



ASX Announcement

5 January 2015

Market Update

Further to the Company's announcement dated 22 September 2014, SubZero Group Limited (ASX Code: SZG) (SubZero or the Company) provides the following update in relation to these matters:

- 1) Balance Sheet Recapitalisation or Sale & Suspension of Trading in Shares.
- 2) Progress of Cost Restructuring Initiatives.
- 3) FY15 Financial Outcomes.

Balance Sheet Recapitalisation or Sale & Suspension of Trading in Shares

SubZero has embarked on a plan to strengthen its balance sheet and provide working capital for growth which will involve looking at all available options, including the Board's strong preference of recapitalisation and the alternative of a sale of all or parts of the business (the Process). In this connection, the Board announces that it has appointed Patersons Securities Limited (Patersons) as Lead Manager for the recapitalisation and Lusona Capital (Lusona) has been appointed corporate advisor to assist the Board.

To assist with the Process, Vantage Performance has been appointed to complete an independent report to advise and confirm on the business and profit improvement programme that the Board has commenced. This report is due to be completed by late January.

In addition, the secured bank lenders have indicated that they will provide an additional \$1.5m in loan facilities until the Process has been completed. The secured bank lenders have also indicated that in the event of a recapitalisation they would agree to part of the facility being forgiven and/or converted to equity as well as a resetting of covenants and interest rates to provide greater flexibility.

New funding from a recapitalisation will be used to address creditors and also provide SubZero with greater working capital headroom to support growth in the business.

The Company has suspended trading in its shares and intends to remain in suspension until the Process is completed.

Progress with Cost Restructuring Initiatives

The cost reduction program targeting \$15m of annual savings announced by the Board in late August 2014 has been successfully implemented with the majority of identified savings now in place. All cost savings attributable to employees, amounting to \$11.3m in savings on an annualised basis, have already been achieved. The remaining cost savings are expected to be implemented in the first quarter of 2015.

FY15 Financial Outcome

FY15 targets announced on 22 September 2014, which were subject to a number of matters including a recapitalisation, are no longer appropriate. Until the Process is completed the Company is not in a position to provide revised guidance for FY15. However, SubZero expects it will receive an increased level of support from its customers and suppliers and increased revenue once the Process is completed.

SubZero is very grateful for the level of support that it continues to receive from its lenders, customers and suppliers.

For further information please contact:

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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 thermal 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: www.subzeroservices.com.au