corporation Limited was founded in 1945 and is headquartered in Truganina, Australia. K&S Corporation Limited operates as a subsidiary of A.A. Scott Pty Limited.

Lindsay Australia Limited provides transport, logistics, and rural supply services to the food processing, food services, fresh produce, rural, and horticultural sectors in Australia. It operates through Transport and Rural segments. The Transport segment is involved in the cartage of general and refrigerated products, and ancillary sales. The Rural segment sells and distributes a range of agricultural supply products. The company also offers warehousing services, as well as specialist services to rural suppliers focusing on the horticultural industry. Lindsay Australia Limited is headquartered in Rocklea, Australia.

Qube Holdings Limited, through its subsidiaries, provides logistics services for clients in import and export cargo supply chains in Australia. The company's Logistics segment offers a range of services relating to the import and export of containerized cargo. Its services include physical and documentary processes and tasks of the import/export supply chain, such as road and rail transport of containers to and from ports, operation of full and empty container parks, customs and quarantine services, warehousing, intermodal terminals, and international freight forwarding, as well as bulk rail haulage services for rural commodities. The company's Ports & Bulk segment provides a range of logistics services relating to the import and export of non-containerized freight, with a focus on automotive, bulk, and break bulk products; and an integrated logistics solution for the automotive industry covering a range of activities, including facilities management, stevedoring, processing, and delivery. This segment also offers stevedoring and related logistics services for the oil and gas industry, forestry products, and project and general cargo; and handles commodities, such as iron ore, manganese, nickel concentrate, and mineral sands. Its Strategic Assets segment is involved in the inland rail terminals and related logistics activities. The company was formerly known as Qube Logistics Holdings Limited and changed its name to Qube Holdings Limited in November 2012. Qube Holdings Limited is based in Sydney, Australia.

Mainfreight Limited provides supply chain logistics solutions in New Zealand, Australia, the Americas, Asia, and Europe. It offers warehousing, domestic distribution, and international air and ocean freight forwarding services, as well as supply chain services. The company was founded in 1978 and is based in Auckland, New Zealand.

Asciano Limited provides rail freight and port services in Australia. The company operates through three segments: Pacific National, Terminals & Logistics, and Bulk & Automotive Port Services. The Pacific National segment offers interstate containerized freight, interstate break bulk freight, and regional freight rail services, as well as hook and pull services for passenger trains; and hauls a range of bulk goods through rail, including coal, grains, minerals, and concentrate and construction materials. The Terminals & Logistics segment provides container stevedoring and associated import/export container supply chain logistics services from ship to destination and origin to ship. This segment also holds long-term lease concessions at container terminals in Brisbane, Sydney, Melbourne, and Perth. The Bulk & Automotive Port Services segment offers port services and integrated supply chain solutions comprising automotive stevedoring, vehicle processing, transport and storage, bulk and general stevedoring, and port related services, as well as infrastructure management services for bulk and general cargo. Asciano Limited serves agriculture, consumer goods, forestry, fresh produce, industrial, mining, oil and gas, shipping lines, steel, transport operations, and automotive industries. The company was formerly known as Asciano Group and changed its name to Asciano Limited in 2010. Asciano Limited is headquartered in Melbourne, Australia.

Business Description

Aurizon Holdings Limited operates an integrated heavy haul freight railway in Australia. The company transports coal from mines in Queensland and New South Wales to end customers and ports; iron ore from mines in Western Australia to ports; and bulk mineral commodities, agricultural products, mining and industrial inputs, general freight, and containerized freight. It also operates and manages the Central Queensland Coal Network that consists of approximately 2,670 kilometers of track network; provides rail design, construction, overhaul, maintenance, and management services; and offers large-scale rail services. The company was formerly known as QR National Limited and changed its name to Aurizon Holdings Limited in December 2012. Aurizon Holdings Limited is headquartered in Brisbane, Australia.

Source: Capital IQ

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Appendix E – Discount rate calculation

The discount rate used to equate future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor.

Discount rates are determined based on the cost of its debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital or WACC. The WACC can be derived using the following formula:

$$\text{WACC} = ((E/V) * K_e) + (((D/V) * K_d) * (1 - t_c))$$

The components of the formula are:

K_e	=	cost of equity capital
K_d	=	cost of debt
t_c	=	corporate tax rate
E/V	=	proportion of company funded by equity
D/V	=	proportion of company funded by deb

Debt to Value Ratio (D/V)

We have assumed a D/V ratio of 30% based on a review of potentially comparable companies, summarised in the table below.

