9 May 2025

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

Dear Sir / Madam

For immediate release to the market

Target's Statement

Attached is a copy of the Target's Statement of Engenco Limited in response to the takeover bid by Elph Investments Pty Ltd for all of the issued shares in Engenco (**Offer**).

The Target's Statement contains various details in relation to the Offer including the recommendation of the Recommending Directors. Their unanimous recommendation is as follows:

- **ACCEPT THE OFFER if you are likely to want to sell your Engenco Shares in the foreseeable future.** The Offer provides an attractive premium to recent trading prices. A competing proposal from a third party is unlikely. The Recommending Directors consider that accepting the Offer represents a lower risk option for Engenco Shareholders. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.

- **REJECT THE OFFER by doing nothing if you wish to retain your exposure to Engenco Shares** with a view to potentially achieving greater value in the longer term and are prepared to accept the risks and uncertainties that may be associated with retaining your Engenco Shares. The Recommending Directors consider that rejecting the Offer is a higher risk option for Engenco Shareholders.

The Target's Statement includes an Independent Expert's Report. The Independent Expert has concluded for the reasons specified in its report that the Offer is **not fair but reasonable** to Engenco Shareholders not associated with Elph Investments. The Independent Expert has estimated the fair value of the Engenco Shares to be **31.8 cents** per Engenco Share compared to the Offer Price of **30.5 cents**.

The Target's Statement has been sent to Elph Investments and lodged with the Australian Securities and Investments Commission today and is expected to be provided to Engenco Shareholders on 13 May 2025.

Yours sincerely

V De Santis

Vincent De Santis
Chairman
Engenco Limited

CORPORATE HEADQUARTERS

Level 14, 140 William Street
Melbourne VIC 3000

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ENGENCO LIMITED

ABN 99 120 432 144

www.engenco.com.au

Engenco

Target's Statement

issued in response to the off-market takeover offer made by Elph Investments Pty Ltd, a member of the Elphinstone Group, for all the ordinary shares in Engenco Limited.

The Recommending Directors have set out their recommendation in the Letter from the Chairman and section 1 of this Target's Statement. Engenco Shareholders should read this Target's Statement in full before deciding whether to accept or reject the Offer

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Legal adviser to Engenco

Baker McKenzie.

Engenco Limited
ABN: 99 120 432 144

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Follow us at
www.engenco.com.au

Important notices

Nature of this document

This document is a Target's Statement issued by Engenco Limited (ABN 99 120 432 144) (**Engenco** or **Company**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Elph Investments Pty Ltd (ACN 127 213 807) (**Elph Investments**), a member of the Elphinstone Group (**Elphinstone Group**).

A copy of this Target's Statement was lodged with ASIC and given to ASX on 9 May 2025. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Engenco shareholder information

Engenco has established a shareholder information line which Engenco Shareholders may call if they have any queries in relation to the Offer. The telephone number for the shareholder information line is 1300 441 596 (for calls made from within Australia) or +61 2 9934 0549 (for calls made from outside Australia). Calls to the shareholder information line may be recorded.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 8 of this Target's Statement.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. You should seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward-looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Engenco operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of Engenco, Engenco's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Engenco has collected your information from the Engenco register of shareholders for the purpose of providing you with this Target's Statement. The type of information Engenco has collected about you includes your name, contact details and information on your shareholding in Engenco. Without this information, Engenco would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Engenco's related bodies corporate and external service providers (such as the share registry of Engenco and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Engenco, please contact Automic Group at the address shown in the Corporate Directory. Engenco's privacy policy is available at https://www.engenco.com.au/privacy-policy. The registered address of Engenco is Level 14, 140 William Street, Melbourne VIC 3000.

Contents

Key Dates

Date of the Offer	28 April 2025
Date of this Target's Statement	9 May 2025
Close of the Offer Period (unless extended or withdrawn)	7.00 pm (Melbourne time) on 30 May 2025

Letter from the Chairman

Dear Engenco Shareholder

You have recently received a Bidder's Statement from Elph Investments Pty Ltd (**Elph Investments**), a member of the Elphinstone Group, outlining an off-market takeover offer to acquire your shares in Engenco Limited (**Engenco** or the **Company**) for **30.5 cents** cash per Engenco Share (the **Offer**).

The Elphinstone Group owns 68.53% of the shares in Engenco and is associated with Engenco's Non-Executive Directors, Dale Elphinstone AO and Kelly Elphinstone. Accordingly, a special board committee of Engenco's independent Non-Executive Directors has been established (the **Independent Board Committee** or **IBC**) to evaluate and respond to the Offer.

This Target's Statement sets out Engenco's response to the Offer provided by the Independent Board Committee. It also contains the recommendation of the Independent Board Committee and Dean Draper, Managing Director and Chief Executive Officer (together the **Recommending Directors**).

The Independent Expert has concluded that the Offer of **30.5 cents** per Engenco Share is **NOT FAIR BUT REASONABLE** to Engenco Shareholders not associated with Elph Investments compared to the Independent Expert's fair value of an Engenco Share of **31.8 cents**.

- The Independent Expert concludes that the Offer is not fair because the Offer Price is below its fair value. The fair value has been determined on a net assets basis. This basis has been used due to the capital intensive nature of Engenco's operations, its current profitability and having regard to the low liquidity of Engenco Shares.
- The Independent Expert concludes that the Offer is reasonable because it considers that the position of Engenco Shareholders is more advantageous if the Offer is approved than if it is not. It reaches this conclusion having regard to the following:
  - Due to the current 68.53% relevant interest held by Elph Investments, it may be reasonable for Engenco Shareholders to accept an Offer that does not provide a full control premium.
  - The Offer Price represents an implied control premium compared to the Engenco share price immediately prior to the Offer if one uses a quoted market price valuation method.
  - The Engenco Shares traded at a lower price and low liquidity level prior to the Offer.

The Independent Expert's Report sets out what the Independent Expert considers to be the key advantages and disadvantages of the Offer. A copy of the Independent Expert's Report is attached to this Target's Statement.

Recommendation of the Recommending Directors

The Recommending Directors have given careful consideration to the Offer. Their unanimous recommendation is as follows:

- **ACCEPT THE OFFER if you are likely to want to sell your Engenco Shares in the foreseeable future. The Offer provides an attractive premium to recent trading prices. A competing proposal from a third party is unlikely. The Recommending Directors consider that accepting the Offer represents a lower risk option for Engenco Shareholders. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.**

- **REJECT THE OFFER by doing nothing if you wish to retain your exposure to Engenco Shares with a view to potentially achieving greater value in the longer term and are prepared to accept the risks and uncertainties that may be associated with retaining your Engenco Shares. The Recommending Directors consider that rejecting the Offer is a higher risk option for Engenco Shareholders.**

In forming their recommendation, the Recommending Directors took into account the key considerations set out in section 1 of this Target's Statement. The Recommending Directors are mindful that the Offer presents Engenco Shareholders with competing objectives – the uncertain potential to realise greater value in the longer term versus taking advantage of the Offer in the short term. Consequently, in determining whether to accept or reject the Offer, you will need to consider your individual circumstances and investment objectives in light of the various benefits and disadvantages of the Offer, including the following uncertainties:

- **Whether the Offer Price of 30.5 cents per Engenco Share increases and if so to what level.** There has been no indication to date that there may be any increase in the Offer Price. Conversely, there has been no statement by Elph Investments that the current Offer Price is final. Accordingly, the possibility of an increase to the Offer Price exists but cannot be expected. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.

- **Whether the Offer conditions are satisfied or waived.** The Offer is currently conditional on Elph Investments obtaining a relevant interest in Engenco Shares of at least 92.13% (increasing from its starting 68.53%) as well as other more customary conditions. Whether Elph Investments is able to achieve its desired relevant interest level (which would allow it to compulsorily acquire the remaining Engenco Shares) will depend on whether other Engenco Shareholders accept the Offer. In particular, the intentions of Thorney Investment Group Pty Ltd (10.76%) and RAC & JD Brice Superannuation Pty Ltd (5.47%) are not presently known. It is also open for Elph Investments to waive the Offer conditions in its discretion. It is not currently known whether or not the Offer conditions will be satisfied or waived. If you accept the Offer while it is conditional, you won't know when you will receive payment for your Engenco Shares, and you may be restricted from dealing with them in the interim.

- **Whether the Offer Period will be extended.** The Offer is currently due to close on 30 May 2025. As the Offer is currently conditional, Elph Investments needs to advise by no later than 23 May 2025 (being 7 days before the expiry of the Offer Period) if it intends to extend the Offer. It is not currently known whether the Offer Period will be extended. While there is currently no need to rush to accept the Offer, if you wish to wait to see whether the Offer Period will be extended you should carefully consider the expiry of the Offer Period, because you might not wish to miss out on accepting the Offer.

Intentions of the Recommending Directors

For the reasons set out above, the Recommending Directors who have a relevant interest in Engenco Shares identified in section 7.1 intend to assess their position closer to the end of the Offer Period before determining whether or not to accept the Offer for their Engenco Shares.

Next steps

You should read this Target's Statement in full and consider the Offer having regard to your personal circumstances. You should also seek any independent financial, legal, taxation or other professional advice that you require prior to deciding what action you should take in respect of the Offer.

You should have regard to the further developments which may be announced to ASX by Engenco over the course of the Offer. All Engenco announcements are available on our website, www.engenco.com.au.

For further details, please call our shareholder information line on 1300 441 596 (within Australia) or +61 2 9934 0549 (outside Australia).

Yours sincerely

Vincent De Santis
Chairman

1 Recommendation of the Recommending Directors

After taking into account the matters in this Target's Statement and in the Bidder's Statement, the Recommending Directors recommend as follows:

- **ACCEPT THE OFFER if you are likely to want to sell your Engenco Shares in the foreseeable future. The Offer provides an attractive premium to recent trading prices. A competing proposal from a third party is unlikely. The Recommending Directors consider that accepting the Offer represents a lower risk option for Engenco Shareholders. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.**

- **REJECT THE OFFER by doing nothing if you wish to retain your exposure to Engenco Shares with a view to potentially achieving greater value in the longer term and are prepared to accept the risks and uncertainties that may be associated with retaining your Engenco Shares. The Recommending Directors consider that rejecting the Offer is a higher risk option for Engenco Shareholders.**

In forming their recommendation, the Recommending Directors are mindful that the Offer presents shareholders with competing objectives – the uncertain potential to realise greater value in the longer term versus taking advantage of the Offer in the short term. Consequently, in determining whether to accept or reject the Offer, you will need to consider your individual circumstances and investment objectives in light of the various benefits and disadvantages of the Offer, including the following:

- **Whether the Offer Price of 30.5 cents per Engenco Share increases and if so to what level.** There has been no indication to date that there may be any increase in the Offer Price. Conversely, there has been no statement by Elph Investments that the current Offer Price is final. Accordingly, the possibility of an increase to the Offer Price exists but cannot be expected. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.

- **Whether the Offer conditions are satisfied or waived.** The Offer is currently conditional on Elph Investments obtaining a relevant interest in Engenco Shares of at least 92.13% (increasing from its starting 68.53%) as well as other more customary conditions. Whether Elph Investments is able to achieve its desired relevant interest level (which would allow it to compulsorily acquire the remaining Engenco Shares) will depend on whether other Engenco Shareholders accept the Offer. In particular, the intentions of Thorney Investment Group Pty Ltd (10.76%) and RAC & JD Brice Superannuation Pty Ltd (5.47%) are not presently known. It is also open for Elph Investments to waive the Offer conditions in its discretion. It is not currently known whether or not the Offer conditions will be satisfied or waived. If you accept the Offer while it is conditional, you won't know when you will receive payment for your Engenco Shares, and you may be restricted from dealing with them in the interim.

- **Whether the Offer Period will be extended.** The Offer is currently due to close on 30 May 2025. As the Offer is currently conditional, Elph Investments needs to advise by no later than 23 May 2025 (being 7 days before the expiry of the Offer Period) if it intends to extend the Offer. It is not currently known whether the Offer Period will be extended. If you wish to wait to see whether the Offer Period will be extended you should carefully consider the expiry of the Offer Period, because you might not wish to miss out on accepting the Offer.

Key reasons why Engenco Shareholders may wish to ACCEPT the Offer

1. The Offer Price represents an attractive premium of 45.2% to the closing price on 6 March 2025 of 21 cents per Engenco Share, being the day prior to the Offer being announced.

2. No competing proposal is likely.

3. Since announcing the Offer, Engenco's share price has consistently traded below the Offer Price. It is unlikely that Engenco Shares will trade on ASX above the Offer Price in the foreseeable future in the absence of an increase in the Offer Price or a competing proposal from a third party.

4. The Offer's all cash consideration is at a certain and attractive price, which removes the risks and uncertainties remaining as an Engenco Shareholder.

5. There is a low level of liquidity of trading in Engenco Shares and the Offer provides a liquidity event. Following the conclusion of the Offer, the level of liquidity of trading in Engenco Shares may further reduce.

6. If the current Offer Price is increased, the increase applies to all Engenco Shareholders even if they have already accepted the Offer and have been paid for their Engenco Shares.

7. Even though the Independent Expert has concluded that the Offer Price is not fair to Engenco Shareholders not associated with Elph Investments, there is only a small gap between the current Offer Price of 30.5 cents per Engenco Share and the valuation determined by the Independent Expert of 31.8 cents per Engenco Share which would change that conclusion.

8. The Independent Expert has concluded that the Offer is reasonable to Engenco Shareholders not associated with Elph Investments. In particular, the Independent Expert has concluded:

    - Due to the current 68.53% relevant interest held by Elph Investments, it may be reasonable for Engenco Shareholders to accept an offer that does not provide a full control premium.

    - The Offer Price represents an implied control premium compared to the Engenco share price immediately prior to the Offer if one uses a quoted market price valuation method.

    - The Engenco Shares traded at a lower price and low liquidity level prior to the Offer.

9. There are risks associated with remaining as a minority Engenco Shareholder, including those set out in the Independent Expert's Report. You should also have regard to Elph Investments' intentions as set out in item 6 of the section 'Why you should accept the Offer' in the Bidder's Statement, including:

    - the price at which Engenco's Shares are traded on the ASX may fall and trade at a material discount to the Offer Price;
    - the market for Engenco Shares may become less liquid;
    - Engenco's dividend policy may change;
    - Engenco's board configuration may change; and
    - Elph Investments may seek to have Engenco removed from the official list of ASX.

Key reasons why Engenco Shareholders may wish to REJECT the Offer

1. The Offer Price of 30.5 cents is below the Independent Expert's valuation of 31.8 cents per Engenco Share.

2. The Independent Expert has concluded that the Offer Price is not fair to Engenco Shareholders not associated with Elph Investments.

3. Whilst the Offer Price is attractive, it is arguably not compelling, and you may consider it does not provide a sufficient premium for full ownership of Engenco.

4. The Independent Expert has concluded that Engenco should be valued on a net assets basis due to the capital intensive nature of Engenco's operations, its current profitability and having regard to the low liquidity of Engenco Shares. You may disagree with this valuation methodology and consider that this conclusion understates Engenco's potential for longer term value.

5. The Offer is conditional on Elph Investments obtaining a 92.13% relevant interest (increasing from its starting 68.53%) in Engenco Shares (as well as other more customary conditions), and it is not certain whether this condition will be satisfied or waived. In particular, the intentions of Thorney Investment Group Pty Ltd (10.76%) and RAC & JD Brice Superannuation Pty Ltd (5.47%) are not presently known. It is not known whether Elph Investments will waive this condition if it is not satisfied.

6. You may consider that whilst unlikely, a competing proposal from a third party might eventuate in the longer term.

2 Frequently asked questions

This section answers some questions you may have about the Offer. It is not intended to address all relevant issues for Engenco Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
1. What is Elph Investments offering for my Engenco Shares?	Elph Investments is offering 30.5 cents cash for each Engenco Share.
2. What choices do I have as an Engenco Shareholder?	As an Engenco Shareholder, you have the following choices in respect of your shares: • accept the Offer; • sell your shares on the ASX; or • do nothing and reject the Offer.
3. Why is there an Independent Board Committee (IBC)?	The IBC has been established because all of the shares in the bidder, Elph Investments, are owned by the Elphinstone Group, which is associated with Engenco's Non-Executive Directors, Dale Elphinstone AO and Kelly Elphinstone. The IBC ensures the independence of the advice given to Engenco Shareholders in this Target's Statement.
4. What are the Recommending Directors recommending?	The Recommending Directors have set out their recommendation in the Letter from the Chairman and section 1 of this Target's Statement. Engenco Shareholders should read this Target's Statement in full before deciding whether to accept or reject the Offer.
5. What is the Independent Expert's opinion of the Offer?	The Independent Expert has concluded that the Offer is not fair but reasonable to the Engenco Shareholders not associated with Elph Investments. A copy of the Independent Expert's Report is attached.
6. How do I accept or reject the Offer?	Details of how to accept the Offer are set out in section 9.3 of the Bidder's Statement. To reject the Offer, simply do nothing.
7. What are the consequences of accepting the Offer now?	If you accept the Offer while it is still conditional, unless withdrawal rights are available (see the following question) you will be bound to sell your Engenco Shares to Elph Investments under the terms of the Offer. You will not be able to sell your Engenco Shares on ASX or otherwise deal with your Engenco Shares while the Offer remains open. If the conditions of the Offer are not satisfied or waived and the Offer lapses, you will be free to deal with your Engenco Shares, even if you accepted the Offer.

Question	Answer
8. If I accept the Offer, can I withdraw my acceptance?	You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act.
9. When did the Offer open?	The Offer opened on 28 April 2025.
10. When does the Offer close?	The Offer is scheduled to close at 7.00 pm (Melbourne time) on 30 May 2025 unless extended. Elph Investments can elect to extend the Offer close date, and in some instances the offer close date is also required to be extended under the Corporations Act.
11. Are there any conditions to the Offer?	Yes, the conditions to the Offer are: • a Minimum Acceptance condition (namely that Elph Investments obtains a relevant interest in Engenco Shares of at least 92.13%, increasing from its starting 68.53%); • a no Material Adverse Event condition; • a no Prescribed Occurrences condition; • no action by a regulatory authority materially and adversely affecting the Offer condition; • no market fall condition (namely that the S&P/ASX 200 index does not fall by more than 10% since 6 March 2025 for at least 2 consecutive trading days); and • a no distributions condition. To receive your consideration, all of the Offer conditions must be satisfied or waived by Elph Investments. This is only a summary of the Offer conditions. The conditions are set out in full in section 9.7 of the Bidder's Statement.
12. Can Elph Investments vary the Offer?	Yes. Elph Investments can vary the Offer by waiving the Offer conditions, increasing the Offer Price or extending the Offer Period at any time up until the end of the Offer Period.
13. What happens if I accept the Offer and Elph Investments increase the Offer Price?	If this happens, you will receive the benefit of the increased Offer Price even if you have already accepted the Offer. Please note that there is currently no suggestion that Elph Investments will increase the Offer Price.
14. How will I know when the Offer is unconditional?	Elph Investments is required to inform Engenco, ASX and Engenco Shareholders as soon as any Offer conditions are satisfied or waived.

Question	Answer
	The date for giving the notice on the status of the conditions is 23 May 2025. This date may be extended if the Offer Period is extended.
15. What if the conditions to the Offer are not satisfied or waived?	If the conditions are not all satisfied or waived, the Offer will not proceed, and if you have accepted the Offer, Elph Investments will be entitled to rescind the contract that results from your acceptance of the Offer and your Engenco Shares will be returned to you.
16. Can Elph Investments withdraw the Offer?	If the Offer conditions are not satisfied or waived by Elph Investments, Elph Investments does not need to proceed with the Offer. If the Offer conditions are satisfied or waived, Elph Investments may not generally withdraw the Offer.
17. What are the prospects of a competing proposal?	Given over 68.53% of Engenco Shares are owned by the Elphinstone Group, the prospects of a competing proposal are low.
18. What happens if I do nothing?	You will remain a shareholder of Engenco. However, if Elph Investments acquires 92.13% or more of Engenco Shares, Elph Investments states that it intends to compulsorily acquire your Engenco Shares. For more information about compulsory acquisition, refer to section 5.7 of this Target's Statement.
19. What interest does Elph Investments have in Engenco?	Elphinstone Group has a relevant interest in 216,554,707 Engenco Shares (68.53%).
20. Can I accept the Offer for only some of my Engenco Shares?	No. The terms of the Offer state that you may only accept the Offer in respect of all of your Engenco Shares.
21. When will I be paid if I accept the Offer?	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be paid on or before the earlier of: • one month after the Offer is accepted or, if the Offer is subject to a condition when you accept the Offer, one month after the Offer becomes or is declared unconditional; and • 21 days after the end of the Offer Period.
22. What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer is set out in section 6 of this Target's Statement.

Question	Answer
23. What if my Engenco Shares are restricted under the Engenco Employee Share Purchase Plan?	If you acquired Engenco Shares under the ESPP (**ESPP Shares**) on or after 1 July 2022 and remain employed by Engenco, those Engenco Shares are subject to a restriction period where they cannot be disposed of until three years from their purchase date. Subject to the Offer becoming unconditional, Engenco intends to instruct the Share Registry to release the holding lock restrictions that apply to your ESPP Shares such that you will be able to accept the Offer in the usual way. This should not be taken to be a recommendation by the Independent Board Committee that holders of ESPP Shares should accept the Offer, and this is merely facilitative. Engenco has applied to the ATO requesting a ruling to confirm the tax consequences of the Offer for holders of the ESPP Shares. For more information about ESPP Shares, refer to section 7.5 of this Target's Statement.
24. Who should I call if I have any questions?	Engenco Shareholders should call 1300 441 596 (for calls made from within Australia) or +61 2 9934 0549 (for calls made from outside Australia) if they have any queries. This shareholder information line is available Monday to Friday between 8.30 am and 5.30 pm (Melbourne time).

3 Overview of Engenco

3.1 Overview

(a) **Summary**

Engenco Limited is an Australian engineering company that provides a diverse range of products and solutions for the transportation sector. Listed on the Australian Securities Exchange (ASX: EGN), Engenco operates across multiple industries including defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure.

(b) **Principal activities of Engenco Group**

Engenco's operations are structured into three main business streams:

- **Power and Propulsion**: This segment includes Drivetrain, a leading supplier of technical products and services to industries such as mining, energy, transport, and defence. Drivetrain offers through-life support, spanning the full product lifecycle. Another key business is Convair, which manufactures highway tankers to transport dry bulk materials.
- **Rail**: Gemco Rail specialises in the remanufacture and repair of locomotives, wagons, bearings, and other rail products for rail operators and maintainers. It provides wheelset, bogie, and in-field wagon maintenance and manufactures new and refurbished wagons and bogie parts.
- **Workforce Solutions**: This segment provides customised and total end-to-end workforce management solutions for the Australian rail and transportation industries. This includes up-skilling and re-skilling, formal education programs, government funded employment and career development pathways for apprentices and trainees. The Workforce Solutions division includes Momentum Recruitment, Connect Talent and the Registered Training Organisations – Centre for Excellence in Rail Training (CERT) and Eureka 4WD & Truck Training.

