



ASX Announcement

18 November 2014

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

As you are all aware SubZero Group Limited launched on the Australian Securities Exchange in mid April 2013 and has essentially experienced difficult trading conditions since that time. Nevertheless, I would like to thank those investors and our financial backers who have continued to support the Company and who have worked with us to strengthen the Company as it faces the ongoing challenges of the current economic climate.

As you are all too painfully aware we have not been immune from the downturn in the mining & resources sector and accordingly the underlying results have proven to be unsatisfactory and well below expectations. Since 30 June 2014 market conditions have remained soft and we have continued to experience disappointing operating results and cash flow as a number of customers have delayed and continue to delay scheduled maintenance work. Accordingly the Company is currently in the process of restructuring its operations to reduce costs in anticipation of ongoing revenue weakness due to the downturn in the sector. This restructuring is expected to deliver annualised cost savings of \$15m and savings of \$8.9m this financial year.

Throughout the year the Company has endeavoured to consolidate its financial position and the Company is in the process of seeking to both recapitalise the Company and to seek changes to its current debt structure to provide the necessary working capital to properly fund the Company's ongoing activities. Hopefully we will be in a position to say something more definitive shortly. I would like to acknowledge the support we have received from our financiers and in particular Macquarie Bank.

In essence our key issue has been maintaining too much capacity in order to meet what our clients thought their needs would be, however with the ongoing support of financiers, creditors and key shareholders, the Company aims to preserve its capacity but with reduced capability to offer clients the services that meet their long term maintenance requirements. We have both the facilities and the expertise to support the industry.

The Company's commitment to work place safety, and to staff training and development have been key factors in its ability to maintain the continued support of long standing customers and to attracting the business of new ones. Whilst the Company is in the process of downsizing to reduce costs and improve efficiencies it has nevertheless maintained its capability to deliver in its core service areas in expectation of an uplift in demand. We believe companies who have deferred maintenance to date will inevitably look to repair and maintain their existing equipment rather than commit to new capital expenditure.

Our business model continues to be built around providing critical tasks and services, which involve preventative, regular and planned maintenance activities across a wide range of vehicles and machinery types. Over time the majority of these services are non-discretionary in nature and critical to our clients in maximising their production and minimising downtime.

As you are aware SubZero's founder Scott Farrell stepped down as CEO and Managing Director last week. I would like to publically acknowledge the efforts and achievements of Scott in taking SubZero from its beginnings to the company it has become today. Without his drive and energy we would not have become a leading player in the coal sector. Yes it is true that we are experiencing tough times but we continue to operate where many other companies have failed and that is a testament to the company Scott built. I would also like to thank Joe Clayton who has agreed to take on the role of Interim CEO as we seek to strengthen the balance sheet and return the company to a position of strength. Joe represents a "safe pair of hands" given his extensive experience at a senior management level in all facets of mining and mining services.

We have had discussions with the founder of Harness Master and we have agreed to renegotiate the joint venture agreement to one that is more workable for both parties. In view of this the Board has decided to write off net amounts held on the balance sheet as at 30 June 2014 which will have an impact on net profit after tax of \$811k.

Finally as Chairman of the Company I would like to acknowledge the ongoing dedication and commitment of my fellow directors, the management team and the workforce in what has proven to be a very difficult environment for company. Their efforts have enabled us to achieve many of our objectives and they remain key to our success in the future and to retaining the goodwill of our customers and other stakeholders. Whilst the results and current situation are totally unacceptable to us all as shareholders, I can assure you that you Board has never faulted in terms of effort or commitment in seeing us through these difficult times.

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About SubZero Group Limited

The SubZero Group carries on an established mining service business based in the Hunter Valley, New South Wales. Its clients are almost exclusively involved in the Hunter Valley coal mining industry. SubZero Group's services include Mechanical Support (on and off-site mining machinery support), Structural Support (on and off-site engineering support) and Production Support (mining production support). SubZero has a presence in over 25 coal mines and over 90 clients including Rio Tinto, BHP Billiton and Xstrata. Further information can be found at the SubZero website: <http://subzeroservices.com.au/>