



**Proposed Sale of Neptune Marine Services Limited's business
to MMA Offshore Limited**

- **NMS to sell its key operating subsidiaries to MMA.**
- **Consideration expected to be between approximately \$18.5 million and approximately \$21.2 million in aggregate, which would comprise \$5.0 million cash plus the issue of shares in MMA to NMS with an implied value of between \$13.5 million and \$16.2 million (depending on the 30-day volume weighted average price of MMA shares for the period ending on the date that is two business days before completion).**
- **The consideration, including the MMA shares, is intended to be distributed in specie to NMS shareholders in due course.**
- **Completion of the disposal is subject to a number of conditions including NMS shareholder approval, with an NMS General Meeting expected to be held in October.**
- **The Directors of NMS unanimously recommend that NMS shareholders vote in favour of the MMA transaction in the absence of a superior proposal.**

Overview

Neptune Marine Services Limited ("NMS" or the "Company") is pleased to announce that it has entered into a binding Share Purchase Agreement ("Agreement") for the sale of its business to MMA Offshore Limited ("MMA") (the "Transaction"). The Transaction will involve the sale of the shares in NMS's key operating subsidiaries.

The purchase consideration, which is expected to total between approximately \$18.5 million and approximately \$21.2 million, will comprise a payment of \$5.0 million in cash ("Cash Consideration") and the balance in the form of MMA fully paid ordinary shares, with an implied value of between approximately \$13.5 million and approximately \$16.2 million (depending on the 30-day volume weighted average price of MMA shares for the period ending on the date that is two business days before completion) ("Consideration Shares").¹ All consideration is payable upon completion of the Transaction ("Completion").

NMS CEO, Mr Robin King, said: "*The acquisition of the Neptune business by MMA provides NMS shareholders with an opportunity to retain an exposure to the combined business which offers synergies that will potentially provide new opportunities for the business in any sustained improvement in market conditions. Combining NMS's subsea equipment and technical expertise with MMA's vessel assets should result in a stronger service offering to both NMS's and MMA's existing clients.*"

Key services being sold include Asset Integrity and Inspection, Diving; Survey, ROV, Engineering, Subsea Stabilisation, NEPSYS™ Dry Underwater Welding and Manufacturing, Assembly and Testing services.

¹ Please refer to Schedule 1 for further detail.



RATIONALE FOR THE TRANSACTION

- Although the outlook in the Australian subsea market has improved from a year ago, NMS has experienced significant challenges over recent years. The Transaction represents a strategic move for NMS to unlock the value of the business in a way which, through the scrip component of the deal structure, will enable the shareholders of the Company (“Shareholders”) to gain an exposure to the combined business through NMS’ shareholding in MMA.
- The injection of NMS’s subsea operations into MMA is considered a strong fit as the NMS and MMA’s businesses are complementary with an overlapping regional presence in Australia and South East Asia, which will enable the cross selling of services and the enhancement of client relationships across multiple levels of the oil and gas development cycle.
- MMA recorded an NTA per share of A\$0.36 and posted an EBITDA of A\$12.6 million² for its half-year ended 31 December 2018. The minimum issue price of A\$0.20 to be used in computing the Consideration Shares represents a discount of 44% to the NTA as at 31 December 2018.

In light of the above, the Board is of the view that the Transaction is in the best interests of the Company and its Shareholders in the absence of a superior proposal, and recommend that NMS shareholders vote in favour of the Transaction at the upcoming general meeting (again, in the absence of a superior proposal).

Consideration

The expected Consideration range for the proposed sale of the Neptune business is set out below:

Consideration	Minimum Consideration \$000	Maximum Consideration \$000
Cash	5,000	5,000
MMA Shares (implied value)	13,531 ³	16,237 ⁴
Total Consideration	18,531	21,237

Under the Agreement, NMS is obliged to retain the Cash Consideration in an account approved by MMA for a period of 6 months after Completion (“Retention Period”).