3.2 Board of Directors

The Directors of Engenco are:

- Vincent De Santis (Independent Non-Executive Chairman);
- Dean Draper (Managing Director & Chief Executive Officer);
- Dale Elphinstone AO (Non-Executive Director);
- Scott Cameron (Independent Non-Executive Director);
- Kelly Elphinstone (Non-Executive Director); and
- Chris McFadden (Independent Non-Executive Director).

The Elphinstone Group owns 68.53% of the shares in Engenco and is associated with Engenco's Non-Executive Directors, Dale Elphinstone AO and Kelly Elphinstone. Accordingly, Dale Elphinstone AO and Kelly Elphinstone have a conflict of interest in relation to the Offer.

3.3 Engenco's management team comprises:

- Dean Draper (Managing Director & Chief Executive Officer);
- Garth Campbell-Cowan (Chief Financial Officer);

- Meredith Rhimes (Senior Legal Counsel & Company Secretary);
- Ron Edwards (Executive General Manager – Corporate);
- Renée Cerveri-Tekani (Executive General Manager – People and Culture);
- Mark Bain (Executive General Manager – Digital);
- Geoff Thorn (Executive General Manager – Rail);
- Tony Stone (Executive General Manager – Drivetrain); and
- Brett O'Connor (Executive General Manager – Workforce Solutions).

3.4 Financial information

(a) H1 FY25 earnings update

On 27 February 2025 Engenco announced a net profit before tax of $3.45 million during H1 FY25 and earnings before interest and tax of $4.57 million. Engenco's revenue during H1 FY25 was $104.77 million and its net operating cash flow was $9.93 million for H1 FY25.

(b) Historical financial information

Comprehensive financial information about Engenco can be found on the ASX website at www.asx.com.au. This includes copies of Engenco's historical consolidated financial statements for FY24 and previously, which can be found in the 2024 Engenco annual report (released to ASX on 28 August 2024) and in previous announcements.

3.5 Recent Dividends Announced by Engenco

Over the past 2 years Engenco has declared, on the dates below, the following dividends to its ordinary shareholders:

Date announced	Amount
27 February 2025	0.5 cents per Engenco Share
28 August 2024	0.5 cents per Engenco Share
February 2024	Nil
31 August 2023	0.5 cents per Engenco Share

3.6 Risk factors

In considering the Offer, Engenco Shareholders should be aware that there are a number of risk factors associated with either accepting the Offer or rejecting the Offer and continuing to hold Engenco Shares.

In deciding whether to accept the Offer, Engenco Shareholders should read this Target's Statement (and the Bidder's Statement) carefully and consider these risks. While some of these risks can be mitigated, some are outside the control of Engenco and cannot be mitigated.

The risks set out in this section 3.6 do not take into account the individual investment objectives, financial situation, position or particular needs of Engenco Shareholders.

In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in Engenco now or in the future.

(a) **Risks associated with accepting the Offer**

By accepting the Offer, you may forego any ability to sell your Engenco Shares in the future for a higher price than the Offer Price, although the Recommending Directors can give no assurances and makes no forecast as to whether this will occur. Since the Offer was announced on 7 March 2025, Engenco's share price has consistently traded below the Offer Price.

(b) **Risks associated with rejecting the Offer**

Rejecting the Offer may have the following risks, depending on the outcome of the Offer, in addition to those general risks applicable to an investment in Engenco (as described in section 3.6(c) below):

(1) **Compulsory acquisition**

As Elph Investments and its associates currently own 68.53% of the Engenco Shares, in order to be entitled to compulsorily acquire the Engenco Shares it does not acquire under the Offer under Part 6A.1 of the Corporations Act, Elph Investments and its associates will need to acquire a relevant interest in more than 92.13% of the Engenco Shares during or at the end of the Offer Period.

If Elph Investments acquires a relevant interest in more than 92.13% of the Engenco Shares and is entitled to proceed to compulsory acquisition of the remaining Engenco Shares under Part 6A.1 of the Corporations Act, Elph Investments has disclosed that it intends to do so. In this scenario, you will be compelled to sell your Engenco Shares to Elph Investments for the same price as under the Offer, but may not receive the consideration for some time.

(2) **Elphinstone Group's intentions if no compulsory acquisition**

If Elph Investments and its associates do not obtain an interest in Engenco Shares sufficient to entitle it to proceed with compulsory acquisition, and waives the Minimum Acceptance condition, Elph Investments' intentions are set out in section 5.5.2 of the Bidder's Statement. Elph Investments' intentions have a number of possible implications for remaining a minority Engenco Shareholder and includes:

- Elph Investments would cause the Engenco Board to review whether Engenco should remain listed on ASX or be delisted if the number of Engenco Shareholders no longer justifies listing on ASX or the benefits of continuing to remain listed on ASX cease to outweigh the costs of listing on ASX.
- Elph Investments reserves the right to appoint nominees of Elphinstone Group to the Engenco Board to reflect its proportionate ownership interest in Engenco.
- Elph Investments would propose that the Engenco Board undertake a general strategic review of the Engenco Group including its corporate structure, capital allocation, dividend policy, debt levels, assets, businesses, personnel and operations, while maintaining a business-as-usual approach to ensure the uninterrupted support of Engenco's customers and employees.
- Elph Investments (or another Elphinstone Group Member) may acquire further Engenco Shares in a manner consistent with the Corporations Act, including by

utilising the "3% creep" entitlement under section 611, item 9 of the Corporations Act.

(c) **Risks associated with an investment in Engenco**

There are risks which are specific to Engenco and other risks which apply to similar investments generally, which may adversely affect the future operating and financial performance of Engenco and the price or value of Engenco Shares.

The key material risks which Engenco Shareholders will continue to be exposed to if they retain their current investment in Engenco are set out on pages 23 to 25 of Engenco's 2024 annual report, which was released on 28 August 2024. The risks described therein are not the only risks that Engenco faces. That section does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks associated with an investment in Engenco.

Other risks may not be known to Engenco and some currently believed to be immaterial may subsequently turn out to be material. One or more or a combination of these risks could materially impact Engenco's businesses, its operating and financial performance, the price or value of Engenco Shares or the dividends (if any) paid in respect of Engenco Shares.

3.7 Publicly available information about Engenco

Engenco is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with ASX by Engenco may be obtained from the ASX website at www.asx.com.au.

4 Assessment of Offer and Recommendation

4.1 Independent assessment of the Offer

The Elphinstone Group owns 68.53% of the shares in Engenco and is associated with Engenco's Non-Executive Directors, Dale Elphinstone AO and Kelly Elphinstone. Accordingly, Dale Elphinstone AO and Kelly Elphinstone have a conflict of interest in relation to the Offer.

In recognition of the conflict of interest of Dale Elphinstone AO and Kelly Elphinstone, a special board committee comprising only the independent Non-Executive Directors of Engenco was established to evaluate and respond to the Offer. This is called the Independent Board Committee or IBC.

Dale Elphinstone AO and Kelly Elphinstone intend to continue as Non-Executive Directors of Engenco, but have recused themselves from the Engenco Board in connection with all matters in relation to the Offer or a competing proposal (if any). Section 7.7 below outlines relief granted by ASIC which has enabled this Target's Statement to be prepared without input from them.

4.2 Directors' recommendation

The Recommending Directors have set out their recommendation in the Letter from the Chairman and section 1 of this Target's Statement. Engenco Shareholders should read this Target's Statement in full before deciding whether to accept or reject the Offer.

Dale Elphinstone AO and Kelly Elphinstone have declined to make a recommendation on whether the Offer should be accepted for the reasons outlined in section 4.1.

5 Key features of the Offer

5.1 Summary of the Offer

Offer Price	Elph Investments is offering 30.5 cents cash for each Engenco Share.
Offer Period	Unless the Offer is withdrawn or extended, it is open for acceptance until 7.00 pm (Melbourne time) on 30 May 2025. The circumstances in which Elph Investments may extend or withdraw the Offer are set out in sections 5.5 and 5.6 of this Target's Statement.
Offer conditions	The Offer is subject to the following conditions: • a Minimum Acceptance condition (namely that Elph Investments obtains a relevant interest in Engenco Shares of at least 92.13%); • a no Material Adverse Event condition; • a no Prescribed Occurrences condition; • no action by a regulatory authority materially and adversely affecting the Offer condition; • no market fall condition (namely that the S&P/ASX 200 index does not fall by more than 10% since 6 March 2025 for at least 2 consecutive trading days); and • no distributions condition. This is only a summary of the Offer conditions. The conditions are set out in full in section 9.7 of the Bidder's Statement.
Timing for receipt of consideration if you accept the Offer	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be paid cash on or before the earlier of: • one month after the Offer is accepted or, if the Offer is subject to a condition when you accept the Offer, one month after the Offer becomes or is declared unconditional; and • 21 days after the end of the Offer Period.

5.2 Status of Offer conditions

Elph Investments is required to inform Engenco, ASX and Engenco Shareholders as soon as any Offer conditions are satisfied or waived.

The date for giving the notice on the status of the conditions is 23 May 2025. This date may be extended if the Offer Period is extended.

5.3 If you sell your Engenco Shares on market, you will not receive any improved Offer Price

If you sell your Engenco Shares on market and Elph Investments subsequently improves the Offer Price, you will not be entitled to the benefit of that improved Offer Price. This differs from accepting the Offer as, in that case, accepting Engenco Shareholders will be entitled to receive the increased Offer Price.

5.4 Lapse of the Offer

The Offer will lapse if the conditions of the Offer are not satisfied or waived by the end of the Offer Period. If, at the end of the Offer Period, the Offer conditions have not been satisfied and Elph Investments has not waived those Offer conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

5.5 Variation of the Offer

Elph Investments may waive the Offer conditions, increase the Offer Price or extend the Offer Period at any time up until the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Elph Investments improves the consideration offered under the Offer. In such circumstances, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

If Elph Investments increases the Offer Price, any Engenco Shareholder who has already accepted the Offer will automatically be entitled to receive the amount of the increase on their Engenco Shares.

5.6 Withdrawal of the Offer

Elph Investments may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Elph Investments may only withdraw its Offer for Engenco Shares with ASIC's written consent, subject to any conditions specified in such consent.

5.7 Compulsory acquisition

See section 3.6(b)(1) of this Target's Statement regarding the ability of Elph Investments to compulsorily acquire your Engenco Shares.

5.8 Potential delisting of Engenco

Elph Investments will be able to delist Engenco from the ASX if it reaches the applicable compulsory acquisition threshold. In addition, Elph Investments has disclosed that it would cause the Engenco Directors to review whether Engenco should remain listed on the ASX or be delisted if the number of Engenco Shareholders no longer justifies listing on the ASX or the benefits of continuing to remain listed on the ASX cease to outweigh the costs of listing on the ASX. ASX applies a number of guidelines to safeguard the interests of minority shareholders in the context of any proposed delisting.

6 Tax considerations for Engenco Shareholders

6.1 Introduction

The following is a general description of the Australian income tax and GST consequences for Engenco Shareholders relating to the Offer. It is general in nature and is not intended to constitute tax advice to Engenco Shareholders. Accordingly, each Engenco Shareholder should seek independent professional advice in relation to their own particular circumstances.

The information below deals only with the taxation implications for Engenco Shareholders who hold their Engenco Shares on capital account. It does not address the taxation implications for Engenco Shareholders who:

- hold their Engenco Shares for the purposes of speculation or a business of dealing in securities (e.g., as trading stock) or who otherwise hold their Engenco Shares on revenue account;
- have made any of the tax timing method elections pursuant to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Engenco Shares;
- are subject to the Investment Manager Regime under Division 842 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Engenco Shares; or
- acquired their Engenco Shares pursuant to an employee share or option plan (including the ESPP).

Engenco Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of accepting the Offer.

The information contained in this section is based on the Australian law and administrative practice in effect at the date of this Target's Statement.

6.2 Australian resident shareholders

(a) **Engenco Shareholders who accept the Offer**

Acceptance of the Offer will involve the disposal by Engenco Shareholders of their Engenco Shares by way of transfer to Elph Investments. This change in the ownership of the Engenco Shares will constitute a CGT event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the Engenco Shares is formed, which is the date of acceptance if you decide to accept the Offer.

(b) **Compulsory acquisition**

If an Engenco Shareholder does not dispose of their Engenco Shares under the Offer and their Engenco Shares are subsequently compulsorily acquired, those Engenco Shareholders will also be treated as having disposed of their Engenco Shares for CGT purposes.

The date of disposal for CGT purposes will be the date when Elph Investments becomes the owner of the Engenco Shares.

(c) **Calculation of capital gain or capital loss**

Engenco Shareholders will make a capital gain to the extent that their capital proceeds from the disposal of the Engenco Shares are more than the cost base of those Engenco Shares. Conversely, Engenco Shareholders will make a capital loss to the extent that their capital proceeds are less than their cost base of those Engenco Shares.

The cost base of the Engenco Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal.

The capital proceeds of the CGT event will equal the consideration price of 30.5 cents cash per Engenco Share received by the Engenco Shareholder in respect of the disposal of their Engenco Shares.

Individuals, complying superannuation entities or trustees that have held their Engenco Shares for at least 12 months should be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Engenco Shares by 50% in the case of individuals and trusts or by 33⅓% for complying superannuation entities. For trusts, the ultimate availability of the discount may depend on a beneficiary's entitlement to the discount. Companies are not entitled to discount the amount of the capital gain.

Capital gains (prior to any CGT discount) and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

6.3 Goods and services tax

Engenco Shareholders should not be liable for GST in respect of a disposal of their Engenco Shares.

Engenco Shareholders may be charged GST on costs (such as adviser fees) that relate to their participation in the Offer. Engenco Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

7 Additional information

7.1 Interests and dealings in Engenco Shares

As at 9 May 2025, the Directors had the following relevant interests in Engenco Shares:

Director	Number of Engenco Shares
Vincent De Santis	378,951
Dean Draper	-
Dale Elphinstone	216,554,707
Scott Cameron	163,500
Kelly Elphinstone	-
Chris McFadden	-
Total	**217,097,158**

No Director has acquired or disposed of a relevant interest in any Engenco Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

7.2 Issued capital

As at 9 May 2025, Engenco's issued capital consisted of 315,992,853 fully paid ordinary shares (which is inclusive of 415,399 ESPP Shares).

7.3 Substantial holders

Aside from the voting power of the Elphinstone Group, the following persons have voting power in 5% or more of Engenco Shares as disclosed on page 86 of Engenco's 2024 annual report.

Substantial holder	Number of Engenco Shares	Voting power
Thorney Investment Group Pty Ltd	33,966,932	10.76%
RAC & JD Brice Superannuation Pty Ltd	17,287,249	5.47%

7.4 Effect of the Offer on Engenco's material contracts

The Offer is not expected to trigger any change of control or other provisions in Engenco's material contracts, leases or banking facilities.

7.5 Effect of the Offer on Engenco's ESPP Shares

Engenco currently has 415,399 Engenco Shares on issue under its Employee Share Purchase Plan (**ESPP Shares**). The ESPP Shares form part of the total 315,992,853 Engenco Shares on issue. The ESPP shares held by participating employees that acquired ESPP Shares on or after 1 July 2022 and remain employed by Engenco are subject to a restriction period where they cannot be disposed of until three years from their purchase date. This restriction means that the ESPP Shares can qualify for certain tax exempt status under the current tax legislation.

Subject to the Offer becoming unconditional, Engenco intends to instruct the Share Registry to release the holding lock restrictions that apply to the ESPP Shares such that the holder will be able to accept the Offer should they wish to do so, and have their acceptance processed, in the usual way. This should not be taken to be a recommendation by the Independent Board Committee that holders of ESPP Shares should accept the Offer, and this is merely facilitative.

Engenco has applied to the ATO requesting a ruling to confirm the tax consequences of the Offer for holders of the ESPP Shares (Ruling). The Ruling has not been finalised as at the date of this Target's Statement. When the final Ruling is published by the ATO, it will be available on the ATO website at www.law.ato.gov.au.

For the sake of completeness, Engenco notes that a small number of ESPP Shares are the subject of Engenco employee salary sacrifice payment deductions over the period ending 22 June 2025. To avoid any doubt, there is no change to those arrangements arising as a consequence of the Offer.

7.6 Consents

RSM Corporate Australia Pty Ltd has given and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Engenco's Independent Expert in the form and context it is so named and to the inclusion of the Independent Expert's Report is attached to this Target's Statement. RSM Corporate Australia Pty Ltd has not caused or authorised the issue of this Target's Statement and, other than any references to its name and the Independent Expert's Report, takes no responsibility for any part of this Target's Statement.

In addition, the following persons have given, and not withdrawn before the lodgement of this Target's Statement with ASIC, their written consent to be named in this Target's Statement in the form and context in which it appears:

- Baker McKenzie, to being named as Engenco's legal adviser; and
- Automic Group, to being named as Engenco's share registrar.

None of these persons have caused or authorised the issue of this Target's Statement, and does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based (other than a statement included in this Target's Statement with the consent of that party) and takes no responsibility for any part of this Target's Statement other than any reference to its name and the statements (if any) included in the Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX. Pursuant to the Class Order, consent is not required for the inclusion of such statements in this Target's Statement. Any Engenco Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Engenco shareholder information line on 1300 441 596 (for calls made from within Australia) or +61 2 9934 0549 (for calls made from outside Australia) between 8.30 am and 5.30 pm (Melbourne time), Monday to Friday.

7.7 No other material information

This Target's Statement is required to include all the information that Engenco Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director of Engenco.

ASIC has exercised its powers under section 655A(1) of the Corporations Act to modify section 638(1A) of the Corporations Act such that the Target's Statement will not be required to include information known to Dale Elphinstone AO and Kelly Elphinstone. This modification is appropriate given they have both recused themselves from the Board's consideration of the Offer.

Accordingly, this Target's Statement only includes information known to the Recommending Directors.

The Recommending Directors are of the opinion that the information that Engenco Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- Engenco's releases to the ASX, and in the documents lodged by Engenco with ASIC before the date of this Target's Statement; and
- this Target's Statement.

The Recommending Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, they do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, regard has been had to:

- the nature of the Engenco Shares;
- the matters that Engenco Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Engenco Shareholders' professional advisers; and
- the time available to Engenco to prepare this Target's Statement.

8 Glossary and interpretation

8.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
$**, **A$ or **AUD**	Australian dollar.
ACN	Australian company number.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	Australian Taxation Office.
Bidder's Statement	the bidder's statement of Elph Investments dated 7 April 2025.
Board	the board of directors of Engenco.
CGT	capital gains tax.
Corporations Act	*Corporations Act 2001* (Cth).
Director	a director of Engenco.
Elph Investments	Elph Investments Pty Ltd (ACN 127 213 807), being the bidder under the Offer.
Elphinstone Group	means the group of entities known as the Elphinstone Group which are associates and are each controlled by Dale Elphinstone AO, and "**Elphinstone Group Member**" means any one of them, as the context requires.
Engenco or **Company**	Engenco Limited (ACN 120 432 144).
Engenco Share	a fully paid ordinary share in Engenco.
Engenco Shareholder	a registered holder of Engenco Shares.
ESPP	Employee Share Purchase Plan of Engenco.
ESPP Shares	has the meaning given to that term in item 23 of section 2.
FY	financial year.

Term	Meaning
FY24	the financial year ended 30 June 2024.
FY25	the financial year ended 30 June 2025.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Law	has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Independent Board Committee or **IBC**	a committee of the Board comprising Vincent De Santis, Scott Cameron and Chris McFadden.
Independent Expert or **RSM**	RSM Corporate Australia Pty Ltd (ABN 82 050 508 024).
Independent Expert's Report	the independent expert's report prepared by RSM which is attached to this Target's Statement.
Listing Rules	the listing rules of ASX (as amended or varied from time to time).
Offer	the offer by Elph Investments for the Engenco Shares, details of which are contained in section 9.1 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement.
Offer Price	30.5 cents per Engenco Share.
Recommending Directors	means the Engenco Directors Vincent De Santis, Scott Cameron, Chris McFadden and Dean Draper.
Ruling	has the meaning given to that term in section 7.5.
Target's Statement	this document (including the attachment), being the statement of Engenco under Part 6.5 Division 3 of the Corporations Act.

8.2 Interpretation

In this Target's Statement:

(a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.

(b) Words of any gender include all genders.

(c) Words importing the singular include the plural and vice versa.

(d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant, unless stated otherwise.

(f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.

(h) A reference to time is a reference to Melbourne time, unless otherwise stated.

(i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

9 Authorisation

This Target's Statement has been approved by a resolution passed by the Recommending Directors.

Signed for and on behalf of Engenco:

9 May 2025

Vincent De Santis
Chairman

Corporate Directory

Registered and Principal Administrative Address

Engenco Limited
Level 14
140 William Street
Melbourne VIC 3000

Telephone: +61 (0)3 8620 8900
Fax: +61 (0)3 9620 8999

Website Address

www.engenco.com.au

Australian Securities Exchange (ASX) Listing

ASX code: EGN

Legal Adviser

Baker McKenzie
Level 19
181 William Street
Melbourne VIC 3000

Share Registry

Automic Group
Level 5
126 Phillip Street
Sydney NSW 2000

Telephone: +61 (0)2 8072 1400

Independent Expert's Report

RSM

Engenco Limited

Financial Services Guide and Independent Expert's Report

9 May 2025

Financial Services Guide

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("**RSM**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence ("**AFSL**"), Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we produce is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; Engenco Limited ("**Engenco**" or "**the Company**") will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisors. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and/or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, PO Box R1253, Perth, WA, 6844.

If we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to external dispute resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("**AFCA**"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 4 of this report.

Independent Expert's Report

RSM Corporate Australia Pty Ltd

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www.rsm.com.au

9 May 2025

The Non-Associated Shareholders
Engenco Limited
Level 14NE
140 William Street
Melbourne VIC 3000

Dear Non-Associated Shareholders,

Introduction

On 7 March 2025, Elph Investments Pty Ltd ("**Elph Investments**"), issued a letter to Engenco Limited ("**Engenco**" or "**the Company**") stating its intention to make an off-market takeover offer to acquire all the shares in the Company not already held by Elph Investments and its associate, Elph Pty Ltd ("**Offer**") for cash consideration of $0.305 per share ("**Offer Price**"). The Bidder's Statement prepared by Elph Investments in relation to the Offer was sent to Engenco and lodged with the Australian Securities and Investment Commission ("**ASIC**") on 7 April 2025.

