



ASX Announcement

29 June 2015

MARKET UPDATE

Subzero Group Limited ("SubZero" or "Company") provides the following update to the market:

- . Revenue growth in last three months stronger than anticipated with increasing pipeline.
- . Gross margin ahead of plan.
- . EBITDA close to breakeven for February to April and positive for May.
- . \$15m of cost savings on track.
- . Shares to remain suspended until SubZero finalises recapitalisation or a sale of whole or part of the business.

REVENUE GROWTH

Revenue has increased steadily since January to \$5.0m for May with all divisions contributing to the growth. SubZero has seen an increase in support from its clients including new contracts which has increased the pipeline to \$75m. The ongoing commitment from our major lenders has also been extremely important to this increased level of business.

Mr Joe Clayton, Chief Executive Officer, said:

"We are very pleased with the increased level of support from our core clients. Our team is focused on providing the highest level of service to ensure that the support given by our clients results in further contracts."

GROSS MARGIN

Gross profit margin has consistently improved over the last five months due to the cost reduction initiatives implemented last year and increased utilisation of staff and assets.

Joe Clayton said:

"We have focused on improving our gross margins through increasing revenue and improving staff and asset efficiencies to achieve a gross margin in May well above our forecast."

EBITDA

The substantial reductions in direct and fixed costs and the growth in revenue has enabled the Company to produce a positive EBITDA before non-recurring costs for the month of May. This followed close to breakeven EBITDA before non-recurring costs for February, March and April.

Joe Clayton said:

"We are very pleased with the improvement in EBITDA after a period of significant losses. We have further cost reductions to implement and this, together with the anticipated increase in revenue, augers well for a continued improvement in EBITDA. "



COST SAVINGS

SubZero has achieved \$11.5m of the \$15.0m cost savings announced to the market in September last year. The Company is on target to deliver the balance of the cost savings. We continue to work with our independent advisors, Vantage Performance, and to identify further efficiencies.

Joe Clayton said:

"Our team has worked tirelessly to improve the efficiencies of our business without impacting the service to our customers. We are working on initiatives to further reduce fixed overheads and improve staff and asset utilisation. "

SUSPENSION IN TRADING OF SHARES

The Company has had a number of discussions with interested parties on its preferred position of a recapitalisation. A trade sale process is also ongoing for the whole or part of the business. The directors expect to be able to update the market in coming weeks on the success or otherwise of these discussions. In the meantime, the shares in SubZero will continue to remain suspended from trading.

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