

# Prospectus Miclyn Express Offshore Limited

ARBN 141 683 552



**Global Coordinator**  
Macquarie Capital Advisers Limited

**Joint Lead Managers**  
Macquarie Capital Advisers Limited  
J.P. Morgan Australia Limited  
Morgan Stanley Australia Securities Limited

# Important Information

## Offer

The Offer contained in this Prospectus is an invitation by Miclyn Express Offshore Limited ('Company') for you to apply for fully paid ordinary shares in the Company ('Shares').

## Lodgement and Listing

This Prospectus is dated 2 March 2010 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company will apply, within seven days after the date of this Prospectus, to ASX for listing of the Company and quotation of the Shares on ASX ('Listing').

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## Note to Applicants

The Offer contained in this Prospectus does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of the Group, you should consider the risk factors that could affect the financial performance of the Group. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are set out in Section 6.

No person named in this Prospectus, nor any other person, guarantees the performance of the Group, the repayment of capital by the Company or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Group or the Directors.

## Exposure period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus ('Applications') in the seven day period after the date of lodgement of this Prospectus. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

## Electronic Prospectus

This Prospectus is available in electronic form via [www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com).

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia or New Zealand. Persons having received a copy of this Prospectus in its electronic form may obtain a paper copy of this Prospectus (free of charge) by calling the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia). Applications for Shares may only be made on the relevant application form either attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from [www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com) ('Application Form'). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

## Photographs and diagrams

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Miclyn Express Offshore. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## Forward-looking statements

This Prospectus contains forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place (including the key assumptions set out in Section 9). Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Group, the Directors and Management. The Group cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Statistics and graphs

The statistical and graphical information contained in this Prospectus is drawn from the Clarkson Research database and other sources. Clarkson Research has advised that (i) some information in its database is derived from estimates or subjective judgments, (ii) the information in the databases of other maritime data collection agencies may differ from the information in Clarkson Research's database, (iii) whilst Clarkson Research has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors, and (iv) the provision of such information does not obviate any need to make appropriate further enquiries.

## Financial year periods

All references to FY2007, FY2008, FY2009 or FY2010 appearing in this Prospectus are to the financial years ended or ending 30 June 2007, 30 June 2008, 30 June 2009 or 30 June 2010, respectively, unless otherwise indicated. All references to 1H FY2010, 2H FY2010 and 1H FY2011 appearing in this Prospectus are to the financial half years ended 31 December 2009, ending 30 June 2010 and ending 31 December 2010, respectively, unless otherwise stated. All references to CY2010 are to the calendar year ending 31 December 2010.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

## Financial information presentation

The FY2007, FY2008, FY2009 and 1H FY2010 ('Historical Financial Periods') financial information ('Historical Financial Information') has been prepared and presented in accordance with the recognition and measurement principles prescribed by International Financial Reporting Standards ('IFRS').

The period from 1 January 2010 until 31 December 2010 is the Forecast Period. The forecast 2H FY2010, FY2010, 1H FY2011 and CY2010 ('Forecast Financial Periods') financial information ('Forecast Financial Information') is based on the best estimate assumptions of the Directors. References to the Directors' Statutory Forecast for CY2010 are made using the assumptions in Section 9.2, however, it should be noted that CY2010 will not be presented as a discrete reporting period. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Sections 8 and 9.

**Indicative Price Range**

The Indicative Price Range (and calculations used in the Key Offer Statistics and throughout this Prospectus) is based on a pro forma price earnings ratio of 8.25x to 10.25x, equating to an Indicative Price Range of A\$1.848 to A\$2.296, and rounded to the nearest cent for presentation purposes. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

**Glossary**

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary.

**Appendix containing additional financial information and Bermuda law summary**

Investors should note that a separate Appendix dated the date of this Prospectus has been prepared and lodged with ASIC. The Appendix contains detailed historical financial information about the Group and information regarding the accounting policies adopted in connection with the preparation of the Historical Financial Information as well as a summary of key aspects of Bermuda company law applicable to the Company (see Section 13.3 for further information). The Appendix provides additional detail on the pro forma Historical Financial Information included within this Prospectus. The Group believes that the information in the Appendix is primarily of interest to professional analysts or advisers, or investors with similar specialist information needs.

If you consider that the information in the Appendix may assist you in making your investment decision, you may obtain a copy of the Appendix free of charge by calling the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia). The Miclyn Express Offshore Offer Information Line will be open on business days from 8:30am to 5:30pm (Sydney time).

The Appendix is taken to be included in this Prospectus in accordance with section 712(3) of the Corporations Act.

**The Bermuda Monetary Authority**

The issue of the Shares pursuant to the Offer, the issue of Shares to the Samson Maritime Vendors and the issue and transfers of shares by the Bermuda companies (including the Company) contemplated in the Restructure Agreement, the Reinvestment Arrangements and the Equity Arrangements may be effected only with the prior consent of the Bermuda Monetary Authority, which consent has not yet been obtained. The Company and the other Bermuda companies intend to apply for their respective permissions after the date of lodgement of this Prospectus and before Settlement. In the event permission is not granted, the issue of shares and transfer of shares mentioned above (including the issue of Shares pursuant to the Offer) will not be completed. A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting any permission, and the Registrar of Companies in Bermuda in accepting this Prospectus for filing, accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed in this Prospectus or any other documents.

**Selling restrictions**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia or New Zealand. The distribution of this Prospectus outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 3.12 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia and New Zealand.

**Privacy**

By filling out the Application Form to apply for Shares you are providing personal information to the Group through the Company's service provider, Link Market Services Limited ('Share Registry'), which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and administer the Group.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be provided to the Group's members, agents and service providers on the basis that they deal with such information in accordance with the Group's privacy policy. The members, agents and service providers of the Group may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by (or on behalf of) the Group. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

1800 095 654 (within Australia, toll free)  
+61 2 8280 7114 (outside of Australia).

**Report on Directors' Forecast and Financial Services Guide**

The provider of the independent review of the Directors' Forecast, Deloitte Corporate Finance Pty Limited, is required to provide Australian retail clients with a Financial Services Guide in relation to the review under the Corporations Act. The Financial Services Guide is provided in Section 11.

**Syndicate structure**

The global coordinator of the Offer is Macquarie Capital Advisers Limited ('MCAL' or 'Global Coordinator'). The joint lead managers of the Offer are MCAL, J.P. Morgan Australia Limited ('J.P. Morgan') and Morgan Stanley Australia Securities Limited ('Morgan Stanley') ('Joint Lead Managers').

**Questions**

If you have any questions about how to apply for Shares, please call the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia). The Miclyn Express Offshore Offer Information Line will be open on business days from 8:30am to 5:30pm (Sydney time).

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# Important Dates and Key Offer Statistics

## Important dates

Retail Offer open	9:00am (Sydney time) on 10 March 2010
Retail Offer close	5:00pm (Sydney time) on 22 March 2010
Institutional Offer open	9:00am (Sydney time) on 23 March 2010
Institutional Offer close	12:00pm (Sydney time) on 24 March 2010
Institutional Offer and Retail Offer final price and allocation announcement	25 March 2010
Commencement of Shares trading on ASX (conditional and deferred settlement basis)	26 March 2010
Institutional Offer settlement and last day of conditional trading	30 March 2010
Issue and allotment of Shares completed	30 March 2010
Expected date for dispatch of holding statements	1 April 2010
Commencement of Shares trading on ASX (normal settlement basis)	6 April 2010

Note: This timetable is indicative only. The Company, in consultation with the Joint Lead Managers, reserves the right to vary the dates and times of the Offer, including to close the Offer early, withdraw the Offer, extend the Closing Date or to accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any people who submit an Application Form pursuant to this Prospectus. Investors are encouraged to submit their Application Forms as soon as possible after the opening of the Offer as the Offer may close at any time without notice.



# Important Dates and Key Offer Statistics

## Key Offer statistics<sup>1</sup>

Indicative Price Range <sup>2</sup>	<b>A\$1.85 – A\$2.30 per Share</b>
Number of Shares expected to be available under the Offer <sup>3</sup>	<b>161.0 million – 159.0 million</b>
Gross proceeds from the Offer <sup>4</sup>	<b>A\$297.6 million – A\$365.0 million</b>
Total number of Shares on issue following the Offer <sup>5</sup>	<b>271.7 million</b>
Market capitalisation <sup>6</sup>	<b>A\$502.0 million – A\$623.7 million</b>
Enterprise value <sup>7</sup>	<b>A\$644.0 million – A\$765.7 million</b>

## Summary of CY2010 pro forma forecasts<sup>8</sup>

Pro forma earnings per Share <sup>9</sup>	<b>US 19.51 cents</b>
Pro forma price earnings ratio <sup>10,11</sup>	<b>8.25x – 10.25x</b>
Pro forma enterprise value/EBITDA <sup>12,13</sup>	<b>7.5x – 8.9x</b>
Pro forma enterprise value/EBIT <sup>12,13</sup>	<b>9.4x – 11.1x</b>

### Notes:

- 1 The Indicative Price Range (and calculations used in the Key Offer Statistics and throughout this Prospectus) is based on a pro forma price earnings ratio of 8.25x to 10.25x, equating to an Indicative Price Range of A\$1.848 to A\$2.296, and rounded to the nearest cent for presentation purposes. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.
- 2 The Indicative Price Range is indicative only. The Institutional Offer Final Price may be set at a price within, above or below the Indicative Price Range. The Retail Offer Final Price will be the same as the Institutional Offer Final Price except that it will be capped at the top of the Indicative Price Range.
- 3 The number of Shares expected to be available under the Offer is based on the Indicative Price Range, a foreign exchange rate assumption of US\$0.893:A\$1.00, assumed US\$8.0 million hedge break fee related to the repayment of debt and an anticipated 40% shareholding on completion of the Offer by the Existing Shareholders.
- 4 Based on the Indicative Price Range, the gross proceeds from the Offer are calculated as the number of Shares expected to be available under the Offer multiplied by the lower and upper bounds of the Indicative Price Range.
- 5 The total number of Shares on issue following the Offer will be the sum of the total number of Shares expected to be available under the Offer and the number of Shares held by the Existing Shareholders and Management Shareholders as set out in Section 3.
- 6 Based on the Indicative Price Range and calculated as the total number of Shares on issue following the Offer multiplied by the lower and upper bounds of the Indicative Price Range.
- 7 Enterprise value has been disclosed to enable potential investors to assess the total value of the Company inclusive of both equity and debt. Accordingly, enterprise value has been calculated as the market capitalisation of the Company, based on the Indicative Price Range, plus the level of net debt expected to be outstanding following completion of the Offer (translated into A\$ at an assumed exchange rate of US\$0.893:A\$1.00). Further information on the level of net debt expected following completion of the Offer is set out in Section 8.6.
- 8 Based on the Forecast Financial Information, which reflects a number of estimates, assumptions and pro forma adjustments, each of which is subject to business, economic and competitive uncertainties and contingencies, with respect to future business decisions. These estimates, assumptions and adjustments are subject to change and in many cases are outside the control of the Group, the Directors and Management. The Forecast Financial Information presented in this Prospectus may vary from actual financial results and these variations may be material. Details of the Forecast Financial Information, the assumptions on which it is based and Management's discussion and analysis of it together with associated risk factors are set out in Sections 6 and 9.
- 9 Pro forma earnings per Share is calculated on the number of shares on offer at IPO and is not diluted for the deferred issue of up to A\$5.5 million of Shares which will be issued to the Samson Maritime Vendors as part of the deferred consideration for Miclyn Express Offshore's 50.0% investment in Samson Maritime, as this issue of shares does not occur until 24 February 2011 and is subject to whether, and to what extent, the number of Shares to be issued will be reduced by claims against the Samson Maritime Vendors.
- 10 The Forecast Financial Information has been presented in US dollars as this is the functional currency of Miclyn Express Offshore. For convenience, forecast amounts presented in US dollars have been translated into Australian dollars at a constant rate of US\$0.871:A\$1.00 for the CY2010 figures (representing the six month forward exchange rate at the time of the initial preparation of the Directors' Forecast).
- 11 Pro forma price earnings ratio calculated as the Indicative Price Range divided by pro forma earnings per Share.
- 12 In presenting pro forma EBITDA and pro forma EBIT, interest is defined as net finance costs as described in Note D.14 of the Appendix.
- 13 The enterprise value/EBITDA and enterprise value/EBIT multiples are calculated as the enterprise value of the Group (translated to US\$ at an assumed exchange rate of US\$0.893:A\$1.00, being the exchange rate used in the preparation of the pro forma balance sheet) divided by EBITDA and EBIT, respectively, on a pro forma basis. These multiples represent a valuation metric that enables investors to assess the valuation of comparable businesses before the impact of different capital and taxation structures and impact of depreciation and amortisation (in the case of enterprise value/EBITDA) and before the impact of different capital and taxation structures in the case of enterprise value/EBIT.

# Chairman's Letter



2 March 2010

Dear Investor

## Miclyn Express Offshore – initial public offering

On behalf of the Directors, I invite you to consider becoming a shareholder of Miclyn Express Offshore Limited. Miclyn Express Offshore has been operating through its predecessors since the 1970s and is a leading provider of service vessels to the expanding offshore oil and gas industry across South-East Asia, Australia and the Middle East. The Group charters a diverse range of 104 vessels (as at 31 December 2009) with a further 11 vessels to be added on as part of the Group's investment in Samson Maritime. The Group's fleet is comprised of offshore support vessels ('OSVs'), Crew/Utility Vessels and Barges which operate through all phases of the oil and gas cycle, namely: exploration, development and production, with particular focus on the development and production phases. This diverse offering makes the Group the provider of choice for many of its customers. Miclyn Express Offshore operates a vertically integrated business model through its shipyard at Batam, Indonesia ('Shipyard') which also services third party customers, and its local support centres.

As demand for oil and gas rises and onshore oil reserves deplete, an increasing proportion of new exploration and production activity is being conducted offshore. Miclyn Express Offshore is well positioned to meet expected market growth through further investment in vessel renewal and fleet expansion.

The Group has a strong operating track record and has achieved attractive rates of return supported by a relatively high level of vessels under contract. Forecast FY2010 pro forma EBITDA is expected to increase by 19.4% to US\$61.5 million (A\$70.8 million) over FY2009 pro forma EBITDA. Forecast CY2010 pro forma EBITDA is expected to be US\$76.9 million (A\$88.3 million).

On Listing, the Directors believe Miclyn Express Offshore will have a capital structure in place that will allow it to pursue strategic fleet expansion and renewal opportunities. Management have identified a strong pipeline of opportunities and have started to execute strategic transactions, notably the recent agreement to invest in Samson Maritime which operates in Australia's north-west shelf. In addition to these opportunities in Australia, further growth opportunities include expanding the Group's presence in growing markets such as Indonesia, Malaysia, Qatar and Thailand, pursuing selective synergistic acquisition opportunities and leveraging customer relationships to market services and vessels. This strategy is supported by a highly experienced and appropriately qualified senior management team.

Detailed information about the Offer and Miclyn Express Offshore's business, as well as a summary of the key risks of investing in Miclyn Express Offshore, are set out in this Prospectus, which I encourage you to read carefully and in full.

Some of the key risks that Miclyn Express Offshore may face include adverse movements in the level of activity in the offshore oil and gas industry, increases in the supply of vessels, loss of market share or key customers and geopolitical, economic and regulatory risks which exist in the jurisdictions in which the Group operates. See Section 6 for further information on the key risks of investing in Miclyn Express Offshore.

To apply for Shares under the Offer, you will need to complete the Application Form.

On behalf of the Board, I recommend the Offer to you and look forward to welcoming you as a Shareholder.

**Neil Hamilton**  
Chairman



## Investment Highlights

# LEADING VESSEL PROVIDER IN ITS MARKETS OF OPERATION<sup>1</sup>

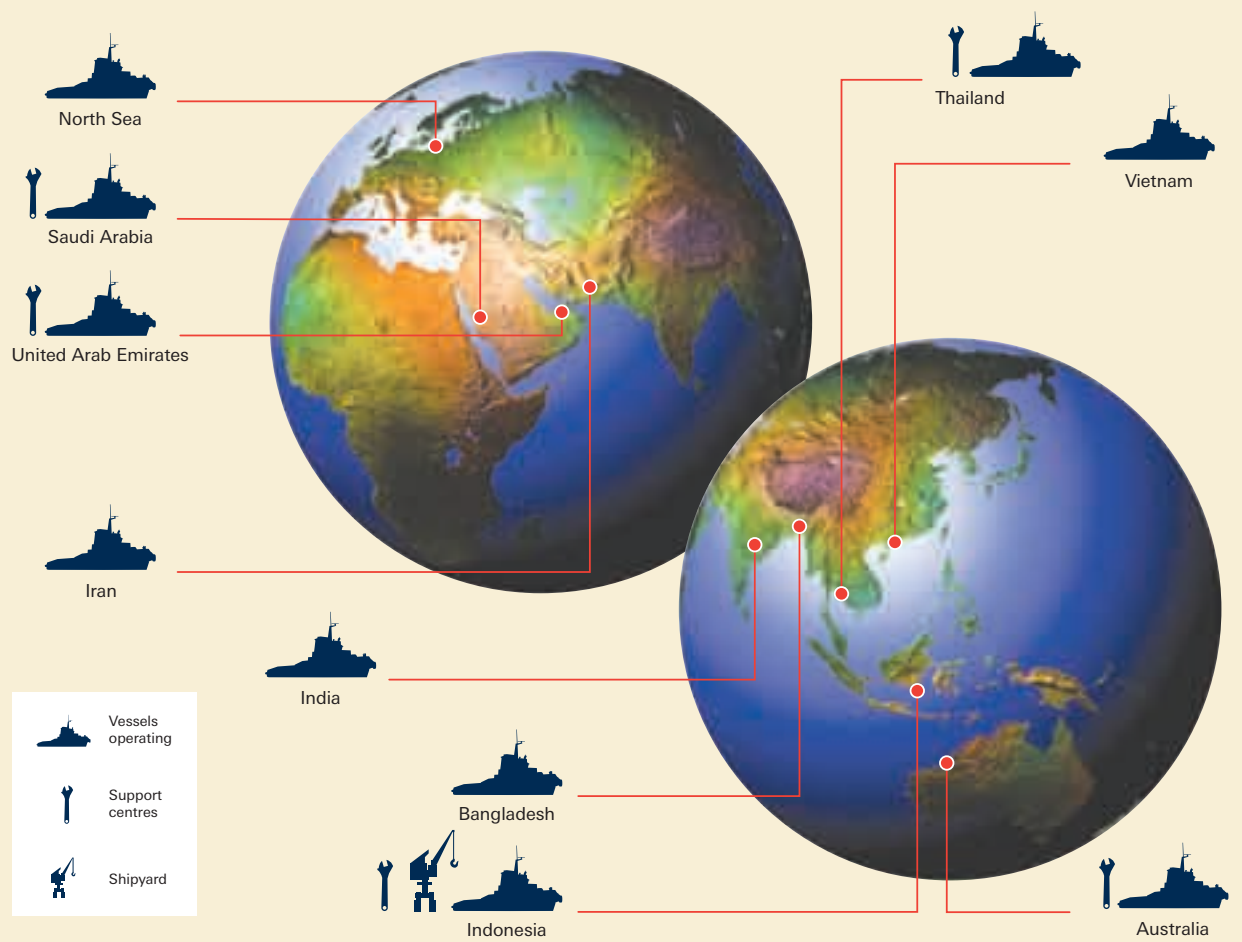
- Miclyn Express Offshore is a leading provider of vessels across South-East Asia, Australia and the Middle East<sup>1</sup>
- The Group charters a diverse range of 104 vessels<sup>2</sup> with a further 11 vessels to be added as part of the Group's investment in Samson Maritime

<sup>1</sup> Source: Clarkson Research, November 2009. Miclyn Express Offshore is the second largest vessel owner in the South-East Asia, India, Middle East, Australia region (excludes Japan, China, South Korea, Hong Kong, Taiwan) with regard to crewboats and tugs of over 30m in length.

<sup>2</sup> As at 31 December 2009, includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).



## Miclyn Express Offshore's global presence



## Investment Highlights

# ROBUST OIL AND GAS OUTLOOK<sup>1</sup>

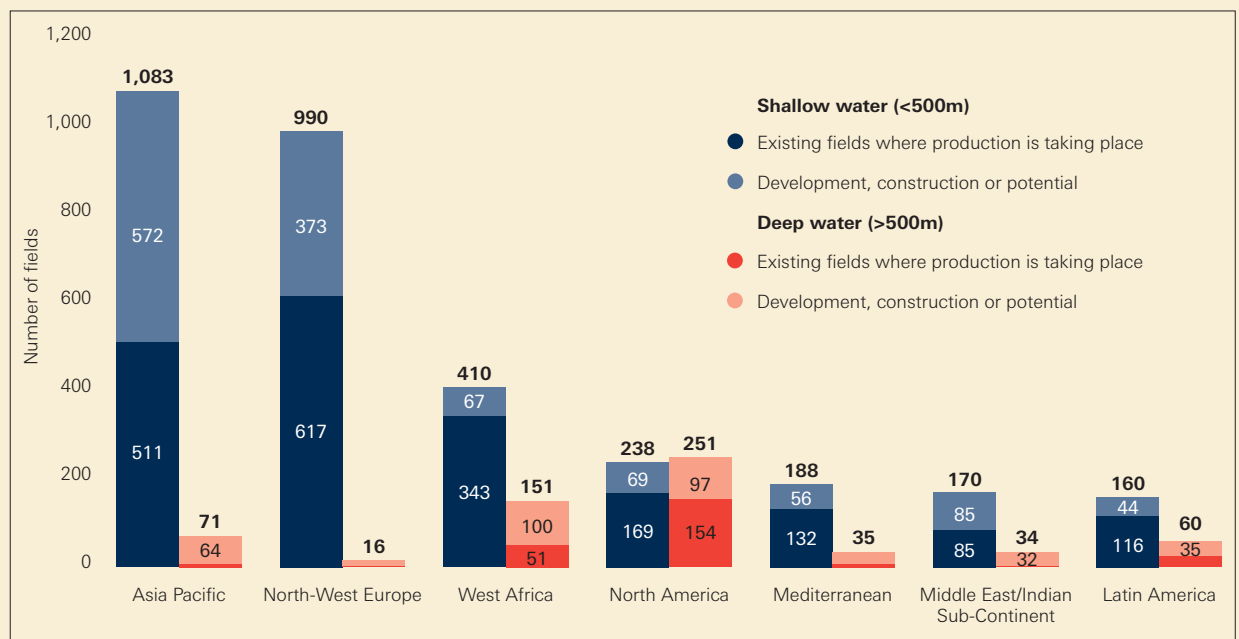
- Increased capital expenditure for offshore oil and gas exploration and production expected to drive growth in demand for Miclyn Express Offshore's vessels<sup>2</sup>

<sup>1</sup> Refer to Section 4 for further information.

<sup>2</sup> Refer to Section 4.2.3 for further information.



## Offshore oil and gas fields in the Group's key geographies expected to double



Source: Clarkson Research, November 2009. Due to database coverage restrictions, the figures exclude shallow water fields (less than 100m) in the US Gulf of Mexico. Approximately half of all known fixed production platforms operating in water depths less than 100m are active in North American waters, predominantly in the US Gulf of Mexico.

Notes:

- 1 Production – offshore oil and gas fields and projects or developments that are currently producing oil, gas or condensate.
- 2 Development or construction – an offshore oil and gas field currently undergoing development or construction work in preparation for future production, including those fields that have previously produced oil and gas and those fields where the development or construction work is on hold.
- 3 Potential – includes both 'discovery' fields where a successful exploration well has been drilled and 'probable' fields which are being further evaluated and/or are considered likely to be commercially viable.
- 4 Includes fields where water depth is known (of the 4,223 known fields, 366 have an unknown water depth).



## Investment Highlights

# STRONG COMPETITIVE ADVANTAGES

- Large, young and diverse fleet<sup>1</sup>
- High and increasing barriers to entry<sup>2</sup>
- Exposure to oil and gas development and production phases reduces sensitivity to movements in the oil price<sup>3</sup>
- In-house shipyard provides vertical integration<sup>4</sup>
- Outstanding health, safety, quality and environment track record<sup>5</sup>

<sup>1</sup> Refer to Section 5.6.2.2 for further information.

<sup>2</sup> Refer to Sections 1.2.4 and 5.7.3 for further information.

<sup>3</sup> Refer to Section 1.2.3 for further information.