Elph Investments currently holds 117,248,040 Engenco Shares and its associate, Elph Pty Ltd ("**Elph**") holds 99,306,667 Engenco Shares. Elph Investments and Elph are privately held companies and members of the Elphinstone Group, a group of entities controlled by Dale Elphinstone AO. Accordingly, the Elphinstone Group has a relevant interest in 216,554,707 Engenco Shares and a voting power in the Company of approximately 68.53%.

On 28 April 2025, Elph Investments announced the issue and dispatch of the Bidder's Statement to Engenco Shareholders as well as the opening of the Offer.

Engenco will issue a Target's Statement, being a document prepared by the Independent Board Committee of Engenco, to assist the Engenco shareholders not associated with the Offer ("**Non-Associated Shareholders**" or "**Shareholders**") in making an informed assessment in relation to the Offer.

Purpose of this Report

Our Report has been prepared in accordance with the requirements of Section 640 of the Corporation's Act, whereby a Target's Statement is required to include an independent expert's report ("**Report**" or "**IER**") to shareholders if:

- the bidder's voting power in the target is 30% or greater; or
- the bidder and the target have directors in common.

Both of the above criteria are satisfied in respect of the Offer.

The Independent Board Committee of Engenco has requested RSM, being independent and qualified for the purpose, express an opinion as to whether the Offer is fair and reasonable to Non-Associated Shareholders.

Accordingly, we have prepared this Independent Expert's Report ("**the Report**" or "**IER**") for the purpose of stating, in our opinion, whether or not the Offer is fair and reasonable to **Non-Associated Shareholders** and to set out our reasons for that opinion.

Summary of opinion

In the absence of any other relevant information and/or a superior proposal, RSM considers the Offer to be **not fair but reasonable** to Non-Associated Shareholders.

We have formed this opinion for the reasons set out below.

Approach

In assessing whether the Offer is fair and reasonable to Non-Associated Shareholders, we have considered ASIC Regulatory Guide 111 – Content of expert reports ("**RG 111**"), which provides specific guidance as to how an expert is to appraise a takeover offer.

RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

While RG 111 does not define 'fair and reasonable' it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid, RG 111 applies the 'fair and reasonable' test as two distinct criteria, stating:

- a takeover offer is considered 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- a takeover offer is considered 'reasonable' if it is fair or, where the offer is 'not fair', it may still be 'reasonable' if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Therefore, consistent with the guidance set out in RG 111, we have considered whether the Offer is "fair" to Shareholders by assessing and comparing:

- the Fair Value of a share in Engenco ("**Share**") on a controlling basis prior to the Offer; with
- the Offer Price, being cash consideration of $0.305.

Our assessment of the Fair Value of a Share in the Company has been prepared on the following basis:

> *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

In accordance with RG 111, we have considered whether the Offer is "reasonable" to Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Offer which are likely to be relevant to Non-Associated Shareholders, in their decision as to whether or not to accept the Offer.

Further information on the approach we have employed in assessing whether the Offer is fair and reasonable to Non-Associated Shareholders is set out in Sections 7 and 8 of this Report.

Fairness opinion

In assessing whether we consider the Offer to be fair to Non-Associated Shareholders, we have valued a Share in the Company on a controlling basis prior to the Offer and compared it to the value of the Offer Price to determine whether a Shareholder would be better or worse off should the Offer be approved.

Our assessment is set out in the table below.

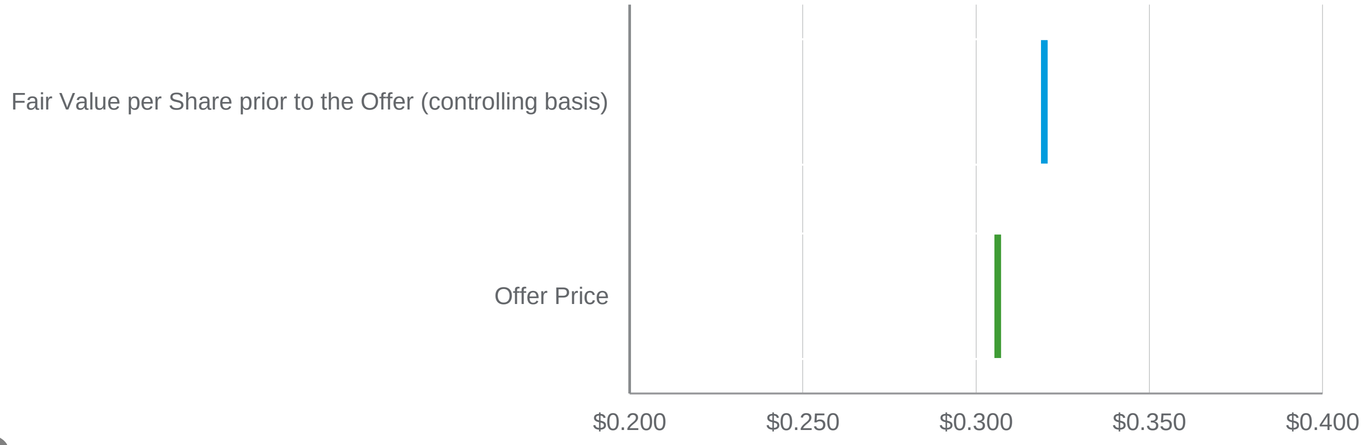
Table 1 Valuation summary

Fair Value per Share prior to the Offer (controlling basis)	**$0.318**
Offer Price	**$0.305**

Source: RSM analysis

The above comparison is depicted graphically below.

Figure 1 Valuation summary



Source: RSM analysis

In our opinion, as the Fair Value of a Share in Engenco prior to the Offer (on a controlling basis) is greater than the Offer Price, we consider the Offer is **not fair** to Non-Associated Shareholders.

Our concluded Fair Value per Share prior to the Offer (controlling basis) of $0.318 per Share, has been assessed on a net assets on a going concern basis based primarily on the reviewed financial statements of the Company for the half-year ended 31 December 2024 (adjusted for estimated movements post 31 December 2024). We consider the net assets basis provides the best representation of the Fair Value per Share due to the capital intensive nature of the Engenco's operations, having regard to Engenco's current profitability and also having regard to the low liquidity of Engenco shares.

Given we have utilised the net assets on a going concern basis approach as the basis for the assessment of the Fair Value per Share, we have derived a single dollar value for the Fair Value of a Share in Engenco. Non-Associated Shareholders should note that the value of securities is subject to uncertainty and volatility and, therefore, in the absence of adopting the net assets on a going concern basis, the Fair Value of a Share in Engenco would normally be assessed as a range of values.

As set out in Section 6.2 (Table 20), we assessed the Fair Value of an Engenco Share using the quoted market price of listed securities ("**QMP**") method (on a controlling basis) to be in the range of $0.263 to $0.273, with a preferred value of $0.268. We note that the Offer would be fair if the values derived under the QMP method were used.

We consider that the difference between our assessed Fair Value per share using the net assets on a going concern basis approach and the assessed Fair Value per share using the QMP approach is likely representative of discounts for lack of marketability priced by market participants into the listed share price of Engenco, given the low level of liquidity evidenced in the historical share trading of Engenco shares.

It should be noted that our valuation of a Share prior to the Offer does not necessarily reflect the price at which Engenco Shares will trade if the Offer is not accepted. The price at which Shares will ultimately trade depends on a range of factors including the liquidity of Engenco shares, macroeconomic conditions, the underlying success of the Company's trading operations, and the supply and demand for the Company's shares.

Reasonableness opinion

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes.

As such, we have also considered the following factors in relation to the reasonableness aspects of the Offer:

- the future prospects of the Company if the Offer does not proceed;
- other commercial advantages and disadvantages to the Engenco Shareholders as a consequence of the Offer proceeding;
- the response of the market to the Offer;
- Elph Investments and its associates pre-existing shareholding in the Company;
- any special value of the target to the bidder; and
- alternative proposals to the Offer.

Future prospects of the Company if the Offer does not proceed

If the Offer does not proceed, Non-Associated Shareholders will remain as minority shareholders in the Engenco and there is a risk that the liquidity of Engenco Shares may be reduced further.

Advantages and disadvantages of approving the Offer

The key advantages of the Offer are outlined in the table below.

Table 2 Advantages of the Offer

Advantage	Details
Realisation of value in the form of cash	As the Offer Price is for 100% cash consideration, it provides Non-Associated Shareholders who accept the Offer with certainty of value and removes the risks and uncertainties of remaining an Engenco Shareholder, including: ▪ the Company's ability to achieve its growth and profitability targets; ▪ potential competitive threats and potential adverse shifts in the market for Engenco's products and services; and ▪ general and macroeconomic conditions. Historically, the liquidity of Engenco's shares have been low, with 0.7% of issued capital traded in the 90-days pre-announcement of the Offer. Depending on the size of a Non-Associated Shareholder's stake, in the absence of the Offer, the level of liquidity of Engenco Shares may be an impediment to crystallising a Non-Associated Shareholder's interest for a consideration that is above the current trading price of c. \$0.29, and above the recent trading price of Engenco Shares prior to the announcement of the Offer.
Exit opportunity for minority shareholders	The Offer provides the Shareholders with the opportunity to exit all or part of their investment in the Company. Non-Associated Shareholders who accept the Offer will mitigate the risk of being a minority shareholder with a limited collective ability to influence decisions.
Reduction of costs to realise investment	Participating Shareholders will not have to pay brokerage or appoint a stockbroker to sell their Shares pursuant to the terms of the Offer.
Guaranteed liquidity event	If Elph Investments reaches a relevant interest of less than 92.13% under the Offer, or a relevant interest of less than 90%, it will remain entitled to increase its interest in Engenco under the 'creep' provisions of the Corporations Act. To the extent Elph Investments continues to grow its interest in Engenco, this will further reduce the free float of the Company and would likely impact on future liquidity on Engenco's share price. The level of Elph Investments' interest in Engenco may result in further decreased liquidity in Engenco shares and the continuing presence of a controlling shareholder may impact the market's appetite for Engenco shares at the current price. The Offer provides Non-Associated Shareholders with a guaranteed liquidity option, and the opportunity to mitigate the risk of further reduced liquidity of Engenco Shares should Elph Investments' interest in Engenco increase.

The key disadvantages of the Offer are outlined in the table below.

Table 3 Disadvantages of the Offer

Disadvantage	Details
The Offer is not fair	As set out in Section 7 of this Report, the Offer is not fair.
Forego or reduce potential to benefit in any upside in future value of the Company	Shareholders who sell their Shares under the Offer will forego any benefits of remaining a holder of Shares. This includes, for example, the right to benefit from any future value realisation by the Company and the right to exercise any vote on resolutions considered by members at general meeting.
Potential tax considerations	Acceptance of the Offer and the disposal of Engenco Shares will trigger a capital gains tax ("**CGT**") event for Non-Associated Shareholders. The tax implications will vary between Non-Associated Shareholders depending on their personal circumstances and, therefore, individual taxation advice should be obtained.
Change in investment profile	Acceptance of the Offer may result in disadvantages to those who wish to maintain their current investment profile. Engenco Shareholders who wish to maintain their investment profile may find it difficult to identify an investment with a similar profile to that of Engenco and may incur transaction costs in undertaking a new investment.
Loss of potential superior proposal	Notwithstanding the significant impediment given Elph Investments' and its associates' significant shareholding in Engenco, it is possible that a superior proposal which is more attractive for Non-Associated Shareholders than the Offer, may be made in the future. We are not aware of any superior proposal as at the date of this Report.

Trading in Engenco Shares following the announcement of the Offer

The volume weighted average price ("**VWAP**") of Engenco's Shares for the period after 7 March 2025, being the date that Elph Investments announced its intention to make an off-market takeover offer was $0.292, c. 39% higher than the 5-day and 10-day VWAP prior to the announcement of $0.210, and c. 42% higher than the 30-day VWAP of $0.206.

Based on the above, notwithstanding the low liquidity of the Company's traded shares, we consider that the market has reacted favourably to the announcement of the Offer.

In the absence of the Offer, there is a significant risk that the Company's share price will revert back to its pre-offer levels.

The extent to which Non-Associated Shareholders are receiving a premium for control

As set out in the Fairness opinion section above, we have concluded the Offer is not fair as our assessment of the Fair Value of a Share prior to the Offer on a controlling basis is less than the Offer Price.

Notwithstanding the above, in our assessment of reasonableness, we have considered whether Non-Associated Shareholders are receiving a premium for control by comparing our valuation of an Engenco Share prior to the Offer (on a non-controlling basis) using the QMP method, with the Offer Price.

As set out in Section 6.2 (Table 20), we assessed the value of an Engenco Share using the QMP method (on a non-controlling basis) to be $0.268 at the midpoint value. Accordingly, the Offer Price of $0.305 represents an implied control premium of 45% over the Company's VWAP prior to the announcement of the Offer, higher than our assessed control premium range of 25% to 30% appropriate for the valuation of a Engenco Share as detailed in Section 6.2.

Bidder's pre-existing power in securities in the Target

At the date of this Report, Elph Investments and its associates hold a collective voting power of 68.53% in the Company, which gives Elph Investments the ability to block ordinary and special resolutions in the Company. We also consider that this significant shareholding in the Company reduces the likelihood of a takeover offer from a third party.

The Offer will proceed if Elph Investments achieves a 92.13% relevant interest in Engenco, which will entitle Elph Investments to issue compulsory acquisition notices to acquire the remaining shares in Engenco as part of the takeover offer process under Section 661A of the Corporations Act.

To the extent that Elph Investments waives the 92.13% relevant interest condition precedent to the Offer and achieves a relevant interest in Engenco of 90% or more (in reality meaning acceptances taking Elph Investments' relevant interest in Engenco to between 90% and 92.13%), Elph Investments will be entitled to exercise general compulsory acquisition rights in relation to Engenco Shares under Part 6A.2 Division 1 of the Corporations Act, being a different compulsory acquisition process to the compulsory acquisition power granted under Section 661A of the Corporations Act. Elph Investments will have six months from the date it becomes a 90% holder of Engenco Shares to give compulsory acquisition notices to the remaining holders of Engenco Shares under Part 6A.2 Division 1 of the Corporations Act.

Any special value of the Target to the Bidder

The Elphinstone Group is principally focused on Caterpillar product distribution and support, manufacturing, technology, materials handling, rail and resources. The Elphinstone Group considers that there are synergistic opportunities that may be realised from incorporating Engenco as a wholly owned member of the Elphinstone Group.

Obtaining control of the Company would allow the Elphinstone Group to direct the operational and funding strategy of Engenco.

Alternative proposals to the Offer

We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Engenco at this time.

Conclusion on Reasonableness

Ignoring our assessment of fairness, we consider that the position of the Non-Associated Shareholders if the Offer is approved is more advantageous than if the Offer is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is **reasonable** for the Non-Associated Shareholders of Engenco.

We have reached this conclusion having most regard to the following factors:

- the 68.53% interest held in the Company by Elph Investments and its associates prior to the Offer means that Elph Investments has significant influence over the strategic direction of the Company and, therefore, it may be reasonable for Non-Associated Shareholders to accept an Offer that does not provide a full control premium (as compared to our concluded Fair Value of a Share in Engenco);
- using the QMP method, we consider the value of an Engenco Share (on a non-controlling basis) to be $0.210 prior to the Offer. Accordingly, the Offer Price represents an implied control premium of 45% compared to the traded share price immediately prior to the Offer; and
- the lower trading price and low liquidity in trading of Engenco's shares, prior to the Offer.

An individual Shareholder's decision in relation to the Offer may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

General

This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The ultimate decision whether to accept the Offer should be based on Non-Associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders should read and have regard to the contents of the Target's Statement which has been prepared by the Independent Board Committee Members and Management of Engenco. Non-Associated Shareholders who are in doubt as to the action they should take with regard to the Offer and/or the matters dealt with in this Report, should seek independent professional advice. This summary should be considered in conjunction with the detail contained in the following sections of this Report.

Yours faithfully,

RSM CORPORATE AUSTRALIA PTY LTD

A. Clifford

Andrew Clifford
Partner

Nadine Marke
Partner

Contents

1. Summary of the Offer

1.1 Overview

On 7 March 2025, Elph Investments announced its intention to make an off-market takeover offer to acquire all of the Shares of Engenco. On 7 April 2025, the Company received Elph Investments' Bidder's Statement in relation to the Offer with an Offer Price of $0.305 for all Engenco Shares which are issued at the Record Date, being 7 April 2025.

The Offer opened on 28 April 2025 following the dispatch of the Bidder's Statement and will remain open until 30 May 2025 unless extended, subject to Elph Investments' right to extend it in accordance with the provisions of the Corporations Act, or withdrawn ("**Offer Period**").

1.2 Key conditions of the Offer

The completion of the Offer is subject to the satisfaction of the following Conditions (unless otherwise waived by the end of the Offer Period):

- Elph Investments obtaining a relevant interest in more than 92.13% of all Engenco Shares on issue by the end of the Offer Period;
- no prescribed occurrences;
- no regulatory impediment;
- no material adverse event;
- no significant market fall between the Announcement Date (7 March 2025) and the end of the Offer Period (each inclusive), the S&P/ASX 200 Index does not close on any trading day at a level 10% or more below the level of that index at the close of trading on the day prior to the Announcement Date and remains at, or below, that level for at least two consecutive trading days; and
- no distributions by way of dividend, bonus, capital reduction or otherwise and whether in cash or in specie between the Announcement Date and the end of the Offer Period that was not declared before the Announcement Date.

1.3 Impact of the Offer on the Company's capital structure

At the date of this Report, Elph Investments and its associates had a voting power in the Company of 68.53% comprising:

- Elph Investments holding 117,248,040 Engenco Shares (37.10% interest); and
- Elph holding 99,306,667 Engenco Shares (31.43% interest).

If the Offer completes, there will be no change in the Company's capital structure immediately post completion of the Offer.

If the Offer completes, and assuming no waiver of the minimum acceptance condition outlined in Section 1.2, Elph Investments will have a minimum relevant interest in the Company of more than 92.13% and will be entitled to compulsorily acquire any remaining Engenco Shares as part of the takeover offer process under Section 661A of the Corporations Act.

2. Scope of the Report

2.1 Purpose of this Report

The Independent Directors of Engenco have requested RSM, being independent and qualified for the purpose, to express an opinion as to whether the Offer is fair and reasonable to Non-Associated Shareholders. Accordingly, this Report has been prepared to accompany the Target's Statement which will be provided to Engenco Shareholders in relation to the Offer.

2.2 Regulatory guidance

In assessing whether the Offer is "fair" and "reasonable", we have given regard to the views expressed by ASIC in RG 111.

RG 111 provides that ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, stating:

- a takeover offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- a takeover is considered "reasonable" if it is fair, or where the offer is "not fair" it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

2.3 Adopted basis of evaluation

Consistent with the guidelines in RG 111 as summarised above, we have considered whether the Offer is "fair" to Shareholders by assessing and comparing:

- the Fair Value of an Engenco Share on a controlling basis prior to the Offer; with
- the Offer Price.

Our assessment of the Fair Value has been prepared on the following basis:

> *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*

In accordance with RG 111, we have also considered whether the Offer is "reasonable" to Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Offer which are likely to be relevant to Non-Associated Shareholders, in their decision as to whether or not to accept the Offer.

We have considered whether the Offer is "reasonable" by undertaking an analysis of the following factors:

- the future prospects of the Company if the Offer does not proceed;
- other commercial advantages and disadvantages to the Engenco Shareholders as a consequence of the Offer proceeding;
- the market's response to the Offer;
- Elph Investments and its associates' pre-existing shareholding in the Company;
- any special value of the target to the bidder; and
- alternative proposals to the Offer.

Our assessment of the Offer is based on economic, market and other conditions prevailing at the date of this Report.

3. Profile of Engenco Limited

3.1 Background

Engenco (ASX: EGN) is an ASX-listed company focused on providing transportation solutions.

The Company operates through three primary business streams, comprising Power and Propulsion, Rail, and Workforce Solutions. The Company offers products and services to a wide range of industries, including defence, resources, marine, power generation, rail, heavy industrial, mining, and infrastructure.

Power and Propulsion

The Power and Propulsion business stream consists of three brands.

Table 4 Power and Propulsion brands

Brand	Logo	Description
Drivetrain	Drivetrain	Drivetrain supplies technical products and services to the Mining, Energy, Transport, and Defence industries, focusing on flexibility and rapid service while providing through-life support, maintenance, repair, and fleet diagnostics.
Convair	CONVAIR	Convair is a manufacturer, supplier, and service provider of equipment used for transporting dry bulk products by road and rail. Convair specialises in the design, manufacture, and supply of pneumatic dry bulk tankers, including a range of tankers, blowers, compressors, and pinch valves. Convair also acts as the Australian agent for Feldbinder Spezialfahrzeugwerke GmbH (FFB) of Germany, expanding its product offering to include aluminium dry bulk tankers and stainless-steel liquid tankers. Convair's tanker manufacturing facility at Epping (VIC) also supports spare part sales, tanker servicing and repairs for the Australian and New Zealand transportation industry.
Hedemora Turbo and Diesel ("HTD")	HEDEMORA TURBO & DIESEL	HTD is the original manufacturer of Hedemora Diesel Engines and Turbochargers, operating from Hedemora, Sweden, and serving customers worldwide. HTD provides comprehensive solutions; from design and manufacturing to installation, overhaul, training, turbocharger testing and balancing, and ongoing support for the rail, power generation, and marine industries.

Rail

The Rail business stream comprises Gemco Rail.

Table 5 Rail brand

Brand	Logo	Description
Gemco Rail	GEMCORAIL	Gemco rail is a supplier of services and products to the rail sector. The business focuses on fleet management for national rail operators and the manufacture, refurbishment, and overhaul of rail equipment. Gemco Rail provides scheduled and ad-hoc maintenance services for wagons and locomotives, as well as custom-designed wagons, bogie components, and other rail equipment.

Workforce solutions

The Workforce Solutions stream includes four brands.

Table 6 Workforce Solutions brands

Brand	Logo	Description
Eureka		Eureka 4WD Training was established in 1992 (acquired by Engenco in May 2021), and offers nationally recognised 4WD, Side by Side Utility Vehicle, and Truck training in Western Australia. Eureka 4WD Training provides both commercial and recreational courses, with experienced trainers who ensure a safe and professional learning environment.
CERT Training		CERT Training is a nationally accredited training provider, delivering high risk and specialised rail courses. CERT offers customised workforce development programs for the rail and infrastructure sectors, with trainers holding relevant qualifications and extensive industry experience.
Connect Talent (recently launched)		Recently launched, Connect Talent provides workforce solutions for the rail and transportation industries, focusing on apprenticeships and traineeships. Connect Talent manages the recruitment process, administrative support, and ongoing governance, helping customers build a skilled workforce while simplifying administrative tasks.
Momentum		Momentum is a leading provider of permanent, labour hire and contract personnel. Leveraging extensive industry experience, Momentum delivers flexible labour solutions to the Australian rail and transportation industries. This business segment has revised its business strategy to focus on complementary industry segments and provide alternative service offerings.

