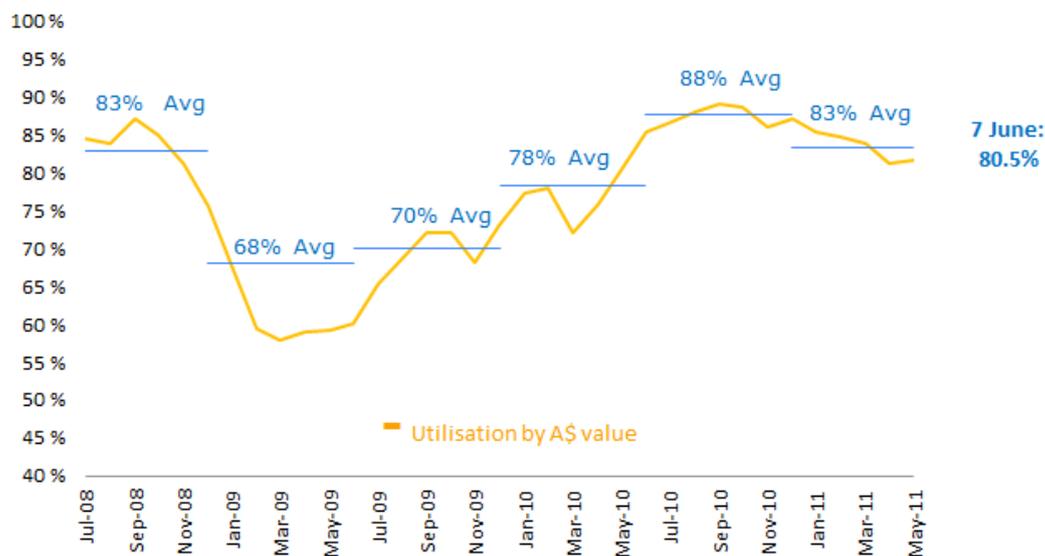


Market Release

9 June 2011

## EMECO ANNOUNCES \$165M INVESTMENT IN MINING EQUIPMENT TO DELIVER GROWTH AND PROVIDES FY11 OPERATING NPAT GUIDANCE OF \$55 TO \$57 MILLION

- ◆ Significant investment in large mining equipment in-line with organic growth strategy
- ◆ FY11 Operating NPAT expected to be in the range of \$55 million to \$57 million
- ◆ Continued strong demand for equipment in core markets of Australia, Indonesia and Canada



Emeco Holdings Limited (ASX:EHL) today announced it has secured a number of large mining equipment packages totalling \$165 million to be delivered over the next 12 months. These equipment packages will underpin Emeco's organic growth strategy which is aimed at capitalising on the strong outlook in key equipment rental markets. Emeco also announced it expects FY11 operating NPAT to be in the range of \$55 million to \$57 million<sup>1</sup>.

Chief Executive Officer Keith Gordon said "We continue to observe high levels of mining activity in Australia, Canada and Indonesia which is translating into demand for Emeco's rental offering. Despite some recent operational and weather issues which have dampened our earnings in the second half, we expect to deliver a solid result for FY11 with strong momentum going into FY12."

"Given the healthy outlook for mining volumes, we are investing in large mining equipment to meet growing demand from our customers. This equipment, which comprises new and used machines, has been secured through our global procurement capability and will be put to work over the course of FY12."

<sup>1</sup> Operating NPAT excludes extraordinary items such as the impairment of the Indonesian debtor previously announced on 14 February 2011



### Organic growth investment

In-line with its strategy to organically grow its fleet of large mining equipment, Emeco will invest \$165 million in growth capital in FY12.

Approximately \$85 million of the investment relates to the delivery of new equipment ordered from OEM's, including the \$43 million of orders announced in February 2011. The balance of \$80 million represents low hour used equipment which was sourced in Europe and South Africa.

Mr Gordon said "Emeco's global procurement team has been active in identifying markets where suitable equipment can be sourced. The ability of the team to identify opportunities and then move quickly to secure them where they meet our investment hurdle rates has been instrumental in sourcing the used equipment packages. In a tight equipment market, this capability is invaluable."

In-line with the Emeco's stated fleet strategy, the equipment purchased comprises large mining truck and excavator fleets suitable for coal, iron ore, gold and oil sands production. \$93 million of the investment will be allocated to the Australian business. The balance of the investment, totalling \$72 million, will go into the Canadian business to service the oil sands and coal markets.

In an update to previous guidance on capital investment, FY12 sustaining capex is expected to be between \$110 million and \$130 million and growth capex is expected to be approximately \$165 million. \$60 million of the FY12 growth investment will be paid prior to 30 June 2011 with the equipment to be delivered in 1H12. The investment program will be funded out of free cash flow and available debt facilities.

### Operating Update

Group utilisation is expected to average approximately 83% in 2H11 versus 88% in 1H11. The lower utilisation in 2H11 is due to a range of short term factors including the seasonal thaw in Canada and an extended wet season in Queensland. Furthermore, the redeployment of fleet in Indonesia following the previously announced debtor impairment has temporarily impacted utilisation and has resulted in higher than expected demobilisation and repair costs which are not expected to be recovered from the customer.

The combination of these factors and a stronger Australian dollar is expected to contribute to a marginally lower Operating NPAT in 2H11 versus 1H11, however underlying activity levels in all three markets remains strong.

Mr Gordon said, "notwithstanding this short term impact on utilisation, enquiry levels for our fleet remain high which reflects the strong activity levels we are currently observing and underlines the strong outlook for all three of our markets."

**Canada's** performance has improved markedly over FY10 with fleet utilisation averaging 80% across FY11. The reorientation of Emeco's fleet towards mining equipment, suitable for mine production and reclamation works in the oil sands region, has contributed to improved utilisation levels across the year. As expected, April/May utilisation fell due to the seasonal 'thaw' period. Utilisation rates are expected to recover as the summer works programme ramps up in late June.

In **Indonesia**, Emeco is currently demobilising the equipment related to a debtor impairment announced in February 2011, representing approximately 28% of Emeco Indonesia's fleet. While the demobilisation over May and June has impacted earnings, this fleet is expected to be redeployed through July and August. Additional costs which would normally be recovered from the customer have been incurred in demobilising and repairing the fleet. These costs are unlikely to be recovered in this situation and this has further impacted Indonesia's earnings in the current year. FY11 fleet utilisation has averaged 78% to date.

**Australia** has performed strongly throughout FY11 with fleet utilisation averaging 88% to date, reflecting growing activity levels in Australia's key commodities of metallurgical coal, thermal coal, iron ore and gold. Emeco continues to receive high enquiry levels from tier 1 customers in all Australian mining regions.

The recent weather events in Queensland delayed deployment of a new truck fleet due to road closures and also limited operating hours on the broader fleet during this period. The deployment of a package of five new 240t dump trucks was successfully completed in recent weeks and is expected to contribute to higher earnings in FY12.

Mr Gordon added "The strategy we announced to the market in July 2010 continues to define the focus of the business. For our customers, we will continue to provide well maintained large mining equipment across a range of regions and commodities. For our shareholders, we will continue to invest incremental capital in our core markets to deliver satisfactory returns."

"The current outlook across all three markets remains favourable, and with this outlook we expect our fleet to remain well utilised. With the investments announced today, I believe Emeco is well positioned to deliver good quality earnings growth over the next 12 months."

Emeco Holdings Limited (ASX: EHL) will release FY11 Financial Results on 23 August 2011.

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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.