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ASX: EHL ('EMECO' OR 'THE COMPANY')

MANAGING DIRECTOR'S ANNUAL ADDRESS TO SHAREHOLDERS

Good evening ladies and gentlemen,

Upon becoming Managing Director of Emeco, together with the senior management team, we identified four strategic priorities which we believed would drive long term value for Emeco shareholders. These strategic priorities were the following:

1. Maintaining our commitment to the safety of our people;
2. A disciplined focus on operational excellence encompassing cost management, improving our core business, investing in our EOS technology platform and continuously exploring new and innovative ways to add value for our customers;
3. Putting a sustainable long term capital structure in place to facilitate future growth; and
4. Improving our market position within the changing industry dynamic.

As I stand here today, I'm proud to update you on the significant progress we have made over the previous twelve months towards each of these objectives.

On the very important objective of ensuring the safety of our people, we continue to adopt high standard safety practices. Overall, our lost time injury frequency rate reduced 42% to 1.1, while our total recordable injury frequency rate decreased 25% to 5.6, which are very pleasing trends and we continue to target zero on both of these measures.

With respect to our disciplined focus on operational excellence, FY16 saw sustainable annual run rate cost reductions of $26.7 million. These cost savings were the key drivers in the increase in Operating EBITDA margins from 17.9% in FY15 to 26.1% in FY16. We expect Project Fit Phase Two initiatives implemented over FY16 to continue to drive margin improvements in FY17.

This year, Emeco has also entered into various innovative partnership arrangements in order to enhance our operational excellence, combine fleet resources and improve our efficiency.

Our EOS technology platform continues to be a unique point of difference. Recent milestones include installing the EOS technology at Evolution Mining's Mungari operation. This partnership has improved equipment productivity and reduced costs for Evolution.

Throughout the year, we have also looked at innovative ways to address our capital requirements and continue to thoughtfully manage our liquidity position. We currently have approximately $37 million in cash, up from approximately $25 million at 30 June 2016. We have also completed a number of asset swaps which have allowed Emeco to acquire assets in geographies where we see demand with no cash outlay, and allowing us to save on disposal or mobilisation costs.

Our aim is to continue to capture market share through innovative rental solutions, the use of our EOS technology to widen our value proposition and build on our partnership arrangements with industry peers, customers and suppliers.

RECAPITALISATION AND MERGERS

Our third and fourth objectives are to strengthen our balance sheet and improve our market position. The proposed transaction to recapitalise Emeco and merge with Orionstone and Andy's would have gone to great lengths in achieving both of these important objectives.

I am disappointed that not all of our creditors have agreed to support this transaction and that it won't be able to proceed in this form. While the transaction was not achieved in its current format, we continue to explore a range of options to strengthen our balance sheet and realise our growth ambitions. However, I am extremely encouraged by the way in which Emeco's employees, shareholders, customers and many of our creditors have worked tirelessly and constructively towards a common goal of creating a sustainable platform for the future growth and prosperity of Emeco.

Together with the other members of the board and management team, I continue to believe in the strategic rationale for consolidation in the industry and the importance of strengthening Emeco's balance sheet. To this end, we will continue to pursue alternative strategic options and continue the constructive dialogue with Andy's, Orionstone and other stakeholders to drive optimal outcomes for all.

REGIONAL

Moving to the operational performance of the business, we continue to make significant progress in the underlying performance.

Canada

In Canada, challenging conditions prevailed for the oil sands industry during FY16. The sustained lower oil price saw producers delaying reclamation works to reduce operating costs.

To mitigate the impact of the operating environment, management restructured the business over the third quarter resulting in significant cost reductions. This was primarily driven by the formation of an asset sharing partnership with Heavy Metals Equipment Rentals, which allowed us to combine fleet and human resources and significantly reduce overhead costs.

In FY16, the Canadian business also entered into asset swaps whereby its underutilised assets were exchanged for in demand assets in Australia.

Following the formation of the partnership and these successful asset swaps, the Canadian business is expected to generate positive cash flow in FY17. We continue to closely monitor market conditions in Canada.

Chile

Following operational issues in FY15, the Chilean business was stabilised in FY16 through the formation of a partnership agreement with a leading global mining contractor to complete the five year project at AMSA's

Encuentro mine. Increased utilisation at Encuentro in the first half of FY16 and a wet hire project at AMSA's Esperanza mine drove a 32.4% increase in revenue compared to FY15.

The shift of Emeco's fleet from Encuentro to Esperanza during FY16 and the slow ramp up at Esperanza hampered the Chilean performance and operating utilisation in the last few months of FY16. However, Chilean operation utilisation remained stable year on year at 51%.

The Chilean business has since formed a partnership with the RML Group Mining Services, specialists in, amongst other things, equipment maintenance. This partnership continues to ensure our customers have high performing equipment, whilst reducing overheads in the business.

Our fleet will return to the Encuentro project in the second half FY17, with four years remaining on this contract from recommencement. The temporary relocation of the fleet to Esperanza effectively increases the duration of the Encuentro project by 12 months. We will continue to look to improve margins through cost efficiencies and broadening our customer base.

New South Wales

The New South Wales business continues to remain a strong Australian business unit with FY16 operating utilisation increasing to 59%, compared to 56% over FY15, driving earnings growth over FY16. In FY16, we also increased our fleet in the region through the transfer and utilisation of idle interstate equipment and reduced costs in this business.

In the first half of FY17, we extended contracts with several major customers. The additional assets received through the swaps will support growth in New South Wales moving forward, where gross utilisation currently sits at 95%.

Queensland

Queensland continued its strong recovery with a number of projects commencing late in FY15 driving improved operating utilisation during FY16 to an average of 53%, up from 35% in FY15.

Several contract extensions in the coal market in FY16 has supported strong utilisation into FY17 for Queensland, with gross utilisation currently at 82%. We also expect the assets from the swaps to provide additional fleet in this region to support growth in FY17.

Western Region

In FY16, the Western Region business was affected by the completion of major projects at the end of FY15 and the beginning of FY16. Challenging conditions remain in the highly competitive West Australian mining services market.

As I mentioned earlier, Emeco has partnered with Evolution Mining to implement our EOS technology fleet at its White Foil site resulting in increased production and reduced costs for our customer. Our Western Region business will seek to generate further projects by providing our fully maintained EOS enhanced equipment solution model, which is well suited to the gold sector.

CONCLUSION

In closing, over the past year we have made significant progress in continuing to reduce our costs, increase our customer focus and service level and widen our customer value proposition through innovation.

Heading into the second half of FY17, we are seeing early signs of recovery in a number of our key markets with increased activity on the back of the recent uplift in commodity prices. As our customers seek immediate, flexible and low risk equipment solutions to respond and take advantage of the improved conditions, our team remains focused on capturing the opportunities which are arising in the market. However, the timing of any broad based and sustained market recovery is uncertain and we remain focused on positioning our business to grow earnings irrespective of market conditions.

Finally, I would like to thank our shareholders, debtholders, customers, suppliers and advisers for the support you have provided to the Company. I would also like to thank all of our employees for their ongoing efforts and dedication, particularly in recent times where a lot of work has gone into progressing the transaction.

- END -

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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).