

CAPITAL RAISING AND CORPORATE UPDATE

TEK-Ocean Group Limited (ASX: **T3K**, “**TEK-Ocean**” or the “**Company**”) refers to its announcement to ASX dated 7 October 2022 titled “Company Update” and provides the following update.

Audit

TEK-Ocean confirms it is progressing toward the completion of its Appendix 4E and Annual Report process. The Company presently anticipates that its Annual Report will be finalised and sent to shareholders in December 2022, following which the Company will convene its annual general meeting.

Operations

The Company’s operations continue in their normal course and the Company continues to tender for new project work to grow its pipeline of work following the investment made to expand the capabilities of the Company’s primary asset, the TEK-Ocean Spirit vessel. A detailed operations update will be provided separately.

Engagement with the Company’s Senior Lender

The Company is pleased to advise that it renegotiated several of its existing loan facilities with its senior lender. These amendments will allow the Company to have a greatly reduced loan repayment burden (~\$1.6 million) for the period to the end of June 2023 (**Debt Amendments**). The Debt Amendments also include a requirement that the Company:

- procure a binding unconditional commitment to refinance the Company’s existing secured debt by 31 March 2023; and
- repay (or refinance) all of its facilities by 30 June 2023.

The Company has been in discussions with a number of replacement lenders and is progressing these discussions.

Convertible Note Capital Raising

The Company refers to its previous announcement regarding a capital raise.

The Company has now received:

- \$580,000 of investment by way of convertible notes from professional and sophisticated investors with further commitments of \$500,000 to be received shortly;
- a total of \$1,200,000 from the directors by way of unsecured loans with an interest rate of 10% per annum (this amount is inclusive of the loan amount announced to market on 29 July 2022); and
- \$225,000 from founding shareholders of the Company by way of unsecured loans with an interest rate of 10% per annum, that will automatically convert into convertible notes.

Details of the terms of the convertible notes are set out in the Schedule to this announcement.

The Company will soon convene an extraordinary meeting of shareholders to approve the conversion of the director loans into convertible notes pursuant to Chapter 10 of the ASX Listing Rules. Subject to obtaining shareholder approval, the Company will have raised commitments of \$2.5 million in total under the convertible notes and Director Loans, thus significantly improving its working capital position allowing it to execute on its existing business operations.

In addition to the above, the Company is in continuing discussions with financial and strategic investors for additional investment.

As a result of the collective actions outlined in this update, the Company expects to have rectified its working capital position.

Update on Share Suspension

The Company is working with ASX in relation to the current suspension of its shares from trading and expects ASX will provide conditions for the re-instatement of the Company's shares. The Company will provide another update to market on its share suspension in due course.

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This announcement has been approved by the Directors of TEK-Ocean Group Limited.

About TEK-Ocean Group

TEK-Ocean provides flexible, fit for purpose & cost-effective solutions to all clients in the Energy Industry through a range of integrated services. Our core aim is to provide superior support and solutions in all areas below:

- Offshore Construction, Subsea Operations
- Logistics, Shore-Base, Supply Chain
- Maritime, Ocean Engineering,
- Decommissioning and Rehabilitation
- Environment and Sustainability
- Offshore Renewables
- Consultancy, Personnel, Crewing
- Systems, Engineering and Project Management
- Specialist Energy Services, including:
 - Machine Shop, Torque Turn, Pressure testing, Integration Testing
 - Workshop, Aftermarket,
 - Asset Management, Equipment Maintenance
 - Preservation and Storage Services

Schedule – Key terms of the Convertible Notes

Term	Details
Issuer	TEK-Ocean Group Limited.
Securities offers	Convertible notes which are convertible into fully paid ordinary shares of the Company (Convertible Notes).
Face value	\$1.00 per Convertible Note (Face Value).
Interest rate and payment	10% per annum and capitalised monthly.
Maturity date	18 months from the issue date (Maturity Date).
Ranking	The Convertible Notes will rank <i>pari passu</i> amongst themselves. All Conversion Shares will rank equally with and will carry the same rights as the existing issued fully paid ordinary shares in the Company.
Convertibility	Subject to the Company obtaining shareholder approval, the Convertible Notes will automatically convert into fully paid ordinary shares upon the earlier of: <ul style="list-style-type: none"> • completion of the Company undertaking a capital raise either by way of an entitlement offer or a share purchase plan (Equity Capital Raising); or • the Maturity Date.
Change of Control	If a Change of Control Event occurs, the Company may in its discretion provide notice to each Convertible Note holder and elect to convert all the Convertible Notes at the Conversion Price.
Conversion price	The conversion price will be the lower of: <ul style="list-style-type: none"> • a 30% discount to the share price used in the next Equity Capital Raising; and • \$0.075 per share, (Conversion Price) .
Conversion formula	On conversion and if applicable, subject to obtaining shareholder approval, the Convertible Note holder will be issued, for each Convertible Note, that number of shares calculated as the Face Value divided by the Conversion Price (Conversion Shares). The number of Conversion Shares to be issued to a Convertible Note holder (in aggregate) is to be rounded down to the nearest whole number.
Security	The Convertible Notes are unsecured.
Quotation	The Convertible Notes will not be quoted on the ASX.
Use of funds	Net proceeds will be used for: <ul style="list-style-type: none"> • paying down existing debt facilities drawn by the Company; and • general working capital of the Company.