

2 May 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.

Negotiations between the Company, its financiers and a consortium led by SC Lowy (**SC Lowy**) are continuing. While a transaction has not yet been agreed and there remains no certainty that these negotiations will yield an outcome, further positive progress has been made since the Company's announcement on 18 April 2016.

All parties are working towards signing a binding Heads of Agreement by Friday, 6 May 2016.

The transaction under negotiation is expected to involve the current financiers selling their debt to SC Lowy and a reduction by SC Lowy of that debt by way of compromise, with the compromised debt to be on new terms agreed with the Company.

The transaction is expected to include an equity placement to SC Lowy in partial consideration for providing the compromised debt and an equity rights issue underwritten by entities associated with Mark Rowsthorn, the proceeds of which would be used to repay some of the compromised debt. The pricing of the placement and rights issue are expected to be materially dilutive to existing equity, however, the overall transaction is intended to create a sustainable capital structure for the Company.

The Company expects its voluntary suspension to remain in place until Monday, 9 May 2016.

Ends