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18 December 2014

Dear Sir/Madam

On-market takeover bid by Pump Services, LLC for Resource Equipment Limited – bidder's statement

We act for Pump Services, LLC (**Pump Services**) in relation to its on-market takeover bid for all of the ordinary shares in Resource Equipment Limited ACN 098 812 492 (**REL**).

In accordance with item 3 of section 635(1) of the Corporations Act 2001 (Cth), we enclose a copy of the bidder's statement dated 18 December 2014 (**Bidder's Statement**) in respect of an on-market takeover bid by Pump Services for all of the ordinary shares in REL.

Bell Potter Securities Limited is acting as broker to the Offer.

A copy of the Bidder's Statement has been lodged with the Australian Securities and Investments Commission and sent to REL.

Yours faithfully



Aaron Kenavan
Partner

Encl

BIDDER'S STATEMENT

relating to an offer by:	Pump Services, LLC
to acquire:	all of your shares in Resource Equipment Limited
for a price of:	\$0.26 cash per REL Share

This is an important document and requires your immediate attention.
If you are in any doubt as to how to deal with it, you should consult your
financial, legal or other professional adviser as soon as possible.

Legal Adviser

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IMPORTANT NOTICES

Purpose of this Bidder's Statement

This Bidder's Statement is given by Pump Services, LLC (Pump Services), a company incorporated in Delaware, United States of America, to shareholders in Resource Equipment Ltd ACN 098 812 492 (REL) under Part 6.5 of the Corporations Act 2001 (Cth) (Corporations Act). This Bidder's Statement describes the terms of the Offer made by Pump Services and contains certain disclosures required by the Corporations Act. You should read this Bidder's Statement in its entirety before deciding whether or not to accept the Offer.

Defined terms and interpretation

Capitalised terms and certain abbreviations used in this Bidder's Statement have the defined meanings set out in section 10. Section 10 also contains rules of interpretation that apply to this Bidder's Statement.

Information about REL

Pump Services has prepared the information on REL, REL Shares and REL Group contained in this Bidder's Statement from publicly available information. This information has not been independently verified by Pump Services. Accordingly, Pump Services makes no representation or warranty as to the accuracy or completeness of such information and assumes no responsibility for it. Further information relating to REL, REL Shares and REL Group may be included in the Target's Statement which REL must provide in response to this Bidder's Statement.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Bidder's Statement and the Independent Expert is responsible for that report. Neither Pump Services nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Role of ASIC

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission (ASIC) on 18 December 2014. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Forward looking statements

Certain statements in this Bidder's Statement relate to the future. Such forward looking statements are not based on historical facts, but rather reflect the current assumptions and expectations of Pump Services concerning future events and circumstances including the operations of Pump Services and REL and the economic and regulatory environment in which Pump Services and REL will operate in future. Forward looking statements may generally be identified by the use of forward looking verbs such as aim, anticipate, believe, estimate, expect, foresee, intend or plan, by words denoting uncertainty such as likely, may, potential or should, or by derived or similar words. Similarly, statements that describe the expectations, objectives, plans or targets of Pump Services or REL may be forward looking statements.

The assumptions and expectations on which forward looking statements are based are subject to a number of risks and uncertainties that could cause the actual outcomes, and the actual performance or results of Pump Services or REL to be materially different from the outcomes, or the performance or results of Pump Services or REL, expressed in, or implied by, such statements. These risks and uncertainties include among other things, general economic conditions, changes in law, regulation or government policy, the impact of increased competition and certain other operational and financial risks and uncertainties associated with carrying on business in the industries in which Pump Services and REL operate. All forward looking statements should be read in light of such risks and uncertainties.

None of Pump Services and its officers, employees and advisers makes any representation or warranty that any outcome, performance, or result expressed in or implied by any forward looking statement in this Bidder's Statement will actually occur. You should treat all forward looking statements with caution and not place undue reliance on them.

Any forward looking statements in this Bidder's Statement reflect the assumptions and expectations of Pump Services as at the date of this Bidder's Statement. Except as required by law, Pump Services and its officers, employees and advisers disclaim any obligation to revise or update any forward

looking statements after the date of this Bidder's Statement to reflect any change in the assumptions or expectations on which those statements are based.

Notices to persons outside Australia

The distribution of this Bidder's Statement in some countries may be restricted by law or regulation. If you receive this Bidder's Statement outside Australia you should inform yourself of, and observe, any such restrictions.

This Bidder's Statement has been prepared having regard to Australian disclosure requirements and Australian accounting standards. These disclosure requirements and accounting standards may be different from those in other countries.

If you are not an Australian resident taxpayer or are liable for tax outside Australia you should seek specific tax advice in relation to the Australian and overseas tax consequences of accepting the Offer.

Privacy and personal information

Pump Services has collected personal information about REL Shareholders for the purpose of making the Offer and, if the Offer is successful, for the purpose of administering holdings of REL Shares. The Corporations Act requires the names and addresses of REL Shareholders to be held in a public register. The personal information collected includes the names and addresses of REL Shareholders and details of their holdings of REL Shares. This personal information may be disclosed to professional advisers, printers, mailing houses and other organisations providing services to Pump Services in connection with the Offer, to other members of Pump Services Group, and to ASIC and other regulatory authorities.

Individuals in respect of whom personal information is collected have certain rights to access that personal information. The registered office of Pump Services is Corporation Service Company, 2711 Centerville Rd, Suite 400, Wilmington, Delaware 19808, United States of America.

Investment decisions

This Bidder's Statement does not constitute financial product advice and has been prepared without reference to your individual investment objectives, financial situation or other circumstances. This Bidder's Statement should not be relied upon as the sole basis for any decision as to whether or not to accept the Offer and you should consider seeking independent financial, legal or other professional advice before making any such investment decision.

Effect of rounding

Certain amounts or figures in this Bidder's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these amounts or figures may differ from the amounts or figures set out in this Bidder's Statement.

Diagrams and data in charts, graphs and tables

Diagrams appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless otherwise indicated, all data contained in charts, graphs and tables is based on information current at the date of this Bidder's Statement.

References to currency

Unless otherwise indicated, all references to \$, A\$, dollars or cents in this Bidder's Statement are to Australian currency.

References to time

Unless otherwise indicated, all references to time in this Bidder's Statement are to the time in Sydney, Australia.

Websites

REL maintains a website at www.rel.com.au. Any references to this and any other websites are for information only and no material contained on any such website forms part of this Bidder's Statement.

Further questions

If you have any questions in relation to the Offer, please contact your broker or legal, financial or professional adviser.

Date of this Bidder's Statement

This Bidder's Statement is dated 18 December 2014.

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KEY DATES

Offer announced	18 December 2014
Date of this Bidder's Statement	18 December 2014
Date from which REL Shareholders can sell REL Shares to Pump Services	18 December 2014
Offer Period officially commences	2 January 2015
Offer Period ends (unless extended or withdrawn)	4:00 p.m. (Sydney time) on 3 February 2015

HOW TO ACCEPT THE OFFER

You may accept the Offer at any time during the Offer Period. The Offer can only be accepted by selling your REL Shares on-market.

Issuer Sponsored Holdings (you have a Securityholder Reference Number starting with the letter I)

If you hold your REL Shares in an Issuer Sponsored Holding, you may sell your REL Shares to Pump Services by instructing any Broker to accept the offer on your behalf before the end of the Offer Period.

CHESS Holdings (you have a Holder Identification Number starting with the letter X)

If your REL Shares are held in a CHESS Holding, you can accept the Offer by instructing your Controlling Participant to accept the Offer on your behalf before the end of the Offer Period. Usually your Controlling Participant is a person, such as a stockbroker, with whom you have a sponsorship agreement within the meaning of the ASX Settlement Operating Rules.

Controlling Participants

If you are a Controlling Participant, acceptance of the Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

PAYMENT

If you accept the Offer, the usual rules for settlement of transactions which occur on-market on ASX will apply. Therefore, if you accept the Offer, you will be paid on a T+3 basis (i.e. 3 Trading Days after you accept the Offer).

1. WHY YOU SHOULD ACCEPT THE OFFER

1. The REL Board has unanimously recommended that REL Shareholders accept the Offer in the absence of a superior proposal and two REL Directors have advised REL and Pump Services that they will accept the Offer
2. The Offer Price of \$0.26 per REL Share represents a significant premium to the trading price of REL Shares prior to the announcement of the Offer and to historical trading levels
3. The Offer provides you with a certain cash value for your REL Shares
4. You will be paid cash quickly (i.e. 3 Trading Days) after accepting the Offer
5. The price of your REL Shares is likely to fall in the absence of the Offer
6. You will be exposed to continuing risks as a shareholder in REL particularly as a result of the downturn in the mining industry
7. The liquidity of your REL Shares is already low and may diminish further as a result of other REL Shareholders accepting the Offer
8. REL has not paid a dividend for 9 years and is unlikely to do so in the near future

1. WHY YOU SHOULD ACCEPT THE OFFER (CONT.)

1. **The REL Board has unanimously recommended that REL Shareholders accept the Offer in the absence of a superior proposal and two REL Directors have advised REL and Pump Services that they will accept the Offer**

The REL Board has unanimously recommended that REL Shareholders accept the Offer in the absence of a superior proposal. Annex 5 to this Bidder's Statement sets out the REL announcement which contains the recommendation lodged with ASX on 18 December 2014. Messrs Keith Lucas and Peter Hutchinson (each a REL Director) have each advised REL and Pump Services that they will accept the Offer in respect of all of their REL Shares held or controlled by them. The remaining REL Directors have not yet made a decision whether to accept or procure the acceptance of the Offer for all REL Shares which they hold or control. Further information in relation to the recommendation will be provided in the Target's Statement from REL in response to this Bidder's Statement.

2. **The Offer Price of \$0.26 per REL Share represents a significant premium to the trading price of REL Shares prior to announcement of the Offer and historical trading levels**

Pump Services' cash Offer Price of \$0.26 per REL Share represents:

- (a) a 85.71% premium to the closing price of \$0.14 per REL Share on ASX on the last Trading Day for REL Shares prior to the Announcement Date;
- (b) a 54.52% premium for the 30-day volume weighted average price of REL Shares on ASX on 16 December 2014, the last day on which REL Shares traded on ASX prior to the Announcement Date, of \$0.1683; and
- (c) a 68.07% premium to the 90-day volume weighted average price of REL Shares on ASX on 16 December 2014, the last day on which REL Shares traded on ASX prior to the Announcement Date, of \$0.1547.

Source: IRESS historical prices

3. **The Offer provides you with a certain cash value for your REL Shares**

Pump Services' Offer is to acquire your REL Shares on a 100 per cent cash consideration basis.

By accepting the Offer, you will be paid \$0.26 per REL Share that you hold.

4. **You will be paid cash quickly (i.e. 3 Trading Days) after accepting the Offer**

You will be paid cash quickly on a T+3 basis (being 3 Trading Days after your acceptance). The certainty of this return should be considered against the uncertain value of your REL Shares should you choose to remain a REL Shareholder.

5. **The price of your REL Shares is likely to fall in the absence of the Offer**

If the Offer does not proceed and no alternative transaction is announced, Pump Services believes it is likely that after close of the Offer Period the REL Share price will fall below the value of the Offer Price, given that the Offer represents a significant premium to the prior recent market price of REL Shares.

6. **You will be exposed to continuing risks as a shareholder in REL particularly as a result of the downturn in the mining industry**

REL is subject to a number of risks including the downturn in the mining industry. If you accept the Offer, you will be paid cash for your REL Shares and will no longer be exposed to the risks that could affect the trading price of REL Shares.

7. **The liquidity of your REL Shares is already low and may diminish further as a result of other REL Shareholders accepting the Offer**

The Offer will allow you to dispose of all of your REL Shares, and to realise certain value for REL Shares. In the absence of the Offer, there is no guarantee that REL Shareholders would be able to liquidate all of their shareholding in REL on-market in a single transaction. The Offer provides you with an opportunity to dispose of all your REL Shares in a single transaction for certain cash value.

8. **REL has not paid a dividend for 9 years and is unlikely to do so in the near future**

REL has not paid a dividend since 2005 when it was trading as an unrelated business. It has never paid a dividend whilst operating as a resource equipment business (since 2009) and in Pump Services' view is unlikely to do so in the near future.

2. WHY YOU MAY NOT WANT TO ACCEPT THE OFFER

1. **You will not receive the benefit of any increase in the value of REL Shares if there is a turnaround in the performance of REL**

If you accept the Offer, you will no longer be a REL Shareholder and will not participate in any potential upside that may result from the ownership of REL Shares, including any increase in the REL Share price, or any increase to REL's underlying value, that may arise from the experience and expertise that Mr Naymola will bring to REL Group. By accepting the Offer, you will no longer have any economic exposure to REL's future operations, results and performances.

2. **You may be subject to tax consequences when you sell your REL Shares**

Accepting the Offer may trigger taxation consequences for you which may not suit your financial position. See section 8 for further information. However, REL Shareholders should seek independent professional advice regarding tax consequences of accepting the Offer applicable to their individual circumstances.

3. SUMMARY OF THE OFFER

This section provides a summary of the Offer and refers you to other sections of this Bidder's Statement where you will find more information on the subjects mentioned. This section does not provide all information that may be relevant. You should read this Bidder's Statement in full before deciding whether or not to accept the Offer.

What is this Bidder's Statement?

This Bidder's Statement was prepared by Pump Services for distribution to REL Shareholders. It contains information about the Offer and other information relevant to your decision whether to accept this Offer.

What is the Offer?

This Offer is to buy your REL Shares on-market on ASX for \$0.26 per REL Share.

What if I hold Options?

The Offer will not extend to the acquisition of any REL Options. However, any REL Shares that are issued and listed for quotation on ASX during the Offer Period as a result of the exercise of REL Options may be sold pursuant to the Offer.

Who is Pump Services?

Pump Services, LLC, a limited liability company incorporated in Delaware, United States of America, wholly-owned by Mr Walter Eugene (Loddie) Naymola Jr.

How will the Offers be made?

The Offers will be made on behalf of Pump Services by Bell Potter through ASX. Bell Potter has been appointed by Pump Services to stand in the market to acquire on behalf of Pump Services all REL Shares at the Offer Price from the time trading commences on the Announcement Date until the end of the Offer Period.

When can I accept the Offer?

The Offer may be accepted from the start of trading on ASX on the Announcement Date until the end of trading on ASX on the day that the Offer Period finishes.

The Offer Period will finish at close of trading on 3 February 2015 unless the Offer Period is extended or withdrawn in accordance with the Corporations Act. You will be sent written notice of any extension, as required by the Corporations Act.

How do I accept the Offer?

If you hold your REL Shares in an Issuer Sponsored Holding, you may sell your REL Shares to Pump Services by instructing any Broker, which may include Bell Potter (where Bell Potter is your existing Broker or you appoint Bell Potter as your Broker), to accept the offer on your behalf before the end of the Offer Period.

If you hold your REL Shares in a CHESS Holding, you may sell your REL Shares to Pump Services by instructing your Controlling Participant (for example, your broker) to accept the offer on your behalf before the end of the Offer Period.

If you are a Controlling Participant, acceptance of the Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

What will I receive if I accept the offer?

The Offer is a full cash offer. If you accept the Offer, you will receive the Offer Price of \$0.26 for each of your REL Shares.

If I accept the Offer, when will I be paid?

The usual rules for settlement of on-market transactions on ASX will apply in respect of Pump Services' acquisition of your REL Shares. This means that if you accept the Offer, Pump Services will pay you on a T+3 Basis (being within 3 Trading Days after the date of your acceptance).

3. SUMMARY OF THE OFFER (CONT.)

Is the Offer subject to any conditions?

The Offer is not subject to any conditions. The Offer may be withdrawn in limited circumstances set out in sections 652B and 652C of the Corporations Act (this will not affect you if you have already accepted the Offer before the time of withdrawal).

Will I need to pay stamp duty or brokerage if I accept the offer?

As the Offer is taking place by way of an on-market takeover bid, Offers will be made during trading hours on ASX. REL Shareholders who accept the Offer may only do so through Brokers or Controlling Participants who are members of ASX. You should ask your Broker or Controlling Participant if any fees or charges will apply. Any fees or other charges of such Brokers or Controlling Participants will be the sole responsibility of the accepting REL Shareholder.

Pump Services will bear its own brokerage, if any, on transfers of REL Shares acquired through acceptances of the Offer.

No stamp duty or GST will be payable by you on the transfer of your REL Shares pursuant to the Offer (other than GST payable to your Broker in respect of brokerage fees charged to you).