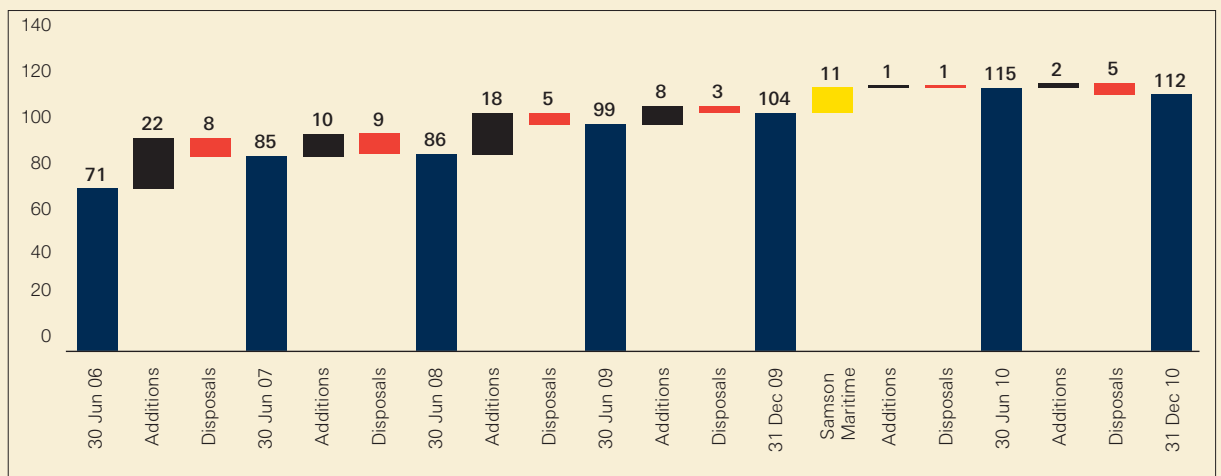
<sup>4</sup> Refer to Sections 1.1, 5.1, 5.2 and 5.7 for further information.

<sup>5</sup> Refer to Sections 1.2.4, 5.6.2.5 and 5.9 for further information.



Fleet of 104 vessels<sup>1</sup>, with a further 11 vessels to be added as part of the Group’s investment in Samson Maritime provides unique total vessel support to its key customers

Miclyn Express Offshore vessel renewal and fleet expansion program



<sup>1</sup> As at December 2009, includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).



## Investment Highlights

# EARNINGS STRENGTH AND DIVERSITY

- Diverse revenue streams with 73.5% of forecast CY2010 revenue contracted or highly probable<sup>1</sup>
- High gross margins with 61.8% expected in CY2010<sup>2</sup>
- High Utilisation rates and attractive returns on capital<sup>2</sup>
- Strong cash flow generation and 5.9% effective tax rate

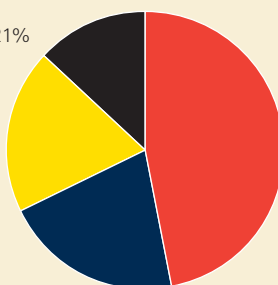
<sup>1</sup> Refer to Sections 1.2.3 and 9 for further information.

<sup>2</sup> Refer to Sections 8 and 9 for further information.



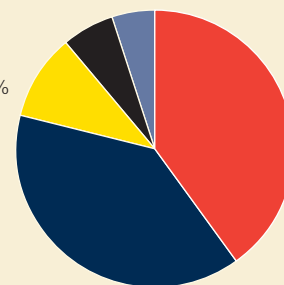
**FY2009 revenue breakdown by customer type**

- Service companies 47%
- International oil companies 21%
- National oil companies 19%
- Other 13%



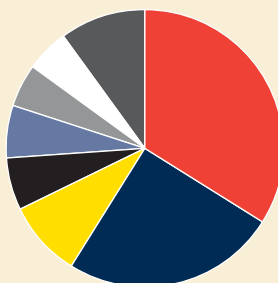
**FY2009 revenue breakdown by function**

- Production 40%
- Development 39%
- Exploration 10%
- Marine civil construction 6%
- Other 5%



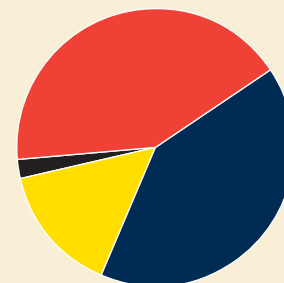
**FY2009 revenue breakdown by geography<sup>1</sup>**

- Middle East 34%
- Thailand 25%
- India 9%
- Australia 6%
- Indonesia 6%
- Malaysia 5%
- Norway 5%
- Other 10%



**FY2009 revenue breakdown by business segment**

- Crew/Utility Vessels 42%
- OSVs 41%
- Barges 15%
- Shipyard 2%



Note:

<sup>1</sup> Revenue segmentation by geography is calculated based on the geographic location of where the work that a vessel carried out took place.



# Investment Highlights

## PLATFORM FOR GROWTH

- Management have commenced the implementation of strategic growth plans – notably the recent agreement to purchase an interest in Samson Maritime<sup>1</sup>
- Strong pipeline of opportunities in the high growth markets of Australia, Indonesia, Malaysia, Qatar and Thailand<sup>1</sup>
- Appropriate capital structure to support fleet expansion and selective synergistic acquisition opportunities<sup>2</sup>
- Customer led focus to charters and Newbuilds<sup>3</sup>
- Focus on long term charters to enhance Utilisation and margins<sup>4</sup>

<sup>1</sup> Refer to Sections 1.2, 1.3, 5.4, 5.5 and 5.8 for further information.

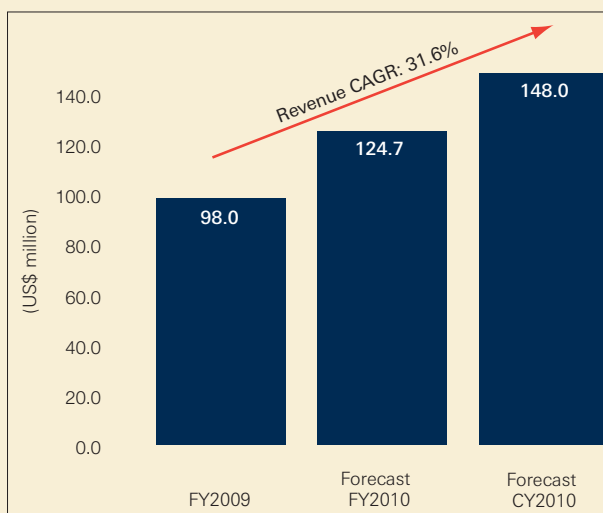
<sup>2</sup> Refer to Sections 5.6.2.2, 5.7.2, 5.8 and 8 for further information.

<sup>3</sup> Refer to Sections 5.6.3.3 and 5.8 for further information.

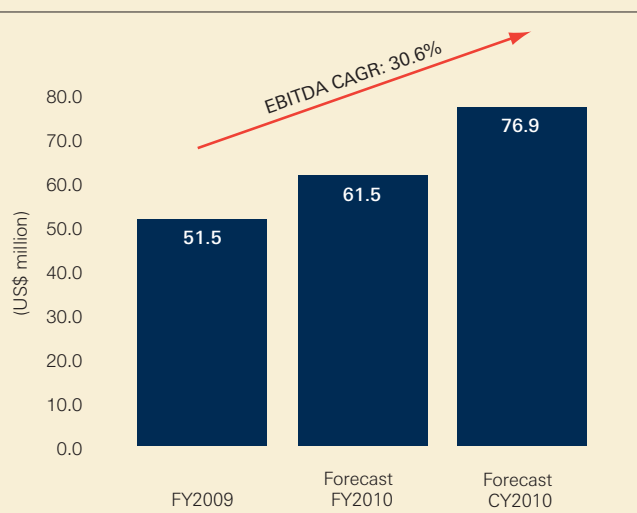
<sup>4</sup> Refer to Sections 5.3, 5.7.3, 5.8, 8 and 9 for further information.



**Growing Pro Forma Revenue<sup>1</sup>**



**Growing Pro Forma EBITDA<sup>1</sup>**

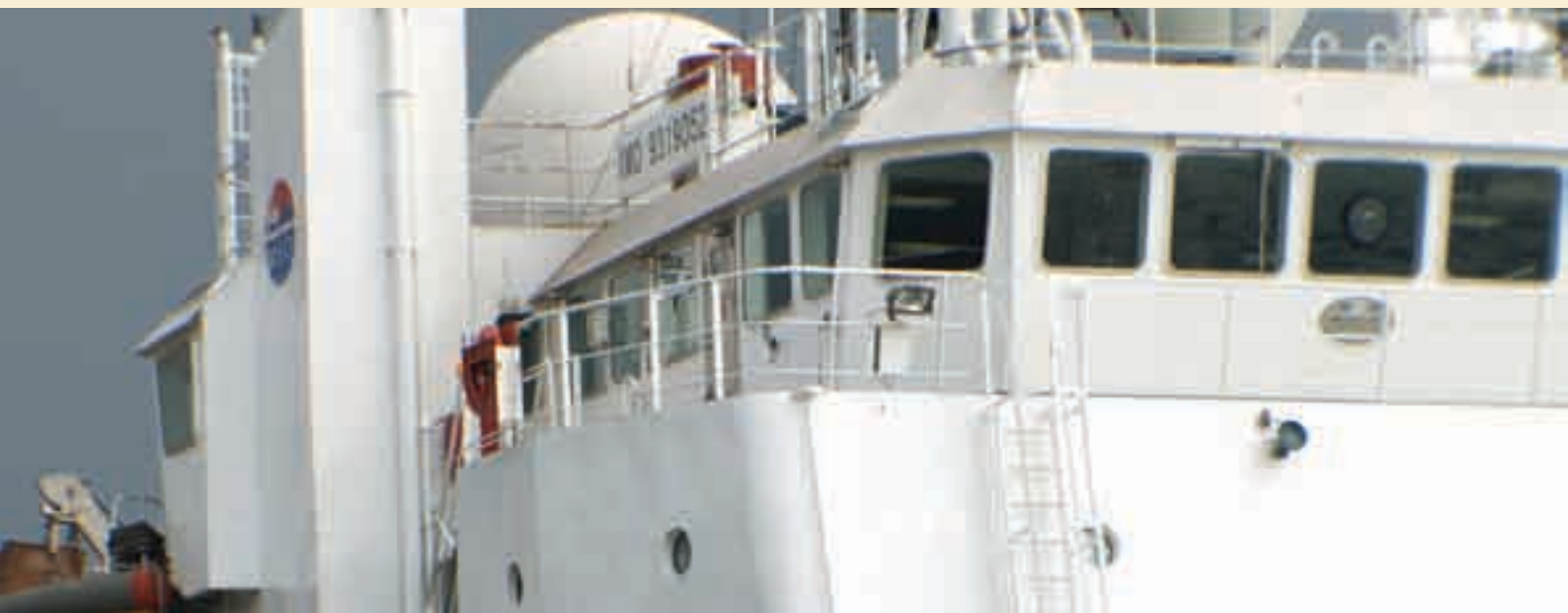


<sup>1</sup> Refer to Section 9 and the Report on Directors' Forecast in Section 11 for further information.



# KEY RISKS

- Directly dependent on the level of activity in the offshore oil and gas industry. Any prolonged downturn in this industry would be likely to have an adverse impact on profitability and asset values
- Risk of over supply of vessels without corresponding increase in demand
- Loss of market share or key customers
- Operations involve inherent risks such as equipment or operating failures, natural disasters and environmental incidents



- Geopolitical, economic and regulatory risks exist in the jurisdictions in which the Group operates
- Loss of key personnel could have an adverse impact on the Group
- Sourcing, retention and cost of suitably skilled and qualified operational staff and management

*See Sections 1.4 and 6 for further information on key risks.*



# Investment Overview

# 1



## 1.1 Business overview

Miclyn Express Offshore is a leading provider of service vessels to the expanding offshore oil and gas industry, across South-East Asia, Australia and the Middle East.

In November 2007 the Offshore Support Vessels ('OSV'), Barge and Shipyard businesses of Miclyn Offshore Pte Ltd and its subsidiaries ('Miclyn Offshore') and the Crew/Utility Vessel business of Miclyn Express Offshore Pte Ltd (formerly known as Express Offshore Transport Pte Ltd) and its subsidiaries ('EOT') were combined (see Section 5.3 for more detail regarding the history of the Group). Through its predecessor entities, Miclyn Express Offshore has been operating since the 1970s. The Group is headquartered in Singapore.

The Group charters a diverse range of OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels to a wide range of customers operating across all phases of the offshore oil and gas cycle, namely exploration, development and production. Vessel Chartering is Miclyn Express Offshore's primary business and accounted for 98.5% of the Group's FY2009 revenues. Miclyn Express Offshore has a strong local presence in many of its markets with access to support centres in Indonesia, Saudi Arabia, Thailand and the UAE and joint ventures and agency agreements in Thailand, Indonesia and Saudi Arabia.

Miclyn Express Offshore also provides chartering services to the marine civil construction industry, in particular providing Barges to support major projects for customers including Marine & Civil and Boskalis in Australia.

The Group operates a vertically integrated business model through its Vessel Chartering and Shipyard businesses. The Shipyard provides in-house vessel Newbuilding, conversion, repair and maintenance services, as well as third party vessel conversion, repair and maintenance services when spare capacity exists. The Shipyard is strategically located in Batam, Indonesia, approximately 20km off the coast of Singapore, providing the Group with a competitive cost and time advantage and enabling it to utilise the Shipyard as a berthing base for its fleet deployed in South-East Asia.

Miclyn Express Offshore has a strong pipeline of growth opportunities and Management expects it will have a capital structure in place which will enable it to pursue identified growth strategies. In particular, the Group has a strategy to take advantage of opportunities in the high growth markets of Australia, Indonesia, Malaysia, Qatar and Thailand.

Management's ability to deliver on growth opportunities has most recently been demonstrated through the Group's investment in Samson Maritime, which will provide the Group with immediate access to new oil and gas service provision opportunities in the north-west shelf of Australia (refer to Sections 1.3 and 5.4 for more details).

## 1.2 Key investment highlights

### 1.2.1 Miclyn Express Offshore is a leading provider of offshore oil and gas and marine civil construction service vessels across South-East Asia, Australia and the Middle East<sup>1</sup>

- Miclyn Express Offshore's fleet was diversified across 22 OSVs, 61 Crew/Utility Vessels and 21 Barges as at 31 December 2009<sup>2</sup> and will increase by three OSVs, two Crew/Utility Vessels and six Coastal Survey Vessels through the Group's investment in Samson Maritime, providing unique total vessel support to its customers.
- Miclyn Express Offshore has a young fleet age,<sup>3</sup> providing customers with operational reliability, health, safety, quality and environment ('HSQE') benefits and delivering higher charter rates and longer duration contracts.

### 1.2.2 Robust oil and gas outlook underpins sustainable growth in demand for the Group's vessels

- Forecast growth in the Middle East and Asia is expected to drive an increase in global oil demand.<sup>4</sup>
- Global upstream oil and gas capital expenditure is expected to grow at around 16% p.a. over each of the next two years, partly driven by a recovery in oil prices.<sup>5</sup>
- There is a structural shift occurring towards offshore oil and gas exploration and production:
  - 35% of current global oil production is sourced from offshore fields<sup>4</sup> and this proportion is expected to increase as onshore oil reserves become depleted;
  - 89% of offshore fields currently in the production phase are situated in shallow water,<sup>4</sup> the main target market of Miclyn Express Offshore;
  - 27% of oil and gas fields in the production phase in the Asia Pacific, Middle East and Indian Sub-Continent are offshore<sup>4</sup> and these regions expect to see a doubling of offshore fields in the future; and
  - 90% of new offshore developments in the Asia Pacific and 73% in the Middle East and Indian Sub-Continent are expected in water of depths of less than 500m.<sup>4</sup>

1 Source: Clarkson Research, November 2009, based on primary reference company. Vessels larger than 30 metres (based on Length Overall) only. Includes crewboats and tugs. Includes ownership groups based in South-East Asia, India, the Middle East and Australian regions (excludes Japan, China, South Korea, Hong Kong and Taiwan).

2 Includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).

3 Source: Clarkson Research, November 2009. Clarkson Research have provided an average age for the global fleet which is higher than Miclyn Express Offshore's average fleet age.

4 Source: Clarkson Research, November 2009.

5 Source: Pareto Securities, November 2009.

### 1.2.3 Miclyn Express Offshore has an attractive and diverse earnings profile

- Miclyn Express Offshore has a strong track record of earnings growth, with EBITDA increasing from US\$41.8 million to US\$51.5 million over the period from FY2007 to FY2009 on a pro forma basis and forecast to increase by a further 19.4% in FY2010 to US\$61.5 million.
- CY2010 EBITDA is expected to be US\$76.9 million.
- Miclyn Express Offshore has a diverse earnings profile arising from:
  - contracts with a range of high quality customers including Chevron (largest customer, yet only 17% of FY2009 revenue), Saipem, Fugro, McDermott and Saudi Aramco;
  - operations across a wide range of geographies, which provide the Group with diversified sources of revenue; and
  - the capacity to operate across the exploration, development and production phases of the oil and gas cycle, though Miclyn Express Offshore tends to focus on the less volatile development and production phases of the oil and gas cycle with 79% of FY2009 revenues having been derived from these two phases.
- Future revenue is highly contracted due to the nature of Miclyn Express Offshore's business and the long duration of the majority of its contracts:
  - 73.5% of CY2010 forecast revenue is contracted or highly probable.
- Miclyn Express Offshore has had consistently high Utilisation rates over the past three years with FY2007 to FY2009 average Utilisation rates of 82% for OSVs, 92% for Crew/Utility Vessels and 67% for Barges.
- Miclyn Express Offshore has attractive operating margins:
  - the Group is forecast to have gross margins of approximately 64% for OSVs, 55% for Crew/Utility Vessels, 84% for Barges and 38% for Coastal Survey Vessels in CY2010.

### 1.2.4 Miclyn Express Offshore is strongly positioned within the oil and gas service and marine civil construction vessel sectors in South-East Asia, Australia and the Middle East

- High and increasing barriers to entry due to economies of scale, established customer relationships, scarcity of support centres and rising HSQE requirements.
- Miclyn Express Offshore's high standard of HSQE as demonstrated by repeat industry awards helps it to win business.
- Miclyn Express Offshore has a strong local presence in many of its markets with access to strategically located support centres in Indonesia, Saudi Arabia, Thailand and the UAE, as well as joint ventures and agency agreements in Thailand, Indonesia and Saudi Arabia, providing Miclyn Express Offshore with a key competitive advantage.

- Access to shipbuilding, conversion, repair and maintenance via the Shipyard provides the Group with a vertically integrated business model, with increased control over the supply, cost and timing of delivery of new vessels.
- Miclyn Express Offshore's ability to provide a wide range of services across all three phases of the oil and gas cycle is a source of significant additional value to customers and a differentiating factor from many competitors:
  - ability to provide a full service offering due to a diverse fleet and Shipyard customisation capabilities.

### 1.2.5 Miclyn Express Offshore's operations provide a strong platform for growth

- Miclyn Express Offshore has a strong pipeline of growth opportunities and a capital structure in place to enable management to pursue identified growth strategies including:
  - the investment in Samson Maritime is expected to provide a ready platform to access market opportunities available in the high growth offshore oil and gas market in the north-west shelf of Australia;
  - vessel renewal and fleet expansion;
  - improving presence in niche vessel markets such as specialised OSVs which are customised to customer requirements leading to longer term contracts, higher charter rates and increased likelihood of contract renewals;
  - expanding presence in existing markets with significant growth opportunities, such as Indonesia, Malaysia, Qatar and Thailand:
    - the Group is well advanced in the process of entering into a joint venture in Indonesia and setting up a wholly owned flag structure in Malaysia;
  - customer led focus to drive charters and Newbuilds;
  - development and maintenance of strategic relationships with core customers in order to drive charter renewals, increase the number of vessels being chartered by individual customers, obtain longer term charters and capitalise on cross selling opportunities;
  - aim to supply the full range of vessels to customers' geographically diverse operations;
  - continue to seek to shift the complete portfolio of vessels onto longer term contracts to achieve higher average Utilisation over the longer term; and
  - selective synergistic acquisition opportunities given the fragmented nature of the industry.
- See Section 5.8 for further detail regarding the forward-looking strategy and growth opportunities for the Group.

### 1.2.6 Miclyn Express Offshore has an experienced management team with a strong track record

- Miclyn Express Offshore has a highly experienced and qualified senior management team who are specialists in their fields with a strong track record:
  - Chief Executive Officer ('CEO') Diederik de Boer has approximately 30 years' industry experience including senior roles with SMIT and SvitzerWijismuller (part of Maersk Group);
  - Chief Operating Officer ('COO') Darren Ang has more than 10 years' industry experience;
  - Chief Financial Officer ('CFO') Nick Gleeson has more than 15 years' experience in finance, accounting and management and has experience in the maritime industry; and
  - Chief Commercial Officer ('CCO') Ashley Robinson has over 25 years' industry experience.
- Miclyn Express Offshore also has highly experienced personnel at the operational level, with vessel operations, Shipyard, and vessel chartering managers with industry experience averaging approximately 15 years.
- Key managers are incentivised to drive shareholder returns through a performance bonus and employee incentive plan.

### 1.3 Miclyn Express Offshore's investment in Samson Maritime

The rapidly developing Australian offshore oil and gas market presents significant vessel charter opportunities. In considering how best to participate in this growth opportunity, Miclyn Express Offshore determined that a partnership with an established market participant through an acquisition was the most suitable alternative, providing a ready platform to access market opportunities available in the short term with sound capacity for expansion in the longer term. To this end, the Group has entered into an agreement with Samson Maritime whereby it will acquire a 50.0% interest in the business following completion of the IPO by subscribing for new capital to partially repay Samson Maritime's existing debt facilities and purchasing existing shares from the Samson Maritime Vendors.

Miclyn Express Offshore has had a mutually supportive relationship with Samson Maritime over the past two years and has been in negotiations with regard to the acquisition with the company since December 2009. The Samson Maritime acquisition will provide further diversification of earnings for Miclyn Express Offshore through increased exposure to geographies outside of South-East Asia and the Middle East and the movement into additional services that are not currently a focus for the Group including dredging, surveying and marine civil construction. On a pro forma basis, including the impact of the Samson Maritime investments would increase the percentage of the Group's revenue earned in Australia from 6% to 15% in FY2009.

For more information on Miclyn Express Offshore's investment in Samson Maritime refer to Section 5.4.

## 1.4 Key investment risks

Investors should be aware that there are risks associated with any investment in the stock market. In addition, there are a number of risk factors specific to Miclyn Express Offshore, the industry in which it operates and the general business environment. These risk factors may be outside the control of Miclyn Express Offshore, the Directors and Management and may impact on the operating and financial performance of the Group.