² Based on MMA’s publicly available half-yearly results.

³ For the purpose of this illustration, the implied value of MMA shares is based on a 30-day volume weighted average price of \$0.20 and a trading price of \$0.20

⁴ For the purpose of this illustration, the implied value of MMA shares is based on a 30-day volume weighted average price of \$0.30 and a trading price of \$0.30



EFFECT OF TRANSACTION

NMS CEO, Robin King, will continue to manage the Company until Completion occurs, following which he will provide support to MMA during the transition period. As part of the Transaction, the remaining Company management, including Acting CFO David Binns, and all other employees will transfer to MMA.

The effect of the proposed Transaction on the key metrics from NMS's Consolidated Statement of Financial Position and Consolidated Income Statement are shown below⁵:

Category	Before Proposed Disposal ⁶	After Proposed Disposal ⁷ (Min Consideration)	After Proposed Disposal ⁸ (Max Consideration)
	\$000	\$000	\$000
Total Assets	51,659	28,095	30,802
Total Liabilities	25,627	2,063	2,063
Total Equity	26,032	26,032	28,739
Revenue	25,295	25,295	25,295
EBITDA	683	683	683
Net profit / (loss) Before Tax	(38)	(38)	2,669

Neptune will continue to trade as normal up to Completion of the Transaction. Post Completion, Neptune is not expected to derive any further operating revenue, other than interest and investment income.

Use of proceeds

Pending the deployment of the Cash Consideration, and subject to the requirement to maintain the \$5 million cash balance during the Retention Period, this may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the Directors may deem appropriate in the interests of the Company.

It is the Directors' current intention that, subject to receipt of necessary Shareholder approvals and subject to applicable law and regulatory requirements, the Consideration

⁵ The financial effects set out in the table above are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position after Completion of the Transaction. The amounts in this table are based on the Company's 30 June 2019 financial statements and show the effect of the Transaction as if Completion had occurred on that date and ignoring the effect of any post Completion adjustments.

⁶ Based on the Company's Consolidated Statement of Financial Position and Consolidated Income Statement at 30 June 2019 (unaudited).

⁷ For the purposes of this illustration, the minimum consideration assumes an implied value of MMA shares based on a 30-day volume weighted average price of \$0.20 and a trading price of \$0.20

⁸ For the purpose of this illustration, the maximum consideration assumes an implied value of MMA shares based on a 30-day volume weighted average price of \$0.30 and a trading price of \$0.30



Shares will be distributed pro-rata to Shareholders as soon as practicable following Completion.

The Company understands that ASX's usual policy is to allow trading in the Company's securities to continue for a period of up to six months following Completion (in the absence of some other reason to suspend trading), to allow time to complete the formalities of such pro-rata distribution and subsequent winding-up (or announcement of an intention to acquire a new business, should a suitable acquisition opportunity be identified). Following this, the ASX would usually be expected to suspend trading in the Company's securities until the Company makes an announcement acceptable to the ASX about its future activities.

Transaction Structure and NMS shareholder approvals

Under the Transaction, MMA will acquire the key operating subsidiaries of the Company. To ensure that such operating subsidiaries effectively comprise the entire operating business (and assets) of NMS, the Company has undertaken to carry out a restructure of its operations prior to completion of the Transaction.

As the Transaction comprises the disposal of the Company's main undertaking for the purposes of ASX Listing Rule 11.2, the Transaction requires the approval by a simple majority of Shareholders at a General Meeting, the notice for which will be despatched shortly. NMS has been informed that Blossomvale Investments Pte Ltd, NMS's 87% (and therefore largest) shareholder, intends to vote in favour of the Transaction at the General Meeting, subject to receipt of shareholder approval of MTQ (Blossomvale's parent company listed on the SGX) ("MTQ Shareholder Approval") and in the absence of a superior proposal.