3.2 Group entities

The table below summarises the controlled entities that make up the Engenco Group of companies.

Table 7 Controlled entities

Company	Country of incorporation	Date of control	Percentage owned
Engenco Limited	Australia	1-Jul-06	100%
▪ Convair Engineering Pty Ltd	Australia	1-Jul-06	100%
▪ Engenco Logistics Pty Ltd	Australia	18-Apr-07	100%
▪ Engenco Investments Pty Ltd	Australia	30-Apr-07	100%
– Workforce Solutions Pty Ltd	Australia	30-Apr-07	100%
– Centre for Excellence in Rail Training Pty Ltd	Australia	30-Apr-07	100%
– EGN Rail Pty Ltd	Australia	30-Apr-07	100%
– Greentrains Pty Ltd[1]	Australia	17-Jul-09	81%
– Greentrains Leasing Pty Ltd	Australia	18-Jun-08	100%
– Eureka 4WD Training Pty Ltd	Australia	1-Jul-21	100%
– Connect Talent Pty Ltd	Australia	1-Jul-21	100%
▪ Drivetrain Power and Propulsion Pty Ltd	Australia	1-Jul-06	100%
– Drivetrain Australia Pty Ltd	Australia	1-Jul-06	100%
– Drivetrain Limited	New Zealand	1-Jul-07	100%
– HS Turbochargers America, Inc.	USA	31-Dec-08	100%
• Hyradix Inc.	USA	31-Dec-08	100%
– Hedemora Investments AB	Sweden	1-Jul-06	100%
• Hedemora Turbo & Diesel AB	Sweden	1-Jul-06	100%
▪ Gemco Rail Pty Ltd	Australia	1-Jul-07	100%
▪ Total Momentum Pty Ltd	Australia	30-Apr-07	100%

Source: Audited financial statements

Note: subsidiaries are indented beneath their parent entity

1 Total Engenco Group ownership of Greentrains Pty Ltd is 81% (split between Engenco Investments Pty Ltd, 61%, and Engenco Limited, 20%)

2 Drivetrain Singapore Pte Ltd was deregistered on 4 March 2024

3 Industrial Powertrain Pty Ltd was deregistered on 12 September 2024

3.3 Directors and management

The directors and key management of the Company are summarised in the table below.

Table 8 Directors and key management

Name	Title	Experience
Vincent De Santis	Chair, Independent Non-Executive Director and Member of the Audit and Risk Committee	Vince is an executive director of T8 Advisory Partners and a non-executive director of the Tasmanian Development Board and Tasmanian Gas Pipeline Pty Ltd. Vince was Managing Director of the Elphinstone Group for 10 years until December 2018 after having commenced in 2000 as Group's Legal Counsel and Finance & Investment Manager. During his time with the Group, he also held several board roles on various subsidiary and joint venture companies. Prior to that, Vince was a Senior Associate in the Energy, Resources & Projects team at a national law firm, Corrs Chambers Westgarth, based in Melbourne.
Dean Draper	Managing Director and Chief Executive Officer	Dean is an experienced executive having held senior roles in the industrial sector both in Australia and overseas. Most recently, Dean held the roles of Managing Director and CEO of Ixom (formerly Orica Chemicals business), based in Melbourne. Prior to leading the Ixom business, Dean spent over 17 years in several senior executive positions at BASF, a larger multi-national chemicals company. This included four years as Managing Director of BASF's operations across the ASEAN region. Dean holds a Master of Business Administration (MBA) from Monash Mt Eliza Business school, a Bachelor of Business from Monash University in Melbourne and has completed the Advanced Management program at INSEAD Business School, France.
Dale Elphinstone	Non-Executive Director	Dale is the Executive Chairman of the Elphinstone Group which he founded in 1975. Dale has considerable experience in the engineering, manufacturing, mining, and heavy machinery industries and among other things was the longest serving Caterpillar dealer principal in Australia, having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. Dale was the Co-Chair of the Joint Commonwealth and Tasmanian Economic Council from 2014 to 2017 and remains Chair of the industry members of this Council. From 2020 to 2021, he was a member of the Tasmanian Premier's Economic and Social Recovery Advisory Council and was a director of the Tasmanian Health Organisation North-West until 30 June 2015. He was a director of Caterpillar subsidiary, Caterpillar Underground Mining Pty Ltd from 1995 until it was sold to another party in October 2006. Dale was an independent non-executive director of Queensland Gas Company Limited from October 2002 to November 2008. Dale was also a director of ASX listed National Hire Group Limited until December 2011.
Scott Cameron	Independent Non-Executive Director and Chairman of the Audit and Risk Committee	Scott has more than 27 years' experience in senior management with exposure to a broad range of relevant industry sectors. He commenced his professional career at PricewaterhouseCoopers and then spent 27 years with leading Malaysian listed industrial services conglomerate, Sime Darby Berhad in various roles including Finance Director and then Managing Director of Australian based Caterpillar Dealer, Hastings Deering. Prior to his retirement from executive management at the end of 2019, Scott had spent the last 13 years as an Executive Vice-President of Sime Darby Industrial. He was appointed as a non-executive director of Sime Darby Berhad in 2023.
Kelly Elphinstone	Non-Executive Director and Member of the Audit and Risk Committee	Kelly has been part of the Elphinstone Group of Companies for 34 years and currently holds the position of Executive Director. Kelly has held several leadership roles, predominantly within the Mining Equipment, Technology and Services (METS) and Earthmoving industries, the most recent being Managing Director of the Elphinstone Group's underground mining manufacturing business. Kelly studied Marketing at RMIT, has completed an executive leadership program with Stanford University and is a Graduate of the AICD Company Director's program. Kelly holds multiple directorships (including a Chair position) and participates on various Government advisory councils.

Name	Title	Experience
Chris McFadden	Independent Non-Executive Director	Chris is a lawyer and has more than 20 years' experience in senior management roles with a deep understanding of the resources sector, international markets and M&A activities. Chris previously held the role of Manager, Business Development at Newcrest Mining Limited and before that was Head of Commercial, Strategy and Corporate Development at Tigers Realm Coal Limited. Prior to his time at Tigers Realm, he was a Commercial General Manager at Rio Tinto where he had a 12-year career spanning legal and commercial roles. Chris is currently the Chair of NexGen Energy Limited (which is listed on the ASX, New York Stock Exchange and Toronto Stock Exchange), and a Director of Toronto Stock Exchange listed company, IsoEnergy Limited.
Garth Campbell-Cowan	Chief Financial Officer	Garth is an experienced Chief Financial Officer with over 30 years' experience heading up finance functions with both a strategic and commercial focus. Garth started his career with Arthur Anderson, before moving into various finance roles in the Banking and Finance, Telecommunications, and Mining industries. Garth holds a Bachelor of Commerce with Honours from the University of Cape Town, South Africa, and is a Fellow of Chartered Accountants Australia and NZ. Garth has also completed a Diploma of Applied Finance and Investment with the Securities Institute of Australia.
Meredith Rhimes	Company Secretary	Meredith is a lawyer with over 19 years' experience, including working in private practice and in-house for a multinational corporation. Meredith holds a Bachelor of Arts from Queen's University (Canada) and a Bachelor of Laws from Western University (Canada) and has practiced law in Canada, the United Arab Emirates and Australia.

Source: Company

3.4 Financial information

The information in the following section provides a summary of the consolidated financial performance of Engenco for the three years ended 30 June 2022 ("**FY22**"), 30 June 2023 ("**FY23**"), and 30 June 2024 ("**FY24**") and the half-year ended 31 December 2024 ("**HY24**"), (collectively, "the **Historical Period**") extracted from the audited and reviewed financial statements of the Company.

3.5 Financial performance

The table below sets out a summary of the consolidated financial performance of Engenco for the Historical Period.

Table 9 Historical financial performance

Consolidated statement of profit or loss and other comprehensive income ($'000)	FY22 Audited	FY23 Audited	FY24 Audited	HY25 Reviewed
Revenue	**188,642**	**217,082**	**214,618**	**104,548**
Other income	3,356	4,005	3,071	988
Operating expenses				
Changes in inventory	1,303	12,480	(1,599)	(4,202)
Used raw materials and consumables	(93,952)	(124,674)	(106,860)	(45,469)
Employee expenses	(63,810)	(70,041)	(69,667)	(34,940)
Impairment of property, plant and equipment	(1,649)	-	-	-
Reversal of/(impairment of) inventory	(706)	(2,729)	121	(256)
Subcontract freight	(3,046)	(2,028)	(2,218)	(1,393)
Repairs and maintenance	(1,918)	(2,217)	(2,506)	(1,299)
Insurances	(1,428)	(1,630)	(1,677)	(1,173)
Rent and outgoings	(3,001)	(3,123)	(3,591)	(1,879)
Foreign exchange losses	(25)	(212)	(365)	519
Computer expenses	(2,142)	(2,317)	(2,739)	(1,530)
Other expenses	(8,011)	(9,381)	(9,774)	(4,775)
Total operating expenses	**(178,385)**	**(205,872)**	**(200,875)**	**(96,397)**
EBITDA	**13,613**	**15,215**	**16,814**	**9,139**
EBITDA margin	*7.2%*	*7.0%*	*7.8%*	*8.7%*
Depreciation and amortisation	(7,928)	(7,817)	(9,250)	(4,788)
EBIT	**5,685**	**7,398**	**7,564**	**4,351**
EBIT margin	*3.0%*	*3.4%*	*3.5%*	*4.2%*
Interest received	-	-	229	218
Finance costs	(1,225)	(1,879)	(2,547)	(1,116)
Profit before income tax	**4,460**	**5,519**	**5,246**	**3,453**
Income tax benefit/(expense)	1,207	413	(1,316)	(1,064)
Total profit for the year/period	**5,667**	**5,932**	**3,930**	**2,389**

Source: Audited and reviewed financial statements

We make the following comments in relation to the financial performance set out above:

- Consolidated revenue increased by 15% from $188.6m in FY22 to $217.1m in FY23. Thereafter, revenue decreased slightly to $214.6m for FY24 and remained reasonably consistent for the half-year period to 31 December 2024 (HY25). Based on our review of the FY25 budget provided by Management, revenue is expected to be broadly in line with FY24 levels.
- A $2.8m impairment of inventory recognised in FY23 related to provisioning of slow moving and obsolete inventory due primarily to the over-accumulation of significant inventory in an effort to meet supply for customers in response to the COVID-19 pandemic supply chain issues.
- Impairment of property, plant and equipment of $1.6m recognised in FY22 was due to the impairment of Gemco Rail's Gladstone Under Floor Wheel Lathe, a $3m investment which was destroyed during flooding in March 2022. This flooding also impacted production during FY22.
- Other income for FY23 and FY24 also included $1.4m and $1.1m in insurance proceeds, respectively, relating to the open insurance claim for Gemco Rail's Gladstone workshop resulting from the flooding in March 2022 as detailed above.
- The Company disclosed earnings at the EBIT level of $5.7m, $7.4m, $7.6m and $4.4m for FY22, FY23, FY24 and HY25, respectively. Excluding material impairment of property, plant and equipment and inventory, and insurance proceeds relating to the Gemco Rail's Gladstone workshop referenced above, Engenco disclosed EBIT of $7.3m, $8.8m and $6.4m for FY22, FY23 and FY24, respectively (refer Table 21 for breakdown of adjustments).

The tables below set out a summary of consolidated revenue by reportable business segment and revenue stream for the Historical Period.

Table 10 Revenue by business segment

Revenue by business segment ($'000)	FY22	FY23	FY24	HY25
Drivetrain	54,762	62,465	64,905	30,679
Convair	15,396	20,681	31,577	12,470
Hedemora Turbo & Diesel	-	4,414	6,681	2,762
Gemco Rail	92,209	106,120	93,596	51,100
Workforce Solutions	21,212	23,402	17,859	7,537
Other	5,063	-	-	-
Total consolidated sales revenue	**188,642**	**217,082**	**214,618**	**104,548**

Source: Audited and reviewed financial statements

Table 11 Revenue by revenue stream

Revenue by stream ($'000)	FY22	FY23	FY24	HY25
Sale of goods	49,162	56,283	54,914	29,032
Rendering of services	44,471	47,880	49,094	22,097
Maintenance and construction contracts	84,210	101,475	100,012	48,168
RTO training	10,499	10,931	10,139	4,847
Lease rental income	300	513	459	404
Total consolidated sales revenue	**188,642**	**217,082**	**214,618**	**104,548**

Source: Audited and reviewed financial statements

We make the following comments in relation to the revenue segmentation summarised above:

- Drivetrain disclosed strong total revenue for FY24 due primarily to strong demand for maintenance services. However, demand for maintenance services declined during HY25 as a number of customers have insourced maintenance services, partially offset by a strong demand for the sale of components as a result of this insourcing.
- Hedemora Turbo & Diesel (HTD) disclosed a significant increase in revenue in FY24, largely due to the successful completion of a turbocharger retrofit program in Mongolia, which provided a considerable increase in demand for HTD services.
- Revenue from Workforce Solutions decreased in FY24 due primarily to challenges faced by CERT and Momentum as customer demand in the rail labour hire and training segments softened. In response to customers' preference to insource, Momentum has revised its business strategy to focus on complementary industry segments.
- Gemco Rail and Drivetrain generated c. 78% of total revenue over the Historical Period.
- Gemco Rail experienced a fall in revenue in FY24 mainly as a result of customers deferring maintenance spending and the fact that FY23 included a large one-off sale of bearings.

3.6 Financial position

The table below sets out a summary of the financial position of Engenco as at 30 June 2022, 2023, and 2024, as well as at 31 December 2024.

Table 12 Historical financial position

Consolidated statement of financial position ($'000)	30-Jun-22 Audited	30-Jun-23 Audited	30-Jun-24 Audited	31-Dec-24 Reviewed
Current assets				
Cash and cash equivalents	4,746	8,478	18,986	12,417
Trade and other receivables	30,436	38,296	31,590	41,698
Contract assets	5,984	6,962	7,419	7,512
Inventories	47,137	59,617	61,217	65,419
Current tax asset	69	30	-	-
Other current assets	1,811	2,103	3,200	1,948
Financial assets	-	-	-	18
Total current assets	**90,183**	**115,486**	**122,412**	**129,012**
Non-current assets				
Property, plant and equipment	23,136	22,174	26,559	26,228
Right-of-use assets	17,826	16,279	22,800	19,850
Deferred tax assets	16,711	16,866	15,499	14,427
Intangible assets	3,533	3,407	3,226	3,362
Total non-current assets	**61,206**	**58,726**	**68,084**	**63,867**
Total assets	**151,389**	**174,212**	**190,496**	**192,879**
Current liabilities				
Trade and other payables	23,991	29,677	28,257	24,278
Contract liabilities	1,086	5,176	12,712	28,865
Current tax liabilities	-	-	92	-
Financial liabilities	-	-	139	-
Lease liabilities	3,841	4,489	5,328	4,994
Short-term borrowings	-	13,000	10,000	1,417
Provisions	8,614	9,405	9,028	9,479
Total current liabilities	**37,532**	**61,747**	**65,556**	**69,033**
Non-current liabilities				
Lease liabilities	15,723	13,260	18,957	16,634
Long-term borrowings	-	-	4,250	5,833
Provisions	4,417	4,589	4,752	3,056
Deferred tax liabilities	586	336	49	-
Total non-current liabilities	**20,726**	**18,185**	**28,008**	**25,523**
Total liabilities	**58,258**	**79,932**	**93,564**	**94,556**
Net assets	**93,131**	**94,280**	**96,932**	**98,323**
Equity				
Issued capital	303,834	303,900	303,951	303,987
Other reserves	14,755	15,838	18,439	19,794
Accumulated losses	(219,629)	(219,629)	(219,629)	(219,629)
Total equity attributable to owners of the company	**98,960**	**100,109**	**102,761**	**104,152**
Non-controlling interest	(5,829)	(5,829)	(5,829)	(5,829)
Total equity	**93,131**	**94,280**	**96,932**	**98,323**

Source: Audited and reviewed financial statements

We make the following comments in relation to the financial position of Engenco:

- Engenco disclosed net assets of $98.3m and $96.9m at 31 December 2024 and 30 June 2024, respectively. Overall increases in net assets over the Historical Period are due primarily to total profits disclosed for the year/period, offset by dividends paid.
- Engenco maintains high inventory levels across multiple service lines, particularly Gemco, Convair, Drivetrain and HTD.
- Contract assets relate to the right to consideration in exchange for work completed on construction contracts and services rendered but not billed on the reporting date. Contract liabilities are recognised when the Engenco Group has an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.
- Right-of-use assets (and corresponding lease liabilities) predominantly consist of property leases with the majority of operating sites comprising leased properties.
- Property, plant and equipment as at 30 June 2024 of $26.6m primarily comprised buildings, plant and equipment and leasehold improvements at cost less accumulated depreciation of $3.7m, $12.9m and $2.3m, respectively. The Company also disclosed freehold land at cost of $7.6m (30 June 2023: $5.6m), with the increase due to additions made during FY24 relating to the purchase of land and buildings in Karratha, Western Australia.
- The carrying value of property, plant and equipment at 31 December 2024 was $26.2m. Freehold land at cost of $7.6m relating to the purchase of land in Karratha remained unchanged at 31 December 2024.
- Intangible assets primarily comprised goodwill and other intangible assets including customer-related intangibles acquired as part of business combinations.
- Engenco recognised deferred tax assets of $14.4m at 31 December 2024, primarily comprised of carried forward operating tax losses of c. $30m.
- The Company disclosed total borrowings of $7.3m at 31 December 2024 (30 June 2024: $14.3m) comprising short-term and long-term borrowings of $1.4m and $5.8m, respectively.
- Bank facilities at the date of this Report comprised:
  - a Cash Advance Facility of $15,000,000, Bank Guarantee Facility of $6,000,000, and a Credit Card Facility of $600,000 with the National Australia Bank (NAB). These facilities are secured against the Australian assets of the Group. The revolving Cash Advance Facility expires on 31 October 2027, with the other facilities renewed annually. At 31 December 2024 $3,000,000 was drawn under the Cash Advance Facility;
  - a Swedish bank overdraft facility denominated in SEK amounting to A$860,000 (SEK 6,000,000) that has not been drawn down;
  - a NAB Non-Revolving Cash Advance Facility property loan of $4,250,000 expiring on 19 February 2028, secured against the Karratha property assets. The NAB property loan amortisation commenced in February 2025, with the facility amortising on a quarterly basis; and
  - the Company has a Receivables Purchase Agreement (RPA) with NAB until 31 October 2025 with a limit of $10,000,000 which provides Engenco with a working capital facility whereby NAB will purchase designated customer invoices up to an agreed limit. There was no amount drawn under the RPA as at 31 December 2024.

The table below sets out a summary of Engenco's consolidated working capital position over the Historical Period.

Table 13 Working capital

Net working capital	30-Jun-22	30-Jun-23	30-Jun-24	31-Dec-24
Trade and other receivables	30,436	38,296	31,590	41,698
Contract assets	5,984	6,962	7,419	7,512
Inventories	47,137	59,617	61,217	65,419
Current tax asset	69	30	-	-
Other current assets	1,811	2,103	3,200	1,948
Financial assets	-	-	-	18
Trade and other payables	(23,991)	(29,677)	(28,257)	(24,278)
Contract liabilities	(1,086)	(5,176)	(12,712)	(28,865)
Current tax liabilities	-	-	(92)	-
Financial liabilities	-	-	(139)	-
Provisions for annual leave	(4,428)	(4,388)	(4,367)	(3,933)
Total	**55,932**	**67,767**	**57,859**	**59,519**

Source; Audited and reviewed financial statements

Engenco disclosed positive net working capital of $59.5m at 31 December 2024, compared to $57.9m and $67.8m at 30 June 2024 and 30 June 2023, respectively.

The table below sets out a summary of Engenco's consolidated net debt over the Historical Period.

Table 14 Net debt

Net debt	30-Jun-22	30-Jun-23	30-Jun-24	31-Dec-24
Cash and cash equivalents	4,746	8,478	18,986	12,417
Short-term borrowings	-	(13,000)	(10,000)	(1,417)
Long-term borrowings	-	-	(4,250)	(5,833)
Lease liabilities	(19,564)	(17,749)	(24,285)	(21,628)
Provisions for make good	(3,981)	(4,143)	(4,483)	(4,538)
Provisions for long service leave	(3,154)	(3,211)	(3,004)	(2,892)
Provisions for restructuring	(26)	(52)	(105)	-
Other current provisions for contractual obligations	(1,442)	(2,200)	(1,821)	(1,172)
Total	**(23,421)**	**(31,877)**	**(28,962)**	**(25,063)**

Source; Audited and reviewed financial statements

In our assessment of net debt, we have included debt-like items including provisions for make good, long service leave, restructuring, along with current provisions for warranty costs and other costs required to be incurred under contractual obligations recognised by Engenco.

Based on the above, Engenco disclosed net debt of $25.1m, $29.0m and $31.9m as at 31 December 2024, 30 June 2024 and 30 June 2023, respectively.

3.7 Capital structure

Engenco currently has 315,992,853 ordinary Shares on issue. The top 20 shareholders of the Company as at 8 April 2025 are set out below.