What are the tax consequences if I accept the Offer?

A general summary of some Australian tax consequences of the Offer is set out in section 8. However, the tax consequences of accepting the Offer will depend on your own individual circumstances and you should consult your financial, legal or other professional adviser about the tax implications of accepting the Offer.

What happens if I do not accept the Offer?

If you do not accept the Offer, you will retain your REL Shares and will not receive the Offer Price. However, if Pump Services obtains sufficient acceptances from other REL Shareholders to give it a relevant interest in 90% or more of the total number of REL Shares, Pump Services may compulsorily acquire your REL Shares. If this happens you will be paid the Offer Price at the end of the compulsory acquisition process. This means you will receive the Offer Price for your REL Shares later than you would have received it if you had accepted the Offer.

Information on Pump Services' intentions with respect to REL and its business is set out in section 6.

Based on public information, Pump Services understands that:

REL Options

REL Options granted under the DESOP may be exercised during the Offer Period or at any time after Pump Services obtains the ability, in general meeting, to replace all or a majority of the REL Board.

What is the effect of the Offer on options and rights under a REL Incentive Plan?

REL Performance Rights

REL Performance Rights granted under the 2010 PRSP that have been earned but remain unvested will vest automatically as a result of the Offer, such that the holders of these REL Performance Rights are able to accept the Offer in respect of the resulting REL Shares to be issued.

REL Performance Rights granted under the 2014 PRP may be dealt with in the REL Board's absolute discretion upon the occurrence of a change of control event.

Where can I get further information?

If you have any questions in relation to the Offer, please contact your broker or legal, financial or professional adviser.

4. INFORMATION ABOUT PUMP SERVICES

4.1 Overview of Pump Services

Pump Services is a limited liability company incorporated in Delaware, United States of America and is wholly-owned by Mr Walter Eugene (Loddie) Naymola Jr. Pump Services has not undertaken any trading or other activities other than in connection with the Offer.

Pump Services is not registered in Australia as a foreign company. Registration as a foreign corporation provides some assistance to any person who seeks to litigate with Pump Services in Australia but does not alter the responsibility of Pump Services for this Bidder's Statement or its other actions.

4.2 Control of Pump Services

Mr Naymola is the sole member and sole manager / Director of Pump Services. Funding for the acquisition by Pump Services of REL Shares it acquires under the Offer will be provided by way of cash provided by Mr Naymola. Further details of these funding arrangements are set out in section 7.

5. INFORMATION ABOUT REL GROUP AND REL SECURITIES

5.1 Disclaimer

Pump Services has prepared the information about REL Group and REL securities contained in this Bidder's Statement from publicly available information. This information has not been independently verified by Pump Services. Accordingly, Pump Services makes no representation or warranty as to the accuracy or completeness of such information and assumes no responsibility for it. Further information relating to REL Group and REL securities may be included in the Target's Statement which REL must provide in response to this Bidder's Statement.

5.2 Overview of REL

REL is incorporated in Western Australia with its head office in Welshpool, Western Australia. It is listed on the ASX.

REL operates the following divisions:

Pumping and Dewatering Systems: REL provides mine pumping and dewatering equipment, and designs, selects and supplies the infrastructure for mining pumps, dewatering pumps and mine pumping systems such as pipelines, valves, spooling, flow meters, in-pit risers, manifolds, custom pontoons, and telemetry controlled diesel engines or electric powered.

Oil and Gas – Specialty Pumping and Pipeline Equipment: REL is a supplier of equipment to the oil and gas industry on pipeline projects. REL's fleet of oil and gas equipment includes a range of pumps, high pressure and high volume desiccant dryers and industrial air compressors.

Power generation: REL's Remote Power division specialises in diesel, gas and dual fuel reciprocating engine power stations. In addition to its fleet of generators, REL carries a range of supplementary equipment including step up and step down transformers, switch rooms, switch boards, motor starters, armoured and screened cable.

HDPE Pipelines: REL designs and installs high-density polyethylene piping systems and pipelines, provides transport, handling and earthworks services, and carries a large range of associated pipe and fittings. REL fabricates from flat plastics, installs HDPE liners and completes minor civil works from emergency repairs, shutdowns and maintenance upgrades.

Assisted Evaporation: REL provides assisted evaporation systems to the mining industry and states that it is the largest assisted evaporation system supplier in Australia, with around 200 evaporation system units.

Hydromining: REL's hydromining services offers an alternative to loading and hauling material. Product is converted into slurry through application of high pressure water then pumped via a slurry pipeline to the desired location.

5.3 Recent Performance

The downturn in the Australian mining industry that has been occurring over more than the last 18 months has seen market conditions for mining services companies deteriorating and a number of challenges being presented to businesses such as REL that service the resources sector. The construction phase of a number of mining projects has been completed and mining companies are now typically focusing on cost reductions during the production phase. Commodity price falls are exacerbating the requirements by miners to reduce costs even further.

5. INFORMATION ABOUT REL GROUP AND REL SECURITIES (CONT.)

These challenging conditions have contributed to REL reporting disappointing results for the financial year ended 30 June 2014 (FY14) including:

- (a) net loss after tax of \$4.5m;
- (b) EBITDA of \$5.2m down 75% from the prior year; and
- (c) revenues of \$83.4m down 20.7% on the prior year.

The latest REL annual report indicates that challenges for REL remain in FY15 and the key focus for FY15 is on improving utilisation of the rental fleet, delivering on oil and gas segment opportunities and considering acquisitive growth opportunities that complement the current strategy. After the end of FY14, REL acquired CMS. Information about this acquisition is contained in REL's announcement of 25 September 2014 and its Notice of Meeting (which are available from REL's website at www.rel.com.au or the ASX website at www.asx.com.au).

5.4 Directors

The directors of REL are set out below:

- (a) Andrew Aitken, Managing Director and Chief Executive Officer;
- (b) Anthony Ryder, Executive Director;
- (c) Keith Lucas, Non-Executive Director;
- (d) Peter Hutchinson, Non-Executive Director; and
- (e) Stephen Donnelley, Non-Executive Director.

5.5 Publicly available information regarding REL

REL is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. Further information relating to the business and operations and financial performance and position of REL Group that has been disclosed by REL in accordance with these obligations is available from the ASX website at www.asx.com.au. REL's annual report for FY14 was lodged with ASX on 25 September 2014. A list of REL's announcements since the date of lodgement of the annual report for FY14 is provided in Annex 2.

Further information regarding REL and its business can be found on REL's website at www.rel.com.au.

Information contained in or otherwise accessible from any website referred to in this section 5.5 does not form part of this Bidder's Statement.

5.6 REL securities

(a) Securities on issue

Based on documents lodged by REL with ASX before the date of this Bidder's Statement, REL has the following securities on issue as at the date of this Bidder's Statement:

5. INFORMATION ABOUT REL GROUP AND REL SECURITIES (CONT.)

Class	Number
REL Shares	444,392,258
Options over REL Shares	1,500,000
Performance Rights	11,518,789

REL Shares are quoted on ASX. None of the other securities referred to above are quoted on ASX.

(b) Options over REL shares

There are 1,500,000 REL Options that have been granted under the DESOP at an exercise price of \$0.38 and which are due to expire on 30 June 2018. Based on the DESOP Rules announced to ASX on 9 July 2009, REL Options are exercisable during the Offer Period or at any time after Pump Services obtains the ability, in general meeting, to replace all or a majority of the REL Board.

(c) Performance Rights

Under the 2010 PRSP approved by REL Shareholders on 8 September 2010 and amended on 29 November 2012, 161,647 REL Performance Rights are currently issued to various REL employees. The 2010 PRSP terms provide that any REL Performance Rights under the 2010 PRSP that have been earned but remain unvested will vest automatically as a result of the Offer, such that the holders of these REL Performance Rights are able to accept the Offer in respect of the resulting REL Shares to be issued.

REL Shareholders approved the 2014 PRP, a new performance rights plan, on 18 November 2014 under which 11,357,142 REL Performance Rights are issued. The terms of the 2014 PRP provide that, upon the occurrence of a change of control event, the manner in which REL Performance Rights granted under the 2014 PRP may be dealt with will be determined by the REL Board in its absolute discretion.

5.7 Pump Services interests in REL securities

(a) Relevant interests

As at the date of this Bidder's Statement and immediately before the first Offer was sent, Pump Services had a relevant interest in 56,468,663 REL Shares which are owned by Mr Naymola. This relevant interest arises because Pump Services has a right to acquire those REL Shares from Mr Naymola at the same aggregate price Mr Naymola paid for such shares.

Messrs Keith Lucas and Peter Hutchinson (each a REL Director) have each advised REL and Pump Services that they will accept the Offer in respect of all of their REL Shares held or controlled by them. To the extent that this gives Pump Services a relevant interest in Messrs Lucas' and Hutchinson's REL Shares, this would take Pump Services' relevant interest to 84,054,689 REL Shares.

(b) Voting power

As at the date of this Bidder's Statement and immediately before the first Offer was sent, Pump Services had voting power in REL of 12.71%.

5. INFORMATION ABOUT REL GROUP AND REL SECURITIES (CONT.)

Messrs Lucas and Hutchinson have each advised REL and Pump Services that they will accept the Offer in respect of all of their REL Shares held or controlled by them. To the extent that this gives Pump Services voting power in Messrs Lucas' and Hutchinson's REL Shares, this would take Pump Services' voting power to 18.91%.

(c) Economic and other interests

Mr Naymola is the ultimate controller of Pump Services, and may be entitled to be issued up to 6,632,720 Earn-Out Shares under the "earn-out" arrangements agreed in relation to the CMS Transaction. These arrangements are described in REL's Notice of Meeting.

5.8 Acquisition of REL Shares by Pump Services and its associates

Neither Pump Services nor any of its associates has provided or agreed to provide consideration for REL Shares under any purchase or agreement during the 4 months before the date of this Bidder's Statement except as shown in the following table:

Date	Acquirer	Number of shares	Consideration per share
14 February 2014 to 13 November 2014	Mr Loddie Naymola	12,029,437	Various prices from \$0.12 to \$0.17 per share via on-market acquisitions as in Annex 3.
28 November 2014	Mr Loddie Naymola	44,439,226	548,334 shares in CMS and 618,333 shares in RAMPS. The aggregate value of these shares is \$8,129,372 which values the consideration per share at \$0.18, assuming no Earn-Out Shares are issued, and \$0.16, assuming all Earn-Out Shares are issued (Stated Prices). In accordance with REL's announcement dated 28 November 2014 and the subsequent Appendix 3B lodged with the ASX, these shares were taken to be issued at \$0.1604.

In accordance with section 636(2) of the Corporations Act, Pump Services has obtained an Independent Expert's Report on the value of the non-cash consideration referred to above. A copy of this report is included as Annex 4 to this Bidder's Statement.

The Independent Expert has concluded that the value of the consideration paid by Mr Naymola for the shares he acquired in REL pursuant to the CMS Transaction is between \$0.119 and \$0.171 (assuming no Earn-Out Shares are issued to Mr Naymola), and between \$0.103 and \$0.149 (assuming all Earn-Out Shares are issued to Mr Naymola). As the Stated Prices are higher than the

5. INFORMATION ABOUT REL GROUP AND REL SECURITIES (CONT.)

Independent Expert's valuation range when compared on a like-with-like basis (i.e. \$0.18 compared to \$0.119 to \$0.171 and \$0.16 compared to \$0.103 to \$0.149), the Independent Expert considers the Stated Prices to be "fair and reasonable" for the purposes of section 636(2) of the Corporations Act.

5.9 Offer extends to new REL Shares issued before the end of the Offer Period

The Offer extends to any REL Shares that exist or will exist at any time during the Offer Period.

5.10 No collateral benefits or escalation agreements

Except as disclosed in section 5.8 above, neither Pump Services nor any of its associates has, during the period of 4 months ending on the day immediately before the date of the Offer, given, offered or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate of that person, to accept the Offer or dispose of REL Shares, which benefit was not offered to all REL Shareholders under the Offer. Neither Pump Services nor any of its associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

6. PUMP SERVICES' INTENTIONS

6.1 Introduction

This section 6 sets out the intentions of Pump Services relating to:

- (a) the continuation of the business of REL;
- (b) any major changes to the business of REL including any redeployment of the fixed assets of REL;
- (c) the future employment of the present employees of REL; and
- (d) the compulsory acquisition of REL Shares and the removal of REL from the official list of ASX.

The intentions set out in this section 6 of the Bidder's Statement represent the current intentions of Pump Services as at the date of this Bidder's Statement formed on the basis of facts and information concerning REL and its business which are known to Pump Services at the time of preparing this Bidder's Statement.

Pump Services will make final decisions regarding these matters in light of the information and circumstances at the relevant time including the general business environment. Pump Services' intentions may change as new information becomes available or circumstances change. Any changes in Pump Services' intentions will be disclosed to the extent and in the manner required by law.

6.2 Rationale for the Offer

Mr Naymola has had interests in the pump rental industry for many years, initially in the United States, then the United Kingdom, and since 2014 in Australia through his interest in CMS. Mr Naymola has sold his United States and United Kingdom pump rental business and wishes to increase his exposure to the Australian pump rental industry.

6.3 Intentions if Pump Services acquires 90% or more of REL Shares

This section 6.3 sets out Pump Services' current intentions if it acquires relevant interests in 90% or more of REL Shares and is entitled to compulsorily acquire the remaining REL Shares under the Corporations Act.

(a) Corporate matters

Pump Services intends to:

- (i) compulsorily acquire the outstanding REL Shares in accordance with the provisions of chapter 6A of the Corporations Act;
- (ii) arrange for REL to be removed from the official list of ASX;
- (iii) replace some or all of the REL Board with its nominees (the identity of such directors and nominees has not yet been decided but they will include Mr Naymola and are likely to be members of Pump Services Group management team); and

6. PUMP SERVICES' INTENTIONS (CONT.)

- (iv) terminate REL Incentive Plans and replace them with incentives appropriate to a private company (the details of which have not yet been formulated).

(b) General operational review

Pump Services Group's aim is to grow REL's business. Pump Services believes it can add value to REL through its skills and expertise in the pump equipment rental.

Whilst Pump Services (through Mr Naymola) has already established a level of familiarity with REL through Mr Naymola's investment in REL and CMS prior to the Offer, after the end of the Offer Period, Pump Services intends to better familiarise itself with the business of REL.

This would involve a broad-based general review of REL's operations, assets, liabilities, employees and strategy. The review will seek to evaluate how to maximise the performance of REL Group operations, and identify strategic and operational opportunities to increase REL Group's profitability and discontinue or restructure any un-profitable activities. The review will focus on a number of key areas including:

- (i) assessing the profitability of REL Group's assets and operations, including the major dewatering projects business and any other un-profitable aspects of REL Group to consider whether to scale down or sell those operations to fund prospective areas of investment. Such decisions would be made only upon consideration of the relevant legal, financial and taxation implications;
- (ii) concentrating management time and capital of REL on its core pump equipment rental business and considering expanding the business' services in and to the construction, municipal and oil and gas industries;
- (iii) upgrading and modernising the information technology, accounting and other systems infrastructure of REL to better support REL Group's businesses; and
- (iv) whether to consolidate branches which are located close to each other and streamline REL's management to reduce cost and more effectively serve customers. However, no decision is intended to be made with respect to REL's current employees until the review of all the business' assets and operations have been undertaken after completion of the Offer.

(c) Impact on employees

Given Pump Services' intentions in relation to the operations and strategy of REL described above, a small number of employees may become redundant. To the extent that any employees are made redundant, they will receive all payments and benefits to which they are entitled under applicable laws and contracts. However, no decision is intended to be made with respect to REL's current employees until the review referred to above has been undertaken after completion of the Offer.

6.4 Intentions for REL if Pump Services acquires 50.1% or more of REL Shares

This section 6.4 sets out Pump Services' intentions if Pump Services has voting power in REL of 50.1% or more at the close of the Offer to gain effective control of REL, but without becoming entitled to compulsorily acquire the remaining REL Shares.

The ability of Pump Services to implement the intentions set out in this section 6.4 will be subject to the legal obligations of REL Directors (including any nominees of Pump Services) to have regard to the interests of REL and all REL Shareholders, the requirements of the Corporations Act and (provided REL remains listed) the ASX Listing Rules relating to transactions between related

6. PUMP SERVICES' INTENTIONS (CONT.)

parties. These may limit or modify the implementation of the intentions outlined below. As a result of those requirements, the approval of minority REL Shareholders may be required for the implementation of some of the intentions outlined below.