Analysis of D/V ratios of potentially comparable companies as at 7 June 2016

Time Period	1 Year	2 Year	3 Year	4 Year	5 Year
Average Gearing	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value
Chalmers Limited	26%	29%	29%	29%	29%
CTI Logistics Limited	44%	35%	32%	30%	29%
K&S Corporation Limited	39%	39%	36%	36%	36%
Lindsay Australia Limited	39%	40%	43%	45%	47%
Qube Holdings Limited	22%	19%	19%	19%	18%
Mainfreight Limited	13%	13%	14%	15%	14%
Asciano Limited	34%	35%	36%	36%	36%
Aurizon Holdings Limited	23%	22%	22%	20%	18%
Median	30%	32%	30%	29%	29%
Mean	30%	29%	29%	29%	28%

Source: Capital IQ & PPB analysis.

Cost of Debt

We have selected a pre-tax cost of debt of 6.0% based on consideration of McAleese’s actual cost of debt and the cost of debt of potentially comparable companies.

Cost of Equity

The cost of equity (K_e) is the rate of return that investors require to make an equity investment in a firm.

We have used the Capital Asset Pricing Model (‘CAPM’) to estimate the K_e . CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. CAPM is the most widely accepted and used methodology to assess K_e .

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta (R_m - R_f) + a$$

The components of the formula are:

K_e	=	required return on equity
R_f	=	the risk free rate of return
R_m	=	the expected return on the market portfolio
β	=	beta, the systematic risk of a stock which can be objectively measured by the responsiveness of company returns to movements in returns earned on the market portfolio
a	=	specific company risk premium

Each of the K_e components is discussed below.

Risk free rate

Since the cash flows are denominated in Australian dollars, we have used the yield on the 10 year Australian Government bond as at the Valuation Date of 1.78% as a proxy for the risk free rate (R_f).

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

Market risk premium

We have selected a Market Risk Premium ('MRP') of 6.0%.

The MRP is calculated as the expected return of holding a market portfolio of investments (R_m) less the expected return of holding a risk free asset. It represents the additional risk of the market portfolio above the risk free rate.

Whilst in the short term, MRPs are known to change as investors seek to price the overall equity market, based on the perceived risks associated with it at the time, the long term MRP has generally been found to be quite stable. Our assessment of MRP is based on various studies on historic returns and market research.

Beta

Equity beta applied in WACC assessment

We have calculated an equity beta range of 0.8 to 1.0 for the purposes of our WACC assessment.

Beta is a measure of expected volatility, and is therefore the risk of a company's value relative to the market portfolio. A future beta cannot be observed, therefore the historical beta is used as a proxy for the expected future beta. Beta can be estimated by regressing the excess returns of the stock against the excess returns of the index representing the market portfolio.

There are significant measurement issues with beta, which means that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation and requires a considerable degree of judgement.

Unlevered and Re-levered Beta

The beta is measured on the cash flows returned to equity holders and is therefore after interest. Accordingly, a firm's beta also reflects its capital structure. Since financial leverage differs between firms it is generally erroneous to make comparison of betas between firms without regard to each firm's leverage.

Betas can all be de-gearred (or 'de-levered') to remove the impact of the firm's capital structure (or leverage). We have de-gearred the betas of potentially comparable companies using the following method:

$$\beta \text{ (ungeared)} = \beta \text{ (geared)} / (1 + (D/E) \times (1-t))$$

Comparable Company Betas

Our analysis of potentially comparable company asset betas (ie betas that have been de-g geared to remove the effect of capital structure) is summarised in the below table. The potentially comparable company asset betas were calculated by de-gearing the observed equity betas based on historical capital structures.

Based on our potentially comparable company beta analysis, we have selected an 'un-levered' or 'asset' beta range of 0.6 to 0.8. We have re-g geared (or 're-levered') our selected asset beta range to reflect our assumed capital structure. The re-levered beta also known as 'equity' betas) range we have calculated is between 0.8 to 1.0.

Our beta analysis is summarised in the table below.