Table 15 Engenco top 20 shareholders

Shareholder	Shares	%
Elph Investments Pty Ltd	117,248,040	37.10%
Elph Pty Ltd	99,306,667	31.43%
UBS Nominees Pty Ltd	33,966,932	10.75%
RAC & JD Brice Superannuation P/L	18,219,136	5.77%
Mr Hugh William Maguire + Mrs Susan Anne Maqu ire	5,439,167	1.72%
Mr Neville Leslie Esler + Mrs Cheryl Anne Esler	1,904,935	0.60%
HSBC Custody Nominees (Australia) Limited	1,582,036	0.50%
Strategic Value Pty Limited <TAL Super A/C>	1,538,400	0.49%
Mr Dennis Graham Austin + Mrs Marilyn Alice Austin	1,481,860	0.47%
Dr Jared Charles Lawrence + Mrs Kathryn Helen Zaccaria	1,394,535	0.44%
Prussner Investments Pty Ltd <B Prussner SF A/C>	1,170,688	0.37%
Neko Super Pty Ltd <Fletcher Medical S/F A/C>	1,100,000	0.35%
JB Cameron Nominees Pty Ltd <The Cameron Family A/C>	1,000,000	0.32%
BFA Super Pty Ltd	944,950	0.30%
Robroz Pty Ltd	700,000	0.22%
Mr Geoffrey Bruce Thorn + Mrs Vanessa Thorn	690,000	0.22%
J P Morgan Nominees Australia Pty Limited	596,600	0.19%
Keltrabrod Pty Ltd	550,000	0.17%
TB & EK Nominees Pty Ltd	532,000	0.17%
Ms Carolyn Margaret Earl + Mr John Williamsen	500,000	0.16%
Top 20 shareholders	**289,865,946**	91.73%
Other shareholders	26,126,907	8.27%
Total	**315,992,853**	**100.00%**

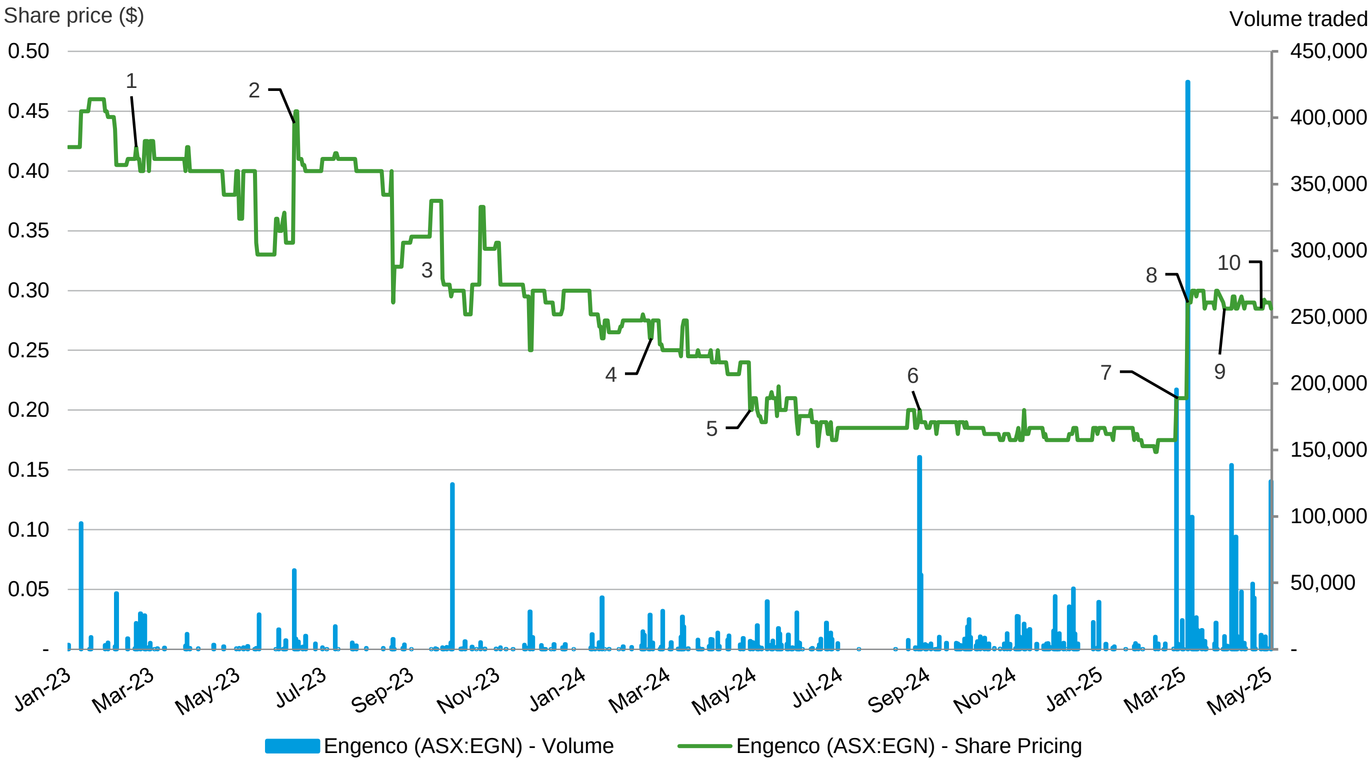
Source: Shareholders register as at 8 April 2025

As set out in the table above, Elph Investments currently holds a 37.10% direct interest in the Company, and Elph holds a direct interest of 31.43% interest in the Company, resulting in Elph Investments (and Elphinstone Group) holding a relevant interest in the Company of 68.53%.

3.8 Share price performance

The figure below sets out a summary of Engenco's closing share prices and volumes traded for the period 4 January 2023 (the first day shares were traded in 2023) to the last practical date shares were traded at the date of this Report, being 5 May 2025.

Figure 2 Engenco daily closing share price and traded volumes



Source: ASX and Capital IQ

Over the period set out above, Engenco Shares traded at a low of $0.165 to a high of $0.460.

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Significant announcements made over the period 4 January 2023 to the date of this Report are summarised in the table below.

Table 16 Summary of recent significant ASX announcements

No	Date	Detail
1	21-Feb-23	Engenco released its FY23 half-yearly report, disclosing a $201k net loss before tax, a significant decline from the $2.62m reported profit a year earlier. Despite a 17.1% revenue increase to $100.1m, the board withheld an interim dividend, citing economic uncertainty.
2	13-Jun-23	Engenco announced that Gemco Rail had partnered with Rio Tinto to establish a facility in Karratha, Western Australia, for the local manufacturing of iron ore rail cars and bearing maintenance. This partnership is expected to construct 100 rail cars over six years, valued at approximately $150m. Gemco Rail will relocate operations from Forrestfield to Karratha to support the manufacture of rail cars and maintenance of bearings for Rio Tinto's fleet. The Karratha facility is expected to be operational by the end of 2024.
3	31-Aug-23	The Company announced strong FY23 results with a 15.1% revenue increase to $217.1m, reflecting higher demand across its operations. Engenco highlighted growth in its Gemco Rail division, including a new partnership with Rio Tinto, and improvements in other business units. A final unfranked dividend of 0.5 cents per share was declared. Challenges included cost pressures, but the Group has focused on improving margins and operational efficiency.
4	22-Feb-24	Engenco announced its FY24 half-yearly results disclosing a growth in revenue of 8% to $108.3m and a significant 515% increase in EBIT to $3.2m compared to the prior year period. The Company reported a net profit after tax of $1.5m, reversing the previous year's loss. Operational improvements were noted, particularly in Drivetrain and Gemco Rail, although Convair faced cost challenges. Cash flow was up, driven by higher margins and reduced working capital.
5	01-May-24	Engenco updated its FY24 outlook, highlighting challenges in its Gemco Rail and Workforce Solutions business streams. The Company announced that Gemco Rail was facing deferred customer maintenance spending, which was expected to continue until FY25, while Workforce Solutions was affected by a shift toward insourced labour and reduced training demand. Despite these challenges, Engenco announced that the Power and Propulsion segment was progressing well, highlighted by Drivetrain's new Mt Isa branch becoming fully operational in April.
6	28-Aug-24	The Company announced its FY24 results, disclosing a slight revenue decline to $214.8m for FY24, with a net profit after tax of $3.9m, down from $5.9m in FY23. Strong growth in the Power and Propulsion stream was offset by challenges in Gemco Rail and Workforce Solutions, impacted by deferred maintenance and softer demand. Operational improvements in Drivetrain and Hedemora were highlighted, along with measures to reduce supply chain costs. A final unfranked dividend of 0.5 cents per share was declared.
7	27-Feb-25	Engenco announced its FY25 half-yearly results, disclosing a decline in revenue to $104.5m but marked improvements in EBIT and net profit after tax. Engenco has projected a stronger performance in the second half of FY25, assuming no material changes to market conditions, with the forecast stronger performance underpinned by ongoing operational optimisation and sustained demand across core sectors including mining, transport, and defence. An interim unfranked dividend of 0.5 cents per share ($0.005) was declared and would be paid on 28 March 2025.
8	07-Mar-25	Announcement of the Offer by Elph Investments. The Company advised shareholders to take no action until Engenco provides further information through a Target's Statement, and that the independent board committee, advised by Baker McKenzie, would evaluate the Offer and inform shareholders of any material developments.
9	07-Apr-25	Bidder's Statement relating to the Offer lodged with ASIC and released on the ASX.
10	28-Apr-25	Elph Investments announced the completion of the dispatch of the Bidder's Statement to Engenco Shareholders as well as the opening of the Offer.

Source: ASX and Capital IQ

4. Profile of the Elphinstone Group

4.1 Overview

The Elphinstone Group is based in Burnie, TAS. The Elphinstone Group is principally focused on Caterpillar production distribution and support, manufacturing, technology, materials handling, rail and resources. In addition to its majority interest in Engenco, the Elphinstone Group owns or holds a majority or substantial interest in:

- William Adams (CAT Dealer Victoria and Tasmania);
- Phu Tai Cat (CAT Dealer in Vietnam)
- Energy Power Systems Australia (CAT Power Systems Dealer for Australasia and PNG)
- United Forklift and Access Solutions;
- Elphinstone Pty Ltd (underground equipment manufacturer);
- Mine Energy Solutions (dual fuel mining equipment);
- Drac Mechanical (power generation solutions);
- Sitech;
- Ultimate Positioning;
- Gekko Systems;
- Gaia EnviroTech.

Dale Elphinstone and Kelly Elphinstone of the Elphinstone Group have maintained their positions on the board of Engenco since July 2010 and 19 September 2022, respectively.

5. Valuation approach

5.1 Valuation methodologies

RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("**DCF**") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

Income based methods

Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("**FME**") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable listed companies.

Asset based methods

Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

5.2 Selection of valuation methodologies

Valuation of a Share prior to the Offer

In assessing the value of an Engenco Share prior to the Offer, we have selected the following valuation methodologies:

- net assets on a going concern methodology (primary methodology);
- quoted market price of listed securities ("**QMP**") (secondary methodology); and
- capitalisation of future maintainable earnings ("**CFME**") (cross check methodology.

Primary methodology – net assets on a going concern basis

In assessing the Fair Value of a Share in Engenco prior to the Offer on a net assets on a going concern basis, we have utilised the Company's consolidated reviewed statement of financial position as at 31 December 2024, adjusted for material pro forma adjustments.

We have adopted the net assets basis as our primary methodology. Due to the capital intensive nature of the Company's operations, its current level of profitability as well as its debt structure, a valuation of Engenco using the CFME methodology results in a valuation that is below the value assessed under the net assets on a going concern basis.

Secondary methodology – quoted market price of listed securities

We have utilised the QMP methodology as a secondary methodology to our primary valuation methodology. The Company's shares are listed on the ASX which means there is a regulated and observable market for the Company's Shares. However, consideration must be given to whether there is adequate liquidity and activity in order to rely on the QMP method.

Notwithstanding the low liquidity of the Company's shares (discussed in further detail in Section 6.2), we have utilised the QMP methodology as a secondary methodology.

Cross-check methodology – CFME

Engenco generated profits over the Historical Period under review and we been provided with the Company's budgeted financial performance and position for FY25.

We therefore consider it reasonable to utilise the CFME methodology in our valuation of an Engenco Share prior to the Offer. However, as noted above, due to the capital intensive nature of the Company's operations, as well as its debt structure, our valuation of Engenco using the CFME methodology results in a valuation that is below the value assessed under the net assets on a going concern basis.

Notwithstanding the above, we have utilised the CFME methodology as a cross check to our primary and secondary valuation methodologies.

We have been provided with forecast financial performance for the four years ending 30 June 2029. Whilst we have been provided with short term and long term financial forecasts, RG 111 states than an expert should not include prospective financial information (including forecasts and projections) or any other statements or assumptions about future matters (together, 'forward-looking information') in its report unless there are reasonable grounds for the forward-looking information. Therefore, to be able to utilise the DCF methodology utilising prospective financial information, in accordance with the requirements of RG111, an expert must conclude that there are reasonable grounds to be able to rely on that prospective financial information.

Regulatory Guide 170 – Prospective financial information ("**RG 170**") gives detailed guidance on what is considered a reasonable basis for stating prospective financial information. While RG 170 is expressed to apply to fundraising documents under Chapters 6 and 7 of the Corporations Act, it provides useful guidance for inclusion of and use of prospective financial information in expert reports.

RG 170 states that indicative factors that may amount to reasonable grounds for stating prospective financial information include when:

- the information relates to options on forward-sales contracts or leases that lock in future expenses and revenue;
- the information is underpinned by independent industry experts' reports and/or independent accountants' reports; and
- the information includes reasonable short-term estimates (not exceeding two years).

Having regard to RG 170, given the volatility of the industries in which Engenco operates, and the number of assumptions inherent within the financial forecasts of Engenco around future growth opportunities, we do not consider there are sufficiently reasonable grounds to rely on the financial forecasts under the requirements of RG111 and, therefore, have not utilised the DCF methodology to value Engenco.

6. Valuation of Engenco prior to the Offer

6.1 Net assets on a going concern methodology

As set out in Section 5, we have assessed the Fair Value of an Engenco Share prior to the Offer on a net assets as a going concern basis as our primary methodology.

Our assessment of the Fair Value of Engenco's net assets prior to the Offer is set out in the table below, based on the consolidated reviewed statement of financial position as at 31 December 2024.

Table 17 Assessed Fair Value of an Engenco Share on a net assets basis (control basis)

Consolidated statement of financial position ($'000)	As at 31-Dec-24	Adj.	Assessed Value prior to Offer
Current assets			
Cash and cash equivalents	12,417	(1,940)	10,477
Trade and other receivables	41,698	-	41,698
Contract assets	7,512	-	7,512
Inventories	65,419	-	65,419
Other current assets	1,948	-	1,948
Financial assets	18	-	18
Total current assets	**129,012**	**(1,940)**	**127,072**
Non-current assets			
Property, plant and equipment	26,228	-	26,228
Right-of-use assets	19,850	(19,850)	-
Deferred tax assets	14,427	-	14,427
Intangible assets	3,362	(3,362)	-
Total non-current assets	**63,867**	**(23,212)**	**40,655**
Total assets	**192,879**	**(25,152)**	**167,727**
Current liabilities			
Trade and other payables	24,278	-	24,278
Contract liabilities	28,865	-	28,865
Lease liabilities	4,994	(4,994)	-
Short-term borrowings	1,417	-	1,417
Provisions	9,479	-	9,479
Total current liabilities	**69,033**	**(4,994)**	**64,039**
Non-current liabilities			
Lease liabilities	16,634	(16,634)	-
Long-term borrowings	5,833	-	5,833
Provisions	3,056	-	3,056
Total non-current liabilities	**25,523**	**(16,634)**	**8,889**
Total liabilities	**94,556**	**(21,628)**	**72,928**
Net assets	**98,323**	**(3,524)**	**94,799**
Add back: non-controlling interests	5,829	-	5,829
Assessed Fair Value of net assets attributable to members of the Group	**104,152**	**(3,524)**	**100,628**
Number of shares on issue ('000)	315,993	-	315,993
Assessed Fair Value per Share (control basis) ($)	**$0.330**		**$0.318**

Source: RSM analysis and reviewed financial statements

Our assessment has been based on the net assets position of the Company as set out in the reviewed balance sheet as at 31 December 2024, adjusted after consideration of the following.

- We have excluded right-of-use assets and corresponding lease liabilities as we consider that, absent of any impairment of the right-of-use assets, or leases being at non-market rates, a market participant would value the right-of-use assets and corresponding lease liabilities at the same value;
- Intangible assets primarily comprised goodwill and other intangible assets acquired as part of business combinations, less accumulated amortisation. We have adjusted the balance sheet for the carrying value of these intangible assets as we consider that a third party acquirer would not attribute value to these capitalised intangible assets;
- We have assumed the current carrying value of property plant and equipment is reflective of the Fair Value of these assets noting that:
  - the Karratha property has been recently acquired;
  - we have reviewed the depreciation rates being applied to plant and equipment for reasonableness and consider that the rates are reflective of standard market practices; and
  - Engenco is required to assess its assets for any impairment indicators as part of its 31 December 2024 interim financial statements.
- We note that on 7 March 2025, the Company announced a dividend of 0.5 cents per share would be paid on 28 March 2025. Under the terms of the Offer, the Offer Price will not be adjusted for this dividend. We have adjusted for the $1.58m in dividends paid in our valuation through an adjustment to cash.
- We have also included a decrease in net assets, through a decrease in cash to account for the estimated net losses after tax generated between 31 December 2024 and 30 April 2025 of $360k, having regard to actual results reported in Engenco's management accounts for the four months ended 30 April 2025. The losses disclosed for the four months ended 30 April 2025 were attributed primarily to:
  - lower than forecast capital wagons and bearings sales by Gemco Rail, with deferral of capital wagon sales to May and June 2025, and deferral of bearings revenue forecast for April to FY26;
  - an unrealised foreign exchange loss for Gemco Rail related to the revaluation of US$ funds held on deposit as a natural hedge for payments denominated in US$ associated with capital wagons; and
  - lower than forecast CERT and Momentum revenue.
- Notwithstanding the net losses disclosed for the four months to 30 April 2025, Engenco expects to generate net profits after tax reasonably in line with that disclosed for FY24.

We also note that Engenco disclosed deferred tax assets of $14.4m at 31 December 2024 of which circa $8.7m related to carried forward unutilised tax losses. We have not adjusted for these tax losses carried forward on the basis that the Company is profitable and expects to be able to utilise these tax losses.

Conclusion

Based on the above, our assessed Fair Value of a Share in the Company prior to the Offer (on a control basis) is $0.318.

The net assets on a going concern methodology represents the value of a controlling shareholding. Accordingly, we consider no further premium is considered necessary to assess the value of Engenco prior to the Offer.

6.2 Quoted market price of listed securities (secondary methodology)

In order to provide a comparison to our valuation of an Engenco Share under the net assets on a going concern methodology, we have considered the recent quoted market price of the Company's shares.

RG 111.62 indicates that in order for the quoted market share price methodology to represent a reliable indicator of Fair Value, there needs to be an active and liquid market for the securities. The following characteristics may be considered to be representative of a liquid and active market:

- regular trading in the company's securities;
- approximately 1% of a company's securities traded on a weekly basis;
- the bid/ask spread of a company's shares must not be so great that a single majority trade can significantly affect the market capitalisation of the company; and
- there are no significant but unexplained movements in share price.

To provide further analysis of the quoted market prices for the Company's shares, we have considered the Volume Weighted Average Price (VWAP) for the 5, 10, 30, 60, 90, 120, and 180 calendar days, as summarised in the table below.

Table 18 VWAP of Engenco Shares

Calendar days	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %	Percentage of free float %
5 days	0.210	0.210	2	105,314	22,116	0.210	0.03%	0.11%
10 days	0.175	0.210	5	1,059,072	222,304	0.210	0.34%	1.07%
30 days	0.165	0.210	9	1,167,719	240,738	0.206	0.37%	1.17%
60 days	0.165	0.210	17	1,266,907	258,450	0.204	0.40%	1.27%
90 days	0.165	0.210	27	2,120,751	414,955	0.196	0.67%	2.13%
120 days	0.165	0.210	43	3,079,789	588,095	0.191	0.97%	3.10%
180 days	0.165	0.210	71	4,004,419	757,831	0.189	1.27%	4.03%

Source: S&P Capital IQ
Note - free float excludes shares held by Elph Investments Pty Ltd and Elph Pty Ltd

As set out in the table above, the Company's shares traded at between $0.165 to $0.210 over the 180-day period prior to 7 March 2025 and the VWAP ranged from $0.189 to $0.210 over the same period.

We note the following:

- during the 180 days leading up to 7 March 2025, being the date that Elph Investments announced its intention to make an off-market takeover of the Company, 1.27% of the issued capital and 4.03% of the free float of Engenco was traded, and in the 90 days leading up to 7 March 2025, 0.97% of the issued capital and 2.13% of the free float was traded;
- shares were traded on 70 days in the 180-day period leading up to 7 March 2025;
- the bid/ask spread is often used to measure efficiency. For the 180-day period, the closing bid/ask spread of Engenco averaged 7.6% of the midpoint price. On the basis that, over a comparable period, all stocks trading on the ASX had an effective average bid-ask spread of 0.1570[1]%, we consider the bid/ask spread of the Company to be large; and
- notwithstanding the low levels of liquidity, the Company complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Engenco.

Based on the recent trading in the Company's shares, we have assessed the value of a Share on a minority interest (non-controlling interest) basis to be $0.210.

[1] Equity market data for the quarter ended 31 March 2025 - ASIC

Premium for control

Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Consequently, earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

As we consider that the Offer represents a control transaction, in assessing the value of a Share, we have applied a premium for control.

RSM has conducted a study on 605 takeovers and schemes of arrangements involving companies listed on the ASX over the 15.5 years ended 31 December 2020 ("**RSM Control Premium Study 2021**"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer.

The table below sets out a summary of average control premiums of the RSM Control Premium Study.

Table 19 RSM Control Premium Study

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium - all industries	**605**	**34.7%**	**29.2%**	**27.1%**
Average - Industrials	**60**	**36.1%**	**27.3%**	**24.7%**

Source: RSM Control Premium Study 2021

Based on the above and having regard to the current gearing structure of the Company, we consider that a control premium at the equity level in the range of 25% to 30% is appropriate.

Conclusion

The table below sets out our assessment of the Fair Value of an Engenco Share on a controlling basis utilising the QMP methodology.

Table 20 Assessed value of an Engenco Share – QMP

	Low	High	Preferred
Quoted price of listed securities - secondary method	$0.21	$0.21	$0.21
Control premium (%)	25.0%	30.0%	27.5%
Assessed Value per Share (controlling basis)	**$0.263**	**$0.273**	**$0.268**

Source: RSM analysis

As set out above, we have assessed the value of an Engenco Share on a control basis using the QMP method to be in the range of $0.263 to $0.273, with a preferred value of $0.268.

6.3 Capitalisation of Future Maintainable Earnings methodology (cross check)

As set out in Section 6 of this Report, we have utilised the CFME methodology as our cross check valuation methodology as Engenco generated profits over the Historical Period.

Estimation of FME

Due to the relatively capital intensive nature of Engenco (and comparable listed companies), we have adopted EBIT as our earnings measure in our assessment of FME, and accordingly, have utilised comparable listed EBIT multiples in our assessment of a suitable EBIT multiple to apply to the assessed FME.

We have adopted EBIT as the primary measure of the earnings because it allows us to compare the business' earnings to other comparable companies without the influence of differing capital structures.

In determining the future maintainable earnings (FME) of Engenco, we have considered whether adjustments are required to be made to "normalise" those earnings through excluding items not related to normal operations.

The table below sets out our assessment of material adjustments to reported EBIT for the Historical Period.

