

31 March 2016

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Update on Strategic Process and Voluntary Suspension

McAleese Limited (ASX: MCS) (**Company**) refers to its voluntary suspension from trading and recent announcements updating the market on its Strategic Process.

Following receiving further non-binding, indicative proposals from three potential external providers of new capital, the Company has granted a period of exclusive due diligence and negotiation to a consortium led by SC Lowy (**SC Lowy**), based on the terms of their indicative proposal. The exclusivity period will continue until 15 April 2016 unless ended earlier, in circumstances where the commercial terms of the proposal are unable to be agreed as between the Company, its financiers and SC Lowy. The exclusivity period may be extended by the Company, including in conjunction with any potential extension of the Company's arrangements for the Strategic Process with its financiers.

During the exclusivity period, the Company will not solicit, invite or initiate any inquiries with a view to obtaining a competing proposal to the SC Lowy proposal. The Directors of the Company are not restricted from considering potential competing proposals, where a failure to do so would, or would be likely to, constitute a breach of the Directors' fiduciary or statutory duties. In the event that the Directors consider that a competing proposal is a superior proposal, SC Lowy will be given the opportunity to improve their proposal so that it is superior to the relevant competing proposal.

SC Lowy's proposal is consistent with the potential transaction structure outlined in the Company's 15 March 2016 announcement – "Update on Strategic Process and Voluntary Suspension" and remains subject to agreement by the Company and its financiers. The proposal remains subject to SC Lowy completing its due diligence investigations, finalisation of definitive documentation and final SC Lowy investment committee approval.

The Company advises that its voluntary suspension is expected to remain in place for an additional period of up to one month to seek to finalise the SC Lowy proposal. There remains no certainty that the Strategic Process will yield an outcome.

Ends