(a) Corporate matters

Subject to the Corporations Act and REL's constitution, Pump Services intends to seek to replace some of the members of the REL Board so that Pump Services nominees constitute at least a majority of the members of the REL Board. No decision has been made at this stage about the identity of the proposed nominees to the REL Board (although they will include Mr Naymola and are likely to include members of the Pump Services Group management team) or which current REL Directors would be removed.

Pump Services considers that there are a number of advantages and disadvantages of REL continuing to be listed on ASX after the Offer. After the close of the Offer, Pump Services intends to request that the REL Board consider whether the advantages of listing outweigh the disadvantages. Pump Services anticipates the outcome of such consideration will likely depend on a number of factors, including:

- (i) the number of REL Shares acquired by Pump Services under the Offer;
- (ii) the spread (i.e. number) of REL Shareholders after the Offer closes;
- (iii) the level of liquidity of REL Shares after the Offer closes;
- (iv) whether, after the Offer closes, REL Shares trade at a reasonable value or a value below the underlying asset value; and
- (v) the costs of listing and associated compliance.

If the REL Board were to decide that it is in the best interests of REL to cease to be listed on ASX, Pump Services would likely support a resolution to delist REL.

Under the ASX Listing Rules, a listed company is required to maintain a spread of holdings which, in ASX's opinion, is sufficient to ensure that there is an orderly and liquid market in REL Shares. ASX may suspend or delist a company which does not meet these spread requirements.

If REL is delisted from the ASX, Pump Services does not intend to retain any independent REL Directors on the REL Board, and intends to reconstitute the REL Board so that it consists entirely of Pump Services' nominees.

(b) General operational review

If Pump Services controls REL following the close of the Offer, Pump Services currently intends to attempt to procure that the REL Board acts consistently with the intentions of Pump Services set out in section 6.3(b) above.

(c) REL Incentive Plans

Pump Services, through its nominees on the REL Board, intends to propose that REL review the REL Incentive Plans to determine whether they are appropriate. Pump Services has not formed any views on the likely outcome of such a review.

(d) Dividend policy

6. PUMP SERVICES' INTENTIONS (CONT.)

Based on public information, Pump Services understands that REL has not paid a dividend since 2005 when it was trading as an unrelated business. Given the current challenges faced by REL and other mining services companies and Pump Services' intentions to support the growth of REL Group (which will require capital to acquire businesses and/or rental inventory), Pump Services anticipates that it is unlikely to support the payment of dividends in the short to medium term.

(e) **Financing arrangements**

If the existing debt facilities of REL are terminated as a result of a change of control, Pump Services, through its nominees on the REL Board, intends to recommend the replacement of those facilities with alternative financing facilities.

(f) **Further acquisition of REL Shares**

Pump Services may, after conclusion of the Offer, acquire further REL Shares in accordance with the Corporations Act. In particular, Pump Services may acquire additional REL Shares under item 9 of section 611 of the Corporations Act which would permit Pump Services and its associates to acquire up to 3% of REL Shares every six months. Pump Services has not yet decided whether it will acquire further REL Shares under these provisions or by any other means permitted under the Corporations Act.

(g) **Compulsory acquisition at a later time**

If Pump Services becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act as a result of acquiring additional REL Shares in accordance with section 6.4(f), it may exercise those rights.

(h) **Limitations on ability to implement intentions**

The ability of Pump Services to implement the intentions set out in this section 6.4 will be subject to:

- (i) the legal obligations of REL Directors to act in the best interests of REL and all REL Shareholders; and
- (ii) the requirements of the Corporations Act and, while REL remains listed, the ASX Listing Rules, dealing with transactions between related parties.

These obligations and requirements may limit Pump Services' ability to implement the intentions described in this section 6.4 or may require the approval of REL Shareholders (other than Pump Services) in order to implement these intentions.

6.5 **Intentions for REL if Pump Services acquires less than 50.1% of REL Shares**

If Pump Services has less than 50.1% voting power in REL at the close of the Offer, it intends to seek to:

- (a) obtain representation on the REL Board of directors which is at least consistent with its proportionate shareholding;
- (b) influence the REL Board to act consistently with the intentions of Pump Services set out in section 6.4(b), (c) and (d) above; and

6. PUMP SERVICES' INTENTIONS (CONT.)

- (c) gain a more detailed understanding of the business assets and operations in order to evaluate performance, profitability and prospects of REL in light of the information then available to Pump Services.

Sections 6.4(f) and (g) also apply if Pump Services has voting power in less than 50% of REL Shares at the close of the Offer.

6.6 Other intentions

Other than as set out in this section 6, it is Pump Services' present intention to procure that REL will:

- (a) generally continue its business in substantially the same manner as at the date of this Bidder's Statement;
- (b) not make any major changes to its business or redeploy any of its fixed assets; and
- (c) continue the employment of its present employees.

7. SOURCES OF CONSIDERATION

7.1 Total cash required

The maximum amount of cash that Pump Services would be required to pay under the Offer if acceptances are received in respect of all REL Shares on issue as at the date of this Bidder's Statement (other than those in which Pump Services already has a relevant interest – which Mr Naymola has advised will not be sold under the Offer) is approximately A\$100,860,135. If all REL Options and REL Performance Rights on issue on the date of this Bidder's Statement are converted or vest into REL Shares, an additional amount of up to approximately A\$3,384,885 would be payable.

Accordingly, the maximum amount Pump Services could be required to pay under the Offer is approximately A\$104,245,020 (**Offer Amount**).

7.2 Sources of cash consideration

The Offer Amount will be funded from Mr Naymola's existing cash resources to be advanced to Pump Services pursuant to a loan agreement (**Loan Agreement**) between Pump Services and Mr Naymola. Mr Naymola has cash on deposit in at-call bank accounts which exceed the Offer Amount and which he can readily withdraw.

Under the Loan Agreement, Mr Naymola is obligated to loan to Pump Services funds at least equal to the Offer Amount plus all associated costs of making the Offer. There are no material conditions to draw down under the Loan Agreement, and the Loan Agreement will not be repayable until, among other things, the date the Offer is withdrawn and the day after: (i) close of the Offer or (ii) if Pump Services is entitled to compulsorily acquire all REL Shares, that process is completed (whichever occurs first).

7.3 Reasonable basis for belief

On the basis of the arrangements described in this section 7, Pump Services believes that it has reasonable grounds for holding the view, and holds the view, that it will be able to provide the consideration required to satisfy its payment obligations under the Offer.

8. AUSTRALIAN TAXATION SUMMARY

8.1 Disclaimer

The information contained in this tax summary is of a general nature only. It is not intended to be either legal or tax advice and will not address all of the tax issues that may be relevant to you if you dispose of your REL Shares. You should obtain independent tax advice relevant to your own particular facts and circumstances including the Australian taxation consequences of accepting the Offer.

If you are not resident in Australia for income tax purposes or are liable for tax outside Australia, you should also take into account the tax consequences that arise in your country of tax residence or other relevant country as well as under Australian law.

This is a summary of the key Australian income tax, capital gains tax, GST and stamp duty implications that may arise for you if you sell your REL Shares to Pump Services under the Offer. This summary is based on the Australian tax laws and relevant administrative practices that are currently in force as at the date of this Bidder's Statement.

This taxation summary is limited in scope and is only relevant to you and your REL Shares if you hold your REL Shares on capital account. It is also not relevant to you, and you should seek independent tax advice, if:

- (a) you are deemed to have acquired your REL Shares before 20 September 1985;
- (b) you acquired or hold your REL Shares in the course of carrying on a business or for the purpose of resale at a profit (for example, you are in the business of trading or investment or you are a bank or an insurance company) or you are subject to the taxation of financial arrangements provisions in Division 230 of the Income Tax Assessment Act 1997 in respect of your REL Shares;
- (c) you are a tax exempt organisation; or
- (d) you are not resident in Australia for income tax purposes and you and your associates held 10% or more of all REL Shares either at the time of your CGT event or throughout a 12 month period in the 24 months before your CGT event.

8.2 Disposal of your REL Shares

(a) Australian tax resident REL Shareholders

General

If you accept the Offer and your REL Shares are transferred to Pump Services, this will be a CGT event for Australian capital gains tax purposes. In this event, the disposal of your REL Shares will have capital gains tax implications for you.

Time of CGT event

The time of your CGT event will be one of the following times:

- if you accept the Offer, your disposal should take place on the date of that acceptance; or

8. AUSTRALIAN TAXATION SUMMARY (CONT.)

- if you do not accept the Offer and your REL Shares are compulsorily acquired (as described in section 6.3(a)), your disposal should take place on the date Pump Services becomes the owner of your REL Shares.

Capital gain or capital loss

You may make a capital gain or capital loss on the disposal of your REL Shares to Pump Services depending on the total consideration that you receive for the disposal of your REL Shares and the CGT cost base or reduced cost base of your REL Shares. You will have a capital gain from the disposal of your REL Shares if the Offer Price exceeds the cost base in your REL Shares. You will have a capital loss if the Offer Price is less than the reduced cost base of your REL Shares.

Generally, and subject to the comment in the paragraph below, the cost base or reduced cost base of your REL Shares for capital gains tax purposes will include, among other things, the amount paid to acquire your REL Shares and any incidental costs.

Where you acquired your REL Shares before 21 September 1999, in calculating a capital gain, the cost base of your REL Shares may be increased for indexation based on the Consumer Price Index movement from your date of acquisition to 30 September 1999. Alternatively, if you are entitled to, you may choose to claim the CGT discount to reduce your capital gain (discussed below).

If you make a capital gain from the disposal of your REL Shares, that capital gain will be combined with any other capital gains you have made for the income year, then the total will be applied against any current year or carried forward capital losses (before taking into account the CGT discount (discussed below)).

CGT discount

You may be entitled to CGT discount treatment to reduce the amount of the capital gain included in your assessable income from disposal of your REL Shares. Where CGT discount treatment applies to you, any capital gain from REL Shares (after application of capital losses as discussed above) will be reduced by 50% (if you are an individual or a trust) or 33⅓% (if you are a complying superannuation entity) if you held REL Shares for more than 12 months (excluding the dates of acquisition and disposal). Any resulting net capital gain will be included in your assessable income for the income year. Any resulting net capital loss will be carried forward and may be applied against any future assessable capital gains (before taking into account the CGT discount, if applicable).

If you make a capital loss from the disposal of your REL Shares, that capital loss may only be offset against your assessable capital gains (before taking into account the CGT discount, if applicable). Any excess capital loss may be applied against your future assessable capital gains (again before taking into account the CGT discount, if applicable).

The CGT discount will not apply to REL Shareholders that are companies, and it also does not apply to REL Shares that have been owned, or are deemed to be owned, for less than the relevant 12 month period.

(b) REL employee incentive plan participants

If you acquired your REL Shares under a REL employee incentive plan, you should seek independent professional advice in relation to your own particular circumstances.

(c) REL Shareholders not resident in Australia for income tax purposes

8. AUSTRALIAN TAXATION SUMMARY (CONT.)

If you are not resident in Australia for income tax purposes, you should generally not have to pay Australian income tax on any capital gain arising on the disposal of your REL Shares, unless both of the following requirements are satisfied:

- (i) you and your associates owned at least 10% of REL either at the time of that disposal or for at least 12 months during the 24 months before that disposal; and
- (ii) 50% or more of the value of REL is represented by real property in Australia. REL Shares would generally pass this test if the market value of REL's direct and indirect interests in Australian land (including leases and mining rights) is more than the market value of other assets at the time of the CGT event.

If either element is absent, any capital gain realised on the disposal of your REL Shares should not be subject to income tax in Australia.

8.3 GST and stamp duty

No Australian stamp duty or GST is payable by you on the sale of your REL Shares to Pump Services pursuant to the Offer. You may be charged GST on incidental costs incurred in acquiring or disposing of your REL Shares. You may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent professional advice in relation to your own particular circumstances.

9. ADDITIONAL INFORMATION

9.1 Consents to be named

(a) Advisers and Broker

Allen & Overy has acted as legal adviser to Pump Services. Lonergan Edwards & Associates Limited has acted as the independent expert. Each of these entities is named solely for information purposes and consents to being named in this Bidder's Statement in the form and context in which its name appears and has not withdrawn its consent to be named at the date of this Bidder's Statement, but:

- (i) has not caused or authorised the issue of the Bidder's Statement;
- (ii) does not make nor purport to make any statement in the Bidder's Statement or any statement on which a statement in the Bidder's Statement is based; and
- (iii) to the maximum extent permitted by law, disclaims all liability in respect of, and takes no responsibility for, any part of this Bidder's Statement.

Bell Potter has been appointed as Pump Services' Broker to the Offer. Bell Potter is providing execution-only broking services to Pump Services and Bell Potter has not authorised, advised on or caused the issue of the Bidder's Statement. Bell Potter does not make, or purport to make, any statement or representation in the Bidder's Statement or any statement or representation on which a statement in the Bidder's Statement is based, other than as described above with respect to its name and role, and expressly disclaims and takes no responsibility for statements or representations made in or omissions from any part of the Bidder's Statement.

9.2 ASIC relief

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidder's Statement. If you would like to receive a copy of any of those documents free of charge, please call +61 2 9373 7700 (charges apply) between 9.00am and 5.00pm (Sydney time) Monday to Friday and Allen & Overy will provide you with copies within 2 business days of the request. Calls to these numbers may be recorded.

As permitted by ASIC Class Order 13/523, this Bidder's Statement may be accompanied by certain statements which fairly represent a statement by an official person or which come from a public official document or published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Bidder's Statement contains share price trading data sourced from IRESS without its consent.

9.3 No other material information

Except as disclosed in this Bidder's Statement, there is no information known to Pump Services and that is material to the making of the decision by a REL Shareholder whether or not to accept the Offer which has not previously been disclosed to REL Shareholders.

10. DEFINITIONS AND INTERPRETATION

10.1 Definitions

In this Bidder's Statement, unless the context requires otherwise:

2010 PRSP means the Performance Rights Share Plan of REL;

2014 PRP means the Resource Equipment Ltd Performance Rights Plan;

Announcement Date means 18 December 2014;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited or the Australian Securities Exchange, as the context requires;

ASX Listing Rules means the official listing rules of ASX;

ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Ltd ACN 008 504 532 which govern the electronic transfer, settlement and registration of securities in Australia through the Clearing House Electronic Subregister System;

Bell Potter means Bell Potter Securities Limited, the Broker appointed by Pump Services to the Offer;

Bidder's Statement means this document;

Broker means a person who is a share broker and a Participant in CHES;

Broker Announcement means the announcement in relation to the Offer made by Bell Potter on 18 December 2014, a copy of which is set out in Annex 1;

CHES Holding means a holding of REL Shares on the CHES Subregister of REL;

CHES Subregister has the meaning given in the ASX Settlement Operating Rules;

CMS means Campbell Mining Services Pty Ltd (ACN 100 097 112);

CMS Transaction means REL's acquisition of all of the issued share capital of CMS (other than the shares owned by RAMPS) and all of the issued share capital of RAMPS, as described in REL's Notice of Meeting;

Control has the meaning given in section 50AA of the Corporations Act;

Controlling Participant has the meaning given in the ASX Settlement Operating Rules;

Corporations Act means the Corporations Act 2001 (Cth);

DESOP means the Directors and Executives Share Option Plan of REL;

Director includes, so far as it relates to Pump Services, an officer (including, if so entitled, a manager) who acts in the position or capacity of a director;

EBITDA means earnings before interest, tax, depreciation and amortisation;

10. DEFINITIONS AND INTERPRETATION (CONT.)

Earn-Out Shares means REL Shares that may be issued pursuant to the CMS Transaction as described in REL's Notice of Meeting;

FY14 means financial year ending 30 June 2014;

FY15 means financial year ending 30 June 2015;

GST has the meaning given in the A New Tax System (Goods and Services Tax) Act 1999 (Cth);

Holder Identification Number means the number used to identify a REL Shareholder on the CHESS Subregister of REL;

Independent Expert means Lonergan Edwards & Associates Limited;

Independent Expert's Report means the report prepared by the Independent Expert and set out in Annex 4 to this Bidder's Statement;

Issuer Sponsored Holding means a holding of REL Shares on the Issuer Sponsored Subregister of REL;

Issuer Sponsored Subregister has the meaning given in the ASX Settlement Operating Rules;

Notice of Meeting means the Notice of Annual General Meeting and Explanatory Memorandum dated 16 October 2014;

Offer means the offer to acquire shares in REL which will be made on-market by Pump Services as described in this Bidder's Statement (and for the avoidance of doubt includes each offer made to an individual REL Shareholder pursuant to such offer);

Offer Period means the period during which the Offer is open for acceptance;

Offer Price means \$0.26 for each REL Share;

Participant has the meaning given in the ASX Settlement Operating Rules;

Pump Services means Pump Services, LLC, a company incorporated in Delaware, United States of America;

Pump Services Group means Pump Services and its Related Entities;

RAMPS means Ramps Australia Pty Ltd (ACN 123 937 520);

REL means Resource Equipment Ltd (ACN 098 812 492);

REL Board means the board of directors of REL;

REL Directors means the directors of REL;

REL Group means REL and each of its Related Entities;

REL Incentive Plan means any incentive plan operated by REL for the benefit of executives or employees of members of REL Group including the DESOP, the 2010 PRSP and the 2014 PRP;

REL Option means an option to subscribe for REL Shares issued under a REL Incentive Plan;

10. DEFINITIONS AND INTERPRETATION (CONT.)

REL Performance Right means a performance right issued under a REL Incentive Plan;

REL Shareholder means a person registered in the register of members of REL as a holder of REL Shares;

REL Shares means fully paid ordinary shares issued in the capital of REL;

Related Entity means:

- (a) in respect of Pump Services, an entity or person that:
 - (i) Controls Pump Services;
 - (ii) is under the Control of Pump Services; or
 - (iii) is under the Control of another entity or person that also Controls Pump Services; and
- (b) in respect of REL, an entity that is under the Control of REL;

Securityholder Reference Number means the number allocated by REL to identify a REL Shareholder on the Issuer Sponsored Subregister of REL;

Target's Statement means the statement given by REL under Part 6.5 of the Corporations Act relating to the Offer; and

Trading Day has the meaning given in the ASX Listing Rules.