Table 21 Normalisation adjustments

Normalisations	FY22	FY23	FY24	HY25
Unadjusted EBIT	5,685	7,398	7,564	4,351
Add back:				
Impairment of property, plant and equipment	1,649	-	-	-
Impairment of inventory	-	2,729	-	-
Deduct:				
Insurance claim for Gemco Rail's Gladstone workshop	-	(1,376)	(1,148)	-
Adjusted EBIT	**7,334**	**8,751**	**6,416**	**4,351**

Source: Audited and reviewed financial statements, RSM analysis

Based on the above, our assessment of the Company's adjusted EBIT is $7.3m, $8.8m, and $6.4m for FY22, FY23 and FY24, respectively, and $4.4m for HY25. We have also considered the Company's FY25 budget in our assessment of FME noting that in line with RG111, we have not included details of this prospective financial information in our report.

We consider an FME of $8.5m to be suitable in our valuation of Engenco prior to the Offer.

Assessment of earnings multiple

The earnings multiple applied in a valuation based on maintainable earnings must reflect, as a minimum, the risks of the business, the future growth prospects of the business and the time value of money.

In selecting an appropriate capitalisation multiple to value Engenco we have reviewed trading multiples of listed companies which are operating in comparable sectors as Engenco.

Comparable listed companies

The table below sets out the implied EBIT multiples of the comparable listed companies, which is based on the Enterprise Value ("**EV**") of the companies as at 5 May 2025 and their last twelve months ("**LTM**") and next twelve months ("**NTM**") EBIT, respectively.

A business description for each comparable listed company considered is outlined in Appendix 4.

Table 22 Comparable listed company trading multiples

Ticker	Company Name	Country	Market Capitalisation $'M	Enterprise Value $'M	Revenue LTM $'M	EBIT LTM $'M	EBIT NTM $'M	EV/EBIT Multiple LTM	EV/EBIT Multiple NTM
ASX:AAL	Alfabs Australia Limited	Australia	108.9	125.7	91.3	13.3	34.7	9.5x	3.6x
NYSE:ALSN	Allison Transmission Holdings, Inc.	United States	12,830.1	15,373.8	5,134.1	1,627.5	1,559.5	9.8x	9.9x
ENXTPA:ALO	Alstom SA	France	17,384.9	20,676.0	28,876.6	865.4	2,332.1	22.4x	8.9x
ASX:ANG	Austin Engineering Limited	Australia	248.2	276.9	342.9	35.8	52.5	7.7x	5.3x
NYSE:CYD	China Yuchai International Limited	Bermuda	957.2	829.2	4,235.9	112.4	162.6	6.4x	5.1x
NasdaqGS:CVGI	Commercial Vehicle Group, Inc.	United States	45.6	261.4	1,168.9	14.6	10.9	18.8x	24.0x
NYSE:CMI	Cummins Inc.	United States	64,308.2	74,156.8	54,312.0	7,046.9	7,016.5	10.9x	10.6x
ASX:DOW	Downer EDI Limited	Australia	3,815.1	4,934.5	10,638.6	303.7	477.9	15.3x	10.3x
XTRA:HOT	HOCHTIEF Aktiengesellschaft	Germany	22,876.7	25,972.2	55,711.3	942.1	2,511.8	21.9x	10.3x
NYSE:OSK	Oshkosh Corporation	United States	8,908.8	10,866.2	16,834.4	1,560.1	1,537.8	7.2x	7.1x
NasdaqGS:PCAR	PACCAR Inc	United States	72,521.3	84,271.0	51,887.9	7,144.1	4,614.7	12.2x	18.3x
NYSE:REVG	REV Group, Inc.	United States	2,844.3	3,060.2	3,719.0	196.4	268.9	16.2x	11.4x
NasdaqGS:SHYF	The Shyft Group, Inc.	United States	490.4	762.0	1,271.3	12.5	57.6	NM	13.2x
NasdaqGS:TWIN	Twin Disc, Incorporated	United States	149.9	203.3	517.0	20.5	23.0	10.3x	8.8x
NYSE:WAB	Westinghouse Air Brake Technologies Corporation	United States	50,423.4	56,088.3	16,835.7	2,796.3	3,360.8	20.8x	16.7x
ASX:SGI	Stealth Group Holdings Ltd	Australia	97.1	118.6	128.7	5.0	8.0	23.7x	14.8x
SGX:5GJ	AusGroup Limited	Singapore	30.5	111.9	245.1	(14.9)	N/a	NM	N/a
ASX:EGN	Engenco Limited	Australia	90.1	100.7	211.3	7.5	N/a	13.4x	N/a
	Min		**30.5**	**100.7**	**91.3**	**(14.9)**	**8.0**	**6.4x**	**3.6x**
	Max		**72,521.3**	**84,271.0**	**55,711.3**	**7,144.1**	**7,016.5**	**23.7x**	**24.0x**
	Mean		**14,340.6**	**16,566.0**	**14,009.0**	**1,260.5**	**1,501.8**	**14.2x**	**11.1x**
	Median		**1,900.8**	**1,944.7**	**3,977.5**	**154.4**	**373.4**	**12.8x**	**10.3x**
Selected	**Min**		**30.5**	**100.7**	**128.7**	**(14.9)**	**8.0**	**6.4x**	**5.1x**
	Max		**72,521.3**	**84,271.0**	**55,711.3**	**7,144.1**	**7,016.5**	**23.7x**	**18.3x**
	Mean		**16,123.5**	**18,612.6**	**15,681.4**	**1,416.3**	**1,713.1**	**14.2x**	**10.8x**
	Median		**3,329.7**	**3,997.3**	**4,685.0**	**250.1**	**1,007.9**	**12.8x**	**10.3x**

Source: S&P Capital IQ
** Companies highlighted in grey have been excluded as outliers*
*** Engenco detail highlighted in green has been included for comparative purposes – we note this is largely reflective of the Offer Price*
NM – Not meaningful
N/a – Not applicable

In assessing the EBIT multiple to be applied, we have considered the following:

- the comparable listed company historical EBIT multiples (on a minority interest basis and excluding outliers) range from 6.4 to 23.7, with a mean EBIT multiple of 14.2 and a median EBIT multiple of 12.8; and
- the comparable listed company forecast EBIT multiples (on a minority interest basis and excluding outliers) range from 5.1 to 18.3, with a mean EBIT multiple of 10.8 and a median EBIT multiple of 10.3.

Selection of earnings multiple

Having regard to the above, we have assessed an appropriate comparable listed companies EBIT multiple to be 11.0 times (on a minority interest basis).

We note that a number of the listed comparable companies are significantly larger than Engenco with more diversified revenue streams and greater liquidity in traded shares. Accordingly, we have adjusted our assessed EBIT multiple for size and marketability risks as set out in further detail below.

Premium for control

As set out in Section 6.2, having regard to the current gearing structure of the Company, we consider that a control premium at the equity level in the range of 25% to 30% is appropriate. In considering an appropriate control premium to be applied to the observed multiples, we have considered that the multiples are based on Enterprise Value (i.e. debt free, cash free basis). At an Enterprise Value level, control premiums will generally be lower (as a percentage) than the premium calculated at the equity level.

For the purposes of this report and having regard to the net debt position of Engenco, which includes lease liabilities as a debt-like item, we have adopted a control premium of 20% to 25% at the Enterprise Value level.

Discount for size and other factors

The discount for size and other factors reflects specific risk factors of the business. In considering the appropriate adjustment, we have considered:

- Engenco is smaller than the majority of the listed comparable companies selected;
- as a smaller entity, Engenco inherently carries greater risk factors than the comparable listed companies due to its smaller and less diversified revenue streams; and
- Engenco's historical earnings have been subject to volatility.

Specific growth opportunities

Notwithstanding the discount for size and other factors summarised above, in considering our assessed multiple below we have also had regard to Engenco's earnings growth opportunities, which would offset the above discount to some degree, including:

- the expected establishment of a new rollingstock and rotables[2] maintenance facility in Karratha in partnership with Rio Tinto to bring local iron ore rail car manufacturing and bearing maintenance to the Pilbara region in Western Australia with expected completion in mid to late 2025;
- contracts to provide rollingstock ore wagons and associated maintenance services to BHP Billiton, Rio Tinto and other customers; and
- opportunities not currently included in the Company's current five-year strategic plan but have the potential to positively impact earnings, including potential projects in the renewable energy sector, and potential expansion of parts in North America.

On the above basis, we have determined a discount for size and other factors to be applied to our selected EBIT multiple of 20% to be appropriate.

The table below sets out a summary of our EBIT multiple calculation.

Table 23 Assessed EBIT multiple (control basis)

Assessed EBIT multiple	Low	High	Midpoint
Comparable listed multiple	11.0x	11.0x	11.0x
Control premium	20.0%	25.0%	22.5%
	13.2x	**13.8x**	**13.5x**
Less discount for size and other factors	-20.0%	-20.0%	-20.0%
Assessed EBIT multiple (control basis)	**10.56x**	**11.0x**	**10.78x**
Say	**10.50x**	**11.0x**	**10.75x**

Source: RSM analysis

We have assessed an appropriate EBIT multiple (on a control basis) is in the range of 10.5 to 11.0 times, with a midpoint of 10.75 times.

Assessment of surplus or deficiency of assets

When using earnings or discounted cash flow-based valuation methodologies, if a business has assets that do not contribute to the operating cash flows of the core business, then the value of these surplus assets net of any realisation costs and tax payable on realisation, should be added to the value of the business determined using the earnings or cash flow methodology. Conversely, any deficiency of assets should be deducted from the value of the business.

Based on our review of the Company's historical financial statements, we do not consider that there are assets surplus to the company's operations, or conversely, an asset deficiency.

On 7 March 2025, the Company announced a dividend of 0.5 cents per share would be paid on 28 March 2025. Under the terms of the Offer, the Offer Price will not be adjusted for this dividend. We have adjusted for the $1.58m of dividends payable in our valuation.

Adjustment for net debt

As set out in Section 3.6, Engenco disclosed net debt of $25.1m at 31 December 2024. We have deducted this net debt from Engenco's Enterprise Value to derive the Equity Value.

[2] Refers to reusable components and in the context of Engenco's operations, includes components such as rail wheelset and bogie maintenance.

We have also adjusted the Equity Value for estimated net losses incurred of $360k between 31 December 2024 and the date of this report, having regard to actual results reported in Engenco's management accounts for the four months ended 30 April 2025.

Conclusion

The table below sets out our assessment of the Equity Value of a 100% interest in Engenco under the CFME methodology, as well as the value of an Engenco Share prior to the Offer.

Table 24 Assessed value of an Engenco Share - CFME methodology

Valuation summary ($'000)	Low	High	Midpoint
Future maintainable earnings - EBIT	8,500	8,500	8,500
Assessed EBIT multiple	10.50x	11.00x	10.75x
Enterprise Value (control basis)	**89,250**	**93,500**	**91,375**
Less: net debt	(25,063)	(25,063)	(25,063)
Add: estimated net losses from 1-Jan-25 to 30-Apr-25	(360)	(360)	(360)
Less: dividends paid	(1,580)	(1,580)	(1,580)
Equity Value (100% interest)	**62,247**	**66,497**	**64,372**
Number of Shares ('000)	315,993	315,993	315,993
Fair Value per Share (CFME methodology) ($)	**$0.197**	**$0.210**	**$0.204**

Source: RSM analysis

As set out above, we have assessed the value of an Engenco Share on a control basis using the CFME method to be in the range of $0.197 to $0.210, with a preferred value of $0.204.

As set out in Section 5, due to the capital intensive nature of the Company's operations, as well as its debt structure, our valuation of Engenco using the CFME methodology results in a valuation that is significantly below the values assessed under the net assets on a going concern and QMP methodologies.

Accordingly, we consider that our assessment of the value of an Engenco Share using the CFME methodology is not reflective of Fair Value.

6.4 Valuation summary and conclusion

A summary of our assessed values of an Engenco Share on a controlling basis prior to the Offer derived under the net assets on a going concern and the quoted market price of listed securities methodologies is set out in the table below.

Table 25 Engenco valuation summary

Valuation summary	Low	High	Preferred
Net assets on a going concern - primary methodology	**$0.318**	**$0.318**	**$0.318**
Quoted market price of listed securities - secondary methodology	$0.263	$0.273	$0.268

Source: RSM analysis

In our opinion, we consider the net assets on a going concern basis provides a better indicator of the Fair Value of an Engenco Share as we consider our analysis of the trading of the Company's Shares prior to the announcement of the Offer indicates that the market for Engenco's Shares is not deep enough to provide an assessment of Fair Value under the QMP methodology.

Therefore, in our opinion, the Fair Value of an Engenco Share prior to the Offer is $0.318.

7. Is the Offer Fair to Non-Associated Shareholders?

RG 111 defines a takeover offer as being fair if the value of the consideration offered under the takeover offer is equal to or greater than the value of the securities being the subject of the offer.

In assessing whether we consider the Offer to be fair to Non-Associated Shareholders, we have valued a Share in the Company prior to the Offer and compared it to the value of the Offer Price to determine if a Shareholder would be better or worse off should the Offer be accepted.

Our assessed values are summarised in the table below.

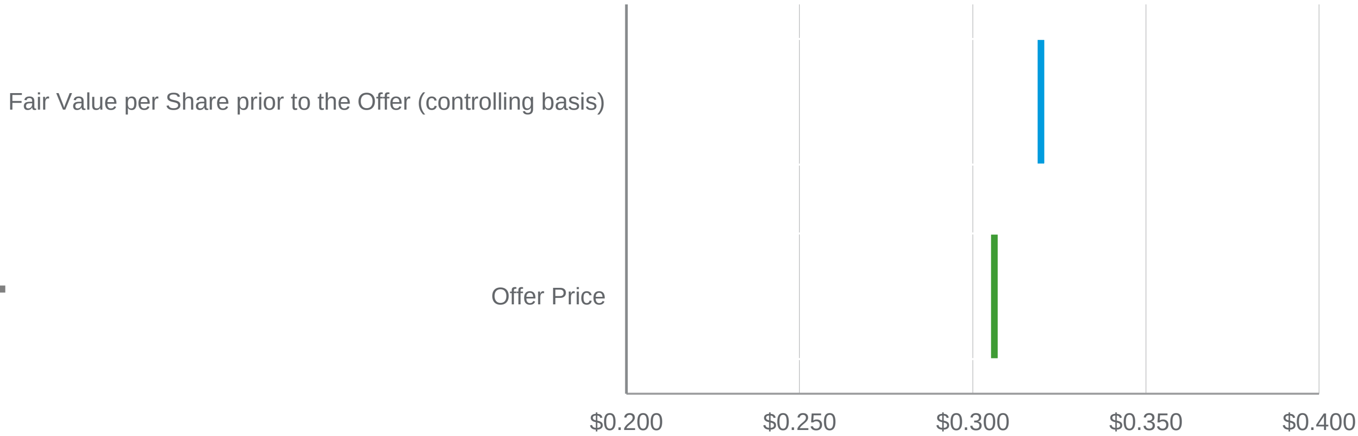
Table 26 Valuation summary

Fair Value per Share prior to the Offer (controlling basis)	**$0.318**
Offer Price	**$0.305**

Source: RSM analysis

The above comparison is depicted graphically below.

Figure 3 Valuation summary



Source: RSM analysis

In our opinion, as the Fair Value of a Share in Engenco prior to the Offer (on a controlling basis) is greater than the Offer Price, we consider the Offer is **not fair** to Non-Associated Shareholders.

Our concluded Fair Value per Share prior to the Offer (controlling basis) of $0.318 per Share, has been assessed on a net assets on a going concern basis based primarily on the reviewed financial statements of the Company for the half-year ended 31 December 2024. We consider the net assets basis provides the best representation of the Fair Value per Share due to the capital intensive nature of the Engenco's operations, having regard to Engenco's current profitability and also having regard to the low liquidity of Engenco shares.

Given we have utilised the net assets on a going concern basis approach as the basis for the assessment of the Fair Value per Share, we have derived a single dollar value for the Fair Value of a Share in Engenco. Non-Associated Shareholders should note that the value of securities is subject to uncertainty and volatility and, therefore, in the absence of adopting the net assets on a going concern basis, the Fair Value of a Share in Engenco would normally be assessed as a range of values.

As set out in Section 6.2 (Table 20), we assessed the Fair Value of an Engenco Share using the quoted market price of listed securities ("**QMP**") method (on a controlling basis) to be in the range of $0.263 to $0.273, with a preferred value of $0.268. We note that the Offer would be fair if the values derived under the QMP method were used.

We consider that the difference between our assessed Fair Value per share using the net assets on a going concern basis approach and the assessed Fair Value per share using the QMP approach is likely representative of discounts for lack of marketability priced by market participants into the listed share price of Engenco, given the low level of liquidity evidenced in the historical share trading of Engenco shares.

It should be noted that our valuation of a Share prior to the Offer does not necessarily reflect the price at which Engenco Shares will trade if the Offer is not accepted. The price at which Shares will ultimately trade depends on a range of factors including the liquidity of Engenco shares, macroeconomic conditions, the underlying success of the Company's trading operations, and the supply and demand for the Company's shares.

8. Is the Offer Reasonable to Non-Associated Shareholders

RG 111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Offer, we have considered:

- the future prospects of Engenco if the Offer does not proceed;
- the response of the market to the Offer;
- other commercial advantages and disadvantages to Non-Associated Shareholders as a consequence of the Offer proceeding;
- Elph Investments and its associates pre-existing shareholding in the Company;
- any special value of the target to the bidder; and
- alternative proposals to the Offer.

8.1 Future prospects of Engenco if the Offer does not proceed

If the Offer does not proceed, Non-Associated Shareholders will remain as minority shareholders in the Engenco and there is a risk that the liquidity of Engenco Shares may be reduced further.

8.2 Advantages and disadvantages

In assessing whether Non-Associated Shareholders are likely to be better off if the Offer proceeds than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to Non-Associated Shareholders.

8.3 Advantages of the Offer

The advantages of the Offer are set out in the table below.

Table 27 Advantages of the Offer

Advantage	Details
Realisation of value in the form of cash	As the Offer Price is for 100% cash consideration, it provides Non-Associated Shareholders who accept the Offer with certainty of value and removes the risks and uncertainties of remaining an Engenco Shareholder, including: ▪ the Company's ability to achieve its growth and profitability targets; ▪ potential competitive threats and potential adverse shifts in the market for Engenco's products and services; and ▪ general and macroeconomic conditions. Historically, the liquidity of Engenco's shares have been low, with 0.7% of issued capital traded in the 90-days pre-announcement of the Offer. Depending on the size of a Non-Associated Shareholder's stake, in the absence of the Offer, the level of liquidity of Engenco Shares may be an impediment to crystallising a Non-Associated Shareholder's interest for a consideration that is above the current trading price of c. $0.29, and above the recent trading price of Engenco Shares prior to the announcement of the Offer.
Exit opportunity for minority shareholders	The Offer provides the Shareholders with the opportunity to exit all or part of their investment in the Company. Non-Associated Shareholders who accept the Offer will mitigate the risk of being a minority shareholder with a limited collective ability to influence decisions.
Reduction of costs to realise investment	Participating Shareholders will not have to pay brokerage or appoint a stockbroker to sell their Shares pursuant to the terms of the Offer.

Guaranteed liquidity event	If Elph Investments reaches a relevant interest of less than 92.13% under the Offer, or a relevant interest of less than 90%, it will remain entitled to increase its interest in Engenco under the 'creep' provisions of the Corporations Act. To the extent Elph Investments continues to grow its interest in Engenco, this will further reduce the free float of the Company and would likely impact on future liquidity on Engenco's share price. The level of Elph Investments' interest in Engenco may result in further decreased liquidity in Engenco shares and the continuing presence of a controlling shareholder may impact the market's appetite for Engenco shares at the current price. The Offer provides Non-Associated Shareholders with a guaranteed liquidity option, and the opportunity to mitigate the risk of further reduced liquidity of Engenco Shares should Elph Investments' interest in Engenco increase.

8.4 Disadvantages of the Offer

The disadvantages of the Offer are set out in the table below.

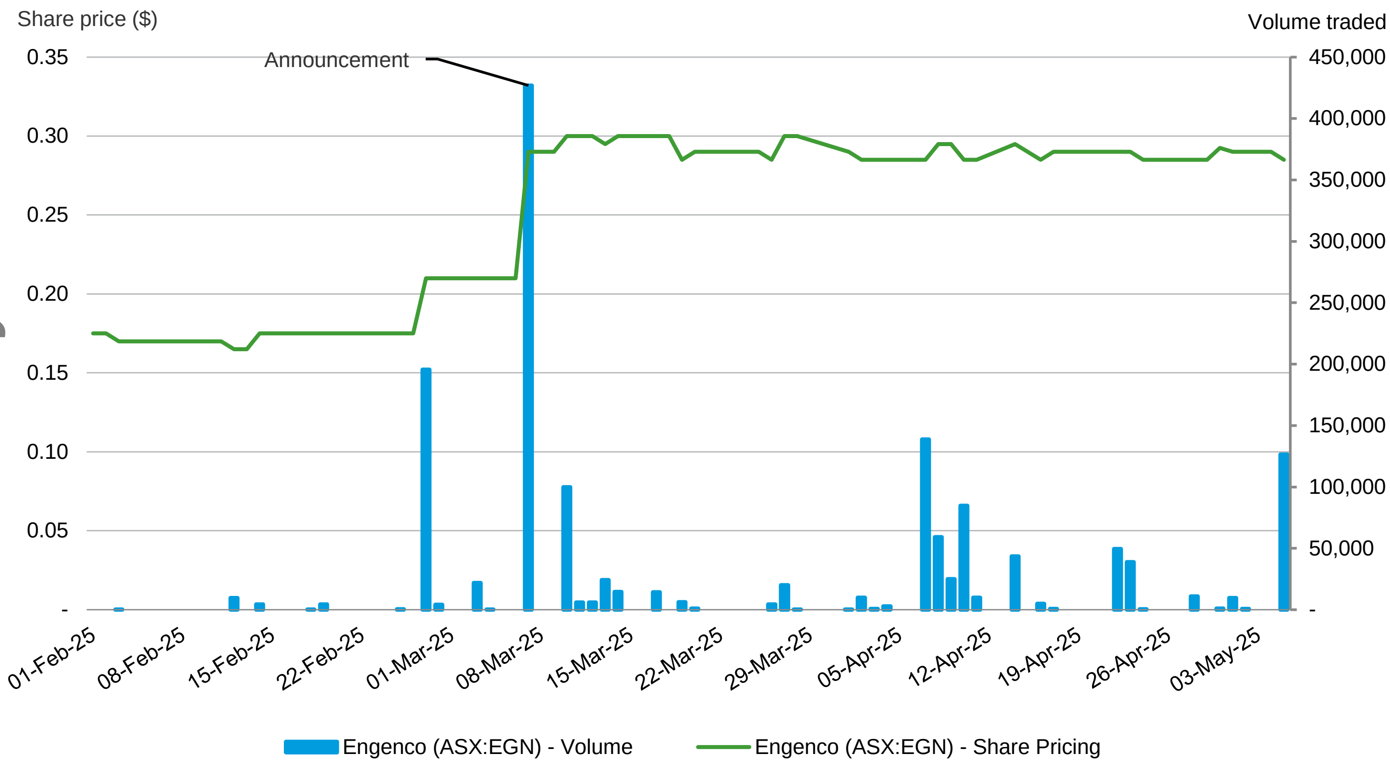
Table 28 Disadvantages of the Offer

Disadvantage	Details
The Offer is not fair	As set out in Section 7 of this Report, the Offer is not fair.
Forego or reduce potential to benefit in any upside in future value of the Company	Shareholders who sell their Shares under the Offer will forego any benefits of remaining a holder of Shares. This includes, for example, the right to benefit from any future value realisation by the Company and the right to exercise any vote on resolutions considered by members at general meeting.
Potential tax considerations	Acceptance of the Offer and the disposal of Engenco Shares will trigger a CGT event for Non-Associated Shareholders. The tax implications will vary between Non-Associated Shareholders depending on their personal circumstances and, therefore, individual taxation advice should be obtained.
Change in investment profile	Acceptance of the Offer may result in disadvantages to those who wish to maintain their current investment profile. Engenco Shareholders who wish to maintain their investment profile may find it difficult to identify an investment with a similar profile to that of Engenco and may incur transaction costs in undertaking a new investment.
Loss of potential superior proposal	Notwithstanding the significant impediment given Elph Investments' and its associates' significant shareholding in Engenco, it is possible that a superior proposal which is more attractive for Non-Associated Shareholders than the Offer, may be made in the future. We are not aware of any superior proposal as at the date of this Report.

