



**NEPTUNE MARINE SERVICES LIMITED  
ANNUAL GENERAL MEETING 2010  
CHAIRMAN'S ADDRESS**

**30 November 2010**

Ladies and Gentlemen,

Thank you for joining us today for the Annual General Meeting of Neptune Marine Services for the financial year ended 30 June 2010.

As you would no doubt be aware, Financial Year 2010 and First Quarter 2011 have been extremely challenging for Neptune and our performance over this time has simply not been acceptable.

The Board of Neptune understands that shareholders must be extremely frustrated and dissatisfied by the company's performance.

We share that disappointment and, as Chairman of the Board, I can personally assure you that we have a single minded focus on returning Neptune to profitability and delivering much deserved value to shareholders.

The Board has committed to a major restructure of the Neptune business that is designed to achieve this return to profitability in the shortest possible timeframe. This will involve a re-capitalisation of the balance sheet, a comprehensive operational review of the Company's assets, and where required, a rationalisation of assets.

To be candid, this will involve wholesale changes to the Company at corporate, operational and structural level. We believe these changes are warranted and necessary – and we will need the support of all of our shareholders to achieve a positive outcome.

To underline the need for this change, Neptune recorded an operational loss of \$6 million at the EBIT level in the September quarter as revenue streams and margins came under pressure.

Trading has stabilised in the past month and the Company is expecting more favourable market conditions in the second half of FY11.

Nonetheless, the return to profitability is dependent on a major re-capitalisation of Neptune and, with your support, the Board is very focussed on achieving this.

### **Recapitalisation of Balance Sheet**

We are in detailed discussions with our bankers regarding our restructure plan and those discussions will continue.

We are also in discussions with capital providers on the re-capitalisation plan – and those discussions will also continue.

As a Board, we expect to be in a position to report to shareholders on the progress of these discussions in the next week or so.

Make no mistake, Neptune finds itself in a very challenging position. Be assured, we are committed to a restructure plan that we believe will right-size the Company's balance sheet and create a platform that sees a return to profitability and restoration of shareholder value.

We expect the Company will remain suspended from trading on the ASX until the capital management initiatives have been settled. Given the potential significance of the capital management process we are undertaking, we believe it is not appropriate for our stock to be trading on the ASX while uncertainty still exists.

### **Strengthening of Board and Senior Management**

A vitally important aspect of our 'plan for change' is a significant strengthening of Board and Senior Management capabilities.

You will be aware that we recently announced the appointment of Robin King as Acting Chief Executive Officer of the Company. Robin joined us in September of this year as Regional Vice President for Australia, New Zealand and Papua New Guinea. Prior to joining Neptune he held the role of CEO for

Technip Subsea 7 Asia Pacific, one of the region's leading subsea engineering and construction companies.

Robin's wealth of managerial experience and the respect that he has among his peers in the international oil and gas industry will help ensure that Neptune is well positioned to deal with the challenges that lie ahead. Robin has the full support of the Board to make the changes he needs to lift our financial and operational performance.

We will also undertake an external executive search process to determine the calibre of candidates that might be available to take on the CEO role on a permanent basis. Robin will also be considered for the role through that process and will no doubt be a very strong candidate for the permanent appointment.

In addition to appointing Robin, we are committed to appointing at least two new non executive directors to the Board. The Board will be seeking to identify suitable candidates for the new directorship positions with a strong focus on essential oil & gas industry and/or listed company experience.

One of these directors will replace current non executive director David Agostini who indicated earlier this year his intention to step down from the Board and he is therefore not seeking re-election at today's AGM. We thank David for his contribution and we wish him all the very best for his future endeavours.

Robin and the Board will have the benefit of a strong and experienced senior management team and will be working closely with Chief Financial Officer David de Loub and Director, Strategy & Development Rod Evans who assumed these roles in July 2010.

### **Operational and Cost Saving Initiatives**

The Board and Senior Management have already commenced developing an immediate and aggressive cost reduction campaign and a thorough strategic review of the company. As Chairman of the Board, I can assure you that this

review will leave no stone unturned and will consider organisational efficiency, asset utilisation and disposal options. Many tough decisions will be made through this process.

I would like to personally thank our shareholders for their patience and support. I understand this has been a trying time for you and I can assure you that we will work tirelessly to restore balance sheet strength, earnings growth and operational efficiencies.

We also thank our customers for their continued support. You will start to see some changes to the structure of our business, these changes are designed to increase the operating efficiency of our business which will in turn allow us to improve the service we can offer you.

Neptune is a company that operates within an industry with strong growth fundamentals. The recent financial and operating performance of this business is extremely disappointing and, on behalf of its shareholders, the Board and Senior Management are committed to radically improving the financial and operating position of this Company. We believe that the changes that we have planned will allow us to deliver strong shareholder returns and excellent outcomes to our customers.

Thank You