10.2 Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) any reference, express or implied, to any legislation in any jurisdiction includes:
 - (i) that legislation as amended, extended or applied by or under any other legislation made before or after the date of this Bidder's Statement;
 - (ii) any legislation which that legislation re-enacts with or without modification; and
 - (iii) any subordinate legislation made before or after the date of this Bidder's Statement under that legislation, including (where applicable) that legislation as amended, extended or applied as described in section 10.2(a)(i), or under any legislation which it re-enacts as described in 10.2(a)(ii);
- (b) references to persons or entities include natural persons, bodies corporate, partnerships, trusts and unincorporated associations of persons;
- (c) references to an individual or a natural person include his estate and personal representatives, successors or assigns;
- (d) a reference to a section or annex is a reference to a section of or annex to this Bidder's Statement (and the annexes form part of this Bidder's Statement);
- (e) a reference to any instrument or document includes any variation or replacement of it;

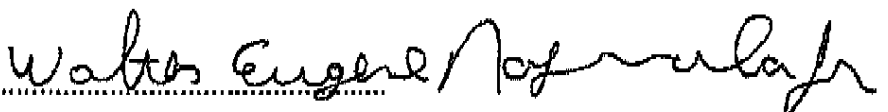
10. DEFINITIONS AND INTERPRETATION (CONT.)

- (f) a reference to you is to a person to whom the Offer is made or is taken to be made;
- (g) unless otherwise indicated, a reference to any time is a reference to that time in Sydney, Australia;
- (h) unless otherwise indicated, a reference to \$, A\$, dollars or cents is to Australian currency;
- (i) singular words include the plural and vice versa;
- (j) a word of any gender includes the corresponding words of any other gender;
- (k) if a word or phrase is defined, other grammatical forms of that word have a corresponding meaning;
- (l) a term that is defined in the Corporations Act and is not otherwise defined in this Bidder's Statement has the meaning given to it in the Corporations Act (and where any such term has a special meaning for the purposes of chapter 6 or 6A of the Corporations Act has that special meaning);
- (m) general words must not be given a restrictive meaning just because they are followed by particular examples intended to be embraced by the general words; and
- (n) the headings do not affect interpretation.

11. APPROVAL OF BIDDER'S STATEMENT

This Bidder's Statement has been approved by resolution of the sole Director of Pump Services.

Signed by Walter Eugene Naymola Jr, duly authorised by resolution of the sole Director of Pump Services.

Signature..... 

Dated..... 18 December 2014

ANNEX 1:

BROKER ANNOUNCEMENT

BELL POTTER

BY FACSIMILE 1300 135 838

Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

18 December 2014

ASX ANNOUNCEMENT For immediate Release to the market

Pump Services, LLC on-market takeover bid for all ordinary shares in the capital of Resource Equipment Ltd ACN 098 812 492

Bell Potter Securities Limited (the **Bidder's Broker**) announces that the Bidder's Broker will, on behalf of Pump Services, LLC (**Bidder**), an entity controlled by Loddie Naymola, pursuant to section 635 of the Corporations Act 2001 (Cth) (**Corporations Act**) offer to acquire on market at a price of \$0.26 per share (**Offer Price**), all of the fully paid ordinary shares (**RQL Shares**) in the capital of Resource Equipment Ltd ACN 098 812 492 (**RQL**) which are listed for quotation on the official list of the Australian Securities Exchange (**ASX**) that exist or will exist including as a result of the exercise of existing options or performance rights at any time during the Offer Period (as defined below) (**Offer**).

From the date and time of this announcement and ending at close of trading on ASX on 3 February 2015 (unless the Offer is withdrawn or extended in accordance with the Corporations Act), the Bidder's Broker (on behalf of Bidder) will accept at the Offer Price every RQL Share offered to the Bidder's Broker on market, up to a maximum of 444,392,258 RQL Shares (being all the RQL Shares currently on issue) plus any additional RQL Shares which are issued during the Offer Period.

The RQL directors have unanimously recommended that holders of RQL Shares (**Shareholders**) accept the Offer in the absence of a superior proposal. Keith Lucas and Peter Hutchinson (each a director of RQL) have each advised REL and Bidder that they will accept the Offer in respect of the RQL Shares held or controlled by them.

Terms of the Offer

As the Offer is an on-market bid, it is unconditional and payment of the consideration will be by way of cash.

The key features of the Offer are:

- it is an on-market, unconditional offer of \$0.26 per RQL Share;
- the Bidder's Broker will accept RQL Shares offered to it on-market from today at the Offer Price until the conclusion of the Offer Period; and
- the Offer Period may be extended and the Offer Price may be increased or the Offer withdrawn in accordance with the Corporations Act.

Bell Potter
Securities Limited

Level 29, 101 Collins St
Melbourne VIC 3000
Australia

GPO Box 4718
Melbourne VIC 3001
Australia

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ANNEX 1: (CONT.)

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Acquisition from Announcement

Bidder has appointed the Bidder's Broker to purchase all RQL Shares that exist or will exist from today until the conclusion of the Offer Period on its behalf on market during the official trading days (**Trading Days**) of ASX. The Bidder's Broker has been instructed to purchase, at the Offer Price, every RQL Share offered for sale during the Trading Days in the period from the date of this announcement until the end of the Offer Period subject to the Corporations Act.

Settlement and Brokerage

Payment for RQL Shares sold to Bidder under the Offer will be made on a T+3 settlement basis in accordance with the usual ASX Settlement Operating Rules for ASX trading.

The Offer will only be capable of acceptance by Shareholders selling through brokers which are participating organisations of ASX. All RQL Shares to be purchased by Bidder under the Offer will be purchased on-market only during Trading Days.

Any brokerage charged by brokers acting for Shareholders wishing to sell their RQL Shares will be the sole responsibility of those Shareholders.

Offer Period

The Bidder's Broker will stand in the market on behalf of Bidder and accept RQL Shares offered to it at the Offer Price from the date of this announcement. However, the Offer will be made during the period commencing 2 January 2015 (being the first trading day after the end of 14 days after the date of this announcement) and ending on 3 February 2015 (**Offer Period**) unless extended by Bidder pursuant to the Corporations Act.

Bidder reserves the right to withdraw unaccepted Offers in the circumstances permitted by, and in accordance with, Part 6.7 of the Corporations Act, at any time before the end of the Offer Period.

Bidder's Statement

In accordance with section 635 of the Corporations Act, a Bidder's Statement will be served on RQL and lodged with each of the ASX and Australian Securities and Investments Commission today. A copy of the Bidder's Statement will also be sent to Shareholders before commencement of the Offer Period.

RQL Shares

The RQL Shares which are the subject of the Offer are all fully paid ordinary shares in the capital of RQL, which are on issue at the date of the Bidder's Statement and such other shares which are issued before the end of the Offer Period. Immediately before making this announcement:

- in so far as Bidder is aware, there are 444,392,258 RQL Shares on issue, all of which are quoted on ASX; and
- Bidder has a relevant interest in 56,468,663 RQL Shares which are owned by Mr Naymola, which represent approximately 12.71% of all RQL Shares on issue in the capital of RQL. Messrs Lucas and Hutchinson have each advised REL and Bidder that

ANNEX 1: (CONT.)

BELL POTTER

they will accept the Offer. To the extent that this gives Bidder a relevant interest in Messrs Lucas' and Hutchinson's REL Shares, this would take Bidder's relevant interest to 84,054,689 REL Shares, representing approximately 18.91% of all RQL Shares on issue.

Signed for and on behalf of Bell Potter Securities Limited



Alastair Provan
Managing Director

ANNEX 2:

LIST OF REL ANNOUNCEMENTS LODGED WITH ASX SINCE THE DATE OF REL'S ANNUAL REPORT IN RESPECT OF FY14

25/09/2014	Acquisition of Campbell Mining Services
25/09/2014	Appendix 3Y
02/10/2014	20141002 ASX Waiver Listing Rule 7.3.2
16/10/2014	Notice of Annual General Meeting/Proxy Form
22/10/2014	Response to ASX Appendix 3Y Query
18/11/2014	Chairman's and CEO's AGM presentation
18/11/2014	Results of AGM
28/11/2014	Completion of Acquisition of Campbell Mining Services
28/11/2014	Appendix 3B
28/11/2014	Appendix 3B
28/11/2014	Becoming a substantial holder
01/12/2014	Change in substantial holding
02/12/2014	Change in substantial holding
02/12/2014	Becoming a substantial holder
02/12/2014	Becoming a substantial holder
02/12/2014	Becoming a substantial holder
02/12/2014	Becoming a substantial holder
02/12/2014	Change in substantial holding
03/12/2014	Change in substantial holding
08/12/2014	Change in substantial holding
09/12/2014	Change in substantial holding
10/12/2014	Change of Director's Interest Notice

ANNEX 3:

ON-MARKET ACQUISITIONS OF REL SHARES BY PUMP SERVICES & ITS ASSOCIATES

Holder of relevant interest	Date of acquisition	Consideration		Class and number of securities
		Cash	Non-cash	
Naymola	14-Feb-14	\$0.12 per ORD	N/A	5,054 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	12,568 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	14,300 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	118,289 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	19,769 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	5,065 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	94,835 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	110,000 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	3,890 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	16,110 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	100,000 ORD
Naymola	14-Feb-14	\$0.12 per ORD	N/A	8 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	5,000 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	104,982 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	1,500 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	5,000 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	13,500 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	26,008 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	29,898 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	60,000 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	23,500 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	30,000 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	594 ORD
Naymola	17-Feb-14	\$0.12 per ORD	N/A	906 ORD
Naymola	18-Feb-14	\$0.12 per ORD	N/A	5,000 ORD
Naymola	18-Feb-14	\$0.12 per ORD	N/A	24,094 ORD
Naymola	18-Feb-14	\$0.12 per ORD	N/A	50,000 ORD
Naymola	19-Feb-14	\$0.12 per ORD	N/A	20,000 ORD
Naymola	19-Feb-14	\$0.12 per ORD	N/A	5,000 ORD
Naymola	19-Feb-14	\$0.12 per ORD	N/A	15,000 ORD
Naymola	19-Feb-14	\$0.13 per ORD	N/A	5,300 ORD
Naymola	19-Feb-14	\$0.13 per ORD	N/A	2,700 ORD
Naymola	19-Feb-14	\$0.13 per ORD	N/A	72,000 ORD
Naymola	29-Sep-14	\$0.13 per ORD	N/A	32,423 ORD
Naymola	29-Sep-14	\$0.13 per ORD	N/A	32,577 ORD
Naymola	29-Sep-14	\$0.145 per ORD	N/A	40,000 ORD
Naymola	29-Sep-14	\$0.145 per ORD	N/A	6,270 ORD
Naymola	29-Sep-14	\$0.14 per ORD	N/A	30,000 ORD
Naymola	29-Sep-14	\$0.14 per ORD	N/A	4,114 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	20,998 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	4,602 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	4,602 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	4,602 ORD

ANNEX 3: (CONT.)

Naymola	30-Sep-14	\$0.14 per ORD	N/A	9,198 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	20,988 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	20,988 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	6,798 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	9,198 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	9,198 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	9,198 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	16,402 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	16,402 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	16,402 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	16,402 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	4,398 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	6,798 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	6,798 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	6,798 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	18,802 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	18,802 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	18,802 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	18,802 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	2,400 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	11,602 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	8,438 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	3,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	8,438 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	8,438 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	15,062 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	15,062 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	3,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	3,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	3,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	8,438 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	8,438 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	12,062 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	12,062 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	6,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	11,500 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	17,500 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	16,616 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	20,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	33,384 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	27,814 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	30,000 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	9,002 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	135,998 ORD
Naymola	30-Sep-14	\$0.14 per ORD	N/A	12,002 ORD
Naymola	01-Oct-14	\$0.14 per ORD	N/A	15,562 ORD
Naymola	01-Oct-14	\$0.14 per ORD	N/A	134,397 ORD
Naymola	01-Oct-14	\$0.14 per ORD	N/A	30,603 ORD
Naymola	01-Oct-14	\$0.14 per ORD	N/A	36,219 ORD
Naymola	01-Oct-14	\$0.14 per ORD	N/A	70,000 ORD
Naymola	02-Oct-14	\$0.1475 per ORD	N/A	27,000 ORD
Naymola	02-Oct-14	\$0.1475 per ORD	N/A	59,000 ORD

ANNEX 3: (CONT.)

Naymola	02-Oct-14	\$0.145 per ORD	N/A	10,000 ORD
Naymola	02-Oct-14	\$0.145 per ORD	N/A	50,000 ORD
Naymola	02-Oct-14	\$0.145 per ORD	N/A	4,350 ORD
Naymola	02-Oct-14	\$0.145 per ORD	N/A	45,850 ORD
Naymola	02-Oct-14	\$0.14 per ORD	N/A	29,781 ORD
Naymola	02-Oct-14	\$0.135 per ORD	N/A	1,451 ORD
Naymola	02-Oct-14	\$0.14 per ORD	N/A	48,000 ORD
Naymola	02-Oct-14	\$0.135 per ORD	N/A	758 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	109,781 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	4,332 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	66,810 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	50,000 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	18,858 ORD
Naymola	06-Oct-14	\$0.14 per ORD	N/A	150,120 ORD
Naymola	06-Oct-14	\$0.135 per ORD	N/A	4,320 ORD
Naymola	06-Oct-14	\$0.135 per ORD	N/A	1,446 ORD
Naymola	06-Oct-14	\$0.135 per ORD	N/A	2,880 ORD
Naymola	06-Oct-14	\$0.135 per ORD	N/A	60,000 ORD
Naymola	06-Oct-14	\$0.135 per ORD	N/A	4,302 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	76,932 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	4,320 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	62,282 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	12 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	100,000 ORD
Naymola	07-Oct-14	\$0.14 per ORD	N/A	4,320 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	63,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	27,874 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	42,126 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	9,126 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	20,874 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	70,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	48,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	9,126 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	35,746 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	55,126 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	80,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	10,874 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	29,126 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	1,931 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	28,068 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	1,943 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	2,057 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	1,943 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	18,943 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	29,114 ORD
Naymola	08-Oct-14	\$0.145 per ORD	N/A	9,134 ORD
Naymola	08-Oct-14	\$0.155 per ORD	N/A	39,932 ORD
Naymola	08-Oct-14	\$0.155 per ORD	N/A	30,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	40,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	544 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	79,458 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	10,877 ORD

ANNEX 3: (CONT.)