8.5 Trading in Engenco Shares following the announcement of the Offer

Elph Investments' intention to make a takeover offer of the Company was announced on 7 March 2025. A graph of the closing share price in the month prior to the announcement of the Offer and the period following the announcement to the date of this Report is set out below.

Figure 4 Engenco Share price and volumes traded pre and post announcement of the Offer



Source: Capital IQ

The share price closed at $0.290 on the day of Elph Investments' announcement of the intention to make a takeover offer of the Company, and in the period since has traded in the range of $0.285 to $0.300.

The table below sets out the VWAP of Engenco from 7 March 2025 to 5 May 2025 (being the last practical date shares were traded at the date of this Report).

Table 29 VWAP post announcement of the Offer

	Share price Low $	Share price High $	No. of days traded	Volume traded	Value traded $	VWAP $	Percentage of issued capital %
Calendar days prior to 7-Mar-25							
5 days	0.210	0.210	2	105,320	22,117	0.210	0.03%
10 days	0.175	0.210	5	1,059,080	222,305	0.210	0.34%
30 days	0.165	0.210	9	1,167,730	240,740	0.206	0.37%
60 days	0.165	0.210	17	1,266,910	258,451	0.204	0.40%
90 days	0.165	0.210	27	2,120,760	414,957	0.196	0.67%
Calendar days from 7-Mar-25							
60 days	0.285	0.300	32	2,749,840	801,729	0.292	0.87%

Source: Capital IQ

The VWAP of Engenco's Shares for the period after the announcement was $0.292, c. 39% higher than the 5-day and 10-day VWAP prior to the announcement of $0.210, and c. 42% higher than the 30-day VWAP of $0.206.

Based on the above, notwithstanding the low liquidity of the Company's traded shares, we consider that the market has reacted favourably to the announcement of the Offer.

In the absence of the Offer, there is a risk that the Company's share price will revert back to its pre-offer levels.

8.6 The extent to which Non-Associated Shareholders are receiving a premium for control

As set out in the Fairness opinion section above, we have concluded the Offer is not fair as our assessment of the Fair Value of a Share prior to the Offer on a controlling basis is less than the Offer Price.

Notwithstanding the above, in our assessment of reasonableness, we have considered whether Non-Associated Shareholders are receiving a premium for control by comparing our valuation of an Engenco Share prior to the Offer (on a non-controlling basis) using the QMP method, with the Offer Price.

As set out in Section 6.2 (Table 20), we assessed the value of an Engenco Share using the QMP method (on a non-controlling basis) to be $0.268 at the midpoint value. Accordingly, the Offer Price of $0.305 represents an implied control premium of 45% over the Company's VWAP prior to the announcement of the Offer, higher than our assessed control premium range of 25% to 30% appropriate for the valuation of a Engenco Share as detailed in Section 6.2.

8.7 Bidder's pre-existing power in securities in the Target

At the date of this Report, Elph Investments and its associates hold a collective voting power of 68.53% in the Company, which gives Elph Investments the ability to block ordinary and special resolutions in the Company. We also consider that this significant shareholding in the Company reduces the likelihood of a takeover offer from a third party.

The Offer will proceed if Elph Investments achieves a 92.13% relevant interest in Engenco, which will entitle Elph Investments to issue compulsory acquisition notices to acquire the remaining shares in Engenco as part of the takeover offer process under Section 661A of the Corporations Act.

To the extent that Elph Investments waives the 92.13% relevant interest condition precedent to the Offer and achieves a relevant interest in Engenco of 90% or more (in reality meaning acceptances taking Elph Investments' relevant interest in Engenco to between 90% and 92.13%), Elph Investments will be entitled to exercise general compulsory acquisition rights in relation to Engenco Shares under Part 6A.2 Division 1 of the Corporations Act, being a different compulsory acquisition process to the compulsory acquisition power granted under Section 661A of the Corporations Act. Elph Investments will have six months from the date it becomes a 90% holder of Engenco Shares to give compulsory acquisition notices to the remaining holders of Engenco Shares under Part 6A.2 Division 1 of the Corporations Act.

8.8 Any special value of the Target to the Bidder

The Elphinstone Group is principally focused on Caterpillar product distribution and support, manufacturing, technology, materials handling, rail and resources. The Elphinstone Group considers that there are synergistic opportunities that may be realised from incorporating Engenco has a wholly owned member of the Elphinstone Group.

Obtaining control of the Company would allow the Elphinstone Group to direct the operational and funding strategy of Engenco.

8.9 Alternative proposals to the Offer

We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders a greater benefit than the Offer.

8.10 Conclusion on Reasonableness

In our opinion, the position of the Non-Associated Shareholders if the Offer is approved is more advantageous than if the Offer is not approved.

Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is **reasonable** to Non-Associated Shareholders.

We have reached this conclusion having most regard to the following factors:

- the 68.53% interest held in the Company by Elph Investments and its associates prior to the Offer means that Elph Investments has significant influence over the strategic direction of the Company and, therefore, it may be reasonable for Non-Associated Shareholders to accept an Offer that does not provide a full control premium (as compared to our concluded Fair Value of a Share in Engenco);
- using the QMP method, we consider the value of an Engenco Share (on a non-controlling basis) to be $0.210 prior to the Offer. Accordingly, the Offer Price represents an implied control premium of 45% compared to the traded share price immediately prior to the Offer; and
- the lower trading price and low liquidity in trading of Engenco's shares, prior to the Offer.

An individual Shareholder's decision in relation to the Offer may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Appendices

Appendix 1 – Declarations and disclaimers

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Andrew Clifford and Nadine Marke are directors of RSM Corporate Australia Pty Ltd. Both Andrew Clifford and Nadine Marke have extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of Engenco Limited in considering the Offer. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of the Company, and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Clifford, Nadine Marke, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Offer, except that RSM Corporate Australia Pty Ltd are expected to receive a fee in the range of $47,500 to $52,500 excluding GST, based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Shareholders accept the Offer, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd has been involved in the preparation of the Target’s Statement. Accordingly, we take no responsibility for the content of the Target’s Statement.

Appendix 2 – Sources of information

In preparing this Report, we have relied upon the following principal sources of information:

- Draft and final copies of the Target's Statement;
- Copy of the Bidder's Statement
- Audited financial statements of the Company for FY22, FY23 and FY24;
- Reviewed financial statements of the Company for HY25;
- Budget for FY25;
- Forecast financial information for FY26 to FY29;
- Management reporting packs;
- Shareholder registers for the Company;
- ASX announcements;
- IBISWorld;
- S&P Capital IQ (Capital IQ);
- Mergermarket; and
- Discussions with Directors and Management of Engenco.

Appendix 3 – Glossary of terms and abbreviations

Term or Abbreviation	Definition
$, A$ or AUD	Australian dollars
Act or Corporations Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of the ASX as amended from time to time
b	Billions
Bidder's Statement	The document being the statement provided by Elph Investments lodged 7 April 2025 under Part 6.5 Division 2 of the Corporations Act relating to the Offer
Capitalisation of Future Maintainable Earnings (CFME)	A method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalisation rate
CGT	Capital Gains Tax
Company or Engenco	Engenco Limited
Control Basis	As assessment of the Fair Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of the Company
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
EBIT multiple	Enterprise Value divided by EBIT
Elph Investments or the Bidder	Elph Investments Pty Ltd
Elph	Elph Pty Ltd
Enterprise Value or EV	The market value of a business on a cash free and debt free basis
Equity Value	The owner's interest in a company after the addition of all non-operating or surplus assets and the deduction of all non-operating or excess liabilities from the enterprise value
Fair Value or Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FSG	Financial Services Guide
FY	Financial year ended 30 June 20XX
HTD	Hedemora Turbo and Diesel AB
HY25	Half-year ended 31 December 2024
k	Thousands
LTM	Last twelve months
m	Millions
Management	The management of Engenco
Minority or Non-controlling interest	A non-controlling ownership interest, generally less than 50.0% of a company's voting shares

Term or Abbreviation	Definition
Non-Associated Shareholders or Shareholders	Shareholders of the Company other than, or that are associated with Elph Investments, Elph and their associates
NTM	Next twelve months
Offer	The off-market takeover offer made by Elph Investments to acquire all Engenco Shares for the Offer Price
Offer Period	The Offer was opened for acceptance commencing on 28 April 2025 and is expected to remain open until 30 May 2025, unless extended, subject to Elph Investments' right to extend it in accordance with the provisions of the Corporations Act
Offer Price	$0.305 per Share
QMP	Quoted market price of listed securities
RBA	Reserve Bank of Australia
Report or IER	This Independent Expert's Report prepared by RSM Corporate Pty Ltd
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
RG 170	ASIC Regulatory Guide 170 Prospective financial information
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ or Capital IQ	An entity of Standard and Poor's which is a third-party provider of company and other financial information
Share	Ordinary fully paid share in the capital of the Company
Target's Statement	The Target's Statement issued to Engenco Shareholders to which this Report is attached, prepared by Engenco in response to the Bidder's Statement
US$	United States Dollars
VWAP	Volume weighted average share price
WACC	Weighted average cost of capital

Appendix 4 – Comparable company descriptions

Ticker	Company	Business Description
ASX:AAL	Alfabs Australia Limited	Alfabs Australia Limited engages in the mining equipment and engineering business in Australia. It operates through Mining, Engineering, and Other segments. The company offers equipment hire services to operators in the underground black coal mining industry; and supplies mining consumables and spare parts to mining operators, as well as offers repair, maintenance, overhaul, and construction of underground mining equipment. It also provides engineering fabrication, engineering services, protective coatings, forklift, access, logistic, and labour hire services for engineering and site-based maintenance and upgrade projects. In addition, the company offers consumables products, such as construction and drilling consumables, ground-engaging tools, industrial hoses and fittings, lubricants and oils, custom engraved decals, PPE and safety supplies, office stationery and supplies, and commercial and industrial cleaning supplies through retail stores. The company was incorporated in 2024 and is headquartered in Kurri Kurri, Australia.
NYSE:ALSN	Allison Transmission Holdings, Inc.	Allison Transmission Holdings, Inc., together with its subsidiaries, designs, manufactures, and sells fully automatic transmissions for medium- and heavy-duty commercial vehicles and medium- and heavy-tactical U.S. defence vehicles, and electrified propulsion systems worldwide. The company offers transmissions for various applications, including distribution, refuse, construction, fire, and emergency on-highway trucks; school and transit buses; motor homes; energy, mining, and construction off-highway vehicles and equipment; and wheeled and tracked defence vehicles. It provides its transmissions and electric propulsion solutions under the Allison Transmission brand name; and remanufactured transmissions under the ReTran brand name. The company also sells branded replacement parts, support equipment, aluminium die cast components, and other products necessary to service the installed base of vehicles utilizing its solutions, as well as defence kits, engineering services, and extended transmission coverage services to various original equipment manufacturers, distributors, and the U.S. government. The company was formerly known as Clutch Holdings, Inc. Allison Transmission Holdings, Inc. was founded in 1915 and is headquartered in Indianapolis, Indiana.
ENXTPA:ALO	Alstom SA	Alstom SA provides solutions for rail transport industry in Europe, the Americas, Asia and Pacific, the Middle East, Central Asia, and Africa. The company offers rollingstock solutions comprising people movers and monorails, light rails, metros, commuter trains, regional trains, high-speed trains, and locomotives; asset optimisation, cybersecurity, connectivity, digital passenger, and security and city mobility solutions; and signalling products, such as urban, mainline, and freight and mining signalling. It also provides APM, monorail, tram, metro, and main line systems; and tracklaying and track solutions, catenary free and ground feeding solutions, electrification solutions, and electromechanical equipment, as well as cybersecurity solutions. In addition, the company provides maintenance, modernisation, overhaul, parts and repair, and support services. Further, it offers various components, including bogies, motors and generators, friction brakes, switchgears, gearboxes, traction and auxiliary converters, transformers, components propulsion, green traction solutions, interiors and train control and information systems, hydrogen and battery solutions, and dispen dampers. The company was founded in 1928 and is based in Saint-Ouen, France.
ASX:ANG	Austin Engineering Limited	Austin Engineering Limited, together with its subsidiaries, manufactures, repairs, overhauls, and supplies mining attachment products, and other related products and services for the industrial and resources-related business sectors. The company offers mining, excavator, face shovel, front end loader, and stemming buckets; excavators, loaders, and rope shovels. It also offers dippers, wear linear packages, ground engaging tools, and engineered solutions, as well as involved in maintenance and repair services. In addition, the company provides ancillary equipment, such as live and shovel line cable reels, loader mounted cable reels, cable handlers, fork frames, crane jibs, quick couplers, man cages, and other products for mining applications; and underground dump bodies; tyre handlers for surface and underground equipment; and other products for mining applications. Further, it offers on and off site repair and maintenance services to the mining and resources industry, including specialized site machining services, specialized fabrication and welding, specialized machining, on-site machining of ball and crusher mill tyre, manufacturing and supply of pins and bushes, metal spraying – ceramic, plastics, bronze and stainless steel, NDT testing, service and exchange parts, and heavy equipment reclamation services. Austin Engineering Limited operates in the Australia, Chile, the United States, Canada, Indonesia, and internationally. The company was founded in 1982 and is headquartered in Kewdale, Australia.

Ticker	Company	Business Description
NYSE:CYD	China Yuchai International Limited	China Yuchai International Limited, through its subsidiaries, manufactures, assembles, and sells diesel and natural gas engines for trucks, buses and passenger vehicles, marine, industrial, construction, agriculture, and generator set applications in the People's Republic of China and internationally. It operates through two segments, Yuchai and HLGE. The Yuchai segment manufactures on- and off-road powertrain solutions and applications. The HLGE is engaged in hospitality and property development activities. The company provides diesel engines comprising 4- and 6-cylinder diesel engines, high horsepower marine diesel engines, and power generator engines; natural gas engines, methanol combustion engines, diesel power generators, diesel engine parts, and remanufacturing services; as well as plug in hybrid engines, range extenders, power generation powertrains, hybrid powertrains, integrated electric drive axel powertrains, and fuel cell systems. It also offers maintenance and retrofitting services. It distributes its engines directly to auto original equipment manufacturers, agents, and retailers. The company was founded in 1951 and is based in Singapore.
NasdaqGS:CVGI	Commercial Vehicle Group, Inc.	Commercial Vehicle Group, Inc., together its subsidiaries, provides systems, assemblies, and components to the vehicle market and electric vehicle markets; and manufactures customized products in the United States, Mexico, China, the United Kingdom, the Czech Republic, Ukraine, Morocco, Thailand, India, Australia, and internationally. The company operates in three segments: Vehicle Solutions, Electrical Systems, and Aftermarket & Accessories. The Vehicle Solutions segment designs, manufactures, and sells vehicle seats for the vehicle markets, including heavy duty trucks, medium duty trucks, last mile delivery trucks and vans, and construction and agriculture equipment; and plastic and trim components for vehicle markets, medium duty or heavy duty truck markets, and power sports markets. The Electrical Systems segment designs, manufactures, and sells cable and harness assemblies for high and low voltage applications, control boxes, and dashboard assemblies; and markets products for the construction, agricultural, industrial, automotive, truck, mining, rail, marine, power generation, and military/defence industries. The Aftermarket & Accessories segment designs, manufactures, and sells seats and components to the vehicle channels, including original equipment service centres and retail distributors; vehicle accessories, including wipers, mirrors, sensors, and repair products; and office seats and home office furniture. In addition, the company sells its products under the AdvancTEK, KAB Seating, National Seating, Bostrom Seating, Stratos, Moto Mirror, Sprague Devices, and RoadWatch brand names. The company was incorporated in 2000 and is headquartered in New Albany, Ohio.
NYSE:CMI	Cummins Inc.	Cummins Inc. offers various power solutions worldwide. It operates through five segments: Engine, Distribution, Components, Power Systems, and Accelera. The company offers diesel and natural gas-powered engines; and drivetrain systems, including axles, drivelines, brakes, and suspension systems; truck, trailer, on- and off-highway, and other products. It also provides aftertreatment technology and solutions comprising custom engineering systems and integrated controls, oxidation catalysts, particulate filters, and selective catalytic reduction systems, as well as engineered components, including dozers; turbochargers, fuel systems, and valvetrain technologies; electronic control modules, sensors, and supporting software; and automated manual transmissions, dual-clutch transmissions, and automatic transmissions for internal combustion engines. In addition, the company sells and offers support services power generation systems, high-horsepower engines, and heavy-duty and medium-duty engines; offers application engineering services, custom-designed assemblies, and inshop and field-based repair services; and retails and wholesales aftermarket parts. Further, it offers standby and prime power generators, controls, paralleling systems, and transfer switches; turnkey solutions for distributed generation and energy management applications using natural gas, diesel, and newer alternative sustainable fuels; diesel and natural gas high-speed, high-horsepower engines; and A/C generator/alternator products. Additionally, the company provides electrified power systems, including batteries, fuel cells, and electric powertrain technologies, as well as hydrogen production technologies. It sells its products to original equipment manufacturers, distributors, dealers, and other customers. The company was formerly known as Cummins Engine Company and changed its name to Cummins Inc. in 2001. Cummins Inc. was founded in 1919 and is headquartered in Columbus, Indiana.

Ticker	Company	Business Description
ASX:DOW	Downer EDI Limited	Downer EDI Limited operates as an integrated facilities management services provider in Australia and New Zealand. It operates through Transport, Utilities, and Facilities segments. The company offers road network management, routine road maintenance, asset management systems, spray sealing, asphalt laying, and manufacturing and supply of bitumen-based products, asphalt products, landfill diversion solutions, and rollingstock to infrastructure services, as well as building and construction solutions, such as signalling, track and station works, bridges, airports, and roads. It also designs and manufactures life-support services comprising fleet maintenance, operations, and comprehensive overhaul of assets; operates power, gas, water, and telecommunications businesses, which includes planning, designing, constructing, operating, maintaining, managing, and decommissioning of power and gas network assets. In addition, it offers water lifecycle solutions for municipal and industrial water users, including water and wastewater treatment, network construction and rehabilitation services; and end-to-end technology and communications solutions, such as design, civil and network construction, as well as operates and maintains fibre, copper, and radio networks. Further, the company provides outsourced facility services, including technical and engineering services; maintenance and asset management, such as shutdowns, turnaround, and outage delivery; operations maintenance, refrigeration solutions, and ongoing management; and feasibility studies; engineering design; procurement and construction; commissioning and decommissioning services, as well as engages in the design and manufacture of mineral process equipment. Downer EDI Limited was incorporated in 1989 and is headquartered in Sydney, Australia.
XTRA:HOT	HOCHTIEF Aktiengesellschaft	HOCHTIEF Aktiengesellschaft engages in the construction business worldwide. The company operates through HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions. The HOCHTIEF Americas division provides building and transportation infrastructure construction services primarily in the United States and Canada. The HOCHTIEF Asia Pacific division provides construction, mineral processing, engineering, concessions, and operations and maintenance services for the infrastructure, resources, and real estate markets. This division also undertakes public-private partnerships (PPP). The HOCHTIEF Europe develops and realizes concessions and operator projects in the areas of roads and social infrastructure, energy, and digital. HOCHTIEF Aktiengesellschaft was founded in 1873 and is headquartered in Essen, Germany. HOCHTIEF Aktiengesellschaft operates as a subsidiary of ACS, Actividades de Construcción y Servicios, S.A.
NYSE:OSK	Oshkosh Corporation	Oshkosh Corporation provides purpose-built vehicles and equipment worldwide. The company operates through three segments: Access, Defence, and Vocational segment. The Access segment designs and manufactures aerial work platform and telehandlers for use in construction, industrial, and maintenance applications; and towing and recovery equipment, which includes carriers, wreckers, and rotators, as well as provides financing and leasing solutions, including rental fleet loans, leases, and floor plan and retail financing. This segment also offers equipment installation and sale of chassis and service parts. The Défense segment engages in the manufacture and sale of heavy, medium, and light tactical wheeled vehicles and related services for defines. The Vocational segment offers custom and commercial firefighting equipment, fire apparatus, and emergency vehicles, including pumpers, aerial platform, ladder and tiller trucks, and tankers; light, medium, and heavy-duty rescue vehicles; and wildland rough terrain response other emergency response vehicles. This segment also produces and sells aircraft rescue and firefighting vehicles; refuse and recycling collection vehicles and components; and IMT-branded field service vehicles and truck-mounted cranes, frontline communications-branded simulators, command vehicles and other communication vehicles, and front-discharge concrete mixer vehicles. The company sells its products through direct sales representatives, dealers, and distributors. The company was formerly known as Oshkosh Truck Corporation. Oshkosh Corporation was founded in 1917 and is headquartered in Oshkosh, Wisconsin.
NasdaqGS:PCAR	PACCAR Inc	PACCAR Inc designs, manufactures, and distributes light, medium, and heavy-duty commercial trucks in the United States, Canada, Europe, Mexico, South America, Australia, and internationally. It operates through three segments: Truck, Parts, and Financial Services. The Truck segment designs, manufactures, and distributes trucks for the over-the-road and off-highway hauling of commercial and consumer goods. It sells its trucks through a network of independent dealers under the Kenworth, Peterbilt, and DAF nameplates. The Parts segment distributes aftermarket parts for trucks and related commercial vehicles. The Financial Services segment conducts full-service leasing operations under the PacLease trade name, as well as provides finance and leasing products and services to customers and dealers. This segment offers equipment financing and administrative support services for its franchisees; retail loan and leasing services for small, medium, and large commercial trucking companies, as well as independent owners/operators and other businesses; and truck inventory financing services to independent dealers. In addition, this segment offers loans and leases directly to customers for the acquisition of trucks and related equipment. The company manufactures and markets industrial winches under the Braden, Carco, and Gearmatic nameplates. PACCAR Inc was founded in 1905 and is headquartered in Bellevue, Washington.

