ASX Release

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

SECOND QUARTER OPERATIONAL UPDATE

HIGHLIGHTS:

- **Group utilisation averaged 85% in Q2 FY17, up from 75% in Q2 FY16, while operating utilisation averaged 53%, up from 42% in Q2 FY16**
- **Revenue (unaudited) for Q2 FY17 was $46.5 million.**
- **1H FY17 represents Emeco's first half of positive EBIT since 2H FY13**
- **Significant uplift in EBITDA margins in Q2 FY17 to 38%, up from 19% Q2 FY16**
- **Quarter end cash balance of $34 million, $7 million in operating cash flow generated in Q2 FY17**
- **Early signs of market recovery with increased number of equipment deployed in January and a number of successful project wins during the Q2 FY17**

Emeco today announced its operational update for the second quarter of FY17. The Company recorded significantly improved financial performance compared to the prior corresponding period, driven by the realisation of benefits from its continued focus on ongoing cost discipline and improved performance in its Australian operations.

Managing Director, Ian Testrow said, "I am very pleased with our business and team performance during the second quarter of FY17. Notwithstanding the significant amount of work performed during the period on the recapitalisation and merger transactions, our team has remained focused on the delivery of operational excellence and cost management, a testament to the depth of our management team. The operational improvements Emeco has made in the past 18 months, with the resultant improvement in EBITDA margins to 42%, up from 19% in the prior corresponding period, provides a strong future growth platform for the merged Emeco, Orionstone and Andy's businesses."

"In addition, we have achieved a number of key recent wins in our Western Australian business during the quarter, through leveraging our leading fleet capabilities, innovative technology offering and value added services to capture these opportunities," Mr Testrow said.

"Although we have seen some very early signs of market improvement, any recovery is expected to be gradual and in line with the cautious approach we continue to see from our customers. Notwithstanding the timing of any market recovery, I am confident in our team's ability to enhance our market position and ensure our service continues to deliver value for our customers," Mr Testrow said.

Mr Testrow concluded, “I would like to thank our entire team globally for their efforts during the quarter and the ongoing support from our customers. Our strategic focus for the remainder of FY17 is on providing customers with innovative solutions to achieve production and efficiency targets, operational excellence, cost discipline and implementing a number of performance improvement initiatives and strategic partnerships in Canada and Chile. In addition, our integration plans for the merger of Orionstone and Andy’s are well advanced and we look forward to the completion of these mergers in 2HFY17.”

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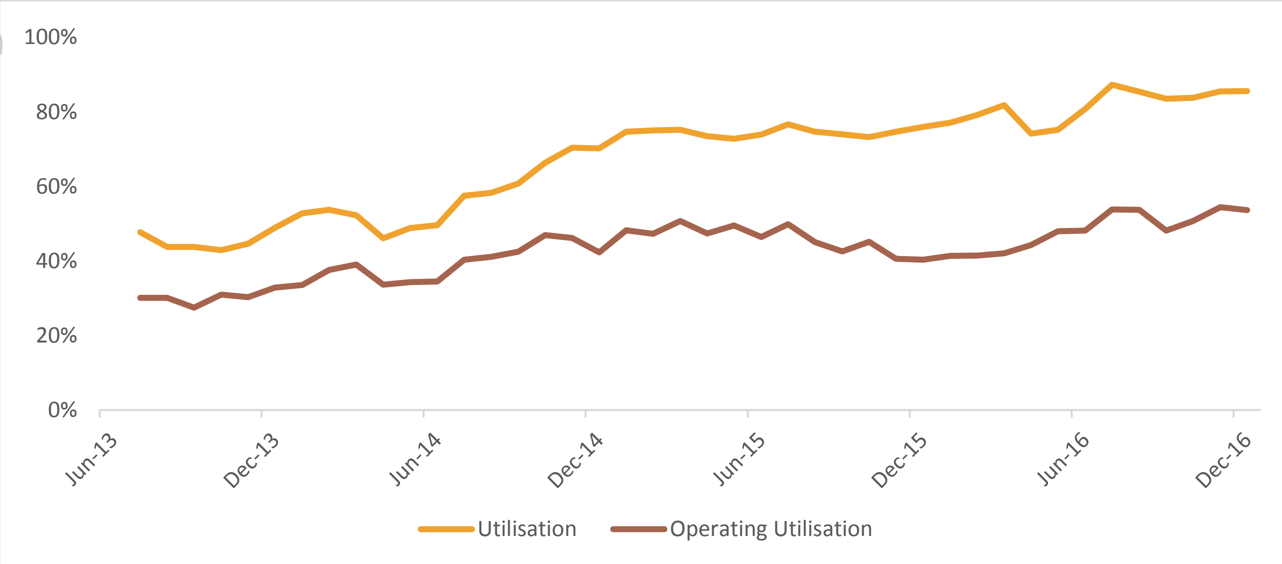
About **emecogroup.com**