Analysis of betas of potentially comparable companies as at 7 June 2016

Time Period	1 Year	2 Year	3 Year	4 Year	5 Year
Beta Type	Asset Beta				
Chalmers Limited	0.28	0.30	0.28	0.24	0.24
CTI Logistics Limited	0.14	0.21	0.30	0.37	0.39
K&S Corporation Limited	0.15	0.21	0.28	0.31	0.36
Lindsay Australia Limited	0.37	0.46	0.44	0.42	0.36
Qube Holdings Limited	0.89	0.93	0.92	0.89	0.84
Mainfreight Limited	0.68	0.71	0.70	0.75	0.75
Asciano Limited	0.28	0.46	0.50	0.50	0.58
Aurizon Holdings Limited	0.51	0.62	0.63	0.70	0.70
Median	0.32	0.46	0.47	0.46	0.49
Mean	0.41	0.49	0.51	0.52	0.53

Source: Capital IQ & PPB analysis.

Specific company risk premium (a or alpha)

We have applied a specific risk premium to our WACC assessment of between 10% and 15%.

The specific company risk premium adjusts the cost of equity for company specific factors. The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

We have included an alpha range for the Company primarily based on our high level review and assessment of the associated risks relating to relative maturity, size and perceived operating, financial and geographic risks of the Company compared to the potentially comparable listed companies.

The alpha does not consider any potential risk associated with the projected cash flows and any potential of them not being achieved.

Summary of WACC Assessment

Based on the above factors we have derived a post-tax discount rate of between 13% and 18%, summarised in the table below.

	Low	High
Cost of Equity		
Risk Free Rate of Return	1.8%	1.8%
Market Risk Premium	6.0%	6.0%
Equity Beta	0.8	1.0
CAPM based Cost of Equity	6.5%	8.0%
Specific Risk Premium	10.0%	15.0%
Cost of Equity	16.5%	23.0%
Cost of Debt		
Pre-Tax Cost of Debt	6.0%	6.0%
Australian Corporate Tax Rate	30.0%	30.0%
Post-Tax Cost of Debt	4.20%	4.20%
Capital Structure		
Debt-to-Value Ratio	30.00%	30.00%
WACC		
Estimated WACC_{Post Tax} (Nominal)	12.8%	17.4%
Selected WACC_{Post Tax}	13.0%	18.0%

Source: PPB analysis

Appendix F – Control premium analysis

We have selected a control premium of 30% for the purposes of our assessment, based on an analysis of control premiums paid in Australian transactions since 1 January 2012.

A control premium represents the amount paid by an acquirer above the current trading price of a publicly listed company in order to obtain a controlling interest in that company.

Our control premium analysis was conducted using data from obtained S&P Capital IQ in relation to 178 transactions between 1 January 2012 and the Valuation Date. We have analysed the control premium by comparing the transaction value to the closing share price of the target company one day prior to the announcement date. The results of our control premium analysis are summarised below.