Section 6 provides further detail in relation to risks. Key areas of risk associated with an investment in Miclyn Express Offshore include (but are not limited to):

- reliance on offshore oil and gas exploration, development and production activity:
  - the business of Miclyn Express Offshore is dependent on offshore oil and gas exploration, development and production activity. The level of activity in the offshore oil and gas industry may vary and is affected by a number of factors including the price of oil and gas; and
  - the future growth of Miclyn Express Offshore depends upon increased market share and continued expansion in the offshore oil and gas industry and there can be no guarantee of either;
- changes in the supply of, and demand for, OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels:
  - an increase in the supply of those vessels without a corresponding increase in demand or retirement of aging vessels or a general decrease in demand may cause a decrease in the Utilisation rates and charter rates for the Group's vessels;
- competition and customers:
  - Miclyn Express Offshore faces competition from both local and international offshore oil and gas service providers in the markets in which it operates which may lead to a reduction in Utilisation rates and charter rates; and
  - if the Group was to lose the business of key customers the loss of business could have a material adverse financial impact on the Group;

- geopolitical, government and regulatory factors:
  - a significant portion of Group revenue is generated from operations in politically challenging regions and the political climate may deteriorate. In addition, the Group is subject to international and local regulations, conventions and sanctions which could change or Group companies may not receive necessary licences and approvals, or agents, nominees or service providers necessary under local law may withdraw their services. Any of these may stop or limit parts of the Group's operations or increase the costs of those operations;
- operations:
  - servicing the offshore oil and gas industry involves inherent operating risks including the risk of accidents, natural disasters, equipment or operating failures and environmental incidents, each of which could materially affect the property and prospects of Miclyn Express Offshore;
- reliance on key personnel:
  - Miclyn Express Offshore is dependent on its senior management team for the formulation and implementation of its growth strategy; and
  - the loss of key personnel could materially impact the Group's business;
- ability to recruit and retain skilled operational staff and management:
  - competition for the services of suitably skilled and qualified personnel within the industry is intense and the Group may face difficulties and increased costs in recruiting or retaining such personnel, particularly as it looks to expand its fleet and operations;
- delays in delivery of Newbuilds:
  - as part of its strategic plan for growth, the Group is dependent upon the delivery of new vessels. There can be no guarantee that new vessels will be provided by the Shipyard or third party shipyards within budget and in the time anticipated or required, or that they will satisfactorily meet specifications;
- insurance:
  - although the Group maintains insurance coverage which it considers appropriate, it is not insured against all foreseeable risks for its business and there can be no assurances that in the future the Group will be able to maintain its current level of insurance at commercially reasonable rates;
- fraud and breakdown of internal control systems:
  - while Miclyn Express Offshore has appropriate internal control systems in place, the exposure to corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties;
- taxation:
  - any change in laws or regulations and their current interpretation applicable to the taxation of income, intercompany transactions, withholding taxes, levies or other transactional taxes of the Group in the countries in which the Group operates could adversely affect its tax status and increase its tax payable;
- funding:
  - there is a risk that if the capital requirements of the Group exceed its expectations and its cash flows from operations, together with its debt facilities, then the Group may be required to obtain additional debt or equity financing or delay the implementation of its growth strategies;
- foreign exchange:
  - the majority of Miclyn Express Offshore's earnings are in US dollars. Fluctuations in the spot exchange rate may impact the valuation of the Company in Australian dollar terms and therefore the price of the Shares;
  - the majority of Miclyn Express Offshore's revenues and costs are denominated in US dollars or US dollar pegged currencies; however, some costs, including in relation to the head office in Singapore, are denominated in other currencies. Adverse movements in the US dollar may result in a relative increase in these costs;
- asbestos:
  - the Group has taken measures to guard against and manage risks associated with asbestos but can not guarantee that there will not in the future be costs or liabilities arising in connection with the potential presence of asbestos in its vessels; and
- investment in Samson Maritime:
  - the Group has only recently agreed to invest in Samson Maritime and while it has obtained warranties in relation to that investment, such warranties are subject to limitations and there is no guarantee that a claim will provide sufficient compensation if the business does not perform as anticipated.

## 1.5 Summary financial information

Table 1.1 summarises Miclyn Express Offshore's pro forma Historical Financial Information and the pro forma Forecast Financial Information prepared by the Directors. The Directors believe US dollar reporting represents the best indicator of Miclyn Express Offshore's financial results as 86% of the Group's pro forma FY2009 revenue was denominated in US dollars or denominated in currencies pegged to the US dollar. Table 1.1 should be read in conjunction with the more detailed discussions of the risk factors, the Historical Financial Information and the Forecast Financial Information set out in Sections 6, 8 and 9, respectively.

**Table 1.1: Miclyn Express Offshore's pro forma historical and pro forma forecast consolidated statement of revenue, EBITDA and EBIT**

	US\$ MILLION					A\$ MILLION				
	FY2007	FY2008	FY2009	FORECAST FY2010	FORECAST CY2010	FY2007	FY2008	FY2009	FORECAST FY2010	FORECAST CY2010
<b>Revenue from operating activities</b>	<b>71.9</b>	<b>93.1</b>	<b>98.0</b>	<b>124.7</b>	<b>148.0</b>	<b>91.7</b>	<b>104.1</b>	<b>133.3</b>	<b>143.5</b>	<b>170.0</b>
Costs of sales	(34.1)	(37.7)	(39.5)	(51.1)	(57.2)	(43.5)	(42.1)	(53.7)	(58.8)	(65.7)
<b>Gross profit</b>	<b>37.8</b>	<b>55.4</b>	<b>58.5</b>	<b>73.6</b>	<b>90.8</b>	<b>48.2</b>	<b>62.0</b>	<b>79.6</b>	<b>84.7</b>	<b>104.3</b>
Other operating income	0.8	1.3	1.5	0.9	0.5	1.0	1.4	2.0	0.9	0.6
Administrative expenses	(6.8)	(9.8)	(11.9)	(15.7)	(18.0)	(8.7)	(11.0)	(16.2)	(18.0)	(20.7)
Foreign exchange gains/(losses)	1.9	(1.6)	0.9	–	–	2.4	(1.8)	1.3	–	–
<b>Operating earnings</b>	<b>33.7</b>	<b>45.3</b>	<b>49.0</b>	<b>58.8</b>	<b>73.3</b>	<b>42.9</b>	<b>50.6</b>	<b>66.7</b>	<b>67.6</b>	<b>84.2</b>
Vessel disposal gains/(losses)	8.1	8.7	2.5	2.7	3.6	10.4	9.8	3.3	3.2	4.1
<b>EBITDA</b>	<b>41.8</b>	<b>54.0</b>	<b>51.5</b>	<b>61.5</b>	<b>76.9</b>	<b>53.3</b>	<b>60.4</b>	<b>70.0</b>	<b>70.8</b>	<b>88.3</b>
Depreciation and amortisation	(6.2)	(8.2)	(10.2)	(13.7)	(15.5)	(7.9)	(9.2)	(13.8)	(15.9)	(17.8)
<b>EBIT</b>	<b>35.6</b>	<b>45.8</b>	<b>41.3</b>	<b>47.8</b>	<b>61.4</b>	<b>45.4</b>	<b>51.2</b>	<b>56.2</b>	<b>54.9</b>	<b>70.5</b>

## Notes:

- US dollar pro forma Historical Financial Information has been translated into Australian dollar at the average exchange rate for the financial period being US\$0.784:A\$1.00 for FY2007, US\$0.894:A\$1.00 for FY2008, US\$0.735:A\$1.00 for FY2009 and US\$0.868:A\$1.00 for 1H FY2010.
- US dollar pro forma consolidated historical financial information for 1H FY2010 has been translated into Australian dollar at the average exchange for the half year, being US\$0.868:A\$1.00 and forecast financial information for 2H FY2010 has been translated into Australian dollar at US\$0.871:A\$1.00 being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- US dollar pro forma forecast financial information for CY2010 and 1H FY2011 (included in CY2010) has been translated into Australian dollar at US\$0.871:A\$1.00 being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- Prior to the Company's intended acquisition of MEO Finance, the Miclyn Express Offshore business operated under a different corporate structure, with different gearing, tax and treasury profiles from those proposed for the Group after completion of the Offer. As a consequence, the Directors believe that the historical net finance costs and associated income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been had the Group operated under the new structure which will be in place after Settlement. Accordingly, net finance costs and income tax expense have not been presented for FY2007, FY2008 and FY2009. Net finance costs and income tax expense are also not presented for forecast FY2010 as it includes the actual results of MEO Finance for 1H FY2010. Forecast CY2010 information post the EBIT line is shown in Section 9. In presenting pro forma EBITDA and pro forma EBIT, interest is defined as net finance costs as described in Note D.14 of the Appendix.
- Depreciation and amortisation charges represent the depreciation of the Group's relevant assets and net amortisation of dry docking expenditure. Depreciation of existing and Newbuilds and other assets of the Group is calculated from the date these assets are in a position or expected to be in a position ready for the use intended by Management. Depreciation of vessels held for sale is discontinued from the date the sale contract is signed (or forecast to be signed). Amortisation charges relate to vessel dry-docking. Expenditure during vessel dry-docking is amortised over a period of 2.5 years, representing the period of time between scheduled dry-docking for each vessel. The FY2010 depreciation and net amortisation expense comprises US\$11.9 million in depreciation and US\$1.7 million in net amortisation. The CY2010 depreciation and net amortisation expense comprises US\$13.3 million in depreciation and US\$1.8 million in net amortisation.
- For the purposes of presentation of financial information in this Prospectus and the Appendix, costs of sales has been presented exclusive of all depreciation and amortisation. In its statutory financial report for the year ending FY2010 and CY2010, Miclyn Express Offshore intends to present costs of sales inclusive of depreciation and amortisation applicable to both the Vessel Chartering and Shipyard businesses.

## 1.6 Dividend policy

Dividends to Shareholders, to the extent they are paid, are expected to be payable in arrears for the six month periods ending 31 December and 30 June.

Dividends will be declared in US dollars and paid in Australian dollars. For payment to Shareholders, dividends will be converted into Australian dollars at a spot exchange rate on the business day prior to the dividend payment date. Refer to Section 6.3.5 for risks relating to this conversion.

Subject to the Directors' discretion and their assessment of investment opportunities available to the Group, the Directors expect to distribute to Shareholders between 20% and 40% of the Group's net profit after tax.

The Directors anticipate that the first dividend to Shareholders will be declared in respect of the period from Listing to 31 December 2010, and will become payable in February 2011.

Given that a significant proportion of Miclyn Express Offshore's earnings are generated outside Australia, it is unlikely that dividends will be franked. Accordingly, the Directors may consider alternative mechanisms from time to time (such as share buy-backs or capital reductions) to provide the most efficient returns to Shareholders. The Directors can give no assurance as to the extent or timing of dividends nor the level of franking (if any) of dividends, as these matters will depend upon future events, including the profitability, growth opportunities, capital requirements and taxation position of the Group, and the requirements of the Bermuda Companies Act. The payment of dividends by the Company will be at the complete discretion of the Directors.

## 1.7 Enquiries

All questions relating to this Prospectus should be directed to the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia) or by contacting a Joint Lead Manager (see the Corporate Directory for contact details). Information about the Offer is also available to Australian and New Zealand resident investors on the Miclyn Express Offshore IPO website at [www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com).

Investors will be able to contact the Miclyn Express Offshore Offer Information Line to receive details of their allocations from 8:30am (Sydney time) on the date of Listing, expected to be 26 March 2010. Notices informing Applicants of their allocations are expected to be dispatched by standard post on or about 1 April 2010.

# Answers to Key Questions

# 2



## Offer overview

TOPIC	SUMMARY	MORE INFORMATION
<b>Who is the issuer of this Prospectus?</b>	Miclyn Express Offshore Limited, a company incorporated and registered in Bermuda.	Section 13.1
<b>What does Miclyn Express Offshore do?</b>	Miclyn Express Offshore is a leading provider of offshore oil and gas service vessels to the expanding offshore oil and gas industry across South-East Asia, Australia and the Middle East.	Section 5
<b>What is the Offer?</b>	<p>The Offer is an initial public offering of up to approximately 159.6 million Shares, representing as much as 59% of the issued capital of the Company.<sup>1</sup></p> <p>Ray Rider will retain 10% of Shares following completion of the Offer and Management Shareholders will hold approximately 1%.<sup>2</sup></p> <p>Macquarie Group will retain at least 30% of Shares following completion of the Offer. At the mid-point of the Indicative Price Range, this will result in an Offer size of A\$330 million. Should Macquarie retain its full holding in the Company, its post IPO retention at the mid-point of the Indicative Price Range will be 38.2% and will result in an Offer size of A\$285 million. The Offer size will be fixed prior to commencement of the Institutional Bookbuild.</p> <p>On Listing, the Shares held by Ray Rider, Macquarie Group and Diederik de Boer will be subject to escrow arrangements. It is expected that certain Management Shareholders will also enter into escrow arrangements for their Shares.</p> <p>Shares will not be issued to the Samson Maritime Vendors until 12 months from the date of the agreement entered into by Miclyn Express Offshore with the Samson Maritime Vendors to invest in Samson Maritime.</p>	Sections 3.1 and 3.2
<b>Where will the Shares be Listed?</b>	Applications will be made to ASX for permission to list the Company on ASX and quote the Shares under ASX code MIO. It is anticipated that quotation will initially be on a conditional and deferred settlement basis.	Section 3.9
<b>Will dividends be paid?</b>	<p>Subject to the Directors' discretion and their assessment of investment opportunities available to the Group, the Directors expect to distribute to Shareholders between 20% and 40% of the Group's net profit after tax.</p> <p>Dividends will be declared in US dollars and paid in Australian dollars. For payment to Shareholders dividends will be converted into Australian dollars at a spot exchange rate on the business day prior to the dividend date.</p>	Section 1.6
<b>What is the Offer structure?</b>	<p>The Offer made under this Prospectus is structured as follows:</p> <ul style="list-style-type: none"> <li>• the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions (excluding the US) to bid for Shares (Section 3.5.1); and</li> <li>• the Retail Offer, consisting of: <ul style="list-style-type: none"> <li>• the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker (refer to Section 3.4.1); and</li> <li>• the Priority Offer, which is open to Australian and New Zealand resident Retail Investors nominated by the Company,<sup>3</sup> in its sole discretion (refer to Section 3.4.2).</li> </ul> </li> </ul> <p>The Retail Offer and Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed.</p>	Sections 3.3, 3.4 and 3.5

<sup>1</sup> Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer, assumed US\$8.0 million hedge break fee relating to the repayment of debt and the Existing Shareholders assumed holding of 40% of Shares.

<sup>2</sup> Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer and an assumed US\$8.0 million hedge break fee relating to the repayment of debt.

<sup>3</sup> The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching Australian or foreign laws.

TOPIC	SUMMARY	MORE INFORMATION
<b>What is the purpose of the Offer?</b>	<p>The purpose of the Offer is to enable the Company to purchase MEO Finance (the company that currently owns the Miclyn Express Offshore business) and to provide the Group with:</p> <ul style="list-style-type: none"> <li>• funds to pay a portion of Miclyn Express Offshore's debt balance and to pay break fees on related interest rate hedging arrangements and establish a capital structure to pursue growth opportunities;</li> <li>• inclusion on the official list of ASX, thereby broadening the Shareholder base and providing a liquid market for the Shares;</li> <li>• funds to pay for the cash component of the investment in Samson Maritime; and</li> <li>• funds to pay its portion of the Offer Costs.</li> </ul> <p>The Offer also provides the Existing Shareholders with an opportunity to realise part of their investment in MEO Finance.</p>	Section 3.2.1 (and see Sections 3.2 and 13.5.10 for more information regarding the acquisition of the business)
<b>Who are the owners of the Miclyn Express Offshore business as at the date of this Prospectus and are they retaining an interest?</b>	<p>The existing indirect owners of the Miclyn Express Offshore business are:</p> <ul style="list-style-type: none"> <li>• Macquarie Group, which currently has a 59.02% indirect interest in the business;</li> <li>• Ray Rider (an entity associated with Miclyn Offshore founder, Michael Kum), which currently has a 39.96% indirect interest in the business; and</li> <li>• Current Management Shareholders, being Diederik de Boer, the CEO of the Company, and Darren Ang, the COO of the Company, who currently have a combined 1.02% indirect interest in the business.</li> </ul> <p>Ray Rider will retain 10% of Shares following completion of the Offer and Macquarie Group will retain at least 30% of Shares following completion of the Offer. The Offer size will be fixed prior to commencement of the Institutional Bookbuild.</p> <p>Diederik de Boer and Darren Ang will maintain their investment in the business and reinvest any proceeds they receive into Shares.<sup>1</sup></p> <p>Shares held by Ray Rider, Macquarie Group and Diederik de Boer will be subject to escrow arrangements. It is expected that Darren Ang will also enter into escrow arrangements for his Shares.</p>	Section 3.2.3
<b>What is the Offer size?</b>	The Offer size is A\$297.6 million to A\$365.0 million, based on the Indicative Price Range. <sup>2</sup>	Section 3.2.2
<b>Is the Offer underwritten?</b>	The Offer is not underwritten.	
<b>What will the market capitalisation of the Group be upon Listing?</b>	The market capitalisation of the Group upon Listing will be between A\$502.0 million and A\$623.7 million (based on the Indicative Price Range).	Key Offer Statistics
<b>How will the Institutional Offer and Retail Offer Final Prices be set?</b>	<p>The Institutional Offer and Retail Offer Final Prices will be determined after the close of the Retail Offer and the Institutional Offer by a representative of the Existing Shareholders, after consultation with the Company and the Joint Lead Managers.</p> <p>The Institutional Offer Final Price may be above, within or below the Indicative Price Range.</p> <p>The Retail Offer Final Price will be the same as the Institutional Offer Final Price except that it will be capped at the top of the Indicative Price Range.</p>	Section 3.5.3

<sup>1</sup> Subject to transfers of some Shares to Management under the Equity Arrangements.

<sup>2</sup> Based on the Indicative Price Range and calculated as the total number of Shares available under the Offer multiplied by the lower and upper bounds of the Indicative Price Range.

TOPIC	SUMMARY	MORE INFORMATION
<b>What currency will the Institutional Offer and Retail Offer Final Prices be set in?</b>	Australian dollars.	
<b>What are the tax implications of investing in the Offer?</b>	<p>Australian tax resident Shareholders will be subject to Australian tax on dividends, and New Zealand tax resident Shareholders will be subject to New Zealand tax on dividends or tax under the New Zealand foreign investment fund ('FIF') regime, depending on their individual circumstances.</p> <p>The tax consequences for investors, particularly Shareholders that are not tax residents in Australia, will differ depending on their individual circumstances.</p> <p>Investors should consider seeking tax advice prior to making an investment in the Company.</p>	Sections 3.11, 13.8 and 13.9

## Applications

TOPIC	SUMMARY	MORE INFORMATION
<b>Am I eligible to participate in the Offer?</b>	<p>The Broker Firm Offer is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker.</p> <p>The Priority Offer is open to Australian and New Zealand resident Retail Investors nominated by the Company,<sup>1</sup> in its sole discretion.</p> <p>The Institutional Offer is open to Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions (excluding the US).</p> <p>There is no general public offer of Shares.</p>	Sections 3.4.1, 3.4.2 and 3.5.1
<b>How do Retail Investors apply for Shares?</b>	<p>Australian or New Zealand resident Retail Investors can apply for Shares by completing an Application Form.</p> <p>Retail Offer Applicants will be required to apply for an Australian dollar value of Shares and will pay the Retail Offer Final Price, which will be the same as the Institutional Offer Final Price except that it will be capped at the top of the Indicative Price Range.</p>	Section 3.4
<b>What are the key dates of the Offer?</b>	<p>The Retail Offer opens at 9:00am (Sydney time) on 10 March 2010.</p> <p>The Retail Offer closes at 5:00pm (Sydney time) on 22 March 2010.</p> <p>The Institutional Offer opens at 9:00am (Sydney time) on 23 March 2010.</p> <p>The Institutional Offer closes at 12:00pm (Sydney time) on 24 March 2010.</p> <p>The Shares are expected to be quoted on ASX under ASX code MIO on 26 March 2010, initially on a conditional and deferred settlement basis.</p> <p>Holding statements are expected to be dispatched on or about 1 April 2010 and the Shares are expected to commence trading on a normal settlement basis on 6 April 2010.</p> <p>This timetable is indicative only. The Company, in consultation with the Joint Lead Managers, reserves the right to vary the dates and times of the Offer, including to close the Offer early, withdraw the Offer, extend the Closing Date or to accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer as the Offer may close at any time without notice.</p>	Important Dates

<sup>1</sup> The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching Australian or foreign laws.

TOPIC	SUMMARY	MORE INFORMATION
<b>What is the minimum/maximum application under the Offer?</b>	<p>Applicants in the Retail Offer must apply for a minimum of A\$2,000 worth of Shares and in multiples of A\$500 thereafter.</p> <p>The value of Shares that may be applied for under the Retail Offer is not subject to a maximum amount; however, the Company and the Joint Lead Managers reserve the right to treat any Applications in the Retail Offer which are for more than A\$250,000 or are from persons whom they believe may be Institutional Investors, as Institutional Offer Final Price bids in the Institutional Offer or to reject the Application. The Company and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.</p> <p>Applicants in the Institutional Offer must bid for a minimum of 50,000 Shares. However, the Company and the Joint Lead Managers reserve the right to accept smaller bids.</p>	Sections 3.4 and 3.5.2
<b>What is the allocation policy?</b>	<p>A representative of the Existing Shareholders, in consultation with the Company and the Joint Lead Managers, will determine the allocation of Shares between the Retail Offer and the Institutional Offer.</p> <p>The Company has sole discretion over allocations under the Priority Offer.</p>	Sections 3.4.4 and 3.5.4
<b>When will confirmations of successful Applications be sent?</b>	<p>Confirmations of successful Applications, in the form of holding statements, are expected to be dispatched on or about 1 April 2010.</p>	Section 3.14
<b>Can the Offer be withdrawn?</b>	<p>The Offer may be withdrawn by the Company in its absolute discretion, in consultation with the Joint Lead Managers, at any time before allotment of Shares.</p> <p>A minimum subscription amount under the Offer is required to enable the Company to repay approximately US\$143.8 million of debt as part of the refinancing of the Company's existing debt package, to pay hedge break fees of approximately US\$8.0 million as referred to in Section 3.2.1, to pay for the cash component of the investment in Samson Maritime and to pay the Company's portion of the Offer Costs.</p> <p>The Offer will not proceed, and all Applications and Application Monies will be returned to applicants (without interest), unless a minimum subscription amount of A\$195.3 million is raised under the Offer. The Company reserves the right to adjust the minimum subscription amount for movements in foreign exchange rates (but the minimum amount raised will always be sufficient to pay the amounts referred to above).</p>	Sections 3.4.7 and 3.4.8

## More information

TOPIC	SUMMARY	MORE INFORMATION
<b>What is Samson Maritime?</b>	<p>Samson Maritime is a marine services company headquartered in Fremantle, Western Australia. It mainly services the dredging and marine civil engineering operations of large oil and gas customers on the north-west shelf of Western Australia.</p> <p>Following completion of the IPO, Miclyn Express Offshore will acquire a 50.0% interest in Samson Maritime.</p>	Sections 1.3 and 5.4
<b>Is the Samson Maritime investment fully funded?</b>	<p>The Group has entered into an agreement to acquire a 50.0% interest in Samson Maritime following completion of the IPO for approximately A\$23 million. The investment will be funded partly through cash (approximately A\$17.5 million) and partly through the deferred issue of Shares at the Institutional Offer Final Price (approximately A\$5.5 million) to the Samson Maritime Vendors. From the proceeds Samson Maritime receives from the Group's investments it will repay A\$7.1 million of existing debt facilities.</p>	Section 13.5.4

TOPIC	SUMMARY	MORE INFORMATION
<b>Who are the advisers to the Offer?</b>	<p>MCAL is the global coordinator of the Offer.</p> <p>MCAL, J.P. Morgan and Morgan Stanley are the joint lead managers of the Offer.</p> <p>Freehills is the Australian legal adviser to the Company in connection with the Offer.</p> <p>Deloitte Touche Tohmatsu has prepared the investigating accountants' report on Historical Financial Information in Section 10.</p> <p>Deloitte Corporate Finance Pty Limited has prepared the report on Directors' Forecast in Section 11.</p> <p>Deloitte Touche Tohmatsu Ltd has prepared the tax report in Section 12.</p>	Section 13.9.3
<b>What is the extent of Macquarie Group's involvement in the Offer?</b>	<p>MCAL is acting as global coordinator and a joint lead manager to the Offer.</p> <p>Please refer to Section 3.2.3.1 for details regarding the relationships Macquarie Group has with the existing owners of the Group and its current indirect interest in the business. See also Section 3.2.3.3 regarding Macquarie Group's likely continuing interest in Miclyn Express Offshore.</p>	Section 13.9.2.1
<b>What are the Offer Costs and who is paying them?</b>	<p>The Offer Costs are estimated to be between A\$18.1 million and A\$20.3 million (inclusive of GST), based on the Indicative Price Range.</p> <p>The Syndicate Fees will be borne by Ray Rider, Macquarie Group and the Company.</p> <p>Ray Rider and Macquarie Group will be required to pay their portion of the Syndicate Fees, based on the proceeds realised from the sale of their Existing Shares less their respective portions of the Reinvestment Proceeds. The Company will bear the Syndicate Fees not borne by Ray Rider and Macquarie Group.</p> <p>Each of the Company, Ray Rider, Macquarie Group and the Current Management Shareholders will contribute to the other Offer Costs based on their current holdings as at the date of this Prospectus.</p>	Section 3.2.2
<b>Is there any commission payable to financial advisers?</b>	<p>The Global Coordinator will receive a fee of up to 3.25% (exclusive of GST) from the Company for distribution to the Joint Lead Managers and Brokers.</p> <p>Brokers in the Broker Firm Offer will receive a fee of 1.30% (exclusive of GST) of the value of Shares that they allocate to their clients.</p>	Section 13.5.6
<b>How can further information be obtained?</b>	<p>By reading this entire Prospectus and the Appendix.</p> <p>By speaking to your accountant, financial adviser, stockbroker, lawyer or other professional adviser.</p> <p>By calling the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia).</p> <p>For Australian and New Zealand residents only, by visiting the Miclyn Express Offshore IPO website at <a href="http://www.miclynexpressoffshore-ipo.com">www.miclynexpressoffshore-ipo.com</a>.</p>	All Sections
<b>Contact details</b>	For further contact details, refer to the Corporate Directory.	Inside back cover

## Details of the Offer

# 3



### 3.1 The Offer

The Offer comprises the Retail Offer and the Institutional Offer, and is for up to approximately 159.6 million Shares.<sup>1</sup> The Offer will represent as much as 59% of Shares on issue following completion of the Offer. Ray Rider will retain 10% of Shares, Macquarie Group will retain at least 30% of Shares and Management Shareholders will hold approximately 1%<sup>2</sup> following completion of the Offer (see Section 3.2.3.3). The Shares held by Ray Rider, Macquarie Group and Diederik de Boer will be subject to escrow arrangements.<sup>3</sup> It is expected certain Management Shareholders will also enter into escrow arrangements for their Shares. The Samson Maritime Vendors will be issued up to approximately 1% of Shares at the Institutional Offer Final Price on 24 February 2011 (assuming no change to the Company's share capital over that period and no claims are made against the Samson Maritime Vendors).<sup>4</sup>

All Shares under the Institutional Offer will be issued at the Institutional Offer Final Price (which will be set after the conclusion of the Retail Offer and the Institutional Offer) and will be issued on the Allotment Date. The Institutional Offer Final Price may be within, above or below the Indicative Price Range. The Retail Offer Final Price will be the same as the Institutional Offer Final Price except that it will be capped at the top of the Indicative Price Range. Under the terms of the Offer Management Agreement, the Institutional Offer and Retail Offer Final Prices will be determined by a representative of the Existing Shareholders, after consultation with the Company and the Joint Lead Managers, following the close of the Institutional Offer. For additional information on the determination of the Institutional Offer and Retail Offer Final Prices, refer to Section 3.5.3.

