

ASX Announcement

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Company Announcement Office
ASX Limited
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Tempo Australia provides Company Update

Mining and energy sector services company Tempo Australia Limited (Tempo, the Company) (ASX: TPP) is pleased to provide the following update on its activities and performance for the year ending 31 December 2014.

2014 was a transformational year for Tempo, highlighted by a period of change and growth. In April Carmelo Bontempo was appointed Executive Chairman. Key to his role was to oversee a re-structure of operations and performance, to ensure the Company was best positioned to secure targeted new business contracts and deliver them in a cost effective manner - with a focus on quality on productivity. To this end Tempo achieved significant success in 2014, and was awarded a number of substantial contracts.

Rio Tinto Ltd - Cape Lambert Port Expansion Project

In July the Company was awarded a contract with Rio Tinto at its Cape Lambert Port B Project in the Pilbara region of Western Australia, for structural, mechanical and piping miscellaneous works, and commissioning support. The contract value was approximately \$13.4 million.

Mobilisation to site was completed in August, and Tempo has steadily increased its workforce and work at site, with up to 100 employees engaged at any one time. Subsequent to the year, in February 2015, Tempo was issued with approval for variations for its existing contract with Rio, which has the potential to increase the value of the contract by up to \$11 million – increasing the anticipated contract value to approximately \$25 million.

Santos Ltd - General Services Contract

In December, the Company was awarded a three-year general services contract with Santos for trade labour resources, with a focus on the Cooper Basin in South-West Queensland. The contract positioned Tempo as a supplier to a world-class oil and gas company, and it anticipates personnel will be mobilised in coming months.

Tempo has invested significant resources in developing its systems, processes, people and capabilities in the oil and gas sector, and notwithstanding the challenging market conditions currently facing the sector brought on by a softening oil price, Tempo remains extremely well placed to meet the requirements of prospective oil and gas clients. The Company also advises it has opened productive discussions with a number of other prospective leading oil and gas clients.

CMA Contracting Pty Ltd - Parker Point Fuel Terminal

In April Tempo was awarded a contract with CMA Contracting Pty Ltd for the refurbishment of bulk fuel tanks and associated structural, mechanical and piping (SMP) works at the Parker Point Fuel Terminal South Bund Upgrade, in the Pilbara region.

The first package of this project involved the refurbishment of fuel tanks and was completed ahead of schedule. The remaining packages of work under the contract were impacted by a number of factors outside Tempo's control and resulted in considerable cost and time impacts on the Company. Tempo advises it is in discussion regarding a claim to recover these costs. This project has now been completed.

Financial Performance

As mentioned, 2014 was a transformational year for Tempo, and the change and growth that the year brought have impacted the Company's financial position. For the financial year to 31 December 2014, Tempo has reported a preliminary unaudited loss of \$1.373m.

Significant to this loss was the impact of the additional costs incurred at Parker Point as a result of variations and client delays, which is now subject to a claim. While Tempo is confident that it will secure additional revenues to cover the additional costs, the Board has taken the conservative position to attribute zero value to the claim at this point. Any monies that are recovered will result in an improvement in profit at such a time as achieved. As mentioned above, the work for this contract has now been completed.

Tempo's commitment to investing in organic growth, including that required to work for oil and gas clients, has also impacted its bottom line performance, but such investment in its people and capabilities are largely 'one-off's' and position the Company strongly to pursue new contracts in the year ahead.

During the year Tempo invested in obtaining an Electrical Contractors licence and now has electricians and instrumentation technicians deployed at BHP Billiton Iron Ore's ore car repair facility near Port Hedland, in the Pilbara region.

The Company also focused on internal efficiencies within its business, and this resulted in a management re-structure which saw some senior management leave the Company, and the Company incur one-off severance payments and leave entitlements.

Tempo also advises that the growth of its contract book, led by Rio at Cape Lambert, has resulted in an increase in working capital requirements - primarily receivables, work in progress and retention monies held. This has been the largest contributor to the Company's operating outflow.

Tempo also conducted a number of reviews relating to financing and has entered into a new finance agreement that improves its ability to fund working capital requirements in 2015.

The Company has demonstrated its capabilities in construction, shut downs and maintenance across a strong client portfolio, and currently has over 150 personnel deployed at various sites. It is of the view that this, along with anticipated increased work levels at various sites, investment in expanding its capabilities for the oil and gas sector, strong tender pipeline and restructuring initiatives, place it in a solid position to improve its financial performance in 2015.

For further information please contact:

Carmelo (Charlie) Bontempo

Chairman
+61 (8) 6180 2040

Michael West

CFO & Company Secretary
+61 (8) 6180 2040

Media and Investor Relations

James Moses
Mandate Corporate
E: James@mandatecorporate.com.au
M: +61 420 991 574

About Tempo

Tempo Australia Ltd (ASX:TPP) was established in 2011 to provide SMP (Structural Mechanical Piping) services to the mining, oil and gas sectors specialising in:

- ◆ construction (greenfield and brownfield);
- ◆ maintenance;
- ◆ sustaining capital works; and
- ◆ shutdowns.

Tempo works collaboratively with clients to execute projects safely and deliver them on time and on budget.