



Neptune expands into lucrative US oil & gas market with acquisition of US Underwater Services

- Acquisition to give Neptune a permanent presence in the United States
- USUS will provide a channel to market for NEPSYS in Gulf of Mexico
- Provides the foundation for Neptune to offer an integrated subsea engineering and services model
- Key management to stay with the business and continue its growth

Leading subsea engineering and services company Neptune Marine Services (ASX:NMS) today announced that it has entered into an agreement to acquire United States Underwater Services (USUS), a commercial diving business servicing the offshore oil & gas sector in the Gulf of Mexico. USUS employs 34 commercial divers and has relationships with many of the US' leading oil & gas offshore drilling contractors. The acquisition will give Neptune a strong presence in the US and access to the large oil & gas markets in the Gulf of Mexico and other regions.

USUS's President and CEO Mr Mike Erinakes will continue to be responsible for USUS's operations. USUS will provide a channel to market for NEPSYS in the US oil & gas sector, and as part of Neptune, it will be able to begin marketing a fully integrated subsea engineering and services capability to USUS's customers. Mr Erinakes and two other key employees have agreed to enter into 3 year employment agreements on completion. Each of the key employees has extensive experience in the oil & gas sector and will form part of Neptune's leadership team.

USUS had annual revenue of approx. USD\$10,000,000 for the ten-months ended December 31, 2006 and forecasted EBITDA for calendar year 2007 of USD\$3,800,000. The acquisition is expected to be earnings accretive.

Neptune's Managing Director Christian Lange said, "This is a significant transaction for Neptune and gives us an immediate foundation to grow our operations in the lucrative US oil & gas market. In the more immediate term, USUS gives us a direct channel to market for our NEPSYS technology which has already been utilised in two projects in the Gulf of Mexico.

"We are also delighted to secure the ongoing services of Mike Erinakes and his two senior people. Mike and his team will be instrumental in growing Neptune's operations in the US with strong support from our business development team. We have a good opportunity to grow USUS and the team there is encouraged by the prospects."

USUS's Mike Erinakes said, "This is a great opportunity for USUS and a great opportunity for Neptune. We have already worked on a minor repair project together already and we both recognise the potential for the NEPSYS technology in the US oil & gas market and the opportunity to build an integrated subsea engineering services business for our customers. We believe there is a gap in the US market for an integrated subsea engineering services provider and we are well positioned to capture greater market share by offering our customers more services."

Neptune has agreed to purchase the issued capital in the holding company of USUS, US Underwater Holdings LLC (USUS Holdings), for a total consideration of USD\$21,000,000, which amount is inclusive of existing debt of approx. USD\$5.7m. The purchase price is also to be adjusted for working capital at closing.



The consideration is payable as approximately as follows:

- \$2,750,000 in cash to certain outside investors for preferred units in US Holdings, plus
- 60.76% of the remaining purchase price to those outside investors for common units in USUS Holdings;
- 19.75% of the remaining purchase price in cash and 10.63% in Neptune fully paid ordinary shares to Mr Erinakes; and
- the balance in fully paid ordinary shares to employees of USUS who presently hold option rights in USUS.

While the final amount of the purchase price will not be known until completion of the agreement and assuming the present USD exchange rate, the Company expects to issue up to approx. 3.96 million shares to Mr Erinakes for his stock in US Holdings. The Company has agreed that the shares to be issued to Mr Erinakes as part of the purchase price will be issued at \$0.49 and will be held in escrow as to 75% for 18 months and 25% for 6 months.

The Company expects to issue up to approx. 2.6m shares to employees of USUS. Shares to be issued to USUS employees will be issued at the 30 consecutive trading day VWAP ending two business days before the closing of the acquisition and will be held in escrow for 18 months. Of the shares to be issued to employees, a number of shares will be withheld that have a approximate value in amount sufficient for the company to satisfy its withholding obligations with respect to the employee's share of payroll obligations and withholding under US tax law.

Neptune expects to fund the USUS acquisition with a combination of debt and equity. The equity financing is to be obtained through a placement of shares to institutional investors, subject to approval of existing shareholders. Neptune expects to re-finance the majority of USUS' debt with its existing with bank and has agreed to satisfy a USD1m seller note to Mr Erinakes in 50% cash and 50% (or approx. 800,000) fully paid ordinary shares.

Shareholder approval will sought for the issue of shares to Mr Erinakes and USUS employees. Subject to shareholder approval, completion is expected to occur in the first week of June 2007.

Neptune Marine Services project manages and delivers quality sub sea maintenance services to the Oil and Gas and Maritime industries. Our flagship technology delivers long lasting, high quality in situ repairs to platforms, pipelines, vessels and marine infrastructure while minimising operational downtime through the only permanent, dry quality welding solution in a non-hyperbaric underwater environment.

Further information

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