#### 3.1.1 Offer Management Agreement

The Offer will be managed by MCAL as global coordinator. MCAL, J.P. Morgan and Morgan Stanley are joint lead managers to the Offer. The Offer is not underwritten. The Company has entered into an offer management agreement with the Global Coordinator and the Joint Lead Managers in respect of the management of the Offer.

Once the Institutional Offer and Retail Offer Final Prices have been determined, the Global Coordinator and the Joint Lead Managers or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer and Broker Firm Offer under the Offer Management Agreement. The Offer Management Agreement sets out a number of circumstances under which the Global Coordinator and the Joint Lead Managers may terminate the agreement and settlement support obligations. A summary of certain terms of the Offer Management Agreement, including the termination provisions, is set out in Section 13.5.6.

### 3.2 Purpose and background of the Offer

#### 3.2.1 Purpose of the Offer

The purpose of the Offer is to enable Miclyn Express Offshore to purchase MEO Finance (the company that owns the Miclyn Express Offshore business) and to provide the Group with:

- funds to repay a portion of Miclyn Express Offshore's debt balance and to pay break fees on related interest rate hedging arrangements and establish a capital structure to pursue growth opportunities;
- inclusion on the official list of ASX, thereby broadening the Shareholder base and providing a liquid market for the Shares;
- funds to pay for the cash component of the investment in Samson Maritime; and
- funds to pay its portion of the Offer Costs.

The Offer also provides the Existing Shareholders with an opportunity to realise part of their investment in MEO Finance.

#### 3.2.2 Use of Offer proceeds

The total gross proceeds of the Offer will be equal to the number of Shares issued under the Institutional Offer multiplied by the Institutional Offer Final Price plus the number of Shares issued under the Retail Offer multiplied by the Retail Offer Final Price. The total gross proceeds of the Offer are expected to be between A\$297.6 million and A\$365.0 million, based on the Indicative Price Range and the anticipated level of reinvestment by the Existing Shareholders.

<sup>1</sup> Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer, assumed US\$8.0 million hedge break fee relating to the repayment of debt and the Existing Shareholders holding 40% of Shares.

<sup>2</sup> Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer and an assumed US\$8.0 million hedge break fee relating to the repayment of debt.

<sup>3</sup> Cornell Tsiang, who tendered three months' notice of his resignation as chief financial officer of Miclyn Express Offshore on 9 December 2009, will not be subject to the escrow arrangements.

<sup>4</sup> Based on the mid-point of the Indicative Price Range.

**Table 3.1: Indicative sources and uses of funds<sup>1,2</sup>**

Sources	A\$ million	Uses	A\$ million
Gross proceeds under the Offer	330.8	Purchase of MEO Finance <sup>4</sup>	367.8
Reinvestment Proceeds <sup>3</sup>	232.1	Cash consideration component of the investment in Samson Maritime	17.5
		Repayment of approximately US\$143.8 million of Miclyn Express Offshore's debt balance and payment of approximately US\$8.0 <sup>5</sup> of break fees on related interest rate hedging arrangements	170.0
		Company's portion of the Offer Costs <sup>6</sup>	7.6
<b>Total</b>	<b>562.9</b>	<b>Total</b>	<b>562.9</b>

## Notes:

- Amounts in the table are based on the mid-point of the Indicative Price Range and assume a foreign exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer, assumed US\$8.0 million hedge break fee relating to repayment of debt and 40% reinvestment by the Existing Shareholders.
- The pro forma consolidated balance sheet as at 31 December 2009 in Section 8.5 assumes a foreign exchange rate of US\$0.893:A\$1.00, resulting in different Australian dollar amounts from the table above. Differences between the amounts in the table and the pro forma consolidated balance sheet amounts set out in Section 8.5 also arise because the pro forma net debt at 31 December 2009 will differ from the net debt at Settlement due to working capital, capital expenditure and debt servicing requirements prior to Settlement (refer to Sections 8.6.2 and 13.5.7 for information on the Company's debt facilities following Settlement).
- This includes cash and promissory notes issued under the Reinvestment Arrangements. See Section 13.5.10.1 for more information on the Reinvestment Arrangements.
- This includes cash and the promissory notes issued to the Company by Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang. See Section 13.5.10.1 for further details.
- The break fees on the interest rate hedging arrangements relating to the repayment of the debt will be determined following the close of the Institutional Offer and will depend on prevailing interest rates.
- Each of Ray Rider, Macquarie Group, the Current Management Shareholders and the Company will contribute to the Offer Costs. See Section 13.11 for further details.

The Company will not retain any of the proceeds of the Offer, other than an amount to pay its share of the Offer Costs, to pay for the cash consideration component of the investment in Samson Maritime, to repay approximately US\$143.8 million of Miclyn Express Offshore's debt balance and to pay approximately US\$8.0 of break fees on related interest rate hedging arrangements (the amount of the hedge break fees will not be known until after the close of the Institutional Offer).

Simultaneous to the Offer, the Company is refinancing its existing debt package such that at or around Settlement it will have net debt of US\$126.8 million (please refer to Section 8.6 for further information). The Directors expect that the Company will have sufficient working capital from its operations and these new debt facilities to meet its operational requirements and business needs during the Forecast Period.

### 3.2.3 Background to the Offer and Shareholder structure

#### 3.2.3.1 Existing Shareholder structure

As at the date of this Prospectus the Miclyn Express Offshore business is held directly or indirectly by the following:

- Macquarie Group (59.02%);
- Ray Rider (39.96%);
- the Current Management Shareholders, being Diederik de Boer and Darren Ang (1.06%).

The Current Management Shareholders will not realise any of their investment as their share of the proceeds raised from the sale of the Miclyn Express Offshore business will be reinvested in the acquisition of Shares.<sup>1</sup> Macquarie Group and Ray Rider will realise part of their investment in the business.

See Section 3.2.3.3 for the likely level of reinvestment by Ray Rider and Macquarie Group.

Ray Rider and Macquarie Group will be required to pay their portion of the Syndicate Fees, based on the proceeds realised from the sale of their Existing Shares less their respective portions of the Reinvestment Proceeds. Ray Rider, Macquarie Group and the Current Management Shareholders will each contribute to the other Offer Costs.

Ray Rider, Macquarie Group and Diederik de Boer have each agreed to an escrow arrangement with the Company under which they will be restricted from dealing with the Shares acquired under the Reinvestment Arrangements until three days after the announcement of the Company's 1H FY2011 results, with limited exceptions.

<sup>1</sup> Subject to some transfers of Shares to Management under the Equity Arrangements.

### 3.2.3.2 Equity Arrangements

Certain equity arrangements were agreed between Management, Ray Rider and Macquarie Group upon the combination of Miclyn Offshore and EOT in November 2007 ('Equity Arrangements'). The Equity Arrangements provide for the awarding of Shares to the CEO, CFO, CCO, COO and certain other current and prior members of the management team at the sole discretion of the board of MEO Holdings. Participants in the Equity Arrangements are not required to pay for Shares awarded under the Equity Arrangements. Shares awarded under the Equity Arrangements will be provided for by Ray Rider, Macquarie Group and the Current Management Shareholders, and will be transferred to the recipients immediately after the Shares are issued under the Reinvestment Arrangements, expected to occur on the business day following the date that the Company issues Shares under the Offer and on deferred issue of Shares to Samson Maritime<sup>1</sup>. Based on the Shares to be issued to the Current Management Shareholders under the Reinvestment Arrangements (set out in Section 13.5.10.1), and Shares to be transferred under the Equity Arrangements, the total number of Shares to be held by Management Shareholders after completion of the Offer will represent approximately 1% of the Company's issued share capital<sup>1</sup> (see Section 3.2.3.3 for details regarding the indicative shareholding structure upon completion of the Offer).

Shares transferred under the Equity Arrangements are expected to be subject to an escrow arrangement with the Company under which any dealing with the Shares they hold will be restricted until three days after the announcement of the Company's 1H FY2011 results,<sup>2</sup> with limited exceptions such as dealings for estate planning purposes or as part of a takeover offer or scheme.

The various transfers of Shares contemplated in the Equity Arrangements may be completed only with the prior consent of the Bermuda Monetary Authority, which consent has not yet been obtained. The Company intends to apply for permission after the date of lodgement of this Prospectus and before Settlement. In the event permission is not granted, the transfers of Shares mentioned above will not be completed.

### 3.2.3.3 Shareholding structure after completion of the Offer

The total number of Shares on issue on completion of the Offer will be 271.7 million. The Shares on issue on completion of the Offer will be held by Ray Rider, Macquarie Group, the Management Shareholders and the New Shareholders.

As part of the consideration for the Group's interest in Samson Maritime, the Samson Maritime Vendors will be issued up to approximately 1% of Shares at the Institutional Offer Final Price on 24 February 2011 (assuming no change to the Company's share capital over that period and no claims are made against the Samson Maritime Vendors).<sup>3</sup>

Table 3.2 sets out the indicative shareholding structure of the Company on completion of the Offer:

**Table 3.2: Indicative ownership of the Group at the completion of the Offer**

Shareholder	Immediately following the Offer		Following the issue of Shares to vendors of Samson Maritime <sup>1</sup>	
	Number of Shares (million) <sup>2,3</sup>	% <sup>2,3</sup>	Number of Shares (million) <sup>2,3</sup>	% <sup>2,3</sup>
<b>New Shareholders</b>	159.6	58.8%	159.6	58.2%
<b>Existing Shareholders<sup>4</sup></b>				
Ray Rider <sup>4</sup>	27.2	10.0%	27.2	9.9%
Macquarie Group <sup>4</sup>	81.5	30.0%	81.5	29.7%
<b>Management Shareholders<sup>4,5</sup></b>	3.4	1.2%	3.4	1.2%
<b>Samson Maritime Vendors</b>	–	–	2.7	1.0%
<b>Total</b>	<b>271.7</b>	<b>100%</b>	<b>274.4</b>	<b>100%</b>

Notes:

- Up to approximately 1% of Shares may be held by the Samson Maritime Vendors by 24 February 2011 (assuming no change to the Company's share capital over that period and no claims are made against the Samson Maritime Vendors) and based on the mid-point of the Indicative Price Range.
- Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer and an assumed US\$8.0 million hedge break fee relating to the repayment of debt.
- The Existing Shareholders intend to retain at least 40% of the total number of Shares on issue after the completion of the Offer.
- The Existing Shareholders and Diederik de Boer have entered into escrow agreements with the Company (refer to Sections 3.2.3.1, 3.2.3.2 and 13.5.10.1 for further detail) under which they will be restricted from dealing with any of their Shares until three business days after the announcement of the Group's 1H FY2011 results,<sup>2</sup> with limited exceptions.
- The Current Management Shareholders will acquire Shares under the Reinvestment Arrangements as described in Sections 3.2.3.1 and 13.5.10.1 and by receiving Shares under the Equity Arrangements as described in Section 3.2.3.2. The Management Shareholders (excluding Diederik de Boer and Darren Ang) will only receive Shares under the Equity Arrangements as described in Section 3.2.3.2.

<sup>1</sup> Based on the mid-point of the Indicative Price Range, an assumed exchange rate of US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer and an assumed US\$8.0 million hedge break fee relating to the repayment of debt.

<sup>2</sup> Cornell Tsiang, who tendered three months' notice of his resignation as chief financial officer of Miclyn Express Offshore on 9 December 2009, will not be subject to the escrow arrangements.

<sup>3</sup> Based on the mid-point of the Indicative Price Range.

The retained Share holdings by the Existing Shareholders and Management Shareholders will help ensure that their interests are aligned with those of New Shareholders and demonstrate an ongoing commitment to the Group by the Existing Shareholders and Management Shareholders.

### 3.3 Structure of the Offer

The Offer comprises:

- the Retail Offer, made pursuant to this Prospectus, consisting of:
  - the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker (refer to Sections 3.4.1 and 3.4.4); and
  - the Priority Offer, which is open to Australian and New Zealand resident Retail Investors nominated by the Company,<sup>1</sup> in its sole discretion (refer to Section 3.4.2); and
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions (excluding the US) and is made pursuant to this Prospectus, where applicable (refer to Section 3.5).

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by a representative of the Existing Shareholders, in consultation with the Joint Lead Managers and the Company, at their discretion having regard to the allocation policy described in Sections 3.4.4 and 3.5.4.

The Retail Offer and Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed.

All Shares offered for issue under the Offer will be issued subject to the disclosures in this Prospectus and will rank equally with each other, and with those Shares issued to Ray Rider, Macquarie Group and the Current Management Shareholders under the Reinvestment Arrangements, as described in Sections 3.2.3.1 and 13.5.10.1 (which includes the Shares to be immediately transferred to Management Shareholders under the Equity Arrangements, as set out in Section 3.2.3.2).

### 3.4 The Retail Offer

The Retail Offer is open to Australian and New Zealand resident Retail Investors only.<sup>1</sup>

To apply in the Retail Offer, you must have a registered address in Australia or New Zealand<sup>2</sup> and must provide the information requested on the applicable Application Form. If you have been offered a firm allocation by a Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation (refer to Section 3.4.4).

If you apply in the Retail Offer, you must apply for a minimum of A\$2,000 worth of Shares and in multiples of A\$500 thereafter. There is no maximum value of Shares which may be applied for under the Retail Offer. However, the Company and the Joint Lead Managers reserve the right to treat any Applications in the Retail Offer which are for more than A\$250,000, or are from persons whom they believe may be Institutional

Investors, as Institutional Offer Final Price bids in the Institutional Offer or to reject the Application. The Company and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.

There is no general retail offer.

#### Closing Date for the Retail Offer

The Retail Offer opens at 9:00am (Sydney time) on 10 March 2010 and closes at 5:00pm (Sydney time) on 22 March 2010, subject to amendment by the Company, in consultation with the Joint Lead Managers. Broker Firm Applications lodged with Brokers must be lodged in accordance with the timetable instructions provided by Brokers. Completed Application Forms and Application Monies for the Priority Offer must be received by the Share Registry no later than the Closing Date unless the Company, in consultation with the Joint Lead Managers, elects to close the Priority Offer early or extend the Closing Date for the Priority Offer.

The Retail Offer may be closed at any earlier date, without notice. If you are applying under the Retail Offer, you are therefore encouraged to submit your Application as soon as possible after the Offer opens at 9:00am (Sydney time) on 10 March 2010.

The Company, in consultation with the Joint Lead Managers, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the applicant in completing their Application.

Successful Applicants in the Retail Offer will be allotted Shares at the Retail Offer Final Price. Under the terms of the Offer Management Agreement, the Institutional Offer and Retail Offer Final Prices will be determined following the close of the Retail Offer and the Institutional Offer by a representative of the Existing Shareholders, after consultation with the Company and the Joint Lead Managers, as described in Section 3.5.3. An Indicative Price Range has been set at A\$1.85 to A\$2.30 per Share. The Retail Offer Final Price will be the same as the Institutional Offer Final Price except that it will be capped at the top of the Indicative Price Range. To the extent permitted by law, an Application in the Retail Offer is irrevocable.

#### 3.4.1 Broker Firm Offer

##### Who can apply in the Broker Firm Offer?

The Broker Firm Offer is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker.

##### How to apply in the Broker Firm Offer

If you are an applicant under the Broker Firm Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions. Your Broker will act as your agent and, in submitting your Application Form and Application Monies, you must:

- make the cheque, bank draft, money order or other form of Application Monies payable to the Broker that has given you the firm allocation in accordance with their instructions; and

<sup>1</sup> The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching Australian or foreign laws.

<sup>2</sup> Subject to footnote 1 above.

- deliver your completed Application Form and Application Monies to the Broker that has given you the firm allocation as instructed by them.

It is your Broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5:00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker. The Company, the Global Coordinator, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

### 3.4.2 The Priority Offer

#### Who can apply in the Priority Offer?

The Priority Offer is only open to Australian and New Zealand resident Retail Investors nominated by the Company,<sup>1</sup> in its sole discretion.

#### How to apply in the Priority Offer

If you are an applicant under the Priority Offer, you should have received a personalised Application Form with this Prospectus. Applications in the Priority Offer must be made on the personalised Application Form and must be accompanied by a cheque, bank draft or money order for the Application Monies. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and be made payable to 'Miclyn Express Offshore Share Offer Account' and crossed 'Not Negotiable'. Cash will not be accepted. Receipts for payments will not be issued. You should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

You may only apply for an amount up to and including the amount indicated on your personalised Priority Offer Application Form. Any amount applied for in excess of this will be refunded in full (without interest).

If the amount of your cheque(s) for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

#### Where to send your Application Form under the Priority Offer

Completed Application Forms, together with a cheque, bank draft or money order for the Application Monies, should be mailed or delivered by hand to the Share Registry as set out below by the Closing Date:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

### 3.4.3 Acceptance of Applications under the Retail Offer

An Application in the Retail Offer is an offer by you to the Company to subscribe for Shares in the amount specified in the Application Form at the Retail Offer Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the applicant. Acceptance of an Application will give rise to a binding contract with acceptance to take place after the quotation of Shares on ASX and Settlement.

### 3.4.4 Allocation policy under the Retail Offer

There is no general retail offer.

#### Allocations under the Broker Firm Offer

Firm stock which has been allocated to Brokers for allocation to their Australian and New Zealand resident Retail Investors will be issued to Broker Firm Offer Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm stock among their Retail Investors, and they (and not the Company, the Global Coordinator or the Joint Lead Managers) will be responsible for ensuring that Retail Investors who have received a firm allocation from them receive the relevant Shares.

Broker Firm Offer Applicants will be able to confirm their firm allocations through the Broker from whom they received those allocations. However, Broker Firm Offer Applicants who sell Shares before receiving an initial statement of holding do so at their own risk, even if they have obtained details of their holding from their Broker.

#### Allocations under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of the Company.

Priority Offer Applicants will receive a guaranteed allocation up to and including the amount indicated on their personalised Priority Offer Application Form. Any amount applied for in excess of this will be refunded in full (without interest).

### 3.4.5 Determination of the number of Shares to be issued to successful applicants under the Retail Offer

The number of Shares to be issued to each successful applicant under the Retail Offer will equal the dollar amount of their Application divided by the Retail Offer Final Price and rounded down to the nearest whole Share.

For example, if you applied for A\$3,000 worth of Shares and the Retail Offer Final Price was A\$2.08, you would receive 1,442 Shares, calculated as:

$$\frac{\text{A\$3,000}}{\text{A\$2.08}} = 1,442 \text{ Shares, when rounded down to the nearest whole Share.}$$

No refunds pursuant to rounding will be provided.

### 3.4.6 Maximum price payable under the Retail Offer

The price paid by applicants under the Retail Offer will be capped at the top of the Indicative Price Range. Applicants under the Retail Offer will pay no more than A\$2.30 per Share.

<sup>1</sup> The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching Australian or foreign laws.

### 3.4.7 Announcement of Retail Offer Final Price and final allocation policy in the Retail Offer

The Group expects to announce the Retail Offer Final Price and the final allocation policy under the Retail Offer on or about 25 March 2010. This information will be advertised in *The Australian* and other national and major metropolitan newspapers on that same day. Australian resident Applicants in the Retail Offer will also be able to call the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) from 8:30am (Sydney time) on that day to confirm their allocations. Applicants who are eligible to participate in the Retail Offer and are overseas should call +61 2 8280 7114. However, if you are a Retail Offer applicant and sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the Miclyn Express Offshore Offer Information Line.

### 3.4.8 Can the Offer be withdrawn or closed early?

The Company reserves the right to withdraw the Offer at any time before the allocation of Shares under the Offer. If the Offer is withdrawn, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer or otherwise. The Company will retain any interest which accrues on Application Monies.

The Company, in consultation with the Joint Lead Managers, reserves the right to close the Offer early.

### 3.4.9 Refunds

Application Monies will be refunded (in full or in part) in Australian dollars where an Application is rejected or the Offer is withdrawn or cancelled. No interest will be paid on any Application Monies refunded. The Company will retain any interest which accrues on Application Monies.

Refund cheques will be sent following completion of the Offer or as otherwise applicable in the circumstances outlined above.

## 3.5 The Institutional Offer

### 3.5.1 Invitations to bid

The Company is inviting certain Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer is structured in two parts:

- an invitation to Australian and New Zealand Institutional Investors to bid for Shares, made under this Prospectus; and
- an invitation to Institutional Investors in certain jurisdictions outside Australia, New Zealand and the United States to bid for Shares in transactions that are exempt from the registration requirements of the US Securities Act in reliance upon Regulation S and in compliance with all applicable laws in the jurisdictions in which such Shares are offered and sold.

### 3.5.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Joint Lead Managers, who will act as joint bookrunners. Full details of how to participate, including bidding instructions, will be provided to participants by the Joint Lead Managers.

Participants can only bid into the bookbuild for Shares through the Joint Lead Managers. They may bid for Shares at specific prices or at the Institutional Offer Final Price. Participants may bid above, within or below the Indicative Price Range, which is A\$1.85 to A\$2.30 per Share. Under the terms of the Offer Management Agreement, the Institutional Offer and Retail Offer Final Prices will be determined by a representative of the Existing Shareholders, after consultation with the Company and the Joint Lead Managers, following the close of the Retail Offer and the Institutional Offer as described in Section 3.5.3.

The minimum bid size in the Institutional Offer is 50,000 Shares. However, the Company and the Joint Lead Managers reserve the right to accept smaller bids.

The Institutional Offer will be open from 9:00am (Sydney time) on 23 March 2010 to 12:00pm (Sydney time) on 24 March 2010. The Company, in consultation with the Joint Lead Managers, reserves the right to vary the dates and/or times of the Institutional Offer without notice.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Institutional Offer Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus, including any supplementary or replacement document, and in accordance with any bidding instructions provided by the Joint Lead Managers to participants. Bids can be accepted or rejected in whole or in part by the Company in consultation with the Joint Lead Managers, without further notice to the bidder. Acceptance of a bid will give rise to a binding contract.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants prior to or at the opening of the bookbuild process. In some cases, Shares allocated may be delivered by the Joint Lead Managers, or their international affiliates, pursuant to settlement support arrangements under which the relevant Shares may be sold or issued to them and on-sold by them to satisfy the relevant allocations under the Institutional Offer.

### 3.5.3 The Institutional Offer Final Price

The bookbuild process will be used to determine the Institutional Offer Final Price. Under the terms of the Offer Management Agreement, the Institutional Offer and Retail Offer Final Prices will be determined after the close of the Retail Offer and the Institutional Offer by a representative of the Existing Shareholders, in consultation with the Company and the Joint Lead Managers. It is expected that the Institutional Offer and Retail Offer Final Prices will be announced to the market on or about 25 March 2010. In determining the Institutional Offer Final Price (which will in turn determine the Retail Offer Final Price), consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;

- the level of demand for Shares under the Retail Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Institutional Offer Final Price will not necessarily be the highest price at which Shares could be sold and may be set above, within or below the Indicative Price Range.

All successful bidders in the Institutional Offer will pay the Institutional Offer Final Price.

