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ASX Release

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SECOND QUARTER OPERATIONAL UPDATE

HIGHLIGHTS:

- **Group utilisation averaged 75% in Q2 FY16, up from 69% in Q2 FY15, while operating utilisation averaged 42%, which was slightly below the prior corresponding period**
- **Revenue for Q2 FY16 was $54.4 million (unaudited), down 12.7% on Q2 FY15**
- **EBITDA margin improved to 19.9%, up from 18.8% in Q2 FY15**
- **$8.7 million operating cash flow generated in Q2 FY16**

Emeco today provided a second quarter trading update with group operating utilisation slightly below the prior corresponding period (PCP). Revenue was down PCP however margins recovered following cost reductions and efficiency improvements imbedded over the past 12 months.

Managing Director, Ian Testrow, said "following a strong first quarter improvement on the prior year, group operating performance plateaued over the second quarter due to the weakening Canadian market."

"As announced last week, the oil sands industry has been hit hard by the sustained lower oil price with producers delaying reclamation works to reduce operating costs. The reduced workload is evident from our second quarter Canada operating utilisation of 21%, dropping from 47% the prior year."

"Across Australia we continued to maintain operating utilisation over the second quarter of 46%, while Chile improved to 66%, up from 58% in the first quarter. Continued improvements in these two markets are expected to lift earnings over the second half of FY16 compared to first half", Mr Testrow said.

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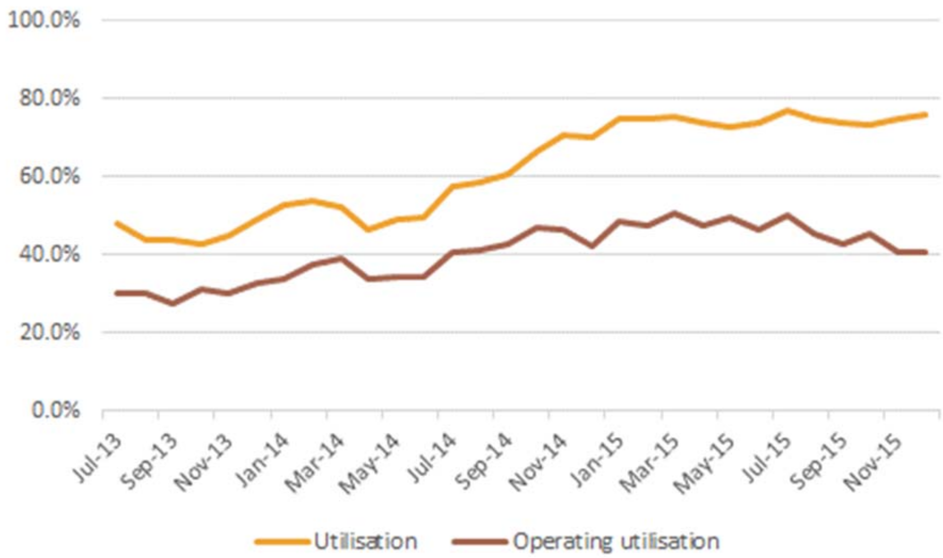
About Emeco **emecogroup.com**
Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment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

OPERATING PERFORMANCE

Group Utilisation



Q2 FY16 operating utilisation of 42% was slightly below the PCP average of 45% impacted by poor utilisation in Canada. Compared to the prior year the geographical and commodity mix has shifted from the seasonal Canadian oil sands industry toward more consistent operations in Australia and Chile.

Q2 FY16 revenue was down 12.7% on the PCP to $54.4 million however Operating EBITDA margins improved to 19.9%, up from 18.8%. The improved margin represents ongoing benefits from the Project Fit cost reduction initiatives and the restructure of the Chile business. Project Fit will be reviewed and escalated over H2 FY16.

Improved performance in New South Wales, Queensland and Chile is expected to drive earnings improvement over H2 FY16. This will offset lower utilisation in Canada and Western Australia, resulting in projected Operating EBITDA between $53 million and $57 million for FY16. Management remains focussed on driving improved operating utilisation, reducing our cost base and generating cash.

BUSINESS UNIT REVIEW

Canada

Average Q2 operating utilisation of 16% was significantly down on the PCP with the lower oil price environment continuing to impact this market. Given further deterioration coming into the third quarter management will review operations to drive additional cost reductions.

Chile

Chile utilisation remains high at 93%, which is expected to continue for the remainder of the financial year.

New South Wales

Average utilisation dropped in New South Wales over the second quarter to 81% as a result of the transfer of units from Queensland and Western Australia. These machines were prepared for rent and utilised from

December, lifting utilisation over 90% at the end of the quarter. This level of utilisation is expected to be maintained over the remainder of FY16 and drive improved earnings over the second half.

Queensland

The Queensland business averaged utilisation over 90% during the second quarter, which is expected to increase over the third quarter with the commencement of an additional project working with a mining contractor.

Western Australia

The Western Australia business improved late Q2 FY16 with a number of small fleet packages placed across four customers, lifting utilisation over 40% at the end of the period. This included five 240 tonne trucks direct with a large scale miner into iron ore mines. Although only representing a small uplift in utilisation the expanded customer base is likely to provide leads for further opportunities over the next 12 months.

BALANCE SHEET AND CASH FLOW

The business generated operating cash flow of $8.7 million over Q2 FY16. Capital expenditure over the quarter was $7.9 million, driven by the preparing of machines to return to rent in New South Wales. Disposals generated $3.7 million over Q2 FY16. The combination of these cash flows with finance costs of $6.2 million paid on our swap facilities in December, resulted in a period end cash balance of $24.0 million.

Heading into H2 FY16 we expect operating cash flow to improve in line with greater earnings and reduced prep-for-rent costs in New South Wales and Queensland with these regions nearing full utilisation. The ABL remains undrawn at 31 December 2015 (note bank guarantees totalling $11.1 million are utilised against the facility).