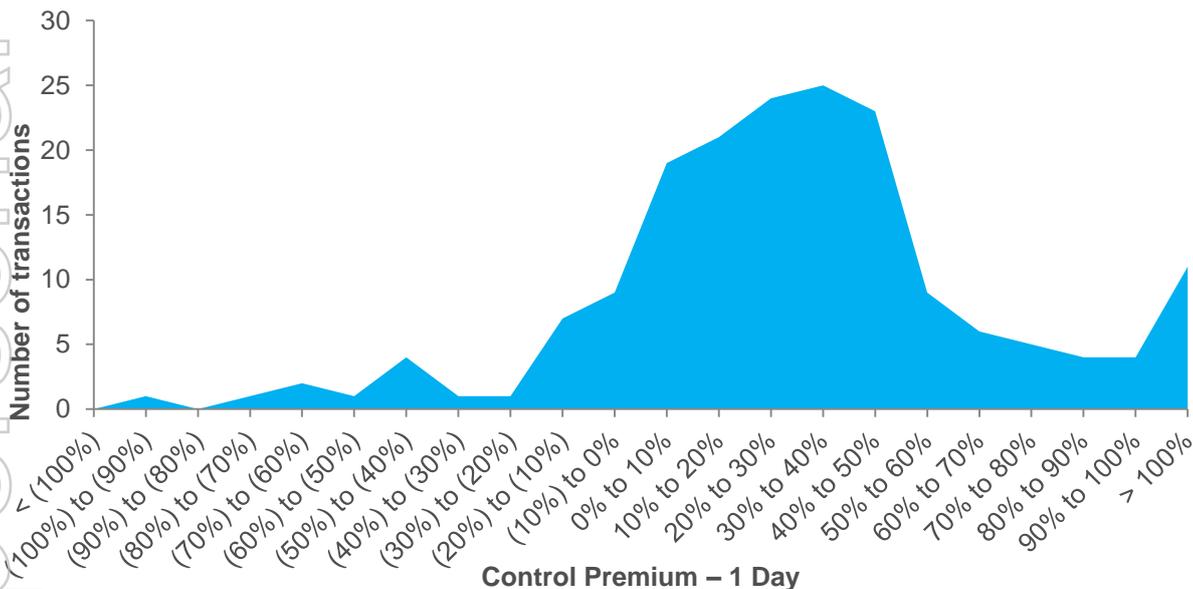
Results of control premium study

Average	33%
Median	29%
Bottom Quartile	9%
Top Quartile	47%

Source: Capital IQ

The quantum of control premiums varied significantly across transactions but generally ranged between 10% to 50%, as illustrated in the figure below.

Distribution of results of control premium study



Source: Capital IQ, PPB analysis

In our opinion there may be an upward bias in the transactions analysed, because:

- many of the acquisitions are opportunistic and occurred at times when the target company is trading at a depressed value
- acquirers often pay above fair market value to acquire a company because they can generate significant synergies and special value. Special value is not taken into account in a fair market value assessment
- many of the transactions involved a competitive bidding process which generally results in the acquirer paying away a larger portion of their expected synergies than would otherwise be necessary
- many of the target companies shares were thinly trading and as a result may have been trading at values below their fair market value

The potential upward bias due to the above points is offset by the fact that in some circumstances the market may have already been aware of or anticipated the acquisition prior to announcement, which would reduce the implied control premium.

Appendix G – Underwriting fee analysis

\$10 million to 20 million transactions

Date	Issuer	Total transaction Value (\$m)	Underwriter Compensation (%)
30/11/2015	NuEnergy Gas Limited (ASX:NGY)	10.00	1.34%
18/11/2013	Innate Immunotherapeutics Limited (ASX:IIL)	10.00	5.00%
20/02/2013	Tlou Energy Limited (ASX:TOU)	10.00	6.00%
11/03/2011	Antipa Minerals Ltd (ASX:AZY)	10.00	6.00%
20/08/2010	White Rock Minerals Ltd. (ASX:WRM)	10.00	2.50%
28/10/2009	Metro Mining Limited (ASX:MMI)	10.00	4.62%
19/05/2008	Overland Resources Limited (ASX:OVR)	10.00	6.00%
30/11/2007	Emu NL (DB:4EU)	10.00	5.00%
10/05/2007	Excelsior Gold Limited (ASX:EXG)	10.00	5.00%
26/03/2007	Kasbah Resources Limited (ASX:KAS)	10.00	5.00%
13/12/2006	RBR Group Limited (ASX:RBR)	10.00	5.25%
9/10/2006	Target Energy Limited (ASX:TEX)	10.00	6.00%
9/10/2006	Salt Lake Potash Limited (ASX:SO4)	10.00	5.00%
2/07/2015	Phylogica Limited (ASX:PYC)	10.02	11.40%
15/03/2012	Silver Chef Limited (ASX:SIV)	10.02	4.00%
16/12/2014	Aurelia Metals Limited (ASX:AMI)	10.06	4.99%
25/05/2015	Hillgrove Resources Ltd. (ASX:HGO)	10.08	6.00%
7/11/2013	Valence Industries Limited	10.14	6.00%
26/03/2015	Empire Oil & Gas NL (ASX:EGO)	10.20	5.00%
22/12/2014	CML Group Limited (ASX:CGR)	10.39	5.00%
23/09/2013	Admedus Limited (ASX:AHZ)	10.44	5.00%
3/05/2016	SomnoMed Limited (ASX:SOM)	10.50	1.33%
15/10/2009	Altura Mining Limited (ASX:AJM)	10.79	5.00%
5/09/2011	Invion Limited (ASX:IVX)	10.81	7.22%
2/02/2012	RNI NL (ASX:RNI)	10.94	6.00%
22/01/2010	Applabs Technologies Limited (ASX:ALA)	11.00	5.00%
16/07/2009	Lakes Oil NL (ASX:LKO)	11.16	0.83%
3/10/2007	Botswana Metals Limited (ASX:BML)	11.21	5.00%
4/11/2005	Saferoads Holdings Limited (ASX:SRH)	11.50	5.45%
20/02/2006	Deep Yellow Limited (ASX:DYL)	11.83	5.00%
8/04/2011	Australia United Mining Limited	12.00	6.00%
24/11/2010	Octagonal Resources Limited	12.00	5.00%
2/06/2010	China Magnesium Corporation Limited (ASX:CMC)	12.00	0.75%
19/11/2007	Bassari Resources Limited (ASX:BSR)	12.00	4.00%
31/10/2007	Vector Resources Limited (ASX:VEC)	12.00	6.00%
21/03/2007	Aeon Metals Limited (ASX:AML)	12.00	5.00%
4/12/2004	NSX Limited (ASX:NSX)	12.00	5.00%
30/11/2015	Anteo Diagnostics Limited (ASX:ADO)	12.02	6.00%
28/09/2012	Doray Minerals Limited (ASX:DRM)	12.27	3.87%
9/11/2010	Middle Island Resources Ltd. (ASX:MDI)	12.50	3.00%
23/05/2007	Mayne Pharma Group Limited (OTCPK:MAYN.F)	12.50	4.00%
12/10/2009	Minerals Corporation Limited (ASX:MSM)	12.54	6.00%
31/10/2011	Lucapa Diamond Company Limited (ASX:LOM)	12.74	5.00%
17/09/2015	Crowd Mobile Limited (ASX:CM8)	12.78	5.50%
19/11/2007	Alkane Resources Limited (ASX:ALK)	12.86	3.50%
31/08/2015	Doray Minerals Limited (ASX:DRM)	12.90	5.00%

