

*Market Release*  
20 October 2010

### **FY11 Q1 OPERATING UPDATE**

- ◆ Sustained equipment demand with global fleet utilisation averaging 87% in Q1
- ◆ Strong mining activity across Emeco's core mining markets (Australia, Indonesia and Canada)
- ◆ 240 tonne truck fleet investment deployed into Rio Tinto Coal in line with fleet strategy
- ◆ On track to achieve \$60 million capital release from Australian Sales and Victorian rental businesses by 30 June 2011 with \$15 million capital released in Q1
- ◆ Improving safety performance (Group LTIFR at 2.6 per million hours, down from 3.8 at June 10)

Emeco Holdings Limited (ASX: EHL) today reported encouraging operating conditions for the three months to 30 September 2010.

Chief Executive Officer Keith Gordon said "We continue to witness high levels of mining activity as our customers operate in a strong global commodity environment. This robust customer activity, with a particular focus on production growth, has been positive for Emeco with global fleet utilisation averaging 87.4% over the first quarter of FY11.

Throughout the quarter, we continued to execute our fleet strategy of investing incremental capital in large mining equipment and reducing our exposure to small civil equipment in order to deliver better returns and more consistent utilisation of our invested capital across the cycle. During the quarter we invested approximately \$29 million in growth capital. This included five new 240 tonne trucks which have been deployed into Rio Tinto's Clermont coal mine in Queensland."

During the first quarter, \$15 million of capital has been released via the disposal of non-core assets including the disposal of the Victorian civil Rental business and some Australian Sales inventory. The Company is satisfied with its progress in targeting the release of \$60 million of underperforming capital from the Australian business across FY11. The disposal of these non-core assets is part of the strategy to focus on core mining markets in Australia, Canada and Indonesia and to further enhance Emeco's balance sheet flexibility.

Notwithstanding the positive external environment, there are a number of challenges that the Group will need to manage over the course of FY11. Increasing lead times for new equipment from equipment manufacturers makes securing mining equipment to capture growth opportunities challenging. However, Emeco will continue to leverage its global procurement capability to source appropriately valued equipment.

The Company is also witnessing increased competition for skilled labour which is putting pressure on the cost of doing business. Finally, the rapid appreciation of the Australian dollar during September will dampen translation of earnings from the Indonesian and Canadian businesses, however the stronger domestic currency is positively impacting the capital price of imported equipment for the Australian business.



Mr Gordon said “Despite the ongoing volatility in global financial markets, activity levels in Emeco’s core mining markets are expected to remain robust over the remainder of FY11. Although we do face some operational challenges resulting from strong activity, we remain confident that we can manage these challenges and maintain our focus on servicing customers with high quality, well maintained equipment. We are in the early stages of executing our recently announced strategy but we have made good progress to date with the exit from our operations in the USA, Europe and now Victoria. We expect by 30 June 2011 to have exited our non-core assets, recycled some of that capital into additional large mining equipment, and hopefully delivered a full year of strong utilisation. We still have some hard work ahead of us, however we are confident our returns are heading in the right direction, with our next objective to achieve returns above our cost of capital.”

### **Review of Operations**

**Canada** has enjoyed a positive start to the year with fleet utilisation averaging 83.9% over the quarter. This reflects a significant pick-up in activity in the oil sands region with oil prices recovering over the past 12 months. The recent reorientation of Emeco’s fleet towards mining equipment which is suitable for mine production and reclamation works in oil sands is expected to achieve more consistent utilisation across the cycle.

Fleet utilisation is expected to fall in November as the market transitions through the ‘freeze’ period before recovering back to current levels during the winter months based on forecast activity levels in the oil sands region. The Canadian management team is pursuing opportunities in other commodities in Canada, particularly in coal in Western Canada as part of a strategy to broaden Emeco’s commodity exposure in this market.

**Indonesian** thermal and metallurgical coal activity is currently very strong due to this region being a low cost producer in the global coal market and growing demand for electricity in the emerging markets in the Asia Pacific region.

Emeco’s equipment fleet averaged 84.5% across the quarter with a number of customers requesting additional equipment to assist in achieving production targets. Emeco continues to see growth opportunities in this region with a strategic focus on increasing exposure to blue chip customers.

**Australia** performed in-line with Emeco’s other regions with fleet utilisation averaging 88.8% across the quarter. Emeco’s operations in Queensland, New South Wales and Western Australia all benefited from increased activity witnessed in the last quarter of FY10. Key commodities for Emeco including metallurgical coal, thermal coal, iron ore and gold continue to have strong prospects and demand from customers involved in these commodities has continued at the high levels seen at the end of FY10.

During the first quarter, Emeco deployed five new Komatsu 240 tonne trucks in Queensland which adds to the strong position Emeco has in that market. Although some parts of Queensland and New South Wales have experienced inclement weather over the past few weeks, this has not had a material impact on Emeco’s operations.

The Company will hold its Annual General Meeting in Perth, Western Australia on 16 November 2010.

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**About Emeco**

Emeco is a leading global provider of heavy earthmoving equipment with offices in Australia, Indonesia and North America. Emeco has integrated rental, sales, parts, maintenance and procurement into a single business for high reliability, low-houred heavy earth moving equipment for the mining sector. Emeco is not aligned with any earthmoving equipment manufacturer and has a global fleet of approximately 1,000 machines including equipment manufactured by Caterpillar, Hitachi, Komatsu, Liebherr and Volvo. Emeco's ordinary shares are traded on the Australian Stock Exchange under ASX code EHL.