At the General Meeting, in accordance with undertakings given in the Agreement, the Company will also seek approval to change its name (subject to Completion occurring). If that approval is obtained and the Transaction Completes, the Company will be required to change its name as soon as practicable following Completion.

In addition to unanimously recommending that Shareholders vote in favour of the Transaction in the absence of a superior proposal, the Directors of the Company also intend to vote any NMS shares they hold or control in favour of the Transaction (again, in the absence of a superior proposal).

Key Terms of the Sale and Purchase Agreement

The key terms of the Share Purchase Agreement are summarised in Schedule 1 to this announcement. At this stage, subject to the conditions precedent to Completion being satisfied or waived, Completion is expected to occur in October/November 2019.

Kind regards,

NEPTUNE MARINE SERVICES LIMITED

A handwritten signature in black ink, appearing to read "Boon Wee Kuah".

BOON WEE KUAH
Chairman



Schedule 1

The key terms of the Agreement are set out below:

Consideration

The Consideration, which is expected to total between approximately \$18.5 million and approximately \$21.2 million, will comprise a payment of \$5.0 million in cash (“Cash Consideration”) and the balance in the form of MMA fully paid ordinary shares, with an implied value of between \$13.5 million and \$16.2 million (depending on the 30-day volume weighted average price of MMA shares for the period ending on the date that is two business days before Completion).

The number of Consideration Shares to be issued on Completion will be calculated by reference to the volume weighted average share price of MMA shares in the 30 day period ending on the date that is two business days before completion (“VWAP”) in accordance with the table below. As shown below, the implied value of the Consideration Shares will only be \$13.5 million if the 30-day VWAP is less than or equal to \$0.25. If the 30-day VWAP is equal to or greater than \$0.25, then the implied value of the Consideration Shares will be greater than \$13.5 million, but can be no higher than \$16.2 million.

30-day VWAP per MMA Share	Number of MMA Shares to be Issued to NMS	Issue Price
Less than or equal to \$0.25	13,531,000 / the Issue Price	The higher of \$0.20 and the 30-day VWAP
Greater than \$0.25 but less than \$0.30	54,124,000	\$0.25
\$0.30 or greater	16,237,000 / the 30-day VWAP	The 30-day VWAP

All consideration is payable upon completion of the Transaction (“Completion”). The Agreement provides for an adjustment to the Consideration to the extent that business' net asset value at Completion is not approximately \$18.5 million.

NMS will bear any duty payable on the Transaction and MMA will pay duty payable on the Restructure (save in circumstances where MMA is entitled to be indemnified for any duty payable pursuant to the Excluded Liabilities Indemnity summarised below).

Escrow

The Cash Consideration has been deposited in an escrow account with Rajah & Tann Singapore LLP (as the “Escrow Agent”) as an upfront refundable deposit. If Completion occurs, the Cash Consideration will be released by the Escrow Agent subject to its receipt of a release notice in accordance with the terms of the Agreement.



Conditions Precedent

Completion of the Transaction is subject to a number of conditions precedent including required approvals and consents (including both NMS and MTQ shareholder approval for the Transaction), no material adverse change occurring in respect of either NMS or MMA, NMS obtaining consent (or waiver) from the counterparties to its material contracts (as defined in the Agreement) to the change of control (triggered by the Transaction) and completion of the required internal restructuring of NMS.

Period between signing and Completion

NMS will be subject to customary conduct of business restrictions in the period before Completion which also contemplate certain consultation and consent rights for MMA in respect of certain prescribed matters.

Exclusivity and break fee

The Agreement contains deal protection mechanisms in favour of MMA which include “no shop” and “no talk” provisions and notification and matching rights in relation to competing offers. Under a deed of guarantee entered into by MTQ (simultaneously with entry into the Agreement and so as to support NMS's performance of its obligations under the Agreement), MTQ also gives certain "no shop" and "no talk" undertakings in favour of MMA.

In addition, each party has agreed to pay a prescribed, liquidated amount (of \$200,000) in certain limited circumstances.