Date	Issuer	Total transaction Value (\$m)	Underwriter Compensation (%)
27/06/2011	Mitchell Services Limited (ASX:MSV)	13.00	5.00%
27/07/2011	KBL Mining Limited (ASX:KBL)	13.34	6.00%
3/07/2015	Geopacific Resources Limited (ASX:GPR)	14.07	1.00%
4/08/2006	Tychean Resources Ltd (ASX:TYK)	14.76	1.00%
11/10/2011	County International Limited (ASX:CCJ)	15.00	6.00%
26/11/2010	Alligator Energy Limited (ASX:AGE)	15.00	6.00%
5/11/2009	KBL Mining Limited (ASX:KBL)	15.00	5.00%
25/09/2007	Marmota Energy Limited (ASX:MEU)	15.00	5.00%
11/10/2005	AtCor Medical Holdings Limited. (ASX:ACG)	15.00	5.00%
6/02/2012	Dragon Mining Limited (ASX:DRA)	15.04	4.00%
21/04/2013	Generation Healthcare REIT (ASX:GHC)	15.11	3.39%
19/06/2007	Odin Energy Limited (ASX:ODN)	15.22	5.50%
18/03/2011	NEXTDC Limited (ASX:NXT)	15.35	3.00%
25/10/2005	Metals X Limited (ASX:MLX)	15.48	5.00%
3/11/2006	Deep Yellow Limited (ASX:DYL)	15.53	5.00%
8/11/2007	MBD Corporation Limited	15.59	9.60%
20/11/2015	Money3 Corporation Limited (ASX:MNY)	15.99	4.00%
22/08/2007	PanTerra Gold Limited (ASX:PGI)	16.00	5.00%
28/10/2013	APN Property Group Limited (ASX:APD)	16.08	3.50%
18/03/2015	Admedus Limited (ASX:AHZ)	16.14	5.00%
20/07/2010	Altura Mining Limited (ASX:AJM)	16.93	1.58%
6/05/2009	Perseus Mining Limited (TSX:PRU)	16.93	5.00%
27/10/2015	Quickstep Holdings Limited (ASX:QHL)	16.99	4.50%
9/11/2011	Draig Resources Ltd (ASX:DRG)	17.00	4.50%
15/10/2014	BSA Limited (ASX:BSA)	17.12	4.38%
2/04/2014	Pluton Resources Limited	17.37	6.00%
29/04/2015	Superloop Limited (ASX:SLC)	17.50	4.00%
1/11/2010	RedFlow Limited (ASX:RFX)	17.50	5.00%
1/11/2013	dorsaVi Limited (ASX:DVL)	18.00	5.56%
11/05/2016	Cooper Energy Limited (ASX:COE)	18.36	3.50%
13/03/2007	Key Petroleum Limited (ASX:KEY)	19.20	6.00%
12/10/2015	Skydive the Beach Group Limited (ASX:SKB)	19.58	5.00%
Average			4.78%
Min			0.75%
Max			11.40%

