ASX Release
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THIRD QUARTER OPERATIONAL UPDATE

HIGHLIGHTS:

- **Group utilisation averaged 79% in Q3 FY16, while operating utilisation averaged 40%, which was below the Q3 FY15 average of 49%**
- **Revenue for Q3 FY16 was $54.1 million (unaudited), EBITDA margin improved to 24.2%, up from 19.9% in Q2 FY16**
- **$12.7 million operating cash flow generated in Q3 FY16**
- **Project Fit phase 2 implemented, increasing total cost reductions to $26.7 million by end of FY16**
- **EOS installed at second project site, located in Western Australia**

Emeco today provided a third quarter trading update with the group generating revenue of $54.1 million and EBITDA of $13.1 million over the period.

Managing Director, Ian Testrow, said "third quarter operating performance was down on the prior year as a result of the Canada business not experiencing its typical seasonally high utilisation winter period. In addition our Chile business was impacted by a transfer of the AMSA Encuentro fleet to their Esperanza mine as a result of an unexpected change in the mine plan."

"In Canada we have right-sized the business and entered into a partnership with Heavy Metal Equipment Rentals to combine fleet resources and significantly reduce overheads. The Canada operations have stabilised and are expected to generate positive EBITDA over H2 FY16."

"Despite the challenges we continue to face the business remains resilient. We continue to see growth in all our Australia regions and are pleased to see our EOS technology offering gaining traction. Chile is back operating at operating utilisation rates greater than 50% following the fleet movements and this business is demonstrating significant growth potential", Mr Testrow said.

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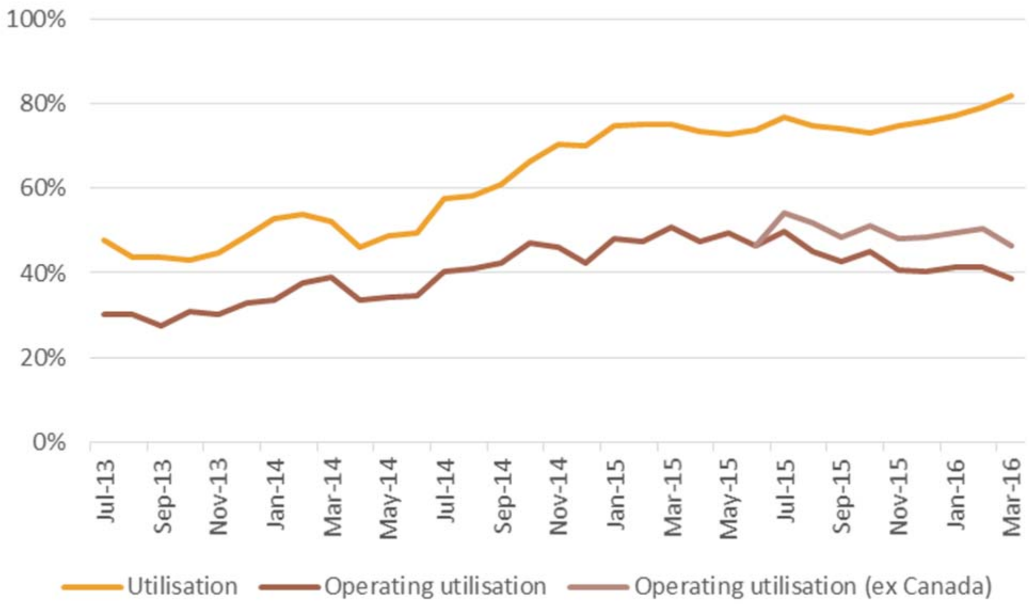
OPERATING PERFORMANCE

Group Utilisation



The combined result of the weak operating conditions in Canada and moving our Chile fleet between mine sites over Q3 FY16 resulted in average operating utilisation of 40%, which was below the Q3 FY15 average of 49%.

Canada did not experience its seasonally high utilisation winter period. Q3 FY16 average operating utilisation for Canada of 12% compared to 52% the prior year. Excluding Canada the group average operating utilisation across the third quarter was 49%, which is consistent with Q3 FY15 excluding Canada.

During Q3 FY16 AMSA's mine plan changed with suspension in the Encuentro mine development. Given the Thiess/Emeco partnership operated at Encuentro, AMSA requested this partnership shift over to operate AMSA's Esperanza mine. This fleet movement occurred during March reducing Chile operating utilisation to 20% in this month. This followed strong operating utilisation over January and February. As a result Q3 FY16 average operating utilisation was 42%, down from 66% in Q2 FY16.

