



MEDIA RELEASE

30 November 2011

AGM Chairman's Address

PERTH, Western Australia: Neptune Marine Services Ltd (ASX: NMS)

Good morning ladies and gentlemen,

I would like to welcome you to Neptune Marine Services' Annual General Meeting for the year ended 30 June 2011. My name is Ross Kennan and I am Chairman of the Company.

It has been a year of transformation for Neptune. After a challenging 2010 Financial Year and unsatisfactory performance in the First Quarter 2011, the Company focussed on evaluating, assessing, and implementing the necessary measures to return the Company to long-term profitability.

As part of the comprehensive review of the Company's operations, we formulated our "back to basics" strategy which outlined a number of key objectives to be achieved, including:

- Raising capital to eliminate bank debt and de-risk the business
- Reshaping the corporate structure
- Reducing costs in the organisation
- Selling underperforming businesses and assets
- Improving the timeliness and accuracy of financial reporting
- Rebuilding customer relationships

It is very pleasing to report that we delivered on a number of these key objectives in the Second Half 2011 – reflected with a \$3 million underlying EBIT for that period – and have progressed through the remaining objectives in the current reporting period.

Restructure initiatives

I would like to take a moment to elaborate on some of the key milestones Neptune has achieved since the Company's last annual general meeting. In March, Neptune successfully completed a \$65 million capital raising by way of a 3.6-for-1 entitlement offer. The funds were used to eliminate bank debt and meet deferred payments to vendors of businesses acquired by Neptune. De-gearing the balance sheet was a critically important step for the Company's future, as it released us from onerous banking obligations and allowed funds to be channelled into growing Neptune's profitable businesses. I would like to take this opportunity to thank our existing shareholders who participated in the entitlement offer and extend a warm welcome to new shareholders who joined the Company's register via the shortfall placement.



As part of our cost reduction measures, following a review undertaken in conjunction with Pricewaterhouse Coopers, we identified and successfully delivered on more than \$9.5 million in annual ongoing cost savings. This was by way of a reduction in headcount – primarily at the corporate level – and a significant reduction in general overheads and corporate costs.

Neptune also rationalised and divested underperforming businesses and assets, delivering ongoing savings through the removal of ongoing operating losses. By June 30, we had sold the *Neptune Trident* vessel for \$14,025,000, streamlined our European operations and eliminated regional management costs from our Middle East and Asia operations. We have continued to deliver on this objective in the current reporting period, with the sale of the *Neptune ROV Supporter* vessel for \$2.4 million and the sale of our Australian fabrication business. The Company is also progressing towards the sale of our US diving business.

Finally, a key plank of our strategy was reshaping our corporate structure. We were very pleased to welcome Robin King to the role of Chief Executive Officer 12 months ago. Robin has been instrumental in shaping the Company's restructure initiatives and driving our operational strategy and path to profitability, which he will elaborate on in a presentation shortly. Furthermore, in July we welcomed Colin Napier as Chief Financial Officer as part of a planned handover from our previous CFO, David de Loub.

At the Board level, in March we welcomed Boon Wee Kuah, the chief executive officer of Neptune's strategic stakeholder, MTQ Corporation, as a Non-Executive Director. In addition, we also engaged independent consultants Gerard Daniels to conduct a Board review. Following the outcome of this review, we welcomed Peter Wallace as a Non-Executive Director in July, and I am pleased to announce Jeff Dowling will join the Board as a Non-Executive Director on December 1. Jeff was most recently managing partner at Ernst & Young's Perth office and also held senior leadership roles which focussed on the mining and oil & gas sectors during his 36-year career at the firm.

Outlook

In summary, I am confident that the steps we took throughout the year to eliminate Neptune's term debt, increase working capital, remove operational inefficiencies and strengthen the Board and senior management – coupled with the ongoing strength of our underlying operations – has provided the Company with a clear pathway to profitability.

I would like to take a moment to acknowledge our staff for their commitment and hard work during the year. It was a turbulent year for our employees and I would like to thank them for their professionalism and dedication to Neptune throughout. I would also like to express my gratitude to our customers for their continued confidence in us.

Finally, I acknowledge that it has been a challenging and difficult year for you, our shareholders, and I would like to thank you for your ongoing support during this period. At last year's annual general meeting, we pledged to make a number of tough decisions. These have been taken, and we are now focussed on achieving ongoing profitability and delivering shareholder value.

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