### 3.5.4 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer will be determined by a representative of the Existing Shareholders in consultation with the Joint Lead Managers and the Company. The Existing Shareholders, in consultation with the Joint Lead Managers and the Company, will have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Institutional Offer Final Price. Bids lodged at prices below the Institutional Offer Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Existing Shareholders, in consultation with the Joint Lead Managers and the Company, consider appropriate, in their sole discretion.

## 3.6 Shares issued separately from the Offer

All Shares:

- issued to Ray Rider, Macquarie Group and the Current Management Shareholders under the Reinvestment Arrangements, as described in Sections 3.2.3.1 and 13.5.10.1; and
- transferred to Management Shareholders under the Equity Arrangements, as set out in Section 3.2.3.2,

are offered and issued under (and subject to the disclosures in) this Prospectus, and will rank equally with the Shares issued under the Offer.

## 3.7 Minimum subscription amount

A minimum subscription amount under the Offer is required to enable the Company to repay approximately US\$143.8 million of debt as part of the refinancing of the Company's existing debt package, to pay hedge break fees of approximately US\$8.0 million as referred to in Section 3.2 to pay for the cash component of the investment in Samson Maritime and to pay the Company's portion of the Offer Costs.

The Offer will not proceed, and all applications and Application Monies will be returned to applicants (without interest), unless a minimum subscription amount of A\$195.3 million is raised under the

Offer. The Company reserves the right to adjust the minimum subscription amount for movements in foreign exchange rates (but the minimum amount raised will always be sufficient to pay the amounts referred to above).

## 3.8 Discretion regarding the Offer

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allotment of Shares to Retail Offer applicants and to bidders in the Institutional Offer. If the Offer or any part of it does not proceed or is cancelled, all Application Monies, or the relevant Application Monies, will be refunded (without interest).

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or to accept late Applications or bids either generally or in particular cases, or to reject any Application or bid. Under the terms of the Offer Management Agreement signed on 2 March 2010, a representative of the Existing Shareholders, in consultation with the Company and the Joint Lead Managers, may set the Institutional Offer Final Price (which will in turn determine the Retail Offer Final Price).

## 3.9 ASX admission and quotation

It is expected that Shares will commence trading on ASX on or about 26 March 2010, initially on a conditional and deferred settlement basis.

All contracts formed on acceptance of Applications and bids in the Institutional Offer will be conditional on ASX agreeing to quote the Shares on ASX and also on Settlement occurring. Trades occurring on ASX before Settlement occurs will be conditional on Settlement occurring.

Conditional trading will continue until the Company has advised ASX that Settlement has occurred, which is expected to be on or about 30 March 2010.

Trading on ASX will then be on an unconditional but deferred settlement basis until the Company has advised ASX that initial holding statements have been dispatched to Shareholders. Trading on ASX is expected to commence on a normal settlement basis on or about 6 April 2010.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications and bids in the Institutional Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through Brokers during the conditional trading period will be cancelled and of no effect. Refer to Section 3.4.7 for details on the announcement of the Institutional Offer and Retail Offer Final Prices and for details of the final allocation policy under the Retail Offer.

Following the issue of Shares, successful applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about 1 April 2010. It is the responsibility of applicants to determine their allocation prior to trading in Shares. Applicants trading in Shares prior to receiving a holding statement do so at their own risk.

The Company, the Share Registry, the Global Coordinator and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by the Miclyn Express Offshore Offer Information Line.

### 3.10 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by applicants upon acquisition of the Shares under the Offer. Various fees are payable in relation to the Offer by the Company to the Global Coordinator, the Joint Lead Managers and certain other Brokers. Details are set out in Section 13.5.6.

### 3.11 Taxation

The Australian and New Zealand taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is the obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should follow, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Section 13.8 sets out further information in relation to tax.

### 3.12 Foreign selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons.

This Prospectus may not be distributed in the United States or to US Persons, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

No person is authorised to provide any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by the Company, the Global Coordinator or the Joint Lead Managers or any Broker or any other person, nor will any such persons have any liability or responsibility in relation to such information or representations.

### 3.13 Electronic Prospectus

The Offer constituted by this Prospectus is available electronically only to Australian and New Zealand residents accessing and downloading or printing the electronic version of this Prospectus within Australia and New Zealand. Australian and New Zealand residents located in Australia or New Zealand may view this Prospectus on the Miclyn Express Offshore IPO website at [www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com). The Offer constituted by this Prospectus in electronic form is not available to investors outside Australia and New Zealand, including persons in the United States and US Persons. Refer to Section 3.12 for applicable selling restrictions.

Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person in Australia or New Zealand who requests a copy by contacting the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia) between 8:30am and 5:30pm (Sydney time) on business days.

Applicants using the Application Form attached to the electronic version of this Prospectus must be located in Australia or New Zealand. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

### 3.14 CHES and holding statements

The Company intends to apply to participate in CHES and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic CHES subregister and an electronic issuer sponsored subregister.

Following the issue of Shares to successful Applicants, Shareholders will receive an initial statement of holding (similar in style to a bank account statement) that sets out the number of Shares that have been allocated to them under the Offer.

This statement will also provide details of a Shareholder's HIN in the case of a holding on the CHES subregister, or SRN in the case of a holding on the issuer sponsored subregister. Shareholders will be required to quote their HIN or SRN, as appropriate, in all dealings with a stockbroker or the Share Registry.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES subregister, or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company or the Share Registry may charge a fee for these additional issuer sponsored statements.

### 3.15 Enquiries

If you require assistance to complete an Application Form or require additional copies of this Prospectus, you should contact the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia). The Miclyn Express Offshore Offer Information Line will be open on business days from 8:30am to 5:30pm (Sydney time) until 25 March 2010. Investors will be able to contact the Miclyn Express Offshore Offer Information Line to receive details of their allocations from 8:30am (Sydney time) on 25 March 2010. However, if you sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the Miclyn Express Offshore Offer Information Line. If you require advice as to whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

# Overview of the Offshore Oil and Gas Service Vessel Industry

# 4



## 4.1 Introduction

The offshore oil and gas service vessel industry is engaged in supporting the activities that comprise the three main phases of extracting oil and gas from offshore oil and gas fields, namely: exploration, development and production. Multinational energy companies and national oil companies such as Chevron, ENI, Petronas and Saudi Aramco, and major offshore oil and gas service contractors, such as McDermott, Saipem, Nippon Steel and Fugro, are the major users of these services.

The offshore oil and gas service vessel industry provides charter services to energy companies and offshore oil and gas service and construction companies. The vessel owner charters the vessel out on long term or spot contracts for various uses, including the transportation of equipment, towing of rigs and transportation of crew between offshore platforms and onshore ports. The daily charter rate ('DCR') and Utilisation rate achieved drive the profitability of each vessel.

The offshore oil and gas service vessel industry is affected by the supply and demand dynamics of the broader oil and gas industry, including trends in oil and gas prices and projected capital programs of energy companies.

The forecast long term increase in global demand for energy is expected to underpin activity in the offshore oil and gas space. Furthermore, as onshore oil and gas reserves continue to deplete, the focus has shifted in recent years towards offshore oil and gas exploration, leading to an increase in the proportion of global oil and gas production taking place offshore. This shift, along with higher oil and gas prices, is expected to drive an increase in the sanctioning of new offshore projects and near field developments that will result in increased demand for offshore vessel chartering services.

## 4.2 Industry drivers and trends

The offshore oil and gas service vessel industry is driven by a number of factors, including:

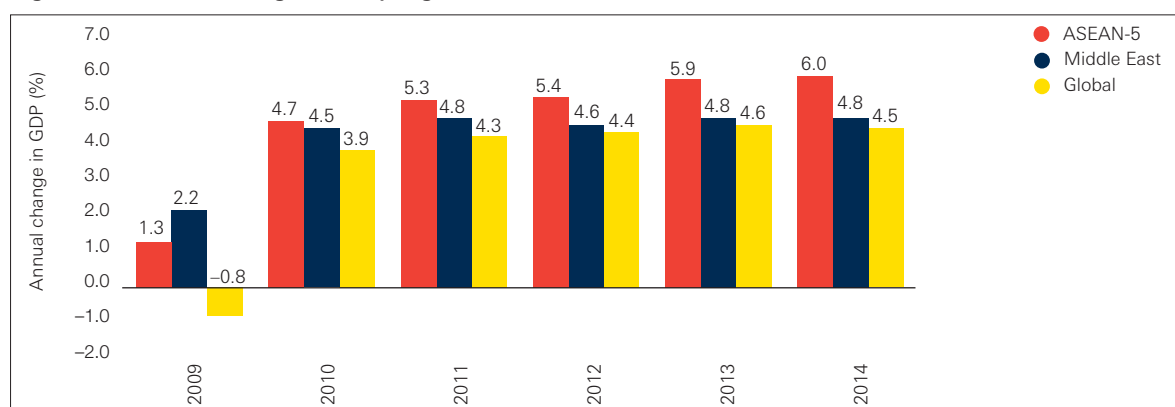
- global demand for oil and gas;
- expectations of future oil and gas prices;
- capital expenditure of oil and gas companies;
- shift towards offshore oil and gas exploration and production;
- concentration of offshore exploration and production activity within particular regions; and
- age of the global fleet of offshore oil and gas service vessels.

### 4.2.1 Expected increase in oil and gas demand

The long term demand for oil and gas is expected to remain robust. Oil and gas demand is driven by economic growth, as indicated by growth in gross domestic product ('GDP'). The economies of countries in Asia and the Middle East are likely to be among the fastest growing as they continue to industrialise.

The International Monetary Fund ('IMF') forecasts<sup>1</sup> annual GDP growth in the Association of Southeast Asian Nations ('ASEAN') region of 4.7% in 2010, rising to an average of 5.7% p.a. growth from 2011 to 2014. Over the period from 2010 to 2014, GDP growth in the Middle East is projected to average 4.7% p.a. This compares with a global average GDP growth rate of 4.3% p.a. over the same period.

Figure 4.1: Global GDP growth by region



Source: IMF, 24 February 2010.

Note: ASEAN-5 consists of Indonesia, Malaysia, Philippines, Thailand and Vietnam.

<sup>1</sup> Source: IMF World Economic Outlook Update, January 2010 (2010 to 2011 figures); IMF World Economic Outlook, October 2009 (2012 to 2014 figures).

According to the International Energy Agency ('IEA'), global oil demand increased from 76.2 million BPD in 2000 to 86.3 million BPD in 2008, representing a CAGR of 1.6% from 2000 to 2008.<sup>1</sup> Expected total oil demand in 2009 is lower at 84.9 million BPD, reflecting the global economic downturn. However, in its 2009 Oil Market Report, the IEA forecast that global oil demand growth will be positive in 2010, and will grow at a CAGR of 1.0% between 2009 and 2014. Demand is expected to increase to 86.2 million BPD in 2010 and to increase to 89.0 million BPD by 2014.

Asia and the Middle East are expected to account for 39% of global oil demand in 2010 and the IEA estimates that China, India and the Middle East will together account for over 80% of the increase in oil demand between 2009 and 2014.<sup>2</sup>

The increase in oil demand in Asia and the Middle East is expected to lead to greater levels of exploration, development and production activity in these regions, thus creating opportunities for Miclyn Express Offshore and other offshore service companies operating in these areas (refer to Section 4.2.5 for further discussion).

#### 4.2.2 Expectation of robust future oil prices

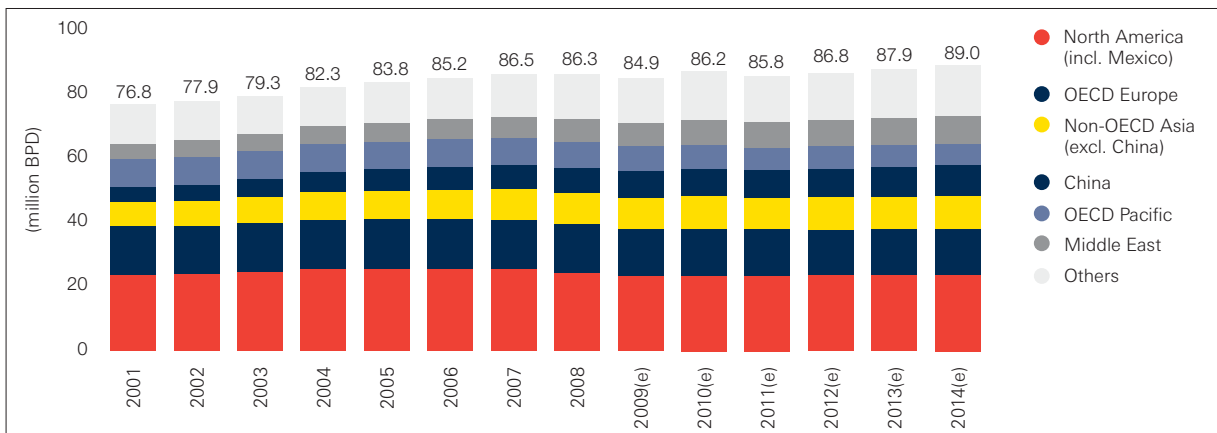
The price of oil is one of the key determinants in the budgeting of exploration and development capital expenditure by energy companies. The price of oil increased to historically high levels in July 2008 before falling in response to global economic conditions in the second half of 2008. However, oil prices have subsequently risen from a low of US\$30.3/barrel ('bbl') in December 2008 to US\$79.0/bbl as at 24 February 2010. This recovery was driven by a combination of factors:

- robust long term demand fundamentals;
- OPEC response to global economic conditions;
- re-emergence of investor appetite for risk; and
- broad commodity rally as a result of a weak US dollar.

Furthermore, expectations for longer term price trends indicated by the oil futures curve have recovered to levels above US\$75/bbl (see Figure 4.3).

Miclyn Express Offshore's operating earnings have been robust in the face of volatile oil prices, with operating earnings continuing to increase during the Historical Financial Periods. This is because Miclyn Express Offshore is more exposed to long term volume growth in the oil and gas sector rather than any short to medium term price volatility.

Figure 4.2: Global oil demand by region 2001–2014



Source: Clarkson Research and IEA, November 2009.

Note: (e) refers to estimate.

<sup>1</sup> Source: Clarkson Research, November 2009.

<sup>2</sup> Source: Clarkson Research, IEA Report, November 2009.

### 4.2.3 Expected growth in sector capital expenditure

Global upstream oil and gas capital expenditure has increased significantly since the turn of the decade from US\$125 billion to US\$470 billion in 2008, according to the IEA World Energy Outlook 2009.

Total investment in 2009 is expected to be less than 2008 levels, the first annual decline in a decade, as operators reduced budgets in response to falling oil prices in the second half of 2008. However, sustained investment in the industry is needed in the longer term as, according to the IEA, production from existing fields is expected to fall by almost two thirds by 2030.

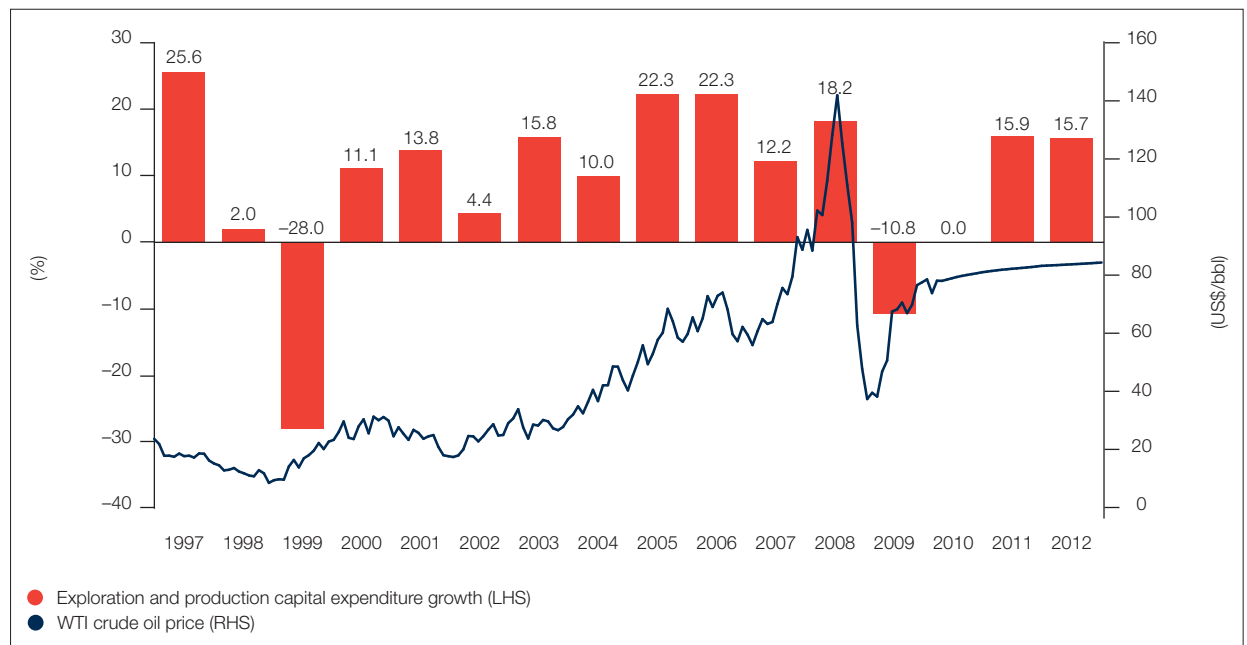
A report published by Pareto Securities in November 2009 forecasts that exploration and production expenditure after 2010 is expected to rebound, rising by around 16% in 2011 and an additional 16% in 2012.

### 4.2.4 Structural shift towards offshore oil and gas exploration and production

Approximately 35% of current global oil production is sourced from offshore fields,<sup>1</sup> with Europe, the Indian Sub-Continent and the Asia Pacific exhibiting the highest proportion of production conducted offshore.

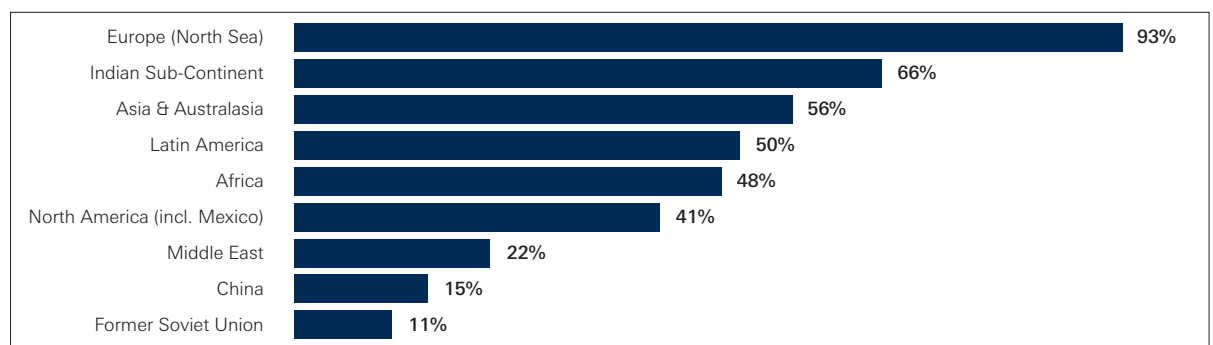
As crude oil reserves in established onshore fields become depleted, it is expected that the proportion of oil and gas produced from offshore fields will continue to grow as major operators focus on expanding offshore. Such an expansion in offshore activity is expected to generate additional demand for offshore oil and gas service vessels. Increased exploration activity and near field developments offshore will drive an increase in drilling activity, operations and maintenance activities, all of which require the services of offshore vessels.

Figure 4.3: Exploration and production expenditure growth and WTI crude oil price



Source: Pareto Securities, November 2009, IRESS, as at 24 February 2010.  
 Note: Growth in exploration and production expenditure expected to be flat in 2010F.

Figure 4.4: Percentage of crude oil production conducted offshore by region



Source: Clarkson Research (offshore estimates) and IEA/OGJ (total production figures), November 2009.  
 Note: Figures only include crude oil which was expected to account for over 80% of total oil production in 2009.

1 Source: Clarkson Research, November 2009.

**4.2.5 Concentration of offshore exploration and production activity within high demand regions of Asia and the Middle East**

With China, India and the Middle East expected to experience the highest growth in oil demand, exploration and development of offshore fields in these regions is likely to become increasingly attractive to oil and gas companies. This trend is expected to underpin demand for offshore oil and gas services, including service vessels, and Miclyn Express Offshore’s operational focus and strength in these regions mean the Company expects to benefit accordingly. According to Clarkson Research, 27% of global offshore oil and gas fields with known water depths are located in the Asia Pacific, Middle East and Indian Sub-Continent. This is expected to grow to 35%, taking into account offshore projects currently under development or construction and potential projects scheduled for development. This represents a potential doubling of offshore fields in the Asia Pacific, Middle East and Indian Sub-Continent from current levels.

**4.2.5.1 Oil and gas field development prospects worldwide**

Of the existing global offshore fields in their production phase, 89% are situated in shallow water (depths of less than 500m), which is Miclyn Express Offshore’s core operating segment.

In addition, the Asia Pacific currently has one of the largest numbers (511) of shallow water offshore field developments of any region worldwide.<sup>1</sup> Furthermore, the Asia Pacific is expected to see considerable growth, attributable to fields in development or construction, and potential field developments, of which 90% are expected to be in shallow waters. This will see it overtake North-West Europe in terms of shallow water offshore developments.

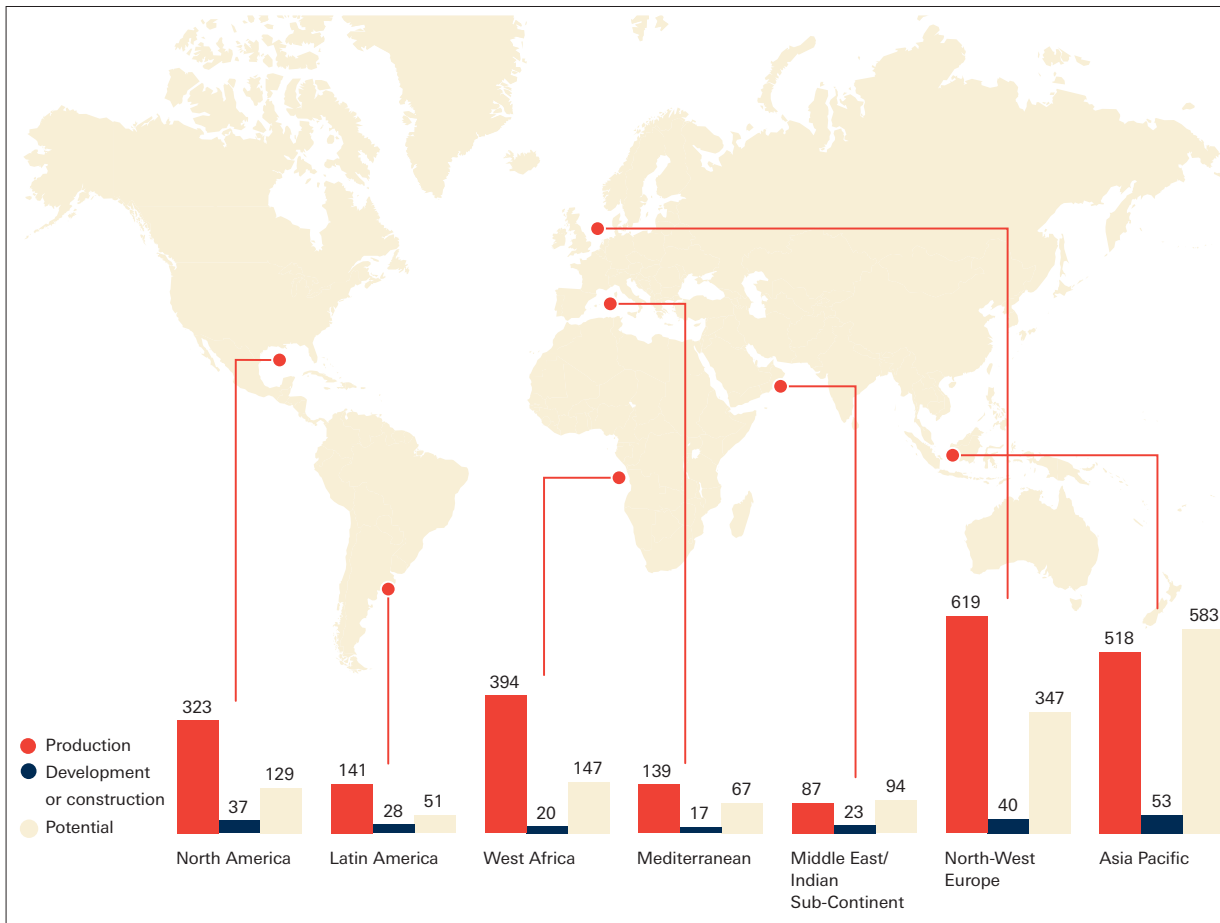
Within the Middle East and Indian Sub-Continent, 73% of fields under development, construction and potential field developments are expected to be in shallow waters.