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 FY17 average gross utilisation of 85% was above the pcp average of 75% due to increased activity in the iron ore, gold and coal sectors across the Australian business, while international operations held similar levels of utilisation compared to pcp.

Q2 FY17 (unaudited) revenue was $46.5 million, an increase of $4.0million from Q1 FY17 due to increased activity in Australia. Operating EBITDA increased to $17.7 million from $16.0 million in Q1 FY17 due to increased fleet utilisation, while EBITDA margins remaining flat at 38% in Q2 FY17. This has increased significantly from 19% in Q2 FY16 to 38% driven by the realisation of benefits from the Company's ongoing focus on operational excellence and cost discipline.

BUSINESS UNIT REVIEW

Canada

The Canadian business has seen benefits of the strategic partnership agreement with Heavy Metals Equipment Rentals with the business generating positive cash flow and improved EBITDA. The business conducted an asset swap in September with a mining contractor to swap fleet from Canada into the Australian business for zero cash outlay. Management continues to closely monitor the Canadian business and Oil Sands industry and will continue to explore opportunities to work with peers and customers in this region.

Chile

The Chilean business entered into a strategic partnership with a local maintenance services company in 1Q FY17 which has resulted in a significant decrease in overheads in the business. The full benefit of this arrangement is expected to be realised in 2H FY17. Management continues to look for innovative partnering agreements to increase operations in Chile.

New South Wales

The New South Wales business averaged utilisation of 94% during Q2 FY17, which is expected to be maintained with several major contracts extended during 1H FY17 and ongoing demand from existing customers driven by the recent uptick in commodity prices. All Canadian asset swaps were successfully placed into work in 2Q FY17 with focus continuing on working with customers to maximise productivity, and reallocating under-utilised assets into higher operating utilisation projects in 2H FY17.

Queensland

The Queensland business averaged utilisation of 83% during the second quarter, with major contracts extended during 1H FY17. This is expected to increase in second half of FY17 as tenders are released for supply of equipment into the Bowen Basin to support pre-strip and coal mining demand.

Western Australia

The West Australian business averaged utilisation of 57% during 2Q FY17 which is projected to increase in 2H FY17 with the placement of two large truck fleets into iron ore and coal mines that commenced in January 2017. In addition, increased activity in the gold is anticipated to utilise additional idle plant in the second half. Management continues to focus on assisting customers in achieving production and efficiency targets through the provision of high performing plant supported by Emeco Operating System (EOS) and innovative technology platform.

CASH AND CASH FLOW

The Company generated operating cash flow of $7.0 million over Q2 FY17. Net Capital expenditure during 2Q FY17 was $2.1 million, driven by $6.7 million in capital expenditure and $4.6m in disposals.

The cash balance at 31 December 2016 was $34.0 million and the ABL remained undrawn at this date. Bank guarantees totalling $11.8 million are utilised against the facility.

During the period, Emeco closed out its remaining swap facilities generating A$15.4m in cash flow. The Company remains unhedged against its FX exposure on its US denominated 144A notes.