Naymola	08-Oct-14	\$0.15 per ORD	N/A	13,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	60,000 ORD
Naymola	08-Oct-14	\$0.15 per ORD	N/A	37,000 ORD
Naymola	09-Oct-14	\$0.15 per ORD	N/A	50,000 ORD
Naymola	09-Oct-14	\$0.15 per ORD	N/A	7,042 ORD
Naymola	09-Oct-14	\$0.15 per ORD	N/A	22,958 ORD
Naymola	09-Oct-14	\$0.146 per ORD	N/A	60,000 ORD
Naymola	09-Oct-14	\$0.146 per ORD	N/A	8,292 ORD
Naymola	09-Oct-14	\$0.15 per ORD	N/A	75,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	666 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	22,165 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	27,835 ORD
Naymola	10-Oct-14	\$0.16 per ORD	N/A	45,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	55,000 ORD
Naymola	10-Oct-14	\$0.16 per ORD	N/A	95,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	100,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	5,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	45,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	50,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	60,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	7,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	43,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	7,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	93,000 ORD
Naymola	10-Oct-14	\$0.16 per ORD	N/A	7,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	93,000 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	35,877 ORD
Naymola	10-Oct-14	\$0.15 per ORD	N/A	64,123 ORD
Naymola	13-Oct-14	\$0.135 per ORD	N/A	4,930 ORD
Naymola	13-Oct-14	\$0.14 per ORD	N/A	10,318 ORD
Naymola	13-Oct-14	\$0.14 per ORD	N/A	25,324 ORD
Naymola	13-Oct-14	\$0.145 per ORD	N/A	30,254 ORD
Naymola	13-Oct-14	\$0.14 per ORD	N/A	30,254 ORD
Naymola	13-Oct-14	\$0.14 per ORD	N/A	30,254 ORD
Naymola	13-Oct-14	\$0.145 per ORD	N/A	2,000 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	77,165 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	6,042 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	43,958 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	624 ORD
Naymola	13-Oct-14	\$0.16 per ORD	N/A	50,000 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	99,376 ORD
Naymola	13-Oct-14	\$0.16 per ORD	N/A	624 ORD
Naymola	13-Oct-14	\$0.15 per ORD	N/A	100,000 ORD
Naymola	13-Oct-14	\$0.16 per ORD	N/A	50,000 ORD
Naymola	14-Oct-14	\$0.14 per ORD	N/A	1,535 ORD
Naymola	14-Oct-14	\$0.15 per ORD	N/A	20,000 ORD
Naymola	15-Oct-14	\$0.15 per ORD	N/A	3,829 ORD
Naymola	15-Oct-14	\$0.15 per ORD	N/A	96,171 ORD
Naymola	16-Oct-14	\$0.16 per ORD	N/A	40,000 ORD
Naymola	16-Oct-14	\$0.16 per ORD	N/A	40,000 ORD
Naymola	16-Oct-14	\$0.16 per ORD	N/A	13,624 ORD
Naymola	16-Oct-14	\$0.16 per ORD	N/A	16,376 ORD

ANNEX 3: (CONT.)

Naymola	17-Oct-14	\$0.15 per ORD	N/A	40,254 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	40,254 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,492 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,492 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,492 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,492 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	20,762 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	20,762 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	992 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	6,598 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,780 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	20,474 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	19,492 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	40,254 ORD
Naymola	17-Oct-14	\$0.15 per ORD	N/A	40,254 ORD
Naymola	17-Oct-14	\$0.155 per ORD	N/A	84,507 ORD
Naymola	20-Oct-14	\$0.145 per ORD	N/A	1 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	47,936 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	50,000 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	50,854 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	50,854 ORD
Naymola	20-Oct-14	\$0.15 per ORD	N/A	1,145 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	20,000 ORD
Naymola	21-Oct-14	\$0.145 per ORD	N/A	755 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	1,525 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	23,475 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	2,975 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	7,592 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	7,592 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	37,029 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	43,865 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	420 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	2,975 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	4,610 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	5,823 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	41,645 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	44,620 ORD
Naymola	21-Oct-14	\$0.15 per ORD	N/A	35,812 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3 ORD
Naymola	22-Oct-14	\$0.145 per ORD	N/A	3 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	2,265 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	10,608 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	10,608 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	33,777 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	35,809 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	46,417 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	46,417 ORD

ANNEX 3: (CONT.)

Naymola	22-Oct-14	\$0.15 per ORD	N/A	352 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	36,900 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	25,240 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	28,099 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,041 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	13,370 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	13,370 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	48,770 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	51,085 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	11,055 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	41,809 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	1,510 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	9,276 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	11,055 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	29,513 ORD
Naymola	22-Oct-14	\$0.146 per ORD	N/A	3,020 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3,228 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	12,296 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	49,844 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	2,265 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	6,248 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,840 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	55,892 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	755 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	6,248 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	12,070 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	21,052 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	27,300 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	27,300 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,840 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,840 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,840 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	3,614 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	15,230 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	34,840 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	62,420 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	68,000 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	80,672 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	31,676 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	36,400 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	1,779 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	46,316 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	203,684 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	1,510 ORD
Naymola	22-Oct-14	\$0.15 per ORD	N/A	94,806 ORD
Naymola	24-Oct-14	\$0.15 per ORD	N/A	32,844 ORD
Naymola	24-Oct-14	\$0.15 per ORD	N/A	46,400 ORD
Naymola	24-Oct-14	\$0.15 per ORD	N/A	756 ORD
Naymola	27-Oct-14	\$0.15 per ORD	N/A	212,626 ORD

ANNEX 3: (CONT.)

Naymola	28-Oct-14	\$0.15 per ORD	N/A	45,114 ORD
Naymola	28-Oct-14	\$0.155 per ORD	N/A	504,211 ORD
Naymola	30-Oct-14	\$0.18 per ORD	N/A	82,143 ORD
Naymola	31-Oct-14	\$0.166 per ORD	N/A	50,000 ORD
Naymola	03-Nov-14	\$0.1656 per ORD	N/A	313,322 ORD
Naymola	04-Nov-14	\$0.165 per ORD	N/A	229,287 ORD
Naymola	05-Nov-14	\$0.17 per ORD	N/A	299,927 ORD
Naymola	06-Nov-14	\$0.17 per ORD	N/A	272,301 ORD
Naymola	07-Nov-14	\$0.17 per ORD	N/A	129,198 ORD
Naymola	10-Nov-14	\$0.17 per ORD	N/A	381,902 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	70,077 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	11,186 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	14,923 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	27,454 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	7,123 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	8,000 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	56,423 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	100,000 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	3,300 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	60,000 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	935 ORD
Naymola	11-Nov-14	\$0.17 per ORD	N/A	1,026 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	3,153 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	51,587 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	8,641 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	28,300 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	86,700 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	32,527 ORD
Naymola	12-Nov-14	\$0.17 per ORD	N/A	42,473 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	37,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	76,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	20,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	18,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	1,610 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	75,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	88,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	75,000 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	1,610 ORD
Naymola	13-Nov-14	\$0.17 per ORD	N/A	23,390 ORD

ANNEX 4:

INDEPENDENT EXPERT'S REPORT

LONERGAN EDWARDS & ASSOCIATES LIMITED

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18 December 2014

Subject: Value of the consideration paid for shares in Resource Equipment Limited

Dear Mr Naymola

Introduction

- 1 We understand that Pump Services, LLC (Pump Services), a company owned by Mr Walter Eugene (Loddie) Naymola (Mr Naymola), proposes to make a takeover offer for all the ordinary shares in Resource Equipment Limited (Resource Equipment) at an offer price of \$0.26 cash per share (the Offer).
- 2 Mr Naymola currently holds 56.469 million or 12.71% of the ordinary shares on issue in Resource Equipment. The majority of these shares (44.439 million) were received as consideration for Mr Naymola's one third interest in Campbell Mining Services Pty Ltd (CMS or the Company), when Resource Equipment acquired 100% of CMS on 28 November 2014 (CMS Transaction)¹.
- 3 Mr Naymola's remaining 12.029 million shares in Resource Equipment were acquired on-market. Further information on Mr Naymola's interest in Resource Equipment is set out in Section 5 of the Bidder's Statement.

Purpose of report

- 4 In the context of a takeover offer, section 621(3) of the *Corporations Act 2001 (Cth)* (Corporations Act) requires the consideration offered by a bidder for a target, to be equal to, or exceed, the maximum consideration paid by the bidder² for any securities acquired in the target in the four months preceding the date of the bid.
- 5 Where the consideration provided by the bidder for any securities in the target (in the four months preceding the date of the bid) is neither cash nor a quoted security (e.g. shares in an unlisted private company such as CMS), section 636(1)(h)(iii) of the Corporations Act requires the bidder to set out within the bidder's statement, the value of the consideration they paid for those securities. Section 636(2) of the Corporations Act requires the bidder to commission an independent expert's report (IER) that sets out the expert's opinion on

¹ As part of the CMS Transaction Mr Naymola may also receive an additional number of Earn-Out Shares, subject to the combined first year earnings of Resource Equipment and CMS being greater than \$21.0 million.

² Or his / her associates.

ANNEX 4: (CONT.)

LONERGAN EDWARDS & ASSOCIATES LIMITED

whether the stated value is "fair and reasonable". The IER is to accompany (i.e. form part of) the bidder's statement.

- 6 Accordingly, Pump Services has requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER that sets out our opinion as to whether the value of the consideration paid by Mr Naymola for the shares he acquired in Resource Equipment as a result of the CMS Transaction (the Stated Price) is "fair and reasonable".
- 7 LEA is independent of Pump Services, Mr Naymola, CMS and Resource Equipment and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

Summary of opinion

- 8 LEA has concluded that the value of the consideration paid by Mr Naymola for the shares he acquired in Resource Equipment as a result of the CMS Transaction to range from \$0.103 to \$0.171, determined as follows:

Assessed value of the consideration paid

		Low	High
CMS assessed equity value – 100% controlling interest basis ⁽¹⁾	\$m	15.8	22.8
Resource Equipment shares to be issued			
Minimum number of shares	m	133.3	133.3
Maximum number of shares ⁽³⁾	m	153.2	153.2
Assessed value of the consideration paid			
Minimum number of shares	cents	11.9	17.1
Maximum number of shares	cents	10.3	14.9

Note:

- 1 Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.
- 2 Includes the maximum number of contingent Earn-Out Shares that may be issued pursuant to the CMS Transaction.

- 9 The Stated Price as per the Bidder's Statement is \$0.16 (including the Earn-Out Shares) to \$0.18 (excluding the Earn-Out Shares) per Resource Equipment share³. As the Stated Price is higher than our valuation range when compared on a like-with-like basis⁴, we consider it to be "fair and reasonable" for the purposes of section 636(2) of the Corporations Act.

General

- 10 LEA has been engaged by Pump Services to opine whether the Stated Price is "fair and reasonable". For the purposes of section 636(2) of the Corporations Act, this requires LEA to determine the value of the consideration paid by Mr Naymola for the shares he acquired in Resource Equipment as a result of the CMS Transaction and then compare our assessed value against the Stated Price. It is not intended that this report serve any other purpose.

³ Refer to Section 5.8 of the Bidder's Statement.

⁴ i.e. 16 cents compared to 10.3 to 14.9 cents and 18 cents compared to 11.9 to 17.1 cents.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
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- 11 For the avoidance of doubt, our report does not provide any opinion on either the fairness or reasonableness of the cash offer being made by Pump Services for all the ordinary shares on issue in Resource Equipment (i.e. the Offer). Resource Equipment shareholders should seek independent professional advice.

Yours faithfully



Craig Edwards
Authorised Representative



Nathan Toscan
Authorised Representative

ANNEX 4: (CONT.)

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& ASSOCIATES LIMITED

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ANNEX 4: (CONT.)

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Appendices

- A Financial Services Guide**
- B Qualifications, declarations and consents**
- C Listed company multiples and descriptions**
- D Transaction evidence**
- E Glossary**

ANNEX 4: (CONT.)

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I Scope of our report

Outline of offer

- 12 We understand that Pump Services, a company owned by Mr Naymola, proposes to make a takeover offer for all the ordinary shares in Resource Equipment at an offer price of \$0.26 cash per share (the Offer).
- 13 Mr Naymola currently holds 56.469 million or 12.71% of the ordinary shares on issue in Resource Equipment. The majority of these shares (44.439 million) were received as consideration for Mr Naymola's one third interest in CMS, when Resource Equipment acquired 100% of CMS on 28 November 2014 (CMS Transaction)⁵.
- 14 Mr Naymola's remaining 12.029 million shares in Resource Equipment were recently acquired on-market. Further information on Mr Naymola's interest in Resource Equipment is set out in Section 5 of the Bidder's Statement.

Purpose and basis of assessment

Purpose

- 15 In the context of a takeover offer, section 621(3) of the *Corporations Act 2001 (Cth)* (Corporations Act) requires the consideration offered by a bidder for a target, to be equal to, or exceed, the maximum consideration paid by the bidder⁶ for any securities acquired in the target in the four months preceding the date of the bid.
- 16 Where the consideration provided by the bidder for any securities in the target (in the four months preceding the date of the bid) is neither cash nor a quoted security (e.g. shares in an unlisted private company such as CMS) section 636(1)(h)(iii) of the Corporations Act requires the bidder to set out within the bidder's statement, the value of the consideration they paid for those securities. Section 636(2) of the Corporations Act requires the bidder to commission an IER that sets out the expert's opinion on whether the stated value is "fair and reasonable". The IER is to accompany (i.e. form part of) the bidder's statement.
- 17 Accordingly, Pump Services has requested that LEA prepare an IER that sets out our opinion as to whether the Stated Price is "fair and reasonable".
- 18 LEA is independent of Pump Services, Mr Naymola, CMS and Resource Equipment and has no other involvement or interest in the outcome of the Offer, other than the preparation of this report.

Basis of assessment

- 19 In preparing our report, we have given due consideration to the Regulatory Guides issued by Australian Securities & Investments Commission (ASIC) including, in particular, Regulatory Guide 111 – *Content of expert reports* (RG 111) and Regulatory Guide 163 – *Takeovers: minimum bid price principle – s621* (RG 163).

⁵ As part of the CMS Transaction Mr Naymola may also receive an additional number of Earn-Out Shares, subject to the combined first year earnings of Resource Equipment and CMS being greater than \$21.0 million.

⁶ Or his / her associates.

ANNEX 4: (CONT.)

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- 20 Neither the Corporations Act nor the Regulatory Guides published by ASIC define the meaning of “fair and reasonable” in the context of section 636(2) of the Corporations Act. In our opinion, the Stated Price said to be paid is “fair and reasonable” if it lies within or exceeds our assessed valuation range. We consider this approach consistent with use of the term used in other forms of IERs.
- 21 Given the above, for the purposes of our report we have therefore:
- (a) determined the market value of CMS on a 100% controlling interest basis⁷. Our assessment of value has been made as 28 November 2014 (i.e. at the Effective Acquisition Date)
 - (b) divided our assessment of value obtained in (a) above by both the minimum and maximum number of shares to be issued in Resource Equipment pursuant to the CMS Transaction in order to obtain an assessed value per Resource Equipment share⁸; and
 - (c) compared the assessed value per Resource Equipment share obtained in (b) above to the Stated Price.
- 22 For the purpose of our opinion, market value is 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 within a reasonable timeframe. Market value in this context assumes that the parties are fully informed and knowledgeable about all aspects of the transaction, including the company’s financial performance and financial position.

Limitations and reliance on information

- 23 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 24 Our report is also based upon financial and other information provided by Pump Services or Mr Naymola. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 25 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming our opinion on the value of the consideration paid for the shares in CMS received as consideration for the sale of the Company to Resource Equipment. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type

⁷ Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.

⁸ We do not know the likelihood of Resource Equipment meeting the EBITDA earn-out performance targets. Therefore, for the purpose of determining an effective price paid we have adopted a range of 133.3 million (low) shares to 153.2 million (high) shares.

ANNEX 4: (CONT.)

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undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

- 26 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 27 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

ANNEX 4: (CONT.)

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II Profile of CMS

Overview

- 28 CMS is an Australian mining contracting company experienced in providing specialist water management services and support in open cut mines, coal preparation plants and metaliferous process plants. The Company is essentially a specialist dewatering services and pump equipment rental business, with a strong presence in central Queensland. CMS provides turnkey solutions for its customers, delivering dewatering services as a complete package, including pump and water treatment systems, engineering expertise and project management under the name "National Pump Services".