**4.2.5.2 Oil and gas field development prospects by country**

*The Asia Pacific*

Indonesia, Malaysia and Australia are expected to have the largest number of fields under development or construction and the largest number of potential fields in shallow water (depths of less than 500m) in the Asia Pacific region.<sup>2</sup>

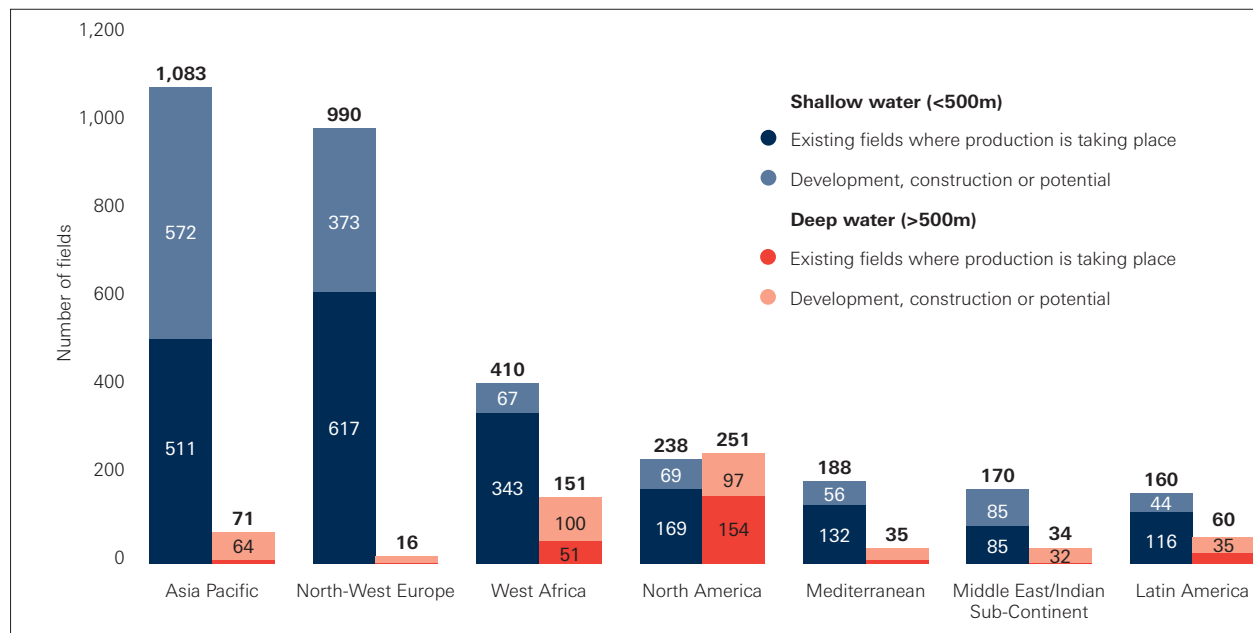
Figure 4.5: Global offshore oil and gas fields<sup>2</sup>



<sup>1</sup> Source: Clarkson Research, November 2009.

<sup>2</sup> Source: Clarkson Research, November 2009. Due to database coverage restrictions, the figures exclude shallow water fields (<100m) in the US Gulf of Mexico. Note that the US Gulf of Mexico has one of the highest numbers of shallow water fields globally. Approximately half of all known fixed production platforms operating in water depths less than 100m are active in North American waters.

Figure 4.6: Distribution of offshore oil and gas fields by region and water depth

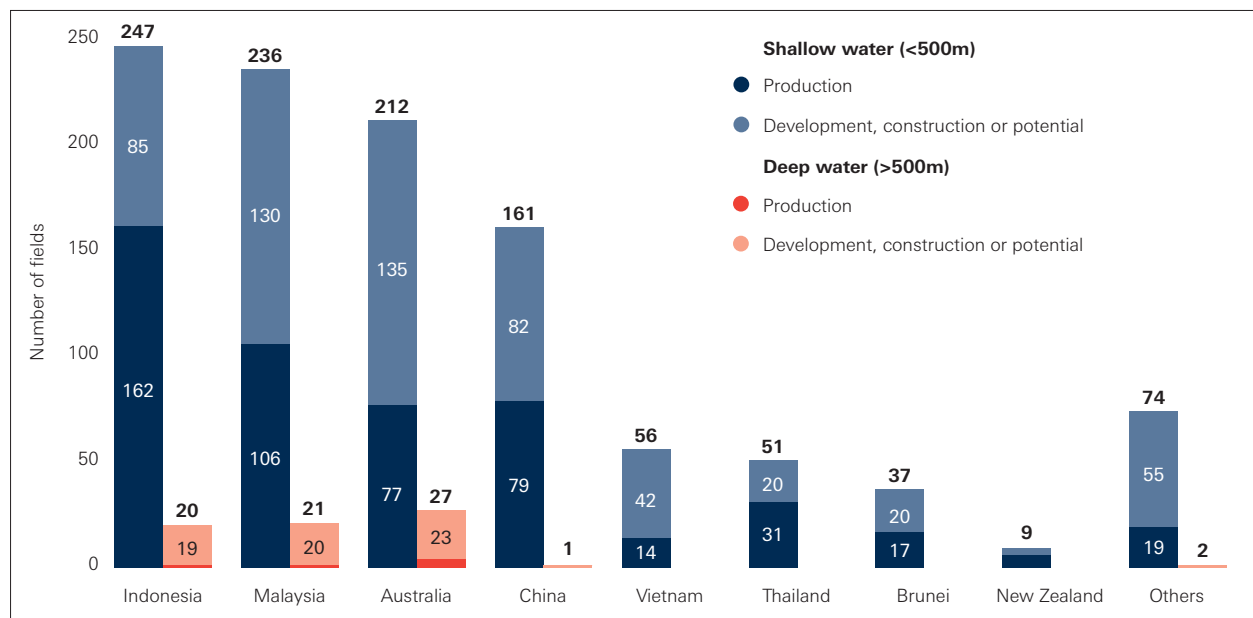


Source: Clarkson Research, November 2009. Due to database coverage restrictions, the figures exclude shallow water fields (less than 100m) in the US Gulf of Mexico. Approximately half of all known fixed production platforms operating in water depths less than 100m are active in North American waters, predominantly in the US Gulf of Mexico.

Notes:

- 1 Production – offshore oil and gas fields and projects or developments that are currently producing oil, gas or condensate.
- 2 Development or construction – an offshore oil and gas field currently undergoing development or construction work in preparation for future production, including those fields that have previously produced oil and gas and those fields where the development or construction work is on hold.
- 3 Potential – includes both ‘discovery’ fields where a successful exploration well has been drilled and ‘probable’ fields which are being further evaluated and/or are considered likely to be commercially viable.
- 4 Includes fields where water depth is known (of the 4,223 known fields, 366 have an unknown water depth).

Figure 4.7: Distribution of Asia Pacific offshore oil and gas fields by country and water depth



Source: Clarkson Research, November 2009.

Note: Refer to notes 1, 2 and 3 of Figure 4.6.

Further, Indonesia, Australia and Malaysia are expected to have large growth in offshore shallow water oil and gas developments, including projects under development or construction and potential developments.<sup>1</sup>

Miclyn Express Offshore expects to benefit by further penetrating some of these markets either directly or via joint ventures and capturing an increasing market share for both large established markets (e.g. Indonesia) and fast growing markets (e.g. Australia and Malaysia).

**The Middle East and Indian Sub-Continent**

Within the Middle East and Indian Sub-Continent, India, Iran and the UAE have the most fields in production in shallow water.<sup>1</sup>

Further, India is expected to have the largest growth of offshore shallow water oil and gas developments, including projects under development or construction and potential developments.<sup>1</sup>

Miclyn Express Offshore is aiming to benefit from this expected growth by increasing the number of vessels on long term charter in India and will look to consolidate its position within other parts of the Middle East. Refer to Section 5.8 for further explanation of Miclyn Express Offshore’s growth strategy.

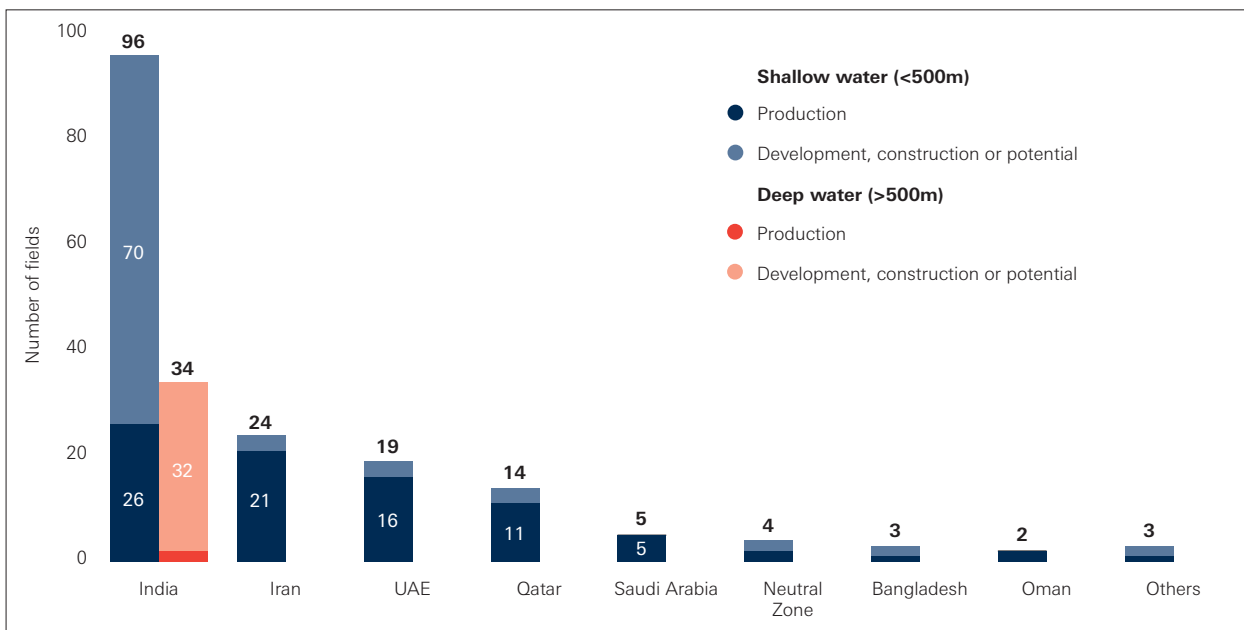
**4.2.6 Aging global fleet**

It is estimated that around 42% of the global fleet of offshore service vessels is over 25 years old.<sup>2</sup> The decommissioning age for OSVs and Crew/Utility Vessels is generally 25 years and for Barges is generally 20 years. Low scrap value and continued availability of work may see OSV and Crew/Utility Vessel owners attempting to extend the useful life of their vessels. Older vessels accrue high maintenance costs, are less fuel efficient and less reliable and have longer downtimes than younger vessels.

Table 4.1 indicates that while many vessels are approaching their decommissioning age, the orderbook for Newbuilds represents only 10% of the current global fleet size.<sup>1</sup> This may result in a decrease in the supply of vessels over time.

By contrast, over 85% of the vessels in the current operating fleet of Miclyn Express Offshore are less than 25 years old.

**Figure 4.8: Distribution of the Middle East and Indian Sub-Continent offshore oil and gas fields by country and water depth**



Source: Clarkson Research, November 2009.  
 Note: Refer to notes 1, 2 and 3 of Figure 4.6.

<sup>1</sup> Source: Clarkson Research, November 2009.

<sup>2</sup> Source: Clarkson Research, November 2009, based on primary reference company. Vessels larger than 30m (based on Length Overall) only. Includes crewboats and tugs. Includes ownership groups based in South-East Asia, India, the Middle East and Australian regions (excludes Japan, China, South Korea, Hong Kong and Taiwan).

Table 4.1: Global fleet orderbook and age profile<sup>1</sup>

	CURRENT NUMBER	% >25 YEARS	ORDERBOOK NUMBER	ORDERBOOK % OF CURRENT NUMBER
<b>OSVs</b>				
AHTs/anchor handling tugs/supply vessels ('AHTSs')	2,354	47%	409	17%
Straight supply and utility vessels	2,066	46%	206	10%
Multi purpose vessels ('MPVs') <sup>2</sup>	660	28%	118	18%
Specialised vessels <sup>3</sup>	223	10%	31	14%
Tugs	2,918	45%	97	3%
<b>Crew/Utility Vessels</b>				
Crewboats	716	25%	21	3%
<b>Total</b>	<b>8,937</b>	<b>42%</b>	<b>882</b>	<b>10%</b>

Source: Clarkson Research, November 2009.

Notes:

- 1 Includes vessels in excess of 30m (based on length overall) only.
- 2 Includes multi-purpose support, dive and remotely operated vehicle support, maintenance standby and accommodation vessels.
- 3 Includes survey and well stimulation vessels.

### 4.3 Offshore oil and gas service vessel chartering overview

Offshore oil and gas service vessels are involved throughout the three main phases of the offshore oil and gas cycle, namely: exploration, development and production. The range of offshore oil and gas service vessels is diverse in size and function.

Miclyn Express Offshore operates in the three main phases of the oil and gas cycle, with a focus on the development and production phases which are less sensitive to oil price volatility than the exploration phase.

Table 4.2 provides a brief description of each of the three main phases and their key drivers:

Table 4.2: Vessel chartering services throughout the three main phases of the offshore oil and gas cycle

PHASE	EXPLORATION	DEVELOPMENT	PRODUCTION
<b>Typical length of phase</b>	1 to 3 years	2 to 4 years	5 to 55 years
<b>Description</b>	The exploration phase involves conducting seismic surveys and exploratory drilling on the ocean bed to ascertain potential oil and gas reserves and establish accurate locations for drilling	The development phase involves the drilling of appraisal wells and the building of oil and gas production facilities, including installation of offshore production platforms, floating production, storage and offloading vessels ('FPSOs') and submerged pipelines in ocean beds	The production phase involves the extraction, storage and offloading of oil and gas
<b>Key drivers</b>	<ul style="list-style-type: none"> <li>• Global oil and gas demand</li> <li>• Oil and gas price levels, with an approximate one year lag to exploration activity</li> <li>• Requirement of oil and gas companies to replenish proven reserves</li> </ul>	<ul style="list-style-type: none"> <li>• Global oil and gas demand</li> <li>• Requirement of oil and gas companies to monetise investments in oil and gas fields</li> <li>• Oil and gas price levels</li> </ul>	<ul style="list-style-type: none"> <li>• Global oil and gas demand</li> <li>• Oil and gas price levels</li> </ul>
<b>Sensitivity to major oil and gas price movements</b>	Medium to high	Medium	Low

## 4.4 Types of offshore oil and gas vessels

Miclyn Express Offshore classifies its fleet of offshore oil and gas service vessels into OSVs, Crew/Utility Vessels and Barges. Table 4.3 provides an overview of the types of equipment and vessels involved in each of the three main phases of the offshore oil and gas cycle:

**Table 4.3: Types of equipment and vessels involved in the three main phases of the offshore oil and gas cycle**

PHASE	EXPLORATION	DEVELOPMENT	PRODUCTION
<b>Equipment employed and serviced by offshore oil and gas service vessels</b>	<ul style="list-style-type: none"> <li>• Drilling rigs, including jack-ups, drilling barges, semi-submersibles and drill ships</li> <li>• Seismic survey vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Jacket/platform installations</li> <li>• FPSOs/floating storage and offloading vessels ('FSOs')</li> <li>• Crane barges and pipe-laying vessels</li> <li>• Subsea installation vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Jacket/platform installations</li> <li>• Mobile production platforms; including jack-up drilling rigs, tension leg platforms, semi-submersibles and FPSOs/FSOs</li> <li>• Fixed production platforms</li> <li>• Subsea installations</li> </ul>
<b>Offshore oil and gas service vessels employed</b>	<ul style="list-style-type: none"> <li>• OSVs: <ul style="list-style-type: none"> <li>• AHTs/AHTSs</li> <li>• MPVs</li> <li>• Specialised vessels</li> <li>• Tugs</li> </ul> </li> <li>• Crew/Utility Vessels</li> </ul>	<ul style="list-style-type: none"> <li>• OSVs: <ul style="list-style-type: none"> <li>• AHTs/AHTSs</li> <li>• MPVs</li> <li>• Straight supply and utility vessels</li> <li>• Tugs</li> </ul> </li> <li>• Crew/Utility Vessels</li> <li>• Barges: <ul style="list-style-type: none"> <li>• Accommodation barges</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• OSVs: <ul style="list-style-type: none"> <li>• AHTs/AHTSs</li> <li>• MPVs</li> <li>• Specialised vessels</li> <li>• Straight supply and utility vessels</li> <li>• Tugs</li> </ul> </li> <li>• Crew/Utility Vessels</li> <li>• Barges: <ul style="list-style-type: none"> <li>• Accommodation barges</li> </ul> </li> </ul>

### 4.4.1 OSVs

OSVs provide transportation and various support services across the entire offshore oil and gas cycle and are classified by Miclyn Express Offshore into six broad types, as summarised in Table 4.4:

**Table 4.4: Types of OSVs**

CLASSIFICATION	DESCRIPTION
<b>AHTs</b>	Primarily used for towing and for lifting and repositioning of anchors for drilling rigs, construction vessels and Barges
<b>AHTSs</b>	Primarily used for the transportation of oilfield supplies and equipment, for towing and for the lifting and repositioning of anchors for oil rigs, construction vessels and Barges
<b>MPVs</b>	Used for a variety of services including transportation of oilfield supplies and equipment, performing safety standby duties, performing repair and maintenance duties for production platforms, providing accommodation and supporting diving operations
<b>Specialised vessels</b>	Used for certain specialised purposes, such as seismic survey, geophysical survey and well stimulations
<b>Straight supply and utility vessels</b>	Primarily used for transportation of personnel and oilfield supplies and equipment to and from oil and gas production platforms, drilling rigs, FPSOs/FSOs, Barges and seismic vessels
<b>Tugs</b>	Used to tow Barges to and from work locations

The services provided by OSVs specific to each phase of the offshore oil and gas cycle are summarised in Table 4.5:

**Table 4.5: Services provided by OSVs during the three main phases of the offshore oil and gas cycle**

PHASE	SERVICES
<b>Exploration</b>	<ul style="list-style-type: none"> <li>• Conducting seismic surveys, which involve the exploration of ocean beds to locate oil and gas reserves</li> <li>• Refuelling and resupplying seismic survey vessels during their survey operations, due to the inability of seismic survey vessels to call into port for these services</li> <li>• Providing surveillance services, involving the warning of other ships against encroachment into areas where seismic survey operations are being carried out</li> <li>• Supporting exploration drilling operations, including:               <ul style="list-style-type: none"> <li>• towing and anchor handling of drilling rigs and mooring them to the exact coordinates of drilling locations</li> <li>• towing floating equipment and Barges and giving assistance to other vessels when they are on standby duties, including providing fuel and water</li> <li>• transporting general supplies including food, victuals, stores and personnel to and from shore to drilling rigs and other vessels</li> <li>• conducting diving operations including the use of remote operated vehicles</li> <li>• providing safety and standby services such as fire-fighting, rescue work and other preventative measures</li> </ul> </li> </ul>
<b>Development</b>	<ul style="list-style-type: none"> <li>• Assisting in the mobilisation and demobilisation of FPSOs/FSOs and offshore construction vessels required for the installation of production platforms, FPSOs/FSOs and submerged pipelines</li> <li>• Transporting offshore personnel to and from shore to production platforms, FPSOs/FSOs, subsea installation vessels, crane barges and pipe-laying vessels</li> <li>• Towing, anchor handling and mooring of crane barges and pipe-laying vessels</li> <li>• Transporting fuel, water, general supplies and equipment</li> <li>• Supporting pipeline inspection</li> <li>• Conducting diving operations including the use of remote operated vehicles</li> <li>• Providing safety and standby services such as fire-fighting, rescue work and other preventative measures</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• Assisting in the towing and mooring at FPSOs/FSOs off off-take tankers at the oil well location when oil production is carried out</li> <li>• Transporting offshore personnel to and from shore to production platforms and FPSOs/FSOs</li> <li>• Transporting cargo such as cement, base and gas oil, oil-based mud, brine, pipes, machinery, equipment and general supplies</li> <li>• Providing repair and maintenance support services for pipelines and production platforms</li> <li>• Providing safety and standby services such as fire-fighting, rescue work and other preventative measures</li> </ul>

#### 4.4.2 Crew/Utility Vessels

Crew/Utility Vessels are used principally for the fast transportation of personnel and supplies to and from oil and gas production platforms. Crew/Utility Vessels are used primarily in the production phase of the offshore oil and gas cycle; however, they also provide a limited amount of service to the exploration and development phases.

Crew/Utility Vessels generally perform the following primary services:

- transporting offshore personnel to, from and between offshore facilities;
- performing emergency response duties;
- transporting small volumes of urgent cargo to support production activities, including general supplies, fuel, food, victuals, stores, machinery and equipment, between offshore oil and gas production platforms, and to and from shore to oil rigs and offshore facilities;
- resupplying seismic survey vessels during their survey operations as they are unable to call into port to refuel and restock supplies and providing crew changes for seismic vessels;
- providing surveillance services during seismic surveys which involve the warning of other ships against encroaching into areas where seismic survey operations are being carried out;
- providing security services to patrol offshore fields and onshore terminals; and
- providing fast transportation services for off-port agency activities.

### 4.4.3 Barges

Barges are used in the development and production phases of the offshore oil and gas cycle. The two main types of Barges employed are flat-top deck cargo barges and accommodation/work barges, as detailed in Table 4.6:

**Table 4.6: Types of Barges**

CLASSIFICATION	DESCRIPTION
<b>Flat-top deck cargo barges</b>	<ul style="list-style-type: none"> <li>• Flat-top and bottomed steel pontoons that are mainly used for the transportation of oilfield equipment, pipes and other heavy steel structures on deck and the transportation of granite and stone for marine civil construction and land reclamation projects</li> <li>• Do not have their own engines and are generally towed to and from work locations by other power-driven vessels, such as tow tugs</li> <li>• Predominantly used throughout the development phase of the offshore oil and gas cycle</li> </ul>
<b>Accommodation/work barges</b>	<ul style="list-style-type: none"> <li>• Primarily used to accommodate personnel working at offshore oil and gas fields or providing construction support services, including repair, welding, cutting, lifting of equipment and the installation and maintenance of platforms</li> <li>• Used in the development and production phases of the offshore oil and gas cycle</li> </ul>

## 4.5 Marine civil construction industry support vessels

The marine civil construction industry is a specialist sector of the civil construction industry which engages in projects involving a marine aspect, for example the development of a port facility. Because of the nature of the marine support work, together with the typically benign weather conditions encountered, the support vessels used tend to be smaller than those used in the offshore oil and gas industry. Dredging is a significant part of this industry, in terms of both new developments and also the maintenance of existing facilities. There is some degree of cross-over with the offshore oil and gas industry, as many of the multinational energy companies, such as Chevron, have large developments which involve a significant element of marine civil construction, such as the current Gorgon development on the north-west shelf in Western Australia.

The marine civil construction support industry provides vessel charter services to the main contractors and construction companies within this industry. The support vessels are typically chartered out on a project basis; however, it is not unusual for the support vessels to follow the construction and dredging equipment from project to project. The support vessels are equipped for various uses, including the transportation of personnel and bathymetric and hydrographic survey support to projects. The profitability of each vessel in the marine civil construction support industry is driven by the DCR and Utilisation of each vessel.

The Coastal Support Vessels added to Miclyn Express Offshore's fleet through its investment in Samson Maritime will be primarily used in the marine civil construction industry. Miclyn Express Offshore's tugs, Barges and occasionally Crew/Utility Vessels are also utilised in the marine civil construction industry.

## 4.6 Industry regulations

Offshore vessel operators conduct their operations in a highly regulated industry and are subject to various regulatory regimes imposed by states (nations), in which their vessels are flagged, and by international conventions and the jurisdictions in which they operate.

Each state must maintain registers of vessels which carry its nationality or flag, pursuant to the United Nations Convention on the Law of the Sea 1982. Each flag state applies its own regulatory requirements (based on the conventions adopted by the United Nations' International Maritime Organization), in addition to specific classification requirements for vessels. These include minimum safety construction and equipment standards and are subject to periodic survey and inspection requirements, pursuant to adoption and implementation of international conventions.

