

7 June 2016

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

By electronic lodgement

Trading update

McAleese Limited (ASX: MCS) (**Company**) refers to today's separately released announcement entitled 'Recapitalisation' and provides the following trading update.

Bulk Haulage

Performance of the Bulk Haulage division has continued to be affected by challenging macroeconomic conditions and volatile commodity prices.

As previously announced, the Bulk Haulage division's haulage contracts with Atlas Iron Limited (**Atlas**) are designed to maximise Atlas' cost competitiveness at low iron ore prices and provide the Company with an increased return when iron ore prices are higher. This is achieved through a base haulage rate coupled with a profit share mechanism linked to AUD iron ore prices received by Atlas. The Bulk Haulage division received no profit share over the latter part of 1H FY16, however improved AUD iron ore prices in recent months have resulted in greater profit share from Atlas' operations and stronger earnings from the Bulk Haulage division.

The Goldfields business did not meet internal expectations during 1H FY16 due to poor equipment availability, however, financial performance has recently improved.

Oil & Gas

The Oil & Gas division has continued to perform steadily, albeit warm weather on the East Coast of Australia has resulted in lower than anticipated LPG haulage volumes in 2H FY16 YTD.

The Company has continued to invest in the Cootes Transport fleet to maintain appropriate fleet age and safety standards. Recent focus has also been on operational performance, particularly in respect of payload improvement and further realignment of fleet and labour to revenue levels.

Heavy Haulage & Lifting

The Heavy Haulage & Lifting division (**HHL**) has continued to be impacted by persistent weakness in market conditions. Despite HHL's strong market position, the division's key customers and end markets have been affected by external factors, particularly weak commodity prices, which has resulted in a limited number of resources infrastructure projects and reduced demand for OEM equipment. Below average maintenance capital expenditure by customers in HHL's key operating regions has also persisted. This lack of activity has significantly impacted HHL's earnings in FY16.

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The Company expects market conditions to remain poor to the end of FY16 and for pressure on margins to continue. In response the Division has reduced headcount and consolidated some properties with other divisions. This focus on costs will continue.

The Company remains confident that maintenance capital expenditure in the resources sector will improve over the medium term, however there is material uncertainty about the timing of a recovery.

Specialised Transport

The Specialised Transport division has continued to be affected by weak East-West volumes and margin pressure on all lanes.

To better position the division to generate sustainable earnings, the division has been focused on enhancing revenue quality and targeting freight activities that will generate greater returns.

Restructuring and Outlook

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 business 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 financial restructure separately announced today is expected to relieve some of the pressure on the Company's businesses, contributing to improved market share and financial performance.

Ends

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