Q3 FY16 revenue of $54.1 million was down 19.2% on the PCP with Canada contributing $10.9 million of revenue compared to $23.0 million the prior year.

Recent restructuring of the Canada business and other Project Fit initiatives improved Operating EBITDA margins to 24.2%, up from 19.9% in Q2 FY16.

As previously mentioned we implemented Project Fit phase 2 during Q3 FY16 which is expected to achieve incremental cost reductions of $13.1 million. Combined with phase 1 this brings total Project Fit savings to $26.7 million.

Although Esperanza works will utilise the Encuentro fleet, Emeco's wet hire contract at Esperanza was not extended. This is expected to negatively impact earnings for the remainder of FY16. Emeco's projected Operating EBITDA for FY16 is now trending at the bottom of our FY16 guidance range of between $53 million and $57 million.

BUSINESS UNIT REVIEW

Canada

Following the significant fall in operating utilisation over Q2 FY16 management restructured the Canada operations, driving out a substantial portion of overheads. In addition to the cost reductions, management has successfully entered into arrangements with two industry partners to realise improved value from our Canada fleet.

Over Q3 FY16 Emeco formed a partnership with Heavy Metals Equipment Rentals (HMER), the objective of which is to combine fleet resources whilst reducing overheads. Emeco continues to manage all aspects of its rental and service contracts in Canada. The resource sharing arrangement with HMER enables significant cost reductions with Emeco using HMER maintenance capabilities and certain overhead functions. The partnership will generate positive EBITDA for Canada over H2 FY16.

In addition to the HMER agreement Emeco swapped a number of rigid dump trucks with an oilsands mine contractor in exchange for D11T dozers. These dozers will be transferred to Australia where there is currently strong demand for these assets. We continue to assess opportunities to transfer fleet from Canada to stronger performing regions.

Chile

As mentioned above AMSA has delayed development of the Encuentro mine and focusing on achieving production targets at existing mines to achieve budgeted tonnes. The shift of Emeco's fleet from Encuentro to Esperanza ensures the Chile business continues to generate strong earnings from the Thiess partnership contract.

The fleet will relocate back to Encuentro during the Q3 FY17. This 12 month fleet relocation effectively extended the existing 5 year contract at Encuentro by an additional 12 months.

The expiry of Emeco's wet hire contract at Esperanza is expected to impact the performance of the Chile business over Q4 FY16.

New South Wales

Average operating utilisation in New South Wales was 60% in Q3 FY16, a lift from 55% in Q2 FY16.

Queensland

New project works partnering with a mining contractor commenced over Q3 FY16, with a fleet of nine trucks and ancillary fleet commencing in January at a large coal mine. The new contract was offset by wet weather conditions which negatively impacted operating utilisation over February 2016. Q3 FY16 average operating utilisation was consistent with Q2 FY16 at 51%.

Western Australia

Over the third quarter our Western Australia business averaged operating utilisation of 35%, up from 31% in Q2 FY16. This was due to the previously announced five 240 tonne trucks rented direct with a large scale iron ore miner performing stronger than expected.

The short-term 240 tonne truck rental contract ceased over April with operating utilisation expected to decline in the fourth quarter. This fall is expected to be partially offset by a 12 month extension of works with Premier Coal and a number of 100 tonne trucks rented to a mining contractor.

Over Q3 FY16 we secured our second EOS customer with Evolution Mining implementing the technology at its Whitefoil site. The EOS system will be applied to Emeco trucks operating on this site and is expected to generate significant operating cost savings for this customer once fully operational.

BALANCE SHEET AND CASH FLOW

The business generated operating cash flow of $12.7 million over Q3 FY16. Capital expenditure over the quarter was $11.3 million, driven by preparing machines for rent in Queensland and New South Wales. Disposals generated $3.9 million over Q3 FY16. Positive cash flow post operating and investing activities of $5.2 million was offset by a bond coupon payment of $16.3 million paid in March 2016. As a result net cash flow for the quarter was negative $11.0 million.

Cash balance at 31 March 2016 was $13.0 million and the ABL remained undrawn at this date (note bank guarantees totalling $11.1 million are utilised against the facility).