The main international conventions include:

- International Convention for Safety of Life at Sea 1974 ('SOLAS'), which specifies minimum standards for the construction, equipping and operation of vessels. In addition, SOLAS includes the International Ship and Port Facility Security Code 2004 imposing both mandatory and voluntary security-related requirements for governments, port authorities and shipping companies;
- MARPOL, the International Convention for the Prevention of Oil Pollution from Ships 1973, as modified by the Protocol of 1978 relating to it, or in short form MARPOL 73/78;
- International Convention on Tonnage Measurement of Ships 1969, which contains a universal tonnage measurement system; and
- International Convention on Load Line 1966, which sets out limitations on the draught to which a ship may be loaded and external weathertight and watertight integrity.

Some of the conventions only apply to vessels over a specified tonnage. The flag states may also apply additional requirements over and above the specified conventions.

In addition, the jurisdictions in which a vessel operates may also apply laws as to local licensing (including rights of detention), cabotage, pollution and environmental requirements and other matters.

All of Miclyn Express Offshore's vessels are classified by members of the International Association of Classification Societies Ltd., namely: the American Bureau of Shipping ('ABS') and Bureau Veritas ('BV'). Classification societies are independent bodies which determine the requirements for construction and maintenance of a vessel throughout its life and are an essential component of safe operations. In addition, all of the Group's OSVs over 400 gross tonnage are subject to international safety management standards under the International Safety Management Code ('ISM Code') and are certified by the ABS accordingly. While the Group's Crew/Utility Vessels are below the applicable tonnage and do not fall under the requirements of the ISM Code, they have been certified by BV under this code on a voluntary non-convention basis.

Within the marine civil construction support industry, the vessels tend to be much smaller and therefore fall outside of the International Marine Organisation requirements. However, in Australia, the vessels are still captured within a regulatory framework of the Unified Shipping Laws Code, which will be gradually replaced by the National Standard for Commercial Vessels.

This regulatory framework is set by the National Marine Safety Committee, but is enforced at either a state, territory or Commonwealth level by the Marine Safety Agencies (in the case of Western Australia this falls under the Government of Western Australia's Department of Transport).

# Business Overview

# 5



## 5.1 Introduction

Miclyn Express Offshore is a leading provider of service vessels to the expanding offshore oil and gas industry across South-East Asia, Australia and the Middle East.

The Group charters a diverse range of OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels to a wide range of quality customers operating across all phases of the offshore oil and gas cycle, namely exploration, development and production, with particular focus on the development and production phases. Miclyn Express Offshore has a strong local presence in many of its markets with access to support centres in Indonesia, Saudi Arabia, Thailand and the UAE, and joint ventures and agency agreements in Thailand, Indonesia and Saudi Arabia. The Group is specifically looking to grow its existing operations in Australia, Indonesia, Malaysia, Qatar and Thailand (refer to Section 5.8 for a summary of the Group's strategy in these regions).

Further to Miclyn Express Offshore's growth strategy to expand its presence in high growth markets, the Group's investment in Samson Maritime (as described in Sections 1.3 and 5.4) will provide a ready platform to access market opportunities available in the high growth offshore oil and gas market in Western Australia.

The Group also provides chartering services to the marine civil construction industry, in particular providing its Barges to support major projects in Australia for customers such as Marine & Civil and Boskalis.

The Group operates a vertically integrated business model through its Vessel Chartering and Shipyard businesses. Under the Shipyard business, Miclyn Express Offshore provides in-house Newbuilding, conversion, repair and maintenance services, as well as being able to provide vessel conversion, repair and maintenance services to third parties when the Shipyard has spare capacity. The Shipyard is strategically located in Batam, Indonesia, approximately 20km from Singapore, providing the Group with a competitive cost advantage and enabling it to utilise the Shipyard as a berthing base for its fleet deployed in South-East Asia.

Through its predecessor companies, Miclyn Express Offshore has been operating since the 1970s. In November 2007, the OSV, Barge and Shipyard business of Miclyn Offshore combined with the Crew/Utility Vessel business of EOT (see Section 5.3 for more detail regarding the history of the Group).

The Group is headquartered in Singapore. As at 31 December 2009, the Group employed 714 employees, including 223 management and onshore support personnel and a crew consisting of 491 personnel.<sup>1</sup>

The robust nature of Miclyn Express Offshore's business has been evidenced during the global financial crisis where a focus on Utilisation rates helped to ensure that revenues remained strong and contracts continued to be won. The Group generated pro forma revenue and EBITDA in FY2009 of US\$98.0 million and US\$51.5 million, respectively, which it forecasts will grow in FY2010 by 27.2% and 19.4% to US\$124.7 million and US\$61.5 million, respectively. The Directors' forecast CY2010 revenue and EBITDA to be US\$148.0 million and US\$76.9 million, respectively.

<sup>1</sup> Some of these employees are employed through joint ventures in certain jurisdictions.

## 5.2 Vertically integrated business model

Miclyn Express Offshore operates a vertically integrated business model, through its:

- Vessel Chartering business – provision of vessels to customers engaged across all phases of the offshore oil and gas cycle and in the marine civil construction industry (Vessel Chartering was responsible for 98.5% of FY2009 revenue); and
- Shipyard business – provision of in-house Newbuilding, conversion, repair and maintenance services and the ability to provide third party conversion, repair and maintenance services when spare capacity exists (the Shipyard was responsible for 1.5% of FY2009 revenue).

The Shipyard’s vessel conversion capabilities allow the Group to customise its vessels according to the specific needs of its customers, often leading to longer term contracts and higher DCRs being achieved for its customised vessels. In addition, by utilising the Shipyard for the construction of its Newbuilds, the Group is able to better manage risks with respect to the supply, impact on quality, cost and timing of delivery of new vessels.

Figure 5.1: Miclyn Express Offshore business overview

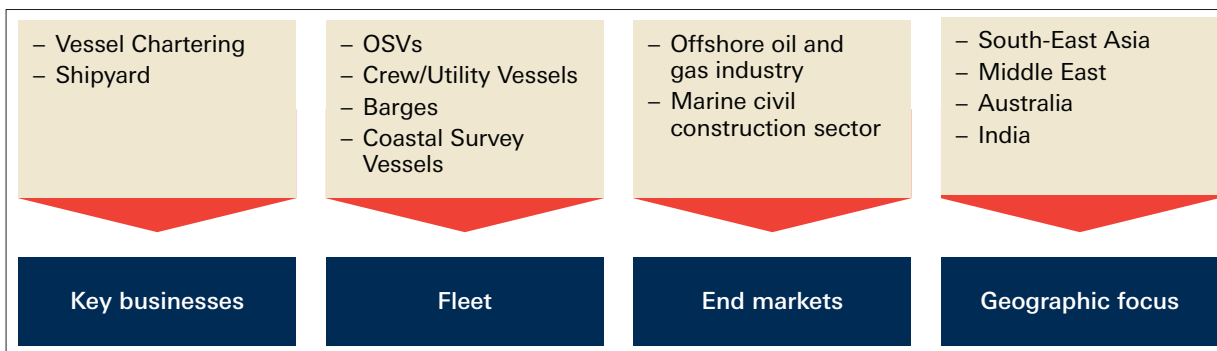
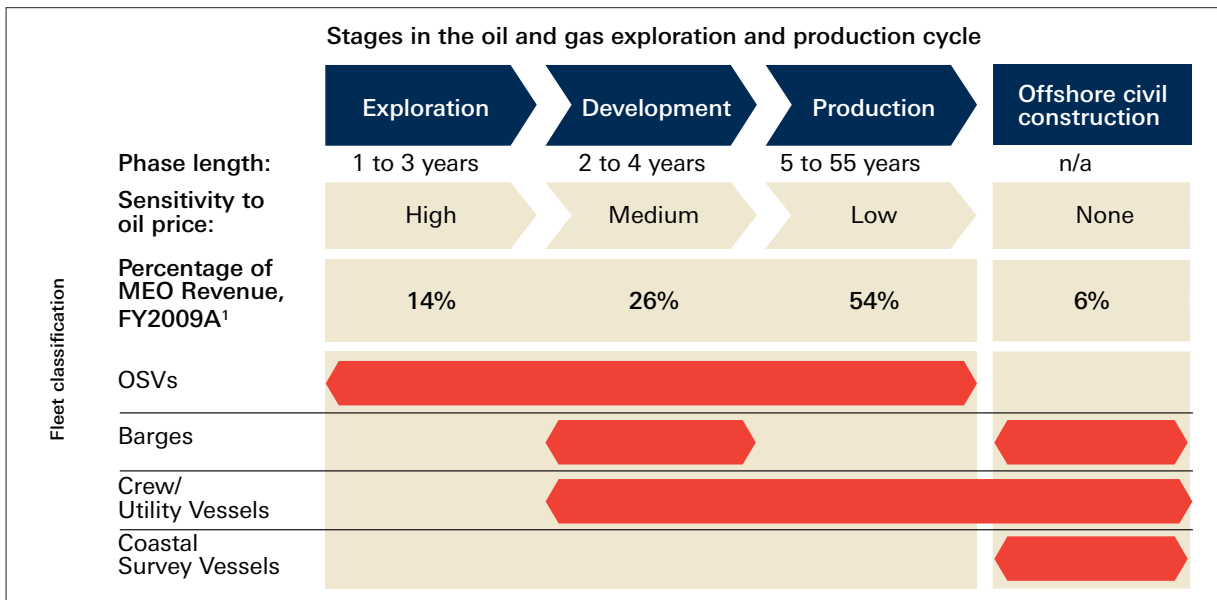


Figure 5.2: Full service offering



Note:  
<sup>1</sup> 5% of revenues from other items such as maintenance, repair and conversion from third parties.

### 5.3 Miclyn Express Offshore’s history

Miclyn Express Offshore has been operating through its predecessor companies since the 1970s. The current business was established in November 2007 through the combination of the OSV, Barge and Shipyard business of Miclyn Offshore and the Crew/Utility Vessel business of EOT.

A number of cost-saving synergies have been achieved by the Group, including cheaper framework agreements arranged with insurance companies and suppliers given increased scale, streamlined repair and maintenance, and other general economies of scale cost savings.

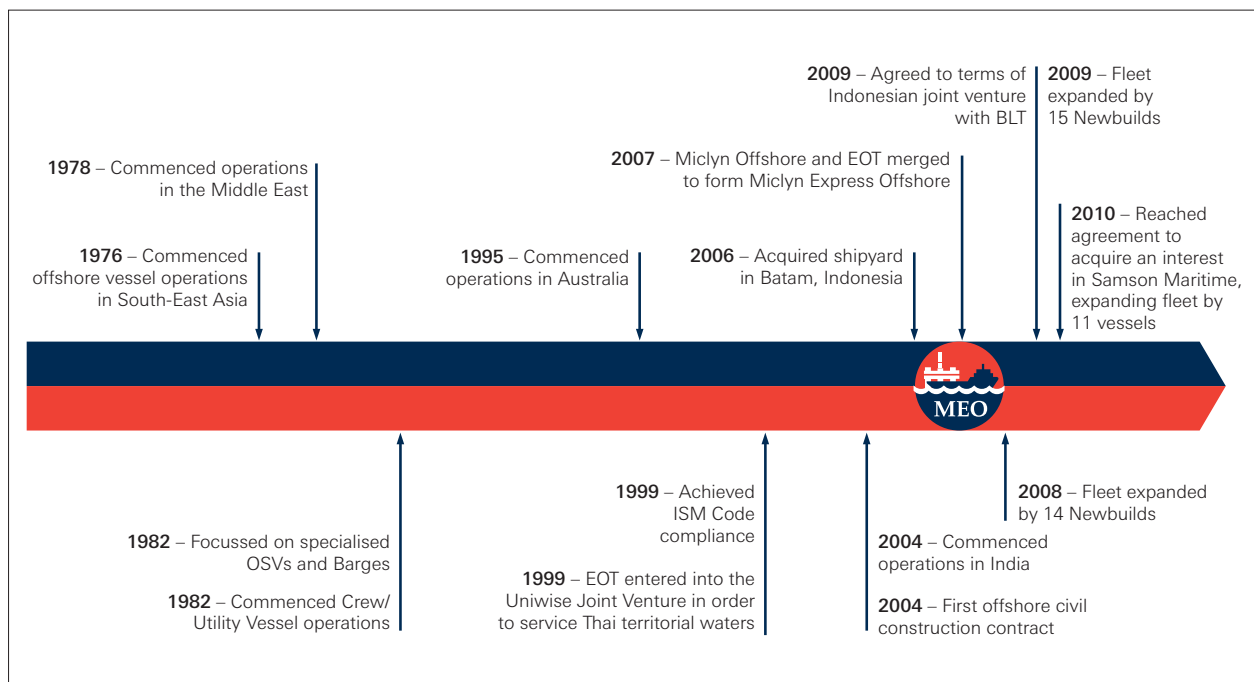
Additionally, given the limited overlap in customer relationships between Miclyn Offshore and EOT, Miclyn Express Offshore expects to continue to generate significant revenue synergies across the business, including from integrated services, wider local support networks and cross selling opportunities. For example, Miclyn Express Offshore has been able to leverage off EOT’s relationship with Chevron, and post integration, Miclyn Express Offshore has provided a wider range of vessels as part of the service.

See Section 5.8 for more detail regarding the forward-looking strategy and growth opportunities of the Group.

Since the merger of EOT and Miclyn Offshore in November 2007, the following benefits have been achieved:

- integration of the two businesses to achieve cost and revenue synergies which continue today;
- 30 vessels added to the fleet while continuing the fleet renewal plan, resulting in an increase in the number of vessels to 104 as at 31 December 2009;<sup>1</sup>
- the shifting of the majority of vessels onto Long Term Contracts, resulting in high and sustained Utilisation levels for all vessels, particularly OSVs and Crew/Utility Vessels;
- following completion of the IPO, the 50.0% investment in Samson Maritime:
  - a further three OSVs, two Crew/Utility Vessels and six Coastal Survey Vessels to be added to Miclyn Express Offshore’s fleet through its investment in Samson Maritime; and
- final stages of establishment of a joint venture with PT Berlian Laju Tanker Tbk (‘BLT’), a major international shipping line in Indonesia, expected to be completed in the second quarter of 2010.

Figure 5.3: Miclyn Express Offshore history



<sup>1</sup> Includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).

## 5.4 Miclyn Express Offshore's investment in Samson Maritime

The high growth Australian offshore oil and gas market presents significant vessel charter opportunities, with management expecting that up to 100 vessels will be required over the next three years for the Gorgon project alone. In considering how best to participate in this growth opportunity, Miclyn Express Offshore determined that a partnership with an established market participant through an acquisition was the most suitable platform to access market opportunities available in the short term with sound capacity for expansion in the longer term.

Miclyn Express Offshore has had a relationship with Samson Maritime over the past two years, and has been in negotiations with the Australian marine services company since December 2009. The negotiations led to the Group entering into agreements with Samson Maritime and its current shareholders whereby:

- the Group will acquire a 50.0% interest in Samson Maritime following Settlement:
  - the consideration payable will be settled partly in cash and partly from a deferred issue of Shares;
- the Group will be entitled to appoint two of the four directors of the board of Samson Maritime; and
- from the proceeds of the Group's investment and a capital contribution by its current shareholders, Samson Maritime will repay A\$7.1 million of existing debt facilities.

A summary of the terms of the Subscription and Share Sale Agreement with Samson Maritime is set out in Section 13.5.4. The Group has also entered into the Shareholders' Deed with Samson Maritime and its current shareholders, which is summarised in Section 13.5.5.

Miclyn Express Offshore is confident that its investment in Samson Maritime will position it strongly in relation to its growth strategy for Australia as:

- Samson Maritime will provide Miclyn Express Offshore with immediate access to high growth oil and gas opportunities in the north-west shelf of Australia;
- Samson Maritime operates out of a base in Point Samson, Dampier, providing proximity to the north-west shelf:
  - the base at Point Samson is designed to assist in vessel operations in the region; and
  - Samson Maritime also has an additional three operational locations in Australia, as well as a head office in Fremantle, Western Australia;

- Samson Maritime has excellent customer relationships, including with Boskalis, one of the key initial offshore contractors to the Gorgon project; and
- Samson Maritime will provide Miclyn Express Offshore with access to Australian crews and staff, essential for operating vessels in Australian waters.

Miclyn Express Offshore's investment in Samson Maritime will provide the Samson Maritime business with the opportunity to more meaningfully pursue growth opportunities in the north-west shelf by:

- immediately strengthening Samson Maritime's balance sheet through the injection of funds by Miclyn Express Offshore to repay debt, providing Samson Maritime with significantly improved financial strength to fund further growth opportunities;
- providing Samson Maritime with access to Miclyn Express Offshore's substantial vessel fleet and strong customer relationships across South East Asia and the Middle East to increase Samson Maritime's marketing and operational reach;
- providing Samson Maritime with operational expertise in the larger OSV class; and
- enabling Samson Maritime to be a qualified bidder for major oil companies.

The Samson Maritime acquisition will provide further diversification of earnings for Miclyn Express Offshore through increased exposure to geographies outside of South-East Asia and the Middle East and the movement into additional services that are not currently a focus for the Group, including dredging, surveying and marine civil construction.

On a pro forma basis, including the impact of the Samson Maritime investment would increase the percentage of the Group's revenue earned in Australia from 6% to 15% in FY2009.

## 5.5 Key markets of operation of Miclyn Express Offshore

Miclyn Express Offshore's main areas of operation within the offshore oil and gas industry include South-East Asia, Australia and the Middle East. The Group is specifically looking to grow its existing operations in Australia, Indonesia, Malaysia, Qatar and Thailand. The Group also has vessels on charter in India.

**Table 5.1: Key markets of operation of Miclyn Express Offshore****SOUTH-EAST ASIA**

Miclyn Express Offshore's main chartering activity in South-East Asia takes place in Thailand and Indonesia. The Group also has activities in Malaysia, Vietnam and the Philippines.

<b>Country</b>	<b>Miclyn Express Offshore activity</b>
<i>Thailand</i>	<p>There are currently 31 existing offshore oil and gas developments in Thailand, with another 20 projected developments. 100% of these existing and projected developments are in shallow water.<sup>1</sup></p> <p>Miclyn Express Offshore has a strong presence in Thailand through its Uniwise Joint Venture, with 42% of Miclyn Express Offshore's operating vessels chartered in Thailand as at 31 December 2009. Vessels operating in the region represented 25% of Miclyn Express Offshore's FY2009 revenue.</p> <p>There are no significant domestic operations in competition with the Group.</p>
<i>Indonesia</i>	<p>There are currently 167 existing offshore oil and gas developments in Indonesia, with another 100 projected developments. 93% of these existing and projected developments are in shallow water.<sup>1</sup></p> <p>The Group had 2% of its operating vessels chartered in Indonesia as at 31 December 2009. Vessels operating in the region represented 6% of FY2009 revenue.</p> <p>Indonesian law was amended in 2009 to require vessels operating in the Indonesian market to be registered under an Indonesian flag. Miclyn Express Offshore is in the final stages of entering into a joint venture with BLT, one of the benefits of which will be that local flag management will increase Miclyn Express Offshore's exposure to the Indonesian market.</p>
<i>Malaysia</i>	<p>There are currently 124 existing offshore oil and gas developments in Malaysia, with another 133 projected developments. 92% of these existing and projected developments are in shallow water.<sup>1</sup></p> <p>Miclyn Express Offshore had no vessels operating in Malaysia as at 31 December 2009, and has only had a small number of vessels operating in the country previously. In FY2009, vessels operating in Malaysia represented 5% of revenue.</p> <p>The Malaysian market is largely serviced by national operators with vessels registered under the local flag.</p>

**AUSTRALIA**

The US\$43 billion Gorgon liquefied natural gas project at Barrow Island off the north coast of Western Australia was officially commissioned by the State Government of Western Australia in September 2009. The Chevron led Gorgon liquefied natural gas project will be one of the world's largest natural gas projects and is expected to generate US\$300 billion in Australian export earnings. It is anticipated that it will open up many opportunities for the marine service industry to participate at all stages of the project, including equipment supply, provision of skilled services and labour expertise.

Other opportunities which have been identified in the Western Australian market include the Devil Creek LNG project, CITIC Pacific's Cape Lambert iron ore greenfield port development and a rapid port development in Port Hedland for BHP. In Queensland the upgrade of the Dalrymple Bay coal terminal port has been identified as a possible source of further work.

**Miclyn Express Offshore activity**

There are currently 90 existing offshore oil and gas developments in Australia, with another 149 projected developments. Of the total existing and projected developments, 89% are in shallow water.<sup>1</sup>

Miclyn Express Offshore had 4% of its operating vessels chartered in Australia as at 31 December 2009. Australian operations represented 6% of FY2009 revenue.

Samson Maritime has 10 vessels operating in Australia, two of which are bareboat charters from Miclyn Express Offshore. On a pro forma consolidated basis, including Samson Maritime, Miclyn Express Offshore would have had 15% of its operating fleet chartered in Australia as at 31 December 2009.

There are only a limited number of vessel providers in Australia, with the largest of those being Mermaid Marine.

<sup>1</sup> Clarkson Research, November 2009.

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**MIDDLE EAST**

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The Middle East has traditionally been an important region for oil and gas production, with most production historically conducted onshore. This has mainly centred in Saudi Arabia; however, over the last few decades large offshore production operations have been developed in Qatar, Kuwait, the UAE (Dubai and Abu Dhabi) and Iran.

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**Miclyn Express Offshore activity**

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Miclyn Express Offshore has strong positions in most of these countries, with a long history of customer relationships. The majority of these offshore facilities are in shallow water, with customers being principally production and development players.

The Group had 40% of its operating vessels chartered in the Middle East as at 31 December 2009. This region accounted for 34% of FY2009 revenue.

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**INDIA**

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The energy industry in India has traditionally been dominated by the national oil company ONGC, but in the last five years privately owned oil companies have brought oil and gas developments on line.

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**Miclyn Express Offshore activity**

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There are currently 48 existing offshore oil and gas developments in India, with another 82 projected developments. 74% of these existing and projected developments are in shallow water.<sup>1</sup>

The Group had 2% of its operating vessels chartered in India as at 31 December 2009. Vessels operating in India represented 9% of FY2009 revenue.

Long term charters often have various local content requirements.

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<sup>1</sup> Clarkson Research, November 2009.

## 5.6 Vessel Chartering business

### 5.6.1 Introduction

Miclyn Express Offshore operates a diverse range of offshore oil and gas service vessels that perform a variety of functions, including AHTs, AHTSs, MPVs, specialised vessels ('SVs'), tugs, Crew/Utility Vessels, Barges and Coastal Survey Vessels.

### 5.6.2 Competitive strengths

Miclyn Express Offshore's fleet of offshore oil and gas service vessels possesses a number of competitive strengths which increase its appeal to customers. Specifically, the Group and the fleet have the following key attributes:

- broad range of services across the entire oil and gas activity chain;
- large, young and diverse fleet;
- strong operating track record and customer relationships;
- comprehensive localised fleet and customer support through operational support centres, including the Shipyard;
- strong HSQE record; and
- constant source of crewing resources resulting from strong retention plans being in place.

#### 5.6.2.1 Broad range of services across the entire oil and gas activity chain

The ability to provide a wide range of chartering services across all phases of the oil and gas cycle is a source of significant value-add to existing and potential customers and is a key differentiating factor between Miclyn Express Offshore and its core competitors.

#### 5.6.2.2 Large, young and diverse fleet

With a fleet of 104 vessels as at 31 December 2009<sup>1</sup> and a further 11 vessels which will be added to the Miclyn Express Offshore fleet through its investment in Samson Maritime, Miclyn Express Offshore is a leading offshore oil and gas service vessel company by fleet size across the regions it operates in.

Miclyn Express Offshore has undergone a significant fleet expansion, which has further diversified its vessel offering. The Group had 18 vessels delivered in FY2009, comprising seven OSVs, 10 Crew/Utility Vessels and one Barge. Since 30 June 2009 Miclyn Express Offshore has taken delivery of a further five OSVs and three Crew/Utility Vessels and is expecting to complete construction of an accommodation barge in February 2010. The investment in Samson Maritime will add a further three OSVs, two Crew/Utility Vessels and six Coastal Survey Vessels. There are currently a further four vessels under construction at the Shipyard and two more vessels in the pipeline for which construction has not yet begun.

The fleet is strongly diversified, consisting of 22 OSVs, 61 Crew/Utility Vessels<sup>2</sup> and 21 Barges as at 31 December 2009, with a further three OSVs, two Crew/Utility Vessels and six Coastal Survey Vessels to be added to Miclyn Express Offshore's fleet through the investment in Samson Maritime. Miclyn

Express Offshore can provide total vessel support to its customers. For example, customers requiring a Barge for charter can also source the accompanying towing tug from the Group's fleet without needing to approach a separate vessel owner.

