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

By electronic lodgement

Recapitalisation and trading update

Definitive documentation and acquisition of Senior Debt by SC Lowy Consortium

McAleese Limited (ASX: MCS) (**McAleese** or the **Company**) refers to its previously announced proposed recapitalisation (**Recapitalisation**).

The Company advises that the acquisition of the Company's senior debt (**Senior Debt Acquisition**) by a consortium led by SC Lowy Primary Investments Ltd (**SC Lowy Consortium**) has now occurred and that definitive transaction documentation governing the Recapitalisation has been executed.

The Company reiterates the following:

If approved by shareholders, the Recapitalisation will:

- **reduce the senior debt of McAleese by approximately \$80 million**
- **create a stronger balance sheet and more sustainable business**
- **provide all Shareholders with an opportunity to participate in the future of McAleese**

McAleese considers the Recapitalisation to be in the best interests of all Shareholders. The Recapitalisation, and the opportunity for Shareholders to participate in it, has been achieved in circumstances where the Company was operating under the forbearance of its existing financiers. In the event that the existing financiers had elected to require the repayment of their debt and to enforce their security, rather than allow McAleese to pursue the Recapitalisation, the Board expects that Shareholders would have received no value for their shares.

If Shareholders approve the resolutions relating to the offer of subordinated, secured convertible notes (**Notes**) and the issue of options to the SC Lowy Consortium at the upcoming General Meeting to consider the Recapitalisation, Shareholders will have an opportunity to participate in the Notes offer and to subscribe for 60% of the shares in a significantly deleveraged Company with a sustainable capital structure.

The Company and entities associated with Mark Rowsthorn in their capacity as underwriter to the Notes offer (**Rowsthorn Interests**) waived two of the previously announced conditions precedent to the Senior Debt Acquisition: 1) securing a reduction in its annual real property rental costs and 2) securing a waiver from Atlas Iron Limited (**Atlas**) of any right that Atlas may have to terminate its haulage contracts with the McAleese group as a result of the Recapitalisation. Those conditions precedent (which may be waived by the Company and the Rowsthorn Interests) are now conditions precedent to the Company calling the General Meeting to consider the Recapitalisation referred to below.

The SC Lowy Consortium is now the Company's largest secured creditor and, subject to the approval of resolutions relating to the offer of Notes and the issue of options to be considered by Shareholders at the General Meeting referred to below, proposes to compromise approximately \$80 million of the Senior Debt that it has acquired. McAleese has the benefit of forbearance arrangements with respect to the Senior Debt acquired by the SC Lowy Consortium until the earlier of:

- the date of compromise of the Senior Debt, which is the date on which the Notes are issued to Shareholders and options are issued to the SC Lowy Consortium following Shareholder approval;
- any current Director of the Company being removed by a vote of shareholders at a general meeting of the Company;
- a new event of default occurring under the Senior Debt documents;
- 9 September 2016, if the resolutions relating to the Notes and options to be considered at the General Meeting referred to below have not been approved by that date; or
- 30 November 2016, being the last date by which the Notes are to be issued or such later date as is necessary to comply with applicable regulatory requirements or as otherwise agreed between the parties.

If the forbearance expires then the SC Lowy Consortium as the majority secured lender to McAleese may withdraw its support as lender and demand repayment of McAleese's uncompromised Senior Debt. In this circumstance Shareholders are highly unlikely to receive any value for their existing Shares and would not have the opportunity to subscribe for Notes.

Working Capital Facility

As referred to in McAleese's announcement of 8 July 2016, SC Lowy Primary Investments Ltd had agreed to replace the previously announced working capital arrangement. That working capital facility has been executed. The key terms of the working capital facility are contained in Annexure 1.

General Meeting of McAleese Shareholders

As the Senior Debt Acquisition has now occurred, subject to the satisfaction or waiver of the two conditions precedent mentioned above, the Company expects that the General Meeting of shareholders to consider resolutions relating to the Recapitalisation will be held on 29 August 2016. A notice of meeting and accompanying explanatory memorandum (containing an independent expert's report on the Recapitalisation) (**Notice of Meeting**) will be issued to McAleese shareholders in the coming weeks.

The Notice of Meeting will contain the full details of the Recapitalisation and provide all Shareholders with an independent assessment of the fairness and reasonableness of the Recapitalisation.

The compromise of the Senior Debt by the SC Lowy Consortium is conditional upon approval of the resolutions relating to the Notes and options by McAleese shareholders. As announced by McAleese on 7 June 2016, if McAleese shareholders do not approve the relevant resolutions at the General meeting or the SC Lowy Consortium's forbearance otherwise expires, then the parties to the definitive documentation are contractually bound to seek to implement an alternative transaction which otherwise reflects, in substance, the overall transaction contemplated by the Recapitalisation. However, in this scenario, there would be no offer of Notes to Shareholders and Shareholders are highly unlikely to receive any value for their existing Shares.

Havenfresh matters

As previously disclosed, Havenfresh Pty Ltd (**Havenfresh**) has requisitioned a general meeting of McAleese shareholders. That general meeting will be held on 29 August 2016. The

Company encourages all shareholders to read the notice of meeting issued by the Company and lodged with ASX on 18 July 2016 and to vote against all of the resolutions to be considered at that meeting.

McAleese notes that Havenfresh made an application to the Takeovers Panel on 15 July 2016. As announced on 19 July 2016, the Takeovers Panel has declined to conduct proceedings in relation to that application.

Trading and outlook

The Company advises that FY2016 EBITDA before individually significant items is expected to be \$14 - \$15 million on revenue of approximately \$560 million, reflecting the continuing effect of difficult trading conditions across the group. Unaudited gross and net debt at 30 June 2016 were \$191 million and \$174 million respectively.

Over the last twelve months extensive restructuring across the Group has reduced cost to better align the portfolio to current demand and ensure that each division is well placed to benefit from a recovery in market conditions.

This restructuring has occurred with the Group under financial pressure and intense scrutiny from a range of stakeholders and external parties.

The Senior Debt Acquisition is a key milestone in the Recapitalisation, which is expected to relieve some of the pressure on the Company's businesses, contributing to improved market share and financial performance.

Ends

Annexure 1 – Summary of the key terms of the Working Capital Facility

Term	Description
Facility Structure and Security	<p>Secured facility by way of a loan note subscription agreement.</p> <p>First-ranking security over all of the receivables of McAleese and its subsidiaries, ancillary rights and associated proceeds.</p> <p>Security over all other assets of the Borrower and Guarantors, provided it ranks last behind all other beneficiaries of that security (including the lenders under the New Senior Debt Facility).</p>
Purpose	To provide a working capital facility to McAleese.
Facility Limit	A\$20.8 million, extendable by mutual agreement.
Facility Term	12 months, extendable by mutual agreement.
Interest Rate	<p>All in rate of 15% per annum.</p> <p>Interest is a combination of cash 6% and payment-in-kind 9%.</p>
Financial covenant	<p>Principal outstanding under this facility not to exceed the aggregate of:</p> <ul style="list-style-type: none"> the aggregate outstanding amount of receivables (with certain exclusions); and the aggregate balance in the bank accounts subject to the first ranking security referred to above, <p>tested on a monthly basis.</p>