In the case of NMS, the circumstances in which it would be obliged to pay the liquidated amount are where:

- any of the conditions precedent NMS is responsible for satisfying are not satisfied prior to the end date of 30 November 2019 where NMS has failed to use reasonable endeavours to satisfy any such condition (including obtaining NMS Shareholder approval in respect of the Transaction);
- where the MTQ Shareholder Approval is not obtained by MTQ;
- prior to the end date of 30 November 2019, any NMS director publicly withdraws or changes their voting recommendation for the Transaction (other than where there has been a material adverse change in respect of MMA);
- before termination of the Agreement, NMS enters into any agreement with a party other than MMA in respect of a Competing Proposal; or
- NMS is in material breach under the Agreement and MMA terminates the Agreement.

In the case of MMA's obligation to pay such an amount, this would arise where the Agreement is terminated because MMA:

- has failed to obtain any required consent or approval from its financiers in respect of the Transaction, or a material adverse change in respect of MMA has occurred, in



either case only in circumstances where MMA failed to use reasonable endeavours;
or

- is in material breach under the Agreement.

Warranties

NMS has also given a series of warranties as to (among other things) the business and assets being sold to MMA as part of the Transaction.

Liability cap

NMS's liability is subject to:

- an overall cap equal to the value of the Consideration paid (by MMA) to NMS (this includes the value of the Cash Consideration and the implied value of the Consideration Shares) for all claims under the Excluded Liabilities Indemnity detailed below, under a specific indemnity in respect of any statutory disclosure required for the in-specie distribution of the Consideration Shares, under the Tax Indemnity, or for breach of the tax-related warranties or certain fundamental warranties; and
- a sub cap equal to the amount of the Cash Consideration in respect of any other claims under the Agreement.

Excluded Liabilities Indemnity

NMS has also agreed to indemnify MMA (and its related bodies corporate which will include the NMS subsidiaries purchased under the Transaction) ("Buyer Group") for any loss which they incur arising directly or indirectly from (among other things):

- **(business contract)** any breach by NMS of its obligations under a business contract for the period up to Completion;
- **(warranty claims)** any claim in relation to a warranty or defect liability period in connection with any business contract, where the applicable fact, matter or circumstance giving rise to the claim occurs, relates to or otherwise arises out of the period up to Completion;
- **(restructure)** any tax or duty incurred as a result of, NMS (or its subsidiaries) deviating from or failing to complete the settlement of the intra-group balances in accordance with the agreed plan unless with the prior written consent of MMA, or NMS (or its subsidiaries) taking or failing to take any action or step contemplated by the Restructure without the Buyer's prior approval; or
- **(employees)** the entitlements or benefits or other rights to which any business employee may have been or is entitled to, relating to or arising out of any period before Completion and which was not specifically contemplated in the accrued business employee entitlements included in the Completion Statement.



Pre Completion tax indemnity

Subject to Completion occurring, NMS will indemnify MMA against certain amounts in respect of tax payable or a reduction in an entitlement to a tax refund for the period up to Completion, as further set out in the Agreement.

Restraint

Following Completion, restraint provisions will apply to NMS, its remaining subsidiaries and certain of its directors and employees post Completion ("Neptune Affiliates"), these will preclude NMS from operating a similar business or activity, within an agreed set of locations (including but not limited to Australia, Singapore, SE Asia and the United Kingdom) for an agreed period of up to a maximum of three years post Completion. In addition, the NMS Affiliates may not solicit its (former) customers or employees during the period of restraint.

About Neptune Marine Services Limited

Neptune is a leading provider of services and integrated engineered solutions to the international oil and gas, marine and renewable energy industries. Its services include asset integrity, commercial diving, geophysical and geotechnical survey, manufacturing, testing and assembly, NEPSYS® dry underwater welding, pipeline stabilisation and protection, remotely operated vehicles, subsea and pipeline engineering, surface and subsea positioning, and topside inspection, repair and maintenance.

Further information:

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