Current operations

- 29 CMS was founded in 2001 by Mr David Campbell (Mr Campbell). In 2007, after a number of years of incremental growth, the Company merged with Ramps Australia Pty Ltd (Ramps), an equipment hire business operating in Queensland and owned by Mr Rod Hayes (Mr Hayes). Prior to the merger, Mr Campbell and Mr Hayes shared a history of working together on a number of jobs.
- 30 Today, CMS is jointly managed by Mr Campbell and Mr Hayes and the Company's operations are primarily focused on the coal sector in Queensland. CMS operates from a Queensland office and employs approximately 50 staff. The Company's specialist expertise and experience covers the following:
- (a) water management systems design and construction
 - (b) pump hire and sales
 - (c) mine site water management
 - (d) water management and pump systems audits
 - (e) poly pipe welding and construction
 - (f) general mine support
 - (g) labour hire; and
 - (h) disaster recovery management.

Clients and competitors

- 31 CMS provides water management services for the major Queensland coal mining companies, including the BHP Billiton / Mitsubishi Alliance, Peabody, Vale and Rio Tinto. It also services major coal contract miners such as Leighton Holdings and Downer EDI. CMS has maintained relationships with these companies over many years. A typical job for CMS can last from three months to three years. However, given its client base, CMS normally services numerous mines for each of its clients at any one time.

ANNEX 4: (CONT.)

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- 32 Resource Equipment and CMS are among Australia's market leading water management companies. There are also a number of other companies that provide water management services, however, these are generally provided in tandem with other mining services (i.e. not on a standalone basis). There are also a number of equipment hire companies that lease water management equipment (e.g. pumps), but do not provide the related services.

Industry structure

- 33 Mining companies can either undertake mining operations in house, or employ the services of a mining contractor to undertake the mining on their behalf (i.e. outsourcing), or a combination of the two. Given the prevalence of low coal prices at present, in a bid to rein in costs, major miners have been either bringing contracts back in house, or renegotiating contracts to rates more reflective of current industry conditions.
- 34 A key risk to the operations of CMS, therefore, is the ability for mining companies to undertake their own water management services as opposed to outsourcing them. In this respect, and based on discussions with CMS management, we understand that:
- (a) some mining companies have the requisite skills but not the equipment and vice versa
 - (b) the high staff turnover in mining companies can lead to the loss of water management technical skills
 - (c) the type of work undertaken is not appealing to many mine workers (wet, dirty work as opposed to working in an air conditioned truck)
 - (d) specialist water management providers offer consistency of results; and
 - (e) historically there was a lack of suitable water management mining equipment in Australia (in particular water pumps).

Financial performance

- 35 The financial performance of CMS for the four years ended 30 June 2014, is set out below:

CMS – statement of financial performance				
	FY11 Audited \$000	FY12 Audited \$000	FY13 Audited \$000	FY14 Audited \$000
Total revenue	26,502.1	35,090.0	34,802.0	30,846.4
Operating expenses	(21,965.6)	(25,942.3)	(26,362.7)	(24,052.8)
EBITDA	4,536.5	9,147.6	8,439.3	6,793.6
Depreciation	(741.7)	(1,270.2)	(1,595.9)	(1,849.4)
EBIT	3,794.8	7,877.4	6,843.3	4,944.2
Net financial income	(278.3)	(376.7)	41.4 ⁽¹⁾	261.9 ⁽¹⁾
Profit before tax	3,516.5	7,500.7	6,884.7	5,206.1
Income tax expense	(988.1)	(2,269.4)	(2,085.8)	(1,539.4)
Profit after tax	2,528.4	5,231.3	4,798.9	3,666.7

ANNEX 4: (CONT.)

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CMS – statement of financial performance

	FY11	FY12	FY13	FY14
Earnings margins (%)				
EBITDA	17.1	26.1	24.2	22.0
EBIT	14.3	22.4	19.7	16.0
Profit after tax	9.5	14.9	13.8	11.9
Growth statistics (%)				
Revenue	na	32.4	(0.8)	(11.4)
EBITDA	na	101.6	(7.7)	(19.5)
EBIT	na	107.6	(13.1)	(27.8)
Profit after tax	na	106.9	(8.3)	(23.6)

Note:

1 In FY13 and FY14 CMS received interest income of \$292,490 and \$469,512 respectively from a debtor that had failed to pay its fees on a timely manner. This debtor has now been repaid.

na – not available.

- 36 As shown above, revenue and EBITDA for CMS peaked in FY12, due to favourable industry conditions and relatively high commodity prices (which increased the level of mining activity and hence water management activity). However, since September 2012 lower commodity prices have led to more challenging mining conditions and an increased focus, on behalf of mining companies, to increase productivity and reduce input costs. This has been reflected in CMS's latest operating results which show EBITDA margins reducing from 26.1% in FY12 to 22% in FY14 as revenue reduced some \$4 million over this period. FY14 was also partially impacted by management distraction from the sale of a one-third interest in CMS to Mr Naymola.
- 37 CMS has never prepared budgets or forecasts for future periods. Accordingly there is no FY15 budget or forecast for CMS available. We have however had regard to the results for CMS up to the Effective Acquisition Date. While the commercial sensitivity of this information prevents detailed disclosure, we note that the Company has not been immune from the general downturn in mining services, with CMS recently forced to provide its clients with a revised fee structure. As a result both revenue and profitability are down materially on previous comparable periods. We also note that Company management have faced distraction from the CMS Transaction over this period.

Financial position

- 38 The financial position of CMS as at 28 November 2014 (i.e. the Effective Acquisition Date), based on management accounts is set out below:

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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CMS – statement of financial position

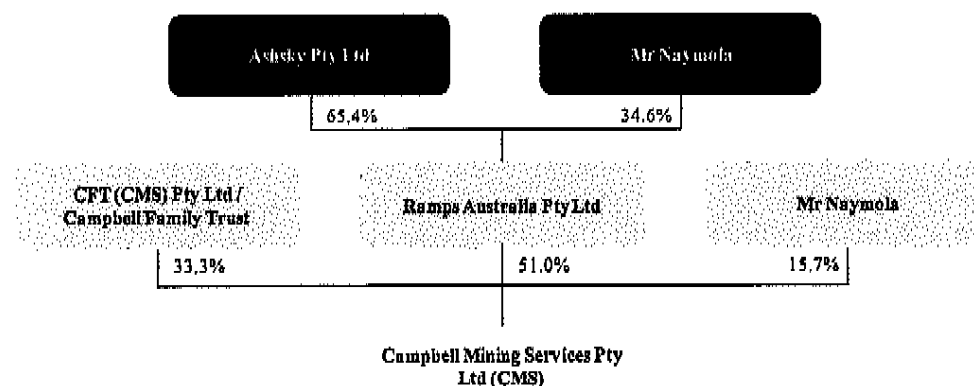
	28 Nov 14
	\$000
Debtors and prepayments	3,385.3
Creditors, accruals and provisions	(698.0)
Net working capital	2,687.3
Plant and equipment	11,218.9
Goodwill	3,533.1
Prepayments (non-current)	199.1
Total funds employed	17,638.4
Cash and cash equivalents	741.5
Interest bearing liabilities	(3,615.7)
Net cash / (borrowings)	(2,874.2)
Net assets attributable to CMS shareholders	14,764.2

39 With respect of the above balance sheet we note that:

- (a) the investment in plant and equipment includes the pumps, pipes and other equipment that is leased to a number of its clients
- (b) the \$3.5 million of goodwill relates to merger of CMS and Ramps in 2007
- (c) net debt as at the Effective Acquisition Date was \$2.9 million.

Share capital and performance

40 The share ownership structure of CMS prior to the sale of the CMS Transaction is set out as follows:

CMS – operations


ANNEX 4: (CONT.)

LONERGAN EDWARDS
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- 41 Prior to the sale to Resource Equipment there were 3.5 million ordinary shares in CMS. Based on the above, the beneficial ownership in CMS was one third owned by each of Mr Campbell, Mr Hayes and Mr Naymola. The specific breakdown of the share ownership is as follows:
- (a) 1,166,667 shares beneficially owned by Mr Campbell through CFT (CMS) Pty Ltd (CFT) as trustee for the Campbell Family Trust
 - (b) 1,166,667 shares beneficially owned by Mr Hayes through his ownership of Ashsky Pty Ltd, which owns 65.4% of Ramps. Ramps directly owns 1,785,000 shares in CMS and has no other material tangible assets or liabilities
 - (c) 1,166,667 shares beneficially owned by Mr Naymola through his 34.6% shareholding in Ramps and 15.7% direct shareholding in CMS.
- 42 Mr Naymola acquired his shareholding in March 2014. As Mr Hayes (through his ownership of Ramps) owned 51% of CMS and Mr Campbell owned 49% (through his ownership of CFT), Mr Naymola acquired shares off both parties to enable his shareholding to reach approximately 33.3% of CMS. Further information on this transaction is set out in Section IV.

ANNEX 4: (CONT.)

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III Valuation methodology

Valuation approaches

- 43 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
 - (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) 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.
- 44 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 45 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 46 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

ANNEX 4: (CONT.)

LONERGAN EDWARDS & ASSOCIATES LIMITED

- 47 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodology selected

- 48 The market value of CMS has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and net cash (or deducting debt) balances.
- 49 The value of the business has been made on the basis of market value as a going concern and on a 100% controlling interest basis⁹. The primary valuation methodologies employed to value CMS are the capitalisation of future of EBITDA and EBITA¹⁰ methodologies. Under these methodologies the value of the business is represented by its core underlying EBITDA or EBITA capitalised at a rate (or multiple) reflecting the risks inherent in those earnings.
- 50 We have adopted these methods for several reasons including:
- (a) CMS has a well established market position in the east coast Australian mining industry and a demonstrated history of profitability
 - (b) we do not have any long-term cash flow projections available to enable a DCF valuation to be undertaken
 - (c) the EBITDA and EBITA multiples for listed mining services companies can be derived from publicly available information; and
 - (d) transaction evidence in the mining services sector is generally expressed in terms of EBITDA and EBITA multiples.
- 51 We have cross-checked our valuation by assessing the level of implied goodwill for reasonableness.

⁹ Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.

¹⁰ While CMS does not incur acquisition intangible amortisation expenses (which are non-cash charges), some of the listed mining services companies do. Accordingly we have adopted EBITA as opposed to EBIT to enhance comparability.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
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IV Valuation of 100% of CMS

Valuation methodology

- 52 As stated in Section III, for the purposes of our opinion, we have assessed the value of CMS on a 100% controlling interest basis¹¹. We have adopted the capitalisation of EBITDA and EBITA methods as our primary valuation methodologies. Under these methods the EBITDA and EBITA¹² (before non-recurring items) is capitalised at an appropriate earnings multiple. The value of the equity in CMS is then derived by deducting the net interest bearing debt balance.

Assessment of EBITDA and EBITA

- 53 In order to assess the appropriate level of earnings for valuation purposes we have had regard to the historical results of the business and have discussed the financial performance, operating environment and prospects with CMS management¹³.
- 54 In a mature business we would expect the capital expenditure and depreciation amounts to be fairly consistent over a given period. However, over the four years to 30 June 2014, CMS' plant and equipment expenditure has been materially higher than the depreciation expenses over the same period. We understand that this was a one-off investment phase attributable to a period of past under investment. Accordingly, we have viewed this as one off (catch up) spending, as opposed to ongoing (or maintainable) capital expenditure.
- 55 The normalised FY14 financial performance for CMS is set out below:

CMS - FY14 normalised EBITDA/EBITA	
	FY14
	\$000
Revenue	30,846
Reported EBITDA	6,794
Total normalisation adjustments ⁽¹⁾	729
Normalised EBITDA	7,523
Depreciation	(1,849)
Normalised EBITA	5,674

Note:

- 1 As these are commercially sensitive we have not disclosed these items individually.

¹¹ Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.

¹² While CMS does not incur acquisition intangible amortisation expenses (which are non-cash charges), some of the listed mining services companies do. Accordingly we have adopted EBITA as opposed to EBIT to enhance comparability.

¹³ CMS does not prepare budgets and forecasts and has never done so.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
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- 56 As stated in Section III, there has been a stepped change in industry dynamics since late 2012, with mining companies now more cost conscious due to the prevailing lower commodity prices. While CMS' earnings traded down in FY13 and FY14, CMS only recently renegotiated major contracts with its clients, which involved a reduced fee structure. Based on our review of the management accounts to 28 November 2014 (which incorporate the new contracted rates), there has been a marked deterioration in both CMS' revenue and earnings compared to the previous comparable period.
- 57 Accordingly, for valuation purposes we have assumed that the depressed earnings conditions will rebound, however, the extent of which is uncertain. To allow for this uncertainty we have based our assessment of earnings for CMS on:
- (a) maintainable revenue of \$20 million to \$25 million; and
 - (b) estimated EBITA margins of 16% to 18%¹⁴ (which provide EBITDA margins of 25.3% to 25.4%).
- 58 This results in the following EBITDA and EBITA for CMS:

CMS EBITDA and EBITA for valuation purposes		
	Low	High
	\$000	\$000
Assumed revenue	20,000	25,000
Assumed EBITDA	5,050	6,350
Depreciation (consistent with FY14)	(1,850)	(1,850)
Assumed EBITA	3,200	4,500
Assumed EBITDA margin	25.3%	25.4%
Assumed EBITA margin	16.0%	18.0%

- 59 A key assumption in the above is that CMS will be able to reduce its cost base in a lower revenue environment, thus maintaining margins at reasonably consistent rates with those achieved in the past.

EBITDA and EBITA multiples

- 60 The selection of the appropriate earnings multiple to apply is a matter of judgment but normally involves consideration of a number of factors including, but not limited to:

¹⁴ The EBITA multiple is more a reliable indicator of earnings for capital intensive businesses. Accordingly EBITA is our starting point for this analysis of CMS earnings.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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Earning multiple considerations

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

- 61 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA and EBITA multiple range for CMS.

Listed company multiples

- 62 Aside from Resource Equipment there are limited Australian mining service companies that are directly comparable to CMS. We have therefore set out below the EBITDA and EBITA multiples of various Australian mining service companies which we have categorised as follows¹⁵:

- (a) specialist dewatering companies – Resource Equipment is the only company that falls into this category
- (b) mining equipment and services companies – these companies provide mine equipment sales and / or maintenance in addition to mine services
- (c) specialist drilling companies – specialist drilling mining services companies; and
- (d) specialist mining services companies – includes outsourced contract mining, civil engineering and construction, on-site services, engineering and plant and maintenance.

¹⁵ Refer to Appendix C for further financial details and a description of each companies' activities.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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Listed company multiples

	EV ⁽¹⁾ A\$m	EBITDA multiple			EBITA multiple		
		FY14 x	FY15 ⁽²⁾ x	FY16 ⁽²⁾ x	FY14 x	FY15 ⁽²⁾ x	FY16 ⁽²⁾ x
Specialist dewatering							
Resource Equipment	66	10.0	8.0	5.0	nm	nm	16.9
Mining equipment and services							
Bradken	1,010	5.8	5.6	5.1	8.4	7.7	7.0
Austin Engineering	162	10.7	6.1	4.4	nm	10.5	6.5
Imdex	138	17.1	7.3	4.8	nm	12.3	6.6
Specialist drilling							
Ausdrill	527	3.0	3.5	3.1	nm	9.6	7.3
Swick Mining Services	68	4.1	3.2	2.7	nm	8.9	6.1
Specialist mining services							
MACA	233	1.7	1.6	1.6	2.7	2.4	2.6
Macmahon Holdings	159	0.9	1.1	1.2	2.2	3.2	3.4
NRW Holdings	150	1.2	1.4	1.5	2.1	2.5	2.5
Calibre Group	114	2.5	2.8	2.5	3.6	3.7	3.6
Sedgman	37	1.9	1.5	1.4	nm	3.1	2.4
Mastermyne Group	24	1.9	2.8	2.2	4.5	6.7	3.3

Note:

1 Enterprise value (EV) and earnings multiples calculated as at 28 November 2014. Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), convertible notes, net derivative liabilities, market capitalisation adjusted for material option dilution and buybacks and excludes surplus assets.

2 Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis. nm – not meaningful.