Ticker	Company	Business Description
NYSE:REVG	REV Group, Inc.	REV Group, Inc., together with its subsidiaries, designs, manufactures, and distributes specialty vehicles, and related aftermarket parts and services in North America and internationally. It operates through two Specialty Vehicles and Recreational Vehicles segments. The Specialty Vehicles segment provides fire apparatus equipment under the Emergency One, Kovatch Mobile Equipment, Ferrara, Spartan Emergency Response, Smeal, Spartan Fire Chassis, and Ladder Tower brand names; ambulances under the American Emergency Vehicles, Horton Emergency Vehicles, Leader Emergency Vehicles, Road Rescue, and Wheeled Coach brand names; and terminal trucks and sweepers under the Capacity and Laymor brand names. The Recreation segment offers motorised and towable RV models under the American Coach, Fleetwood RV, Holiday Rambler, Renegade RV, Midwest Automotive Designs, and Lance Camper brand names; and produces a range of custom moulded fiberglass products. The company sells its products to municipalities, government agencies, private contractors, consumers, and industrial and commercial end users through its direct sales force or dealer network. The company was formerly known as Allied Specialty Vehicles, Inc. and changed its name to REV Group, Inc. in November 2015. REV Group, Inc. was incorporated in 2008 and is based in Brookfield, Wisconsin.
NasdaqGS:SHYF	The Shyft Group, Inc.	The Shyft Group, Inc. engages in the manufacture and assembly of specialty vehicles for the commercial and recreational vehicle industries in the United States and internationally. It operates in two segments, Fleet Vehicles and Services, and Specialty Vehicles. The Fleet Vehicles and Services segment offers commercial vehicles used in the e-commerce/last mile/parcel delivery, beverage and grocery delivery, laundry and linen, mobile retail, and trades and construction industries. This segment markets its commercial vehicles, including walk-in vans, cutaway vans, and truck bodies under the Aeromaster, Velocity, Trademaster, and Utilivan brands; and vocation-specific equipment upfit services under the Utilimaster and Strobes-R-Us brands. It also installs specialty interior and exterior up-fit equipment for walk-in vans, truck bodies, cargo vans, and light duty pick-up trucks; and provides aftermarket support, including parts sales and field services, as well as parts and accessories. The Specialty Vehicles segment provides diesel motorhome chassis; and truck bodies under the Royal Truck Body and DuraMag brands. This segment also provides final assembly services for Isuzu N-gas and F-series chassis under the Builtmore Contract Manufacturing brand; and designs and installs custom lighting and upfit solutions for a range of specialty industries. In addition, this segment provides truck accessories under the Magnum brand; and a range of parts and accessories, and maintenance and repair services for its motorhome and specialty chassis. It sells its products to commercial users, original equipment manufacturers, dealers, individual end users, municipalities, and other governmental entities. The company was formerly known as Spartan Motors, Inc. and changed its name to The Shyft Group, Inc. in June 2020. The Shyft Group, Inc. was incorporated in 1975 and is headquartered in Novi, Michigan.
NasdaqGS:TWIN	Twin Disc, Incorporated	Twin Disc, Incorporated engages in the design, manufacture, and sale of marine and heavy duty off-highway power transmission equipment in the United States, the Netherlands, China, Australia, Italy, and internationally. The company operates in two segments, Manufacturing and Distribution. Its principal products include marine transmissions, azimuth drives, surface drives, propellers, and boat management systems, as well as power-shift transmissions, hydraulic torque converters, power take-offs, industrial clutches, and controls systems. The company also provides third-party manufactured products. It sells its products through a direct sales force and distributor network to customers primarily in the pleasure craft, commercial marine, patrol, and military marine markets, as well as in the energy and natural resources, government, agriculture, recycling, construction, oil and gas, and industrial markets. The company was incorporated in 1918 and is headquartered in Milwaukee, Wisconsin.

Ticker	Company	Business Description
NYSE:WAB	Westinghouse Air Brake Technologies Corporation	Westinghouse Air Brake Technologies Corporation provides technology-based locomotives, equipment, systems, and services for the freight rail and passenger transit industries worldwide. It offers diesel-electric and liquid natural gas-powered locomotives; engines, electric motors, and propulsion systems; and marine and mining products. The company also offers positive train control equipment; electronically controlled pneumatic braking products; railway electronics; signal design and engineering services; distributed locomotive power, train cruise controls, and train remote controls; industrial/mobile Internet of Things hardware and software, edge-to-cloud, on and off-board analytics and rules, and asset performance management solutions; rail and shipper transportation management, and port visibility and optimization solutions; and network optimization solutions. It provides freight car trucks, braking equipment, and related components; air compressors and dryers, as well as heating, ventilation, and air conditioning (HVAC) systems; heat transfer components and systems; custom engineered burners and combustion systems; rail gear, signalling, and switch products; and turbochargers. The company also offers various services, such as freight locomotive overhauls, modernizations, and refurbishment; locomotive and car maintenance; transit locomotive and car overhaul; unit exchange of locomotive components; long term parts arrangements; and maintenance of way equipment and services. It provides railway and freight braking equipment and related components; brake shoes, discs, and pads; HVAC equipment; access and platform screen doors; pantographs; auxiliary power converters and battery chargers; passenger information systems and closed-circuit television; signalling and railway electric relays; and doors, window assemblies, accessibility lifts, ramps, and electric charging solutions for buses. The company was founded in 1869 and is headquartered in Pittsburgh, Pennsylvania.
ASX:SGI	Stealth Group Holdings Ltd	Stealth Group Holdings Ltd operates as an industrial distribution company in Australia and internationally. The company offers industrial maintenance, repairs and operating supplies, consumer technology products and other related products and services. It also provides industrial and automotive products, power tools, air tools, hand tools, cordless tools, and welding equipment and safety gear. In addition, the company offers safety, material handling, automotive, electrical, workplace, hardware, building, construction and mobile accessories, power, audio, device protection, as well as services that includes inventory management and technical support. It serves customers from a range of industries, including commercial, mining, infrastructure, government, manufacturing, construction, transportation, telco, consumer electronics, FMCG, and convenience. Stealth Group Holdings Ltd was founded in 2014 and is headquartered in Stirling, Australia.
SGX:5GJ	AusGroup Limited	AusGroup Limited, an investment holding company, engages in the provision of integrated service solutions to the energy, resources, industrial, utilities, and port and marine sectors in Australia and Southeast Asia. The company's Projects segment provides construction services, including structural, mechanical, and piping installation works; painting, insulation, and fireproofing; and engineering, procurement, and construction services. Its Access Services segment offers engineering and design, labour supply and stock control, logistics, transportation, and rope access services. The company's Fabrication and Manufacturing segment provides turnkey solutions to the oil and gas sector, including exploration, construction, commissioning, operation, maintenance and repair, and decommissioning in various phases of the asset lifecycle. Its Maintenance Services segment offers preventative and breakdown maintenance services, as well as shut down services and sustaining capital works. The company's Port and Marine Services segment provides diesel fuel, port laydown, logistics, and cargo transportation services to wood chipping and offshore oil and gas industries. AusGroup Limited also offers multidisciplinary maintenance, turnarounds, fabrication, specialist welding, electrical and instrumentation, industrial insulation, surface protection, scaffold supply and management, scaffold design and planning, labour supply, training programs, fuel storage and distribution, and vessel services. The company was founded in 1988 and is headquartered in West Perth, Australia.

Source: Capital IQ

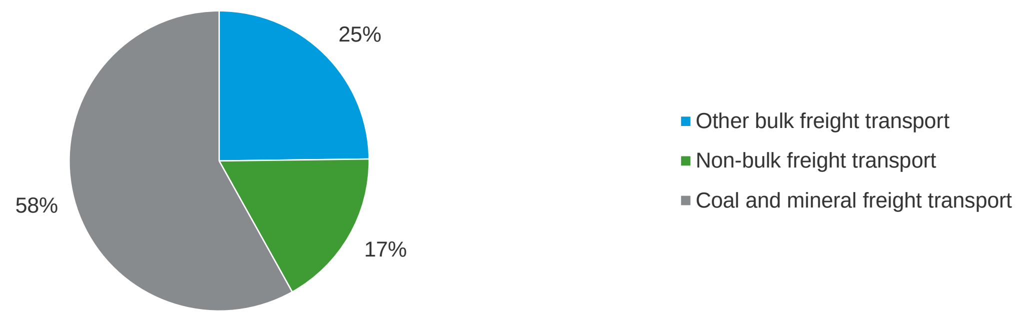
Appendix 5 – Industry overview

Industry overview – Railway Equipment Manufacturing and Repair in Australia[3]

The Railway Equipment Manufacturing and Repair industry in Australia has faced challenges over the past five years through to 2024-25 primarily due to inexpensive imports from international manufacturers, particularly for prefabricated rollingstock bodies and simple components. To mitigate this, railway equipment manufacturers have increasingly focused on repair and maintenance services and high-tech component manufacturing. More specialisation has allowed small manufacturers to remain in business as large manufacturers increasingly focused on assembly and moved simple production to countries with lower labour costs.

Industry revenue is expected to fall at an annualised 7.1% over the five years to 2024-25 to $3.3b, including an estimated 6.9% decrease in 2024-25 due to intense import competition as manufacturers pass on continued declines in steel prices to customers.

Figure 5 Product and services segmentation



Source: IBISWorld Report C2393 Railway Equipment Manufacturing and Repair in Australia, February 2025

Industry outlook

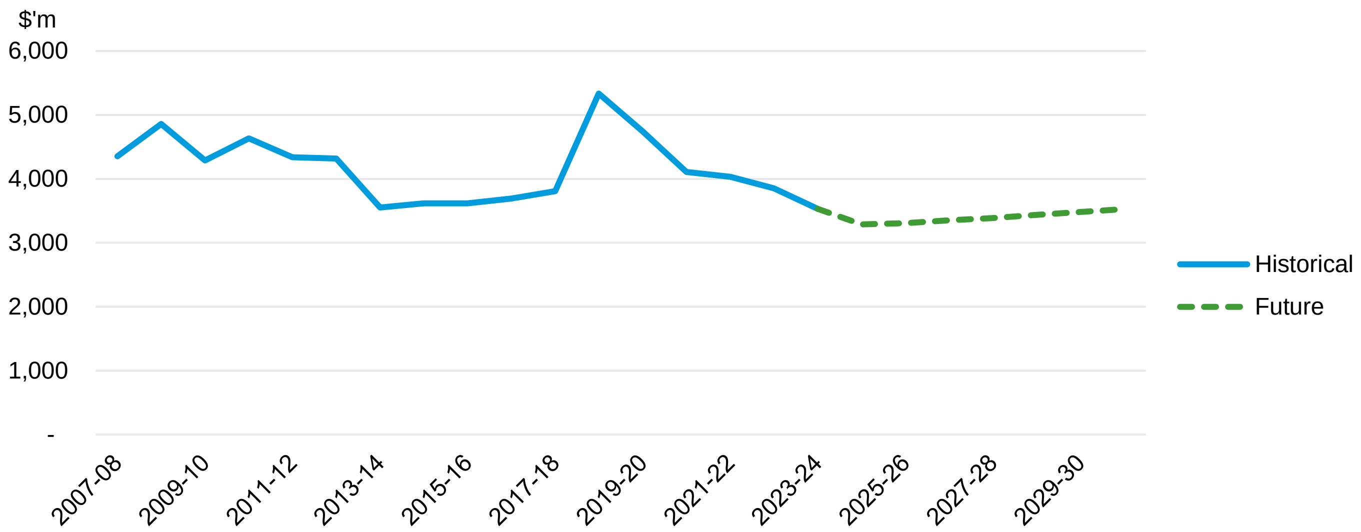
Industry revenue is forecast to grow marginally over the next five years at an annualised 1.2% to the end of 2029-30, to total $3.5b. This improvement is in part, expected to be due to heightened public sector demand. Despite the Federal Government cancelling six railway projects in 2023, a large proportion of its 10-year $120.0b infrastructure funding is set aside for the industry, and the majority of large government contracts have been awarded to local manufacturers to support Australia's domestic economy. At the same time, industry participation is forecast to shrink as small and medium-size manufacturers lose out in winning tender government contracts due to the larger companies' dominance through scaling and strong-standing reputations. Over the next five years, IBISWorld considers that manufacturers that successfully maintain and expand their manufacturing through upgrading their facilities, outsourcing, winning tenders and undertaking research and development (R&D) will be able to more effectively capitalise on opportunities and maintain strong profitability.

Industry competition

The competition inherent within the industry is characterised as moderate. Mounting import competition has threatened freight trains and wagons' revenue share. Railway equipment manufacturers are expected to use lighter materials such as aluminium composites and plastics (opposed to traditionally used steel), to improve speed capacities and energy efficiencies of railway equipment, particularly in trains that have to accelerate and stop sporadically.

[3] Source: *IBISWorld Report C2393 Railway Equipment Manufacturing and Repair in Australia*, February 2025

Figure 6 Historical and future industry revenue



IBISWorld Report C2393 Railway Equipment Manufacturing and Repair in Australia, February 2025

Key external drivers

The industry is driven by the following external factors:

- ***Domestic price of iron and steel:*** The price of iron and steel heavily impact manufacturers' input costs, with lower input prices able to be passed downstream to customers and prompting an increase in demand.
- ***Demand from rail freight transport and rail passenger transport:*** Increases in freight volumes transported as well as passengers transported impact the demand for railway equipment manufacturing and repair demand.
- ***Trade-weighted index:*** The trade-weighted index represents the value of the Australian dollar compared with its major trading partners' currencies, with an appreciating Australian dollar reducing the cost of imported railway equipment and threatening industry growth.

Barriers to entry

Barriers to new industry entrants are characterised as high and steady. Barriers to entry primarily comprise:

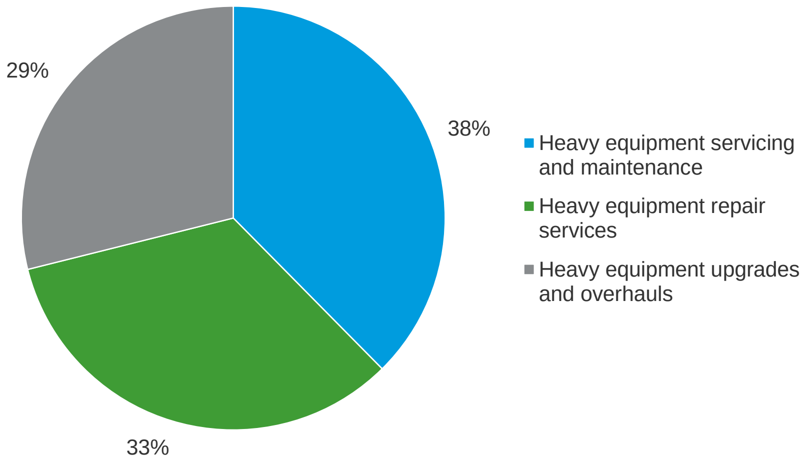
- ***Legal:*** Railway equipment manufacturers need to meet quality and safety standards and comply with the Office of the National Rail Safety Regulator (ONRSR) requirements and guidelines.
- ***Start-up costs****:* High initial expenses include highly skilled staff, heavy machinery, technology, designs, and stable material supplies.
- ***Differentiation***: Manufacturers must differentiate themselves with a strong reputation and close working relationships with public transit authorities and state governments if they are to stand out and gain entry to the industry through winning contracts.
- ***Labour expenses****:* The industry is characterised as being labour intensive as a high number of skilled employees are needed to manufacture, maintain and repair railway equipment. Rising import competition is heightening the need for highly skilled workers to scale competitive operational processes and manufacture high value-add components.

Industry overview - Heavy Machinery Repair and Maintenance Industry[4]

The Heavy Machinery Repair and Maintenance industry in Australia has experienced steady growth, with revenue increasing at an annualised rate of 4.1% over the past five years, reaching an estimated $22.7b in 2024-25. This growth has been driven by high iron and steel prices, surging mining activity, and ageing machinery fleets, prompting companies to extend equipment lifespans rather than invest in new machinery. However, revenue is projected to decline by 3.4% in 2024-25 as easing iron and steel prices, coupled with slowing construction activity due to interest rate increases and rising material costs, reduce demand for repair services. Despite this, strong mining sector demand has enabled repair providers to lift prices and improve profit margins.

Queensland and Western Australia remain key markets, benefiting from high mining activity, lower transportation costs, and close customer proximity. Additionally, advancements in predictive maintenance technologies, including condition monitoring and automation, are transforming the industry by reducing unexpected breakdowns and optimising maintenance schedules. Environmental regulations and sustainability initiatives are also influencing market dynamics, with companies increasingly focusing on reducing machinery emissions and transitioning towards electrified equipment.

Figure 7 Product and services segmentation



Source: IBISWorld report *S9429 Heavy Machinery Repair and Maintenance in Australia,* December 2024

Industry outlook

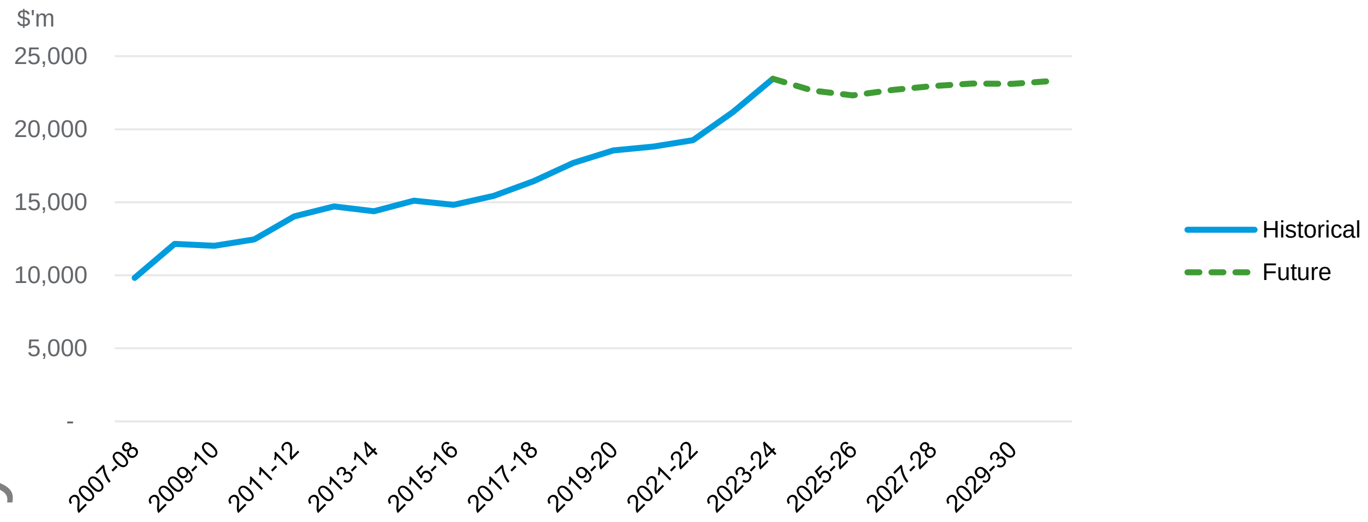
IBISWorld expects steady growth for the Heavy Machinery Repair and Maintenance industry, with revenue projected to rise at an annualised 0.4% to reach $23.1b by 2029-30. Rebounding construction activity, driven by easing inflation, interest rate cuts, and the Australian Government's National Housing Accord, is expected to increase demand for machinery repairs as construction firms ramp up operations. While mining sector growth is expected to slow, repair needs will remain strong as companies focus on maintaining existing equipment rather than making costly new investments, particularly amid declining commodity prices. Delays in heavy machinery electrification is expected to further sustain demand, as businesses seek to extend the lifespan of ageing diesel-powered fleets. Additionally, advancements in predictive analytics and maintenance software will reshape industry dynamics, shifting the focus from major repairs to preventive maintenance. To remain competitive, repair and maintenance firms will need to integrate cutting-edge diagnostics and efficiency-driven solutions into their service offerings.

Industry competition

The Heavy Machinery Repair and Maintenance industry is moderately competitive, with market share spread across numerous firms due to its broad scope and niche specialisations. In-house repair divisions pose a major substitute, allowing companies to control schedules and maintain quality, reducing dependence on external providers.

[4] Source: IBISWorld report *S9429 Heavy Machinery Repair and Maintenance in Australia,* February 2025

Figure 8 Historical and future industry revenue



Source: IBIS Report S9429 Heavy Machinery Repair and Maintenance in Australia

Key external drivers

The industry is driven by the following external factors:

- ***Mining sector demand:*** The industry heavily relies on mining activity. Increased mining operations drive greater machinery usage, necessitating higher spending on repairs and maintenance, presenting a key growth opportunity for service providers.
- ***Construction sector demand:*** The construction industry's reliance on heavy machinery directly impacts repair and maintenance demand. Elevated construction activity boosts industry growth, while downturns reduce service requirements.
- ***Agriculture, Forestry, and Fishing demand:*** These sectors depend on heavy machinery such as electric motors, pumps, and compressors, making their activity levels crucial to industry performance. Growth in these sectors increases demand for repairs, while declines pose a risk.
- ***Private capital expenditure on machinery:*** Investment in new machinery initially reduces repair needs but drives long-term maintenance demand as equipment ages, influencing industry performance over time.
- ***Business Confidence Index:*** Positive business sentiment encourages expansion and increased machinery usage, leading to higher wear and tear, which supports industry growth.
- ***Domestic iron and steel prices:*** Lower metal prices reduce repair costs and improve profitability, while rising prices increase expenses, driving higher service charges and revenue growth.

Barriers to entry

New industry entrants will face the following barriers:

- ***Legal:*** Strict safety regulations require investment in training, equipment upkeep, and compliance to avoid liability for workplace injuries.
- ***Start-up costs:*** High initial expenses, including insurance, licensing, and marketing, make securing funding a key challenge for new entrants.
- ***Differentiation:*** Delivering high-quality, cost-effective services is crucial for competitiveness, as failure to do so risks market exit.
- ***Labour expenses:*** Skilled technicians are essential for maintaining advanced machinery, driving up labour costs for new entrants.

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