Source: Capital IQ

\$20 million to 30 million transactions

Date	Target/Issuer	Total transaction Value (\$m)	Underwriter Compensation (%)
15/02/2013	Malabar Coal Limited (ASX:MBC)	20.00	2.75%
12/10/2012	Dacian Gold Limited (ASX:DCN)	20.00	4.00%
17/07/2012	KGL Resources Limited (ASX:KGL)	20.51	5.24%
17/03/2016	AJ Lucas Group Limited (ASX:AJL)	21.06	3.62%
11/11/2005	Katana Capital Limited (ASX:KAT)	21.20	2.50%
18/09/2007	Goldminex Resources Limited	22.05	4.80%
4/05/2005	Metals X Limited (ASX:MLX)	22.10	5.00%
28/09/2015	Rural Funds Group (ASX:RFF)	22.40	4.25%
16/05/2014	Avanco Resources Limited (ASX:AVB)	23.00	5.00%
17/10/2006	Horizon Oil Limited (ASX:HZN)	24.68	3.62%
19/02/2015	Skydive the Beach Group Limited (ASX:SKB)	25.00	5.00%
9/11/2010	Haranga Resources Limited (ASX:HAR)	25.00	6.00%
9/11/2015	Dacian Gold Limited (ASX:DCN)	25.02	5.00%
23/02/2010	FlexiGroup Limited (ASX:FXL)	25.51	2.00%
1/03/2012	Alkane Resources Limited (ASX:ALK)	29.59	2.06%
22/03/2016	Silver Chef Limited (ASX:SIV)	29.89	4.00%
Average			4.05%
Min			2.00%
Max			6.00%

Source: Capital IQ

\$30 million to 40 million transactions

Date	Target/Issuer	Total transaction Value (\$m)	Underwriter Compensation (%)
28/04/2015	APN Property Group Limited (ASX:APD)	30.00	3.51%
27/04/2016	Gold Road Resources Limited (ASX:GOR)	30.80	5.00%
3/08/2007	Dragon Mining Limited (ASX:DRA)	30.97	5.00%
6/05/2005	APN Property Group Limited (ASX:APD)	31.00	5.00%
19/07/2015	Austin Engineering Ltd. (ASX:ANG)	31.60	5.00%
13/12/2013	Infratil Limited (NZSE:IFT)	31.66	1.00%
8/12/2011	CuDeco Ltd. (ASX:CDU)	32.00	5.00%
12/11/2014	ImpediMed Limited (ASX:IPD)	32.54	5.00%
11/04/2011	Folkestone Limited (ASX:FLK)	35.00	3.00%
17/11/2011	AJ Lucas Group Limited (ASX:AJL)	35.84	4.96%
22/12/2004	MOD Resources Limited (ASX:MOD)	37.36	1.50%
2/08/2012	Iron Road Limited (ASX:IRD)	39.98	4.71%
Average			4.06%
Min			1.00%
Max			5.00%

Source: Capital IQ

LODGE YOUR VOTE
 **ONLINE**
www.linkmarketservices.com.au
 **BY MAIL**
 McAleese Limited
 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia

 **BY FAX**
 +61 2 9287 0309

 **BY HAND**
 Link Market Services Limited
 1A Homebush Bay Drive, Rhodes NSW 2138; or
 Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
 Telephone: +61 1300 554 474

X99999999999
VOTING FORM

I/We being a member(s) of McAleese Limited and entitled to attend and vote hereby appoint:

A VOTE DIRECTLY
 elect to lodge my/our vote(s) directly (mark box)
 in relation to the General Meeting of the Company to be held at **11:00am on Monday, 19 September 2016**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR
B APPOINT A PROXY
 the Chairman of the Meeting (mark box)
OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

 or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **11:00am on Monday, 19 September 2016 at Oaks on Collins, Level 1, 480 Collins St, Melbourne, Victoria, Australia (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.
VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

 Please read the voting instructions overleaf before marking any boxes with an
Resolutions

Resolutions	For	Against	Abstain*	For	Against	Abstain*
1 Approval of the issue of Options to the SC Lowy Consortium	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Delisting of McAleese from the ASX	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of the issue of Shares on the exercise of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of the issue of Shares on the conversion of Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
4 Payment of Underwriting Fee in Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

 This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

For personal use only

STEP 1 Please mark either A or B

STEP 2
STEP 3


HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Saturday, 17 September 2016**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



BY MAIL

McAleese Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**