- 63 As indicated above the listed company multiples vary widely. Accordingly, we have considered the comparability of the above companies to CMS and note the following:
- (a) the above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA / EBITA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company
 - (b) while Resource Equipment is the most comparable company to CMS (and competitor), the business is significantly larger than CMS¹⁶. In FY14 Resource Equipment reported a decline in EBITDA of 75% compared to the previous year and a loss after tax of \$4.5 million
 - (c) the high FY14 EBITDA multiples for Resource Equipment, Austin Engineering and Imdex are reflective of earnings growing from a depressed base, rather than incremental growth expectations

¹⁶ Resource Equipment recorded revenue of \$83.4 million in FY14 compared to \$30.8 million for CMS.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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- (d) the majority of the mining services companies are significantly larger and have more diverse operations than CMS (with size and diversification generally translating to higher multiples¹⁷)
 - (e) the level of depreciation as a percentage of EBITDA for the above companies is generally significantly higher than the level of depreciation for CMS.
- 64 The mining services industry is currently facing a number of challenges stemming from lower commodity prices. As a reflection of the challenging industry conditions:
- (a) there have been numerous profit downgrades by mining service companies
 - (b) the majority of the above companies reported materially lower EBITDA and EBITA in FY14 than in FY13 and FY12
 - (c) all but three of the above companies (Maca, Calibre Group and Bradken) are trading at an implied market capitalisation that is lower than its net tangible asset backing (which indicates that very little goodwill is being recognised in the industry)¹⁸.
- 65 Such conditions have impacted investor confidence in both the mining sector and the service companies exposed to the mining sector. This has resulted in lower implied earnings multiples than in prior periods. In such an environment:
- (a) the mining service companies providing basic contract mining services (that are more easily replaced by in-house services) appear to be the most at risk of contract losses (or contract price reductions) and the market appears to be factoring in such a distinct possibility, with these companies trading on very low multiples by historical standards
 - (b) the implied EBITDA and EBITA multiples for the mining equipment and service companies as well as the specialist drilling companies are more reasonable when compared against historical multiples and reflect the specialised nature of the offering and the level of intellectual property (specialist knowledge) these companies retain (notwithstanding the materially lower earnings at present compared to peak periods).

Transaction evidence

- 66 A summary of the EBITDA and EBITA multiples implied by the transactions set out in Appendix D (which generally reflect the acquisitions of controlling interests) is shown below. In order to highlight the size impact the transactions have been categorised into those below \$20 million, between \$20 million and \$100 million and those greater than \$100 million (refer to Appendix D for a full breakdown of these transactions).

¹⁷ Given the challenging industry conditions this is not always true as evidenced by the specialist mining service companies subset, whose multiples appear to be implying contract losses or material reductions in contract rates paid.

¹⁸ Noting that after the application of a theoretical control premium of 32.5% the number of companies with implied goodwill increases to six, including Maca, Calibre Group, Sedgman, Bradken, Austin Engineering and Imdex.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
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Transaction evidence – 2006 to 2014⁽¹⁾

Transaction value range	Number of transactions	Average x	Median x	Range x
EBITDA				
Less than \$20m	6	4.2	4.2	3.3 – 5.8
\$20m to \$100m	11	5.0	4.8	1.9 – 9.3
Greater than \$100m	9	6.6	6.0	3.3 – 11.8
	26	5.4	4.8	1.9 – 11.8
EBITA				
Less than \$20m	11	3.9	3.6	2.3 – 6.0
\$20m to \$100m	8	6.6	5.0	3.2 – 11.8
Greater than \$100m	5	9.0	8.5	4.3 – 14.9
	24	5.9	4.2	2.3 – 14.9

Note:

1 Covers 40 transactions over this period and includes the transaction referred to at paragraph 68.

- 67 We note that the majority of the transactions took place before the challenging mining services industry conditions set in and accordingly the EBITDA and EBITA multiples are likely to reflect a much more optimistic outlook than that prevailing at the valuation date (which, inter alia, would increase the EBITDA and EBITA multiples relative to now).

Recent investment in CMS by Mr Naymola

- 68 A key indicator of the appropriate multiples to adopt for CMS is the price paid for the 33% interest acquired by Mr Naymola in April 2014. The transaction implied an enterprise value of \$37.8 million and was based on CMS' financial performance for FY13. A summary of the EBITDA and EBITA multiples implied by this transaction are as follows:

Investment in CMS by Mr Naymola – implied transaction multiples

	FY13 \$000
Revenue	34,802
Reported EBITDA	8,439
Normalisation adjustments (motor cycle sponsorship)	223
Normalised EBITDA	8,663
Depreciation	(1,596)
Normalised EBITA	7,067
Consideration (enterprise value)	37,800
Net tangible operating assets (NTOA)	(13,162)
Implied goodwill / intangible assets	24,638
Implied multiples / metrics (times)	
Implied EBITDA multiple	4.4
Implied EBITA multiple	5.3
Enterprise value / NTOA	2.9
Goodwill and intangible assets / EBITDA	2.9
Goodwill and intangible assets / EBITA	3.5
Goodwill as a % of enterprise value (%)	65.2

ANNEX 4: (CONT.)

LONERGAN EDWARDS & ASSOCIATES LIMITED

69 In respect of the above, we note that:

- (a) the transaction involved the acquisition of a joint (i.e. equal) 33% shareholding in the Company, not a 100% controlling interest. Although we would expect the multiple attributed to the latter to be higher than the former, we would not consider it to be materially greater
- (b) depreciation expenses have materially increased since the transaction date (which would otherwise cause the EBITDA multiple to significantly reduce, assuming the EBITA multiple implied by the transaction should remain unchanged¹⁹).

Other factors considered

70 In addition to the factors set out above, we have also considered, inter-alia:

- (a) the change in the mining industry dynamics since late 2012 and the outlook for mining services companies generally
- (b) CMS' market position in the Australian dewatering and pumping industry
- (c) the Company's long standing relationships with major mining companies
- (d) the level of depreciation expense incurred by CMS, which have increased as earnings have decreased (implying that EBITA is a better measure of CMS' true profitability)
- (e) the level of non-unique synergies that are available to Resource Equipment.

Conclusion on appropriate EBITDA and EBITA multiples

71 Based on the above, we have adopted the following EBITDA and EBITA multiples:

Adopted multiple range	Low	High
	x	x
EBITDA	3.75	4.25
EBITA	5.25	5.75

¹⁹ The converse is also true in that increased depreciation would cause the EBITA multiple to significantly increase, if one assumed the EBITDA multiple implied by the transaction should remain unchanged. That said, in our opinion, the EBITA is more a reliable indicator of earnings for capital intensive businesses and should form the starting point for our analysis of this transaction.

ANNEX 4: (CONT.)

LONERGAN EDWARDS & ASSOCIATES LIMITED

Value of core business

- 72 On this basis we have adopted a valuation range of \$18 million to \$25 million for CMS' core operating business (before debt) determined as follows:

CMS – valuation		
	Low	High
	\$m	\$m
EBITDA adopted for valuation purposes	5.0	6.3
EBITDA multiple (times)	3.75	4.25
Enterprise value	18.8	26.8
EBITA adopted for valuation purposes	3.2	4.5
EBITA multiple (times)	5.25	5.75
Enterprise value	16.8	25.9
Valuation range adopted	18.0	25.0

- 73 Our wide valuation range reflects the level of uncertainty with respect of future earnings for CMS, which is a function of the challenging mining service industry at present.

Net debt / working capital

- 74 The statement of financial position for CMS as at the Effective Acquisition Date of the CMS Transaction is set out in Section II. As at this date, net debt was \$2.9 million, however, this was subject to a completion account adjustment (i.e. settlement payment to be made by the vendor to the acquirer for net debt and working capital being greater than an agreed target and vice versa). For the purposes of this report, we have adopted net debt of \$2.2 million (after taking into account the completion account adjustments).

Surplus assets

- 75 We are not aware of any surplus assets owned by CMS.

Value of CMS

- 76 On this basis, the value of 100% of the equity in CMS on a controlling interest basis is as follows:

CMS – valuation summary		
	Low	High
	\$m	\$m
Enterprise value	18.0	25.0
Net debt	(2.2)	(2.2)
Value of equity on a 100% controlling interest basis ⁽¹⁾	15.8	22.8

Note:

- 1 Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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Goodwill cross-check

- 77 We have cross-checked our valuation by assessing the level of implied goodwill for reasonableness. Our calculations are as follows:

CMS – implied goodwill and associated multiples

	Low	High
	\$m	\$m
Enterprise value	18.0	25.0
Net tangible operating assets (NTOA) as at 28 November 2014	(12.5)	(12.5)
Implied goodwill / intangible assets	5.5	12.5
Implied multiples / metrics (times)		
Enterprise value / NTOA	1.4	2.0
EBITDA / goodwill & intangible assets	1.1	2.0
EBITA / goodwill & intangible assets	1.7	2.8
Goodwill as a % of enterprise value	30%	50%

- 78 In respect of the above, we note that:

- (a) reflective of the much more subdued industry conditions and near term outlook, the implied level of goodwill / intangible assets shown above are significantly lower than those implied by the acquisition of a one third interest by Mr Naymola (as too are the intangible asset multiples)
- (b) the implied level of goodwill / other intangible assets and the implied intangible asset multiples from our valuation are generally higher than the listed mining services companies set out in Appendix C²⁰. However, we would expect CMS to trade on higher levels of goodwill than the majority of contract miners because:
 - (i) the level of specialisation and need for consistency in performance for dewatering services sets CMS apart from the specialist contract miners (who generally provide services that are more easily replaced and, in our view the earnings multiples are reflective of this)
 - (ii) CMS is one of the leading specialist external dewatering services companies operating in Australia and hence the level of direct competition in the industry is low (whilst mining companies can perform this work in-house, high staff turnover in mining companies can lead to the loss of technical water management skills and therefore impact the miner's ability to undertake these services).

- 79 Having regard to the above, we consider our valuation to be reasonable.

²⁰ On a controlling interest basis there are six companies that show positive goodwill and hence meaningful goodwill EBITDA and EBITA multiples.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
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V Assessed value of the consideration paid

Value of 100% of CMS

- 80 In Section IV we have valued the equity in CMS on a 100% controlling interest at \$15.8 million to \$22.8 million.

Number of shares issued

- 81 Pursuant to the CMS Transaction, the CMS vendors are to receive as consideration, a base number of shares in Resource Equipment of 133.3 million (Base Shares) plus an additional maximum 19.9 million shares, subject to the achievement of predetermined earn-out performance targets (Earn-Out Shares)²¹.
- 82 The trigger for the payment of the Earn-Out Shares is based upon the achievement of the total combined normalised EBITDA of both Resource Equipment and CMS being not less than \$21 million in the first 12 month period post completion of the acquisition. The precise number of Earn-Out Shares to be issued will increase on a pro-rata basis, achieving the maximum number payable (19.9 million) if combined normalised EBITDA exceeds \$22.0 million. The Earn-Out Shares must be issued (if any) to the CMS vendors by no later than 28 November 2016.
- 83 We do not know the likelihood of the EBITDA earn-out performance targets being met. We further note that the achievement of the target is dependent upon the financial performance of both Resource Equipment and CMS (as well as the ability to generate synergies). Therefore, for the purpose of determining the value of the consideration paid we have adopted a range of 133.3 million (low) shares to 153.2 million (high) shares.

Assessed value of the consideration paid

- 84 LEA has concluded that the value of the consideration paid by Mr Naymola for the shares he acquired in Resource Equipment as a result of the CMS Transaction to range from \$0.103 to \$0.171, determined as follows:

Assessed value of the consideration paid			
		Low	High
CMS assessed equity value – 100% controlling interest basis ⁽¹⁾	\$m	15.8	22.8
Resource Equipment shares to be issued			
Minimum number of shares	m	133.3	133.3
Maximum number of shares ⁽²⁾	m	153.2	153.2
Assessed value of the consideration paid			
Minimum number of shares	cents	11.9	17.1
Maximum number of shares	cents	10.3	14.9

²¹ The Base Shares are subject to an escrow period of two years. These restrictions are waived in the event of a takeover offer for Resource Equipment.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Note:

- 1 Mr Naymola, as a party to the CMS Transaction, provided consideration (for the shares that he received in Resource Equipment) equal to a pro-rata interest in 100% of CMS. For the purposes of our valuation we have therefore assessed the value of CMS on a controlling interest basis.
 - 2 Includes the maximum number of contingent Earn-Out Shares that may be issued pursuant to the CMS Transaction.
-

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Bidder's Statement to be sent to Resource Equipment shareholders.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$30,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Nathan Toscan, who are each authorised representatives of LEA. Mr Edwards and Mr Toscan have over 20 years and 10 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of Pump Services and is to accompany the Bidder's Statement to be sent to Resource Equipment shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion of the value of the consideration paid by Mr Naymola for the shares he acquired in Resource Equipment as a result of the CMS Transaction.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Toscan have any interest in the outcome of the Offer. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Pump Services, Mr Naymola, CMS or Resource Equipment prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Pump Services agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Pump Services which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in Pump Services' Bidder's Statement.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix C

Listed company multiples and descriptions

- 1 The listed company multiples and other metrics for a range of Australian mining service companies (refer to Section IV for breakdown) is set out below, with a brief description of company activities following:

Company	Financial ratios and multiples																	FY16 / FY14 CAGR %
	Enterprise value ⁽¹⁾⁽²⁾ (\$m)	Market capitalisation (\$m)	Gearing %	Enterprise value / NTDA (\$m)	Intangibles as % of EV %	EBITDA multiple			EBIT multiple			Intangibles / EBITDA multiple			Intangibles / EBITA multiple			
						Historical ⁽³⁾	Forecast ⁽⁴⁾	Forecast ⁽⁵⁾	Historical ⁽³⁾	Forecast ⁽⁴⁾	Forecast ⁽⁵⁾	Historical ⁽³⁾	Forecast ⁽⁴⁾	Forecast ⁽⁵⁾	Historical ⁽³⁾	Forecast ⁽⁴⁾	Forecast ⁽⁵⁾	
						FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	
						x	x	x	x	x	x	x	x	x	x	x	x	
Specialist dismantling Resource Equipment Ltd	65.6	52.9	19.4%	0.6	(55.0%)	10.0	8.0	5.0	nm	nm	16.9	(5.6)	(4.5)	(2.8)	8.1	22.8	(9.4)	37.7%
Mining equipment and services Bradken Ltd	1,010.0	658.5	34.8%	1.4	29.3%	5.8	5.6	5.1	8.4	7.7	7.0	1.7	1.6	1.5	2.5	2.3	2.0	6.7%
Austin Engineering Ltd	162.4	72.1	55.6%	1.0	(1.2%)	10.7	6.1	4.4	nm	10.5	6.5	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	36.8%
Imdex Ltd	137.8	112.4	18.4%	1.0	(1.6%)	nm	7.3	4.8	nm	12.3	6.6	(0.3)	(0.1)	(0.1)	0.8	(0.2)	(0.1)	65.3%
Specialist drilling Austral Ltd	527.3	140.5	73.4%	0.5	(114.0%)	3.0	3.3	3.1	nm	9.6	7.3	(3.5)	(3.9)	(3.5)	155.6	(10.9)	(8.3)	2.5%
Swick Mining Services Ltd	67.9	52.2	23.1%	0.6	(68.0%)	4.1	3.2	2.7	19.8	8.9	6.1	(2.8)	(2.2)	(1.8)	(13.6)	(6.1)	(4.2)	21.4%
Specialist mining services MACA Ltd	233.1	244.3	(4.8%)	1.0	2.4%	1.7	1.6	1.6	2.7	2.4	2.6	0.0	0.0	0.0	0.1	0.1	0.1	2.5%
Mormahan Holdings Ltd	158.8	92.2	38.8%	0.3	(199.4%)	0.9	1.1	1.2	2.2	3.2	3.4	(1.8)	(2.3)	(2.4)	(4.4)	(6.3)	(6.7)	(7.9%)
NRW Holdings Ltd	149.7	115.7	22.7%	0.4	(157.8%)	1.2	1.4	1.5	2.1	2.5	2.5	(1.8)	(2.2)	(2.3)	(3.4)	(5.9)	(3.9)	(6.4%)
Calibre Group Ltd	114.2	121.0	(6.1%)	2.8	63.8%	2.5	2.8	2.5	3.6	3.7	3.6	1.6	1.8	1.6	2.3	2.4	2.3	3.1%
Sedgemoor Ltd	37.1	116.9	(211.8%)	0.7	(41.0%)	1.9	1.5	1.4	nm	3.1	2.4	(0.8)	(0.6)	(0.6)	11.4	(1.3)	(1.0)	14.4%
Masterson Group Ltd	23.8	21.1	9.4%	0.5	(81.9%)	1.9	2.8	2.2	4.5	6.7	3.3	(1.6)	(2.3)	(1.8)	(3.7)	(5.5)	(2.7)	2.1%

Notes:

1 Enterprise value and earnings multiples calculated as at 28 November 2014.

2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks, excludes surplus assets, and adjusts for the cash effect of special dividends.

3 Historical earnings is based on latest statutory full year accounts and excludes non-recurring items, significant write downs, realised investment gains or losses, restructuring charges.

4 Forecast earnings is based on Bloomberg broker average forecast (including outliers and outdated forecasts).

5 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by enterprise value.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

nm - not available. um - not meaningful.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix C

Specialist dewatering companies

Resource Equipment Limited

- 2 Resource Equipment supplies specialist rental equipment primarily for the mining, oil and gas, heavy engineering and infrastructure sectors. The company principally offers mine pumping equipment and dewatering systems, power generation and air compressors. It also provides services, including design and installation of piping systems, assisted evaporation and hydro mining. Although Resource Equipment's operations are primarily focused on Australia, it has also completed other projects in Japan, Thailand and the Timor Sea.

Mining equipment and services companies

Bradken Limited

- 3 Bradken is a supplier of consumable and capital products to the mining and construction, rail, energy and general industrial markets. It employs some 5,000 staff across 57 manufacturing, sales and service facilities throughout Australia, New Zealand, the US, Asia, South Africa and the United Kingdom. The company supplies ferrous castings, fabrications and machining services and also designs, supplies and services wear components for the mining, mineral processing and quarry industries. It also offers freight rolling stock products and services.

Austin Engineering Limited

- 4 Austin Engineering is an engineering company focusing on the mining and resources sector. The company has Australian manufacturing facilities in Brisbane, Perth, Mackay and Muswellbrook as well as overseas facilities in Wyoming (US), Antofagasta and Calama (Chile), Barranquilla (Colombia), Lima (Peru) and Batam Island (Indonesia). Each business division provides an array of manufacturing, repair and support services to the mining, oil and gas, aluminium and industrial sectors.

Imdex Limited

- 5 Imdex is a provider of drilling fluid products, advance down hole instrumentation, data solutions and geo-analytics services to exploration, development and production companies in the minerals and oil and gas sectors worldwide. Imdex supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. The company has operational centres in key mining regions of the world, including Asia-Pacific, Africa, Europe and the Americas.

Specialist drilling companies

Ausdrill Limited

- 6 Ausdrill is a diversified mining and energy services company with key operations in Australia and Africa. The offered services include drill and blast, grade control, water well drilling and equipment sales, hire and parts. In addition, Ausdrill provides load and haul and crusher feed services as well as specialist underground mining services in Africa. The Australian operations are primarily based in Western Australia and the African operations are primarily located in Ghana.

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix C

Swick Mining Services Limited

- 7 Swick Mining Services is a mineral drilling contractor, providing both underground and surface drilling services to the Australian resource and mining industry. The company is the market leader in the development of innovative rig designs and drilling practises that improve productivity, safety and versatility. Swick Mining Services has three divisions which include Underground Diamond, Surface Reverse Circulation and Underground Production. The company also operates in Canada, USA, and Europe.

Specialist mining services companies

Maca Limited

- 8 Maca is a mining and civil construction company offering contract mining, civil earthworks, crushing and screening and material haulage solutions to the mining industry throughout Australia. The company has two major divisions, Mining Contracting and Civil Contracting and employs over 1,000 staff. The services offered by Mining Contracting are structured as load and haul, drill and blast, crush and screen and materials handling.

Macmahon Holdings Limited

- 9 Macmahon Holdings is an Australian company providing mining services to clients throughout Australia, New Zealand, South East Asia, Mongolia and Africa. The company provides surface mining, underground mining, engineering, and plant and maintenance. Its specific services range from mine development to materials delivery, design, construction and on-site services for mining companies, across a variety of base and precious metals and commodities.

NRW Holdings Limited

- 10 NRW Holdings is an Australian company providing diversified services to Australia's resource and infrastructure sectors. The Company operates three business divisions, which focus on civil construction and mining services, drill and blast services and the sale of heavy and ancillary equipment (as well as equipment maintenance and repair). NRW Holdings operates in Western Australia, the Northern Territory, Queensland and Guinea, West Africa.

Calibre Group Limited

- 11 Calibre Group provides diversified engineering, project delivery and asset management services to the resources and infrastructure sectors. Its four main brands are Calibre Global, G&S Engineering Services, Brown Consulting, and Xstract Mining Consultant. The services provided by Calibre Group include early-stage asset evaluation and project feasibility studies, design, construction management, fabrication and commissioning, ongoing support, maintenance and optimisation of mine, rail and infrastructure assets.

Sedgman Limited

- 12 Sedgman is a provider of mineral processing and associated infrastructure solutions to the global resources industry. Traditionally the company focused on the coal industry and the provision of wash plant construction and maintenance and associated services. However, in a bid to diversify, Sedgman has increased its engineering, project delivery and operations

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix C

services capabilities across a range of commodities, including coal, iron ore, copper, gold and other base metals. As a result, the company's order book is now less than 50% related to coal.

Mastermyne Group Limited

- 13 Mastermyne Group is a specialist provider of mining services to the Australian coal mining industry. The company provides an extensive range of outsourced services to existing and new coal mining operations. Mastermyne also has a comprehensive range of underground mining equipment which complements its contracting operations. Mastermyne Group has an established presence in all major coal producing regions on the east coast of Australia and is structured into three operating divisions being Underground Mining Services, Electrical & Mechanical Services and Engineering & Fabrication.

ANNEX 4: (CONT.)

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix D

Transaction evidence

Summary of transaction multiples

Date	Target	Acquirer	Sub Industry	EV 100% \$m	Multiples	
					EBITDA x	EBITDA x
Sep-14	Diversified Mining Services Ltd	Mastermynne Group Ltd	Mining equipment & services	20.0	3.0 (F)	3.6 (F)
Mar-14	Campbell Mining Services Pty Ltd (CMS)	Mr Maymola	Mining equipment & services	37.8	4.4 (H)	5.3 (H)
Oct-13	Minecra Holdings Ltd	Sagshore Corporation Ltd	Mining equipment & services	15.0	4.3 (H)	n/a
Oct-13	Servigint	Austim Engineering Ltd	Mining equipment servicing & maintenance	19.3	n/a	5.8 (H)
Apr-13	Eastcoast Development Engineering Pty Ltd	Decmil Group Ltd	Mining equipment & services	24.3	1.9 (H)	n/a
Jan-13	e2o Pty Ltd	Clough Ltd	Mining equipment & services	11.5	n/a	2.3 (F)
Dec-12	Engenco Ltd	Elph Pty Ltd	Mining equipment & services	74.3	4.9 (H)	11.8 (H)
Oct-12	ioGlobal Ltd	Imulex Ltd	Drilling services	8.0	n/a	4.0 (F)
Oct-12	G&S Engineering Services Pty Ltd	Calibre Group Limited	Mining equipment servicing & maintenance	93.9	5.5 (F)	n/a
Jul-12	Best Traction Parts Group	Ausdrill Ltd	Mining equipment & services	165.0	3.3 (H)	4.3 (H)
May-12	Industree Ltd	General Electric Company	Mining equipment & services	701.2	6.0 (F)	8.5 (H)
Jan-12	Ludowici Ltd	FLSmith & Co AS	Mining equipment & services	388.9	11.8 (F)	14.9 (F)
Aug-11	Mishcon Industries	Ludowici Ltd	Mining equipment & services	11.5	5.8 (F)	n/a
Jul-11	Norcast Wear Solutions / Australian & Overseas Alloys	Brooklen Ltd	Mining equipment & services	222.0	7.9 (F)	n/a
Mar-11	Underground In-situ Service Business of Al Lucas Group Ltd	Industree Ltd	Mining equipment & services	25.5	4.8 (F)	n/a
Feb-11	Dewatering Services Australia Pty Ltd and DSA Plac Co Pty Ltd	Resource Equipment Ltd	Mining services	13.0	4.2 (H)	n/a
Feb-11	Connecter Drilling Pty Ltd	Ausdrill Ltd	Drilling services	29.9	n/a	5.0 (H)
Dec-10	COR Cooling Group	Austim Engineering Ltd	Mining equipment servicing & maintenance	19.5	n/a	6.0 (F)
Dec-10	Eastonmell Group Pty Ltd	Transfield Services Ltd	Mining services	570.4	7.5 (F)	n/a
Dec-10	Essa Australia Ltd	FLSmith Pty Ltd	Mining equipment & services	30.1	8.5 (H)	11.3 (H)
Dec-10	Rojas Advanced Ceramics Pty Ltd	Ludowici Ltd	Mining equipment & services	5.2	4.2 (H)	n/a
Jul-10	Pitbeam Hire Group Pty Ltd	Austim Engineering Ltd	Mining equipment servicing & maintenance	13.0	n/a	3.3 (H)
May-10	Almac Machine Works	Brooklen Ltd	Mining equipment & services	56.2	4.1 (H)	n/a
May-10	Ausafec Ltd	Campbell Brothers Ltd	Mining services	152.3	7.3 (F)	8.3 (F)
Mar-10	Coore Industrial Ltd (Engenco)	Elph Pty Ltd	Mining equipment & services	167.7	5.7 (H)	n/a
Dec-09	Ausafec Ltd	Outotec Pty Ltd	Mining equipment & services	50.5	9.3 (H)	9.7 (H)
Aug-09	Brooklen Ltd	Ausdrill Ltd	Drilling services	103.7	3.7 (F)	9.2 (F)
Aug-09	Coeymunt Ltd	Austim Engineering Ltd	Mining equipment & services	23.4	3.1 (H)	n/a
Jul-08	Americast Technologies Inc	Brooklen Ltd	Mining equipment & services	268.5	5.4 (H)	n/a
Jul-08	SWG	Programmed Maintenance Services Ltd	Mining equipment servicing & maintenance	36.0	n/a	3.6 (F)
Dec-07	Central Explosion Drilling	Hughes Drilling Ltd	Drilling services	6.5	3.3 (H)	n/a
Dec-07	Western Technology Services International Inc	Austim Engineering Ltd	Mining equipment & services	21.5	n/a	3.2 (F)
Nov-07	Rocktec Contracting	WDM Group Ltd	Drilling services	15.0	n/a	4.0 (F)
Oct-07	Cast Metal Services Pty Ltd	Brooklen Ltd	Metal tooling & welding services	14.1	3.7 (H)	n/a
Apr-07	Eagle Engineering Pty Ltd	RCR Tomlinson Ltd	Mining equipment servicing & maintenance	21.0	n/a	4.9 (F)
Apr-07	Aust Bone Pty Ltd	Austim Engineering Ltd	Mining equipment & services	10.6	n/a	3.6 (H)
Dec-06	Applied Laser Group	RCR Tomlinson Ltd	Metal tooling & welding services	16.6	n/a	4.2 (F)
Aug-06	PJ Bertram	Industree Ltd	Mining equipment & services	6.2	n/a	3.1 (F)
Jun-06	Wadon Industries Pty Ltd	GPS Online Ltd (Industria Ltd)	Mining equipment & services	12.4	n/a	2.7 (F)
Jun-06	JG Engineering, WKKI and Australian Crusher Repairs	RCR Tomlinson Ltd	Mining equipment & services	14.1	n/a	3.5 (H)

ANNEX 4: (CONT.)

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

Appendix E

Glossary

Term	Meaning
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Base Shares	The base number of shares in Resource Equipment (133.3 million) CMS vendors received as consideration from the CMS Transaction
CFT	CFT (CMS) Pty Ltd
CMS or the Company	Campbell Mining Services Pty Ltd
CMS Transaction	The acquisition of CMS by Resource Equipment on the Effective Acquisition Date
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
DCF	Discounted cash flow
Earn-Out Shares	The potential 19.9 million shares to be issued to the CMS vendors from the CMS Transaction, subject to the achievement of predetermined earn-out performance targets
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax depreciation and amortisation
Effective Acquisition Date	28 November 2014
EV	Enterprise Value
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year ending 30 June
IER	Independent expert's report
LEA	Lonerган Edwards & Associates Limited
Mr Campbell	Mr David Campbell
Mr Naymola	Mr Walter Eugene (Loddie) Naymola
Mr Hayes	Mr Rod Hayes
NPV	Net present value
NTOA	Net tangible operating assets
Offer	The takeover offer for all the ordinary shares in Resource Equipment at an offer price of \$0.26 cash per share
Pump Services	Pump Services, LLC
Ramps	Ramps Australia Pty Ltd
Resource Equipment	Resource Equipment Limited
RG 111	Regulatory Guideline 111 – <i>Content of expert reports</i>

ANNEX 5:

REL ANNOUNCEMENT



18 December 2014

Recommended Unconditional Cash On-Market Takeover Offer

The Board of Resource Equipment Limited (ASX: RQL) (Company or REL) is pleased to announce it is unanimously recommending (in the absence of a superior proposal) a transaction under which Pump Services LLC, a limited liability company incorporated in Delaware, USA (Pump Services) (wholly-owned by Mr Walter Eugene (Loddie) Naymola, a substantial shareholder of the Company) will offer to acquire all the issued shares in REL at \$0.26 per share by means of an unconditional on-market takeover bid on the Australian Securities Exchange (ASX).

The all-cash offer values the entire issued share capital of REL at approximately \$115.5 million.

The REL Board unanimously recommends that REL shareholders accept Pump Service's cash offer in the absence of a superior proposal.

Reasons for the directors' recommendation will be set out in further detail in the Target's Statement to be prepared by REL and despatched to shareholders in due course, but include:

- the cash offer price of \$0.26 represents:
 - 86% premium to REL's closing price of \$0.14 on 16 December 2014, the last full trading day in REL's shares prior to this announcement; and
 - significant premium to the trading price of REL Shares over a range of time periods prior to the announcement date:

	Offer Price	REL Share price (as at close, 16 December 2014)	Offer premium
At announcement	\$0.26	\$0.14	86%
30 day VWAP	\$0.26	\$0.168	55%
60 day VWAP	\$0.26	\$0.158	64%
90 day VWAP	\$0.26	\$0.155	68%
180 day VWAP	\$0.26	\$0.151	72%

- the offer will provide certain cash value;
- you will be paid cash quickly ie 3 trading days after accepting the offer; and

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ANNEX 5: (CONT.)



- the liquidity of your REL shares is already low and may diminish further as a result of other REL shareholders accepting the cash offer.

Messrs Lucas and Hutchinson (non-executive directors of REL) have each advised REL and Pump Services that they will today accept Pump Service's cash offer in respect of all of their respective shareholdings in REL (which they hold or control). The remaining directors of REL have not yet made a decision whether to accept or procure the acceptance of Pump Service's offer for all REL Shares which they hold or control.

REL shareholders should be aware that upon acceptance of Pump Services cash offer they will not benefit if the offer price is subsequently increased, if a superior proposal is made by a third party or the price of REL shares on ASX trades above the offer price.

How to accept

Shareholders can only accept Pump Services' cash offer by selling their REL shares on-market on ASX through a stockbroker. REL shareholders who hold their shares in Issuer Sponsored Holdings will need to appoint a broker to sell their shares on ASX. Any brokerage charged by brokers acting for shareholders wishing to sell their REL shares will be the sole responsibility of those shareholders.

Bell Potter Securities Limited has been appointed by Pump Services as the on-market broker to acquire REL shares on the ASX on behalf of Pump Services.

Transaction Details

The Offer will be implemented by way of an on-market takeover offer under the Corporations Act and as a result is an unconditional offer. The cash offer is not subject to any conditions. The cash offer may be withdrawn in limited circumstances set out in sections 652B and 652C of the Corporations Act (this will not affect you if you have already accepted the cash offer before the time of withdrawal).

Timetable

The Pump Services Bidder's Statement will be released today and contains further information about the offer. The Bidder's Statement will be posted to REL shareholders shortly.

Bell Potter Securities Limited will be ready to stand in the market on ASX from the re-commencement of trading in REL shares which is expected to be later today (18 December 2014). Accepting shareholders will receive their sale proceeds on a T+3 basis, in accordance with the usual ASX Settlement Operating Rules for ASX trading.

The offer will close on 3 February 2015 unless otherwise extended.

REL will issue a Target's Statement to REL shareholders in due course as required under the *Corporations Act 2001 (Cth)*.

Financing

REL has been advised that Pump Services will finance this acquisition via a loan agreement from Mr Naymola. Mr Naymola will advance the loan utilising existing cash reserves.

Advisors

Gilbert + Tobin is acting as legal adviser to REL.

Further information

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