Miclyn Express Offshore operates a young fleet, with an average age for its OSVs, Crew/Utility Vessels and Barges of 4.5 years, 13.3 years and 3.7 years, respectively, as at 31 December 2009.<sup>3</sup> This compares with the average industry age of 18.1 years and 14.2 years for OSVs and Crew/Utility Vessels, respectively, as at November 2009.<sup>4,5</sup>

Miclyn Express Offshore believes it is important to maintain a relatively young fleet. The intensity of demand for younger vessels is driven by increasingly strict environmental standards and regulatory requirements. Further, major oil operators' increased awareness of, and emphasis on, safety standards are adding to the demand for newer vessels, as safety programs become a more important criterion in the tendering process.

A younger fleet also benefits from Utilisation of state-of-the-art equipment, greater operational reliability, higher fuel efficiency and lower maintenance costs.

Young vessels with high specifications generally achieve higher DCRs than older vessels or vessels with lower specifications. Additionally, where an existing vessel is customised according to the specific requirements of a particular customer, that customer is more likely to contract the converted vessel on a longer term charter, and often at higher DCRs. Miclyn Express Offshore has successfully carried out a number of vessel conversion projects both in-house and for third parties to customise vessels to suit the specific needs of customers. See Section 5.7 for further information regarding the vessel conversion activities and capabilities of the Shipyard. The Group is seeking to increase the proportion of younger, high specification and customised vessels in its fleet, through the combination of its Newbuild fleet expansion, ongoing fleet renewal via the sale of older, lower specification vessels, and the conversion of existing vessels at its Shipyard.

#### 5.6.2.3 Strong operating track record and quality customer relationships

Miclyn Express Offshore has a 30 year track record through its predecessors of service to the offshore oil and gas industry in South-East Asia, Australia and the Middle East. Over this time, the Group has developed strong relationships with, and has generated repeat contracts from, a number of high quality customers, including Chevron, Saipem, Larsen & Toubro, PTT, CGGVeritas and McDermott. These customers have had relationships with Miclyn Express Offshore for 26 years, 31 years, six years, 26 years, 26 years and 30 years, respectively. Further, the Group has a large and diversified customer base, with no one customer accounting for more than 17% of revenue in FY2009.

1 Includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).

2 The Crew/Utility Vessel fleet comprises 61 Crew/Utility Vessels, of which 39 are wholly owned, 18 are held in joint venture or acquired interest arrangements and four are chartered-in from third parties on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).

3 Vessel ages based on the day the vessels started operating.

4 Source: Clarkson Research, November 2009.

5 The average industry age for barges is difficult to measure due to the fragmented nature of the global fleet.

With a strong track record and outstanding HSQE record across its entire fleet, Miclyn Express Offshore is confident it can maintain and grow its relationships with its existing customers and attract new customers for its fleet.

**5.6.2.4 Comprehensive localised fleet and customer support through operational support centres, including the Shipyard**

Miclyn Express Offshore has operational support centres in Indonesia (including the Shipyard), Saudi Arabia, Thailand and the UAE. Through these centres, the Group is able to provide efficient technical response and support to its customers and its fleet, including performing repair and maintenance services, providing crewing support and undertaking localised HSQE procedures. As the centres are located close to most of the offshore oil and gas fields in which Miclyn Express Offshore operates, they ensure efficient crew management and effective customer response and support, and can act as support centres for the fleet.

The Group and its customers will also benefit from the base in Point Samson, Dampier, which Samson Maritime operates out of, and which provides proximity to the north-west shelf.

**5.6.2.5 Strong HSQE record**

The Group maintains comprehensive HSQE practices across its entire fleet to ensure the safe operation of its vessels and prevention of pollution and to provide an injury and incident free work environment. Rising HSQE requirements in the industry create high barriers to entry to new competition. The HSQE track record of vessel providers is an important criterion for customers when awarding a charter contract. Miclyn Express Offshore has never been rejected for a charter contract due to non-compliance with HSQE practices. See Section 5.9 for further information regarding the Group’s HSQE policies and practices. Established HSQE track records are a significant barrier to entry for potential competitors.

Miclyn Express Offshore recorded no lost time accidents in 2008 or 2009, bringing the lost time accident frequency per 200,000 man hours to 0.0% for both years. Miclyn Express Offshore also reduced its total recorded injury frequency rate per 200,000 man hours down from 0.4% in 2008 to 0.0% in 2009, having recorded no injury cases in 2009. The number of medical treatment cases was reduced from one in 2008 to zero in 2009. This reduction in the number of injuries was achieved despite the number of total exposure hours increasing from 4,360,036 in 2008 to 5,449,850 in 2009.

In each of 2008 and 2009, there was only one Category A Incident (Category A Incidents being defined as loss of life, serious injury, estimated damage of greater than US\$100,000, significant pollution or a serious security incident), in which a vessel hit by an unmanned barge sank during the Typhoon in Myanmar in 2008, and a vessel was grounded in the Middle East in 2009.

**5.6.2.6 Constant source of crewing resources resulting from strong retention plans being in place**

Crew and Shipyard staff turnover has historically been low, which can partly be attributed to the high level of training received, sponsorship of upgrade certificates, and also a retention bonus and annual wage increment package which is not common practice in the markets in which Miclyn Express Offshore operates.

**5.6.3 OSVs**

**5.6.3.1 Fleet size**

As at 31 December 2009, the Group OSV fleet stood at 22 vessels, with a further three OSVs to be added to Miclyn Express Offshore’s fleet through its investment in Samson Maritime. One of these OSVs has been chartered-in from a third party on a long term bareboat charter basis (i.e. is not owned by Miclyn Express Offshore).

Figure 5.4: Chevron contractor awards won by Miclyn Express Offshore



Note: ‘HAZOBS’ stands for hazard observation.

**5.6.3.2 Key customers and areas of operation**

The Group’s OSV fleet is currently deployed throughout South-East Asia, the Middle East, India and Australia to a wide customer base, including CGGVeritas, Chevron, Fugro, McDermott, IOOC and Saipem.

Samson Maritime vessels are expected to be deployed primarily in Australia, with a strong focus on Western Australia and Queensland. Customers include Boskalis, Van Oord, Dredging International and Leighton.

**5.6.3.3 Chartering profile**

Miclyn Express Offshore’s OSVs have historically been chartered out on contracts of one to three years in duration. The Group has been moving towards a higher specification fleet, through vessel conversion activities, which is better customised to the specific needs of its customers, with the aim of securing a greater proportion of longer term contracts across its OSV fleet. These vessels can attract higher DCRs than other vessels servicing the industry. As a consequence of increased offshore oil and gas activity, there has been greater demand for these younger and higher specification vessels.

In order to fulfil customers’ requirements, the Group commissioned the construction of four Newbuild E-Class vessels which were delivered in FY2009 and 1H FY2010. Three of these vessels are equipped with dynamic positioning systems and attract substantially higher DCRs than other vessels in the OSV fleet.

Upgrading and converting the Newbuild OSVs to the specific requirements of customers has also ensured that the Group has the ability to meet customers’ diverse requirements for their projects operating in various geographic regions. Although this resulted in one-off upgrade expenses during FY2009, the short supply of these younger and higher specification vessels has enabled the Group to secure higher DCRs and longer term contracts. Such modifications also increase switching costs for customers and provide greater certainty that extension options will be exercised.

These higher specification vessels also command higher gross margins than less specialised vessels due to the higher DCRs not being offset by proportionate increases in operating costs.

See Section 5.7.3 for more detail regarding Miclyn Express Offshore’s vessel conversion activities.

In order to maximise DCRs, Miclyn Express Offshore charters a greater proportion of its OSV fleet on a time charter basis, with 15 OSVs currently chartered out on a time charter basis and three on a bareboat charter basis.

Miclyn Express Offshore’s Newbuild OSVs delivered during FY2009, which were built to higher specifications, have been chartered out at higher DCRs and are expected to facilitate an average payback period of 3.7 years.

Two accommodation/work barges to be delivered in CY2010, the ‘Miclyn Constructor I’ and ‘Miclyn Constructor II’, are expected to achieve higher DCRs than the Group’s regular flat-top deck cargo barges, owing to their higher specification, including the ability to provide accommodation for personnel and services such as repair, welding, cutting, lifting of equipment and the installation and maintenance of platforms. As such, they are classified as OSVs. These accommodation/work barges are also suitable for use across all three phases of the offshore oil and gas cycle. Management expects that these two accommodation/work barges on order will be chartered on a long term basis.

Refer to Sections 8 and 9 for further analysis of Miclyn Express Offshore’s historical and forecast OSV DCRs and Utilisation.

**5.6.4 Crew/Utility Vessels**

**5.6.4.1 Fleet size**

As at 31 December 2009, the fleet consisted of 61 Crew/Utility Vessels, of which 39 were wholly owned, 18 were held in joint venture or acquired interest arrangements and four were chartered-in from third parties on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).

In the 12 months to 31 December 2009, Miclyn Express Offshore took delivery of nine Newbuild Crew/Utility Vessels, of which seven were delivered to the Uniwise Joint Venture.

A further two Crew/Utility Vessels will be added to Miclyn Express Offshore’s fleet through its investment in Samson Maritime.

**Figure 5.5: OSV fleet count over time**

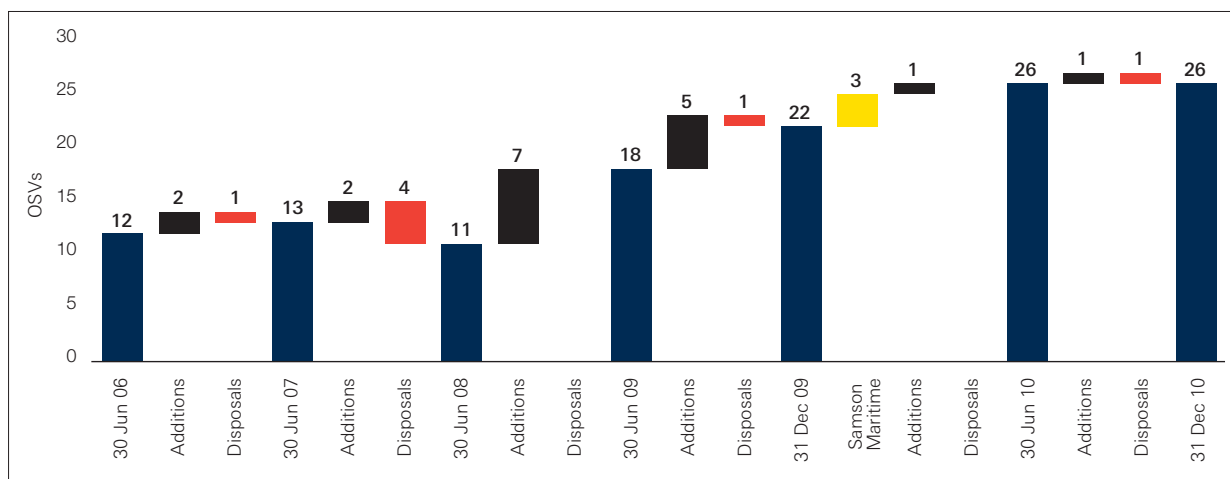
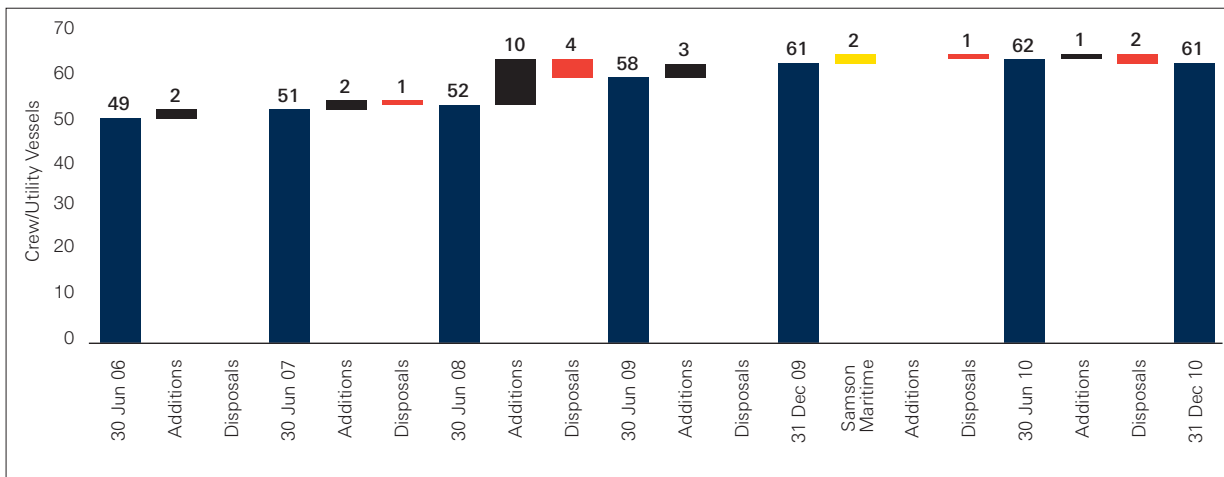


Figure 5.6: Crew/Utility Vessel fleet count over time



#### 5.6.4.2 Uniwise Joint Venture

Miclyn Express Offshore currently has a 50% interest in Uniwise, with the remaining 50% held by Unithai Line Public Company Limited ('Unithai', a Thailand-domiciled shipping and logistics company). For the purposes of satisfying regulatory requirements, the Uniwise Joint Venture was entered into in 1999 for the purpose of meeting the expectations of major customers in Thai territorial waters.

#### 5.6.4.3 Key customers and areas of operation

Miclyn Express Offshore's Crew/Utility Vessels are currently deployed across South-East Asia and the Middle East to a broad customer base including Chevron, Saudi Aramco, PTTEP, Svitzer Middle East and Dubai Petroleum.

Samson Maritime customers include Boskalis, Van Oord, Dredging International and Leighton.

#### 5.6.4.4 Chartering profile

Crew/Utility Vessels are conducive to long term charter contracts, given their suitability for supporting the long dated production phase of the offshore oil and gas cycle. Miclyn Express Offshore's Crew/Utility Vessel charter contracts have generally ranged from one to seven years in length, with most contracts entered into on a long term basis.

Management believes that an increase in the number of new offshore oil and gas developments in South-East Asia and the Middle East has resulted in greater demand for Crew/Utility Vessels. These vessels provide fast sea transportation of personnel and supplies to and around offshore oil and gas production platforms.

The increased demand for Crew/Utility Vessels allowed the Group to execute Long Term Contracts with repeat customers, including Chevron and PTT, for all nine Crew/Utility Vessel Newbuilds delivered in FY2009 (including the six Crew/Utility Vessels owned via joint venture arrangements with Uniwise).

All of the Group's Crew/Utility Vessels are currently chartered out on a time-charter basis.

The age, length, passenger capacity and bhp rating are among the key determinants of DCRs for Crew/Utility Vessels. These characteristics, in part, dictate the speed with which services such as crew and cargo transportation can be performed. Customers prefer newer and higher bhp Crew/Utility Vessels and are willing to pay a premium for vessels that meet these specifications.

Refer to Sections 8 and 9 for further analysis of Miclyn Express Offshore's historical forecast Crew/Utility Vessel DCRs and Utilisation.

#### 5.6.5 Barges

##### 5.6.5.1 Fleet size

As at 31 December 2009, Miclyn Express Offshore operated 21 Barges, all of which were flat-top deck cargo barges.

##### 5.6.5.2 Key customers and areas of operation

Miclyn Express Offshore's current fleet of Barges is chartered out to customers primarily in the development phase of the offshore oil and gas cycle, as well as to customers in the marine civil construction industry. The Group's Barges operate across South-East Asia, the Middle East, India and Australia, servicing a range of customers including Global Industries, McDermott, Larson & Toubro and Van Oord.

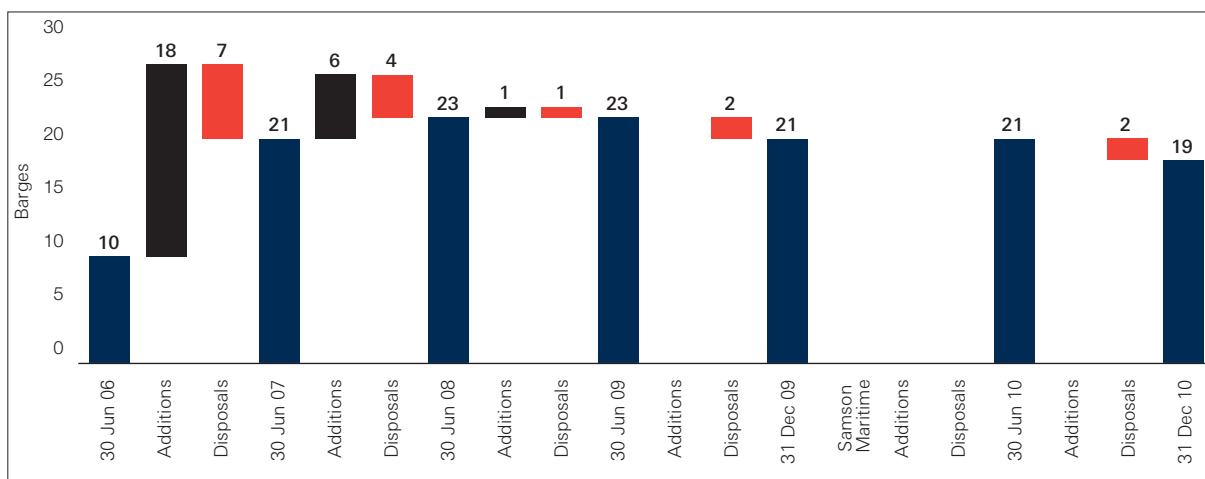
##### 5.6.5.3 Chartering profile

Market demand for Barges is primarily driven by projects in both offshore and the marine civil construction industry in the Middle East, South-East Asia and India. Chartering Barges to customers in the marine civil construction industry allows the Group to diversify its chartering business and sources of revenue by participating in projects which are outside the offshore oil and gas industry. However, as a result of the project-driven demand, Utilisation of Barges has historically been lower than that of OSVs and Crew/Utility Vessels, as they are typically chartered on a spot basis, with short term charter contracts generally varying from 30 days to six months. Furthermore, as many Barges are located in South-East Asia and India, their use is heavily dependent on weather conditions, particularly monsoon patterns. The Group has historically followed a strategy of redeploying the Barge fleet between South-East Asia, India and the Middle East to mitigate such seasonal effects.

As Barges do not require a crew, all of the Barges in the Group's fleet are contracted on a bareboat charter basis, with an average contract life of 0.3 years as at 31 December 2009.

In addition to the balance between supply and demand, the key determinants of DCRs for offshore Barges are the length, physical location and age of the Barge. The Group has followed a strategy over the last few years of acquiring new larger sized Barges and disposing of older, smaller Barges.

Figure 5.7: Barge fleet count over time



See Sections 8 and 9 for further information on Miclyn Express Offshore's forecast and historical Barge Utilisation.

## 5.6.6 Coastal Survey Vessels

### 5.6.6.1 Fleet size

Through its investment in Samson Maritime, Miclyn Express Offshore will have access to six Coastal Survey Vessels.

### 5.6.6.2 Key customers and areas of operation

The Coastal Survey vessels are currently exclusively deployed within Australia to a broad customer base including Van Oord, Boskalis, Rio Tinto and Cape Lambert.

### 5.6.6.3 Chartering profile

The Coastal Survey Vessels operate predominantly on project specific contracts. The terms of the contracts are based on Baltic and International Maritime Council ('BIMCO') supply time. The initial firm duration is aligned with the initial minimum project period, with extensions available to allow for project delays.

## 5.6.7 Marketing

Miclyn Express Offshore's sales and marketing activities are coordinated through its head office in Singapore and supported by each of its local support operations in Indonesia, Saudi Arabia, Thailand and the UAE.

The Group's main marketing strategy in securing business from customers includes supporting customers in the regions in which they operate and ensuring reliability of services as a point of differentiation. Miclyn Express Offshore's customers generally value the reliability of vessels and crew, the level of specification of the vessels and HSQE practices over price when selecting a vessel provider, as the breakdown of vessels or accidents caused by crew could cause disruptions to their operations and result in significant losses. The relatively young age of the Miclyn Express Offshore fleet satisfies these criteria.

Miclyn Express Offshore believes that the reliability of its vessels, the experience of its crew and its support services help it to meet customers' expectations and secure repeat business. Other initiatives to support customers include:

- investing in Newbuilds with higher and more tailored specifications to meet the requirements of customers;

- entering into back-to-back charter arrangements with third party vessel providers where required in order to provide customers with their full vessel requirements; and
- investing in training and new equipment and maintaining strong HSQE standards.

Through its longstanding customer relationships, Miclyn Express Offshore is able to market its vessels to new customers by referral from existing customers. Additionally, the Group relies upon referrals from shipbrokers, associates and agents.

Miclyn Express Offshore's vessels will be actively marketed to Samson Maritime's current customers across Australia. Samson Maritime's longstanding relationships with larger organisations will be used to market the Group's OSVs, Crew/Utility Vessels and Barges.

As a result of the combination of Miclyn Offshore and EOT, Miclyn Express Offshore actively seeks to cross market its OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels across all of South-East Asia, the Middle East, India and Australia to customers who may previously have chartered only a single type of vessel in a specific location. For example, before the merger Chevron chartered Crew/Utility Vessels from the EOT business. Since the merger, Chevron now charters three OSVs on Long Term Contracts and one OSV on a medium term contract.

## 5.6.8 Repair and maintenance of the fleet

It is Miclyn Express Offshore's policy that its vessels are maintained to a high operational standard that meets the requirements of the relevant regulatory authorities and classification society under which each vessel operates. The Miclyn Express Offshore fleet of vessels is maintained in conformity with the provisions of classification society rules, flag state regulations and specific requirements of customers. Relevant industry guidelines are also taken into account. Preventive maintenance is practised to promote and maintain the reliability of all 'critical maintenance items' and all other items are subject to corrective maintenance, which includes the reporting and correction of all defects and the correction, monitoring and control of outstanding defects (see Figure 5.8).

## 5.7 Shipyard business

### 5.7.1 Introduction

Miclyn Offshore acquired the shipyard in Batam, Indonesia in January 2006, for use as a berthing base for its South-East Asian fleet, for in-house Newbuilding, conversion, repair and maintenance work and for third party conversion, repair and maintenance work.

The Shipyard occupies a land area of approximately 133,350sqm (including a 6,562sqm slipway that can accommodate vessels of approximately 80m in length and Barges of approximately 100m in length). It has sea frontage of approximately 216m and a 100m jetty. The Shipyard comprises three separate plots of land, with lease titles expiring between 2015 and 2025. While the Group has paid the relevant contribution allocation for the three plots of land to obtain the right to extend the lease terms to 2045, any such extension is subject to the Group meeting the requirements of the Batam Industrial Development Authority and Indonesia’s National Land Office.

The Shipyard is equipped with machinery and other equipment for Newbuilding, conversion, repair and maintenance, including a computer numerical control plasma cutting machine and crawler cranes. Approximately 100 staff are permanently employed at the Shipyard, while production staff are generally hired by subcontractors.

The Shipyard accounted for US\$1.5 million (or 1.5%) of Group revenue in FY2009.<sup>1</sup> This relatively low contribution is caused by the limited capacity available for third party work, owing to the Group’s significant in-house Newbuild and vessel conversion activities in FY2009. It is expected that the level of third party work conducted at the Shipyard will remain low in the near term, so the contribution of the Shipyard to overall Group revenue and EBITDA is likely to stay low during such time.

### 5.7.2 Key competitive advantage

The Shipyard is a key strategic asset and gives the Group a competitive advantage by providing it with the ability to carry out its fleet expansion and conversion program in-house, as well as readily available capacity for vessel repairs and maintenance.

By sourcing Newbuilds from the Shipyard, the Group is increasingly able to exercise control over the quality, supply and timing of new vessels and remove the uncertainty many of its competitors face in relying on third party shipyards for their Newbuilds.

In addition, the Shipyard is able to carry out vessel conversions, which result in customised vessels that suit the specific needs of Miclyn Express Offshore’s customers.

The strategic location of the Shipyard in Batam, Indonesia, also provides Miclyn Express Offshore with a competitive cost advantage, including in the area of labour and materials costs and through use of the Shipyard as a proximate base for its fleet to its key customers in South-East Asia. This also means the Shipyard can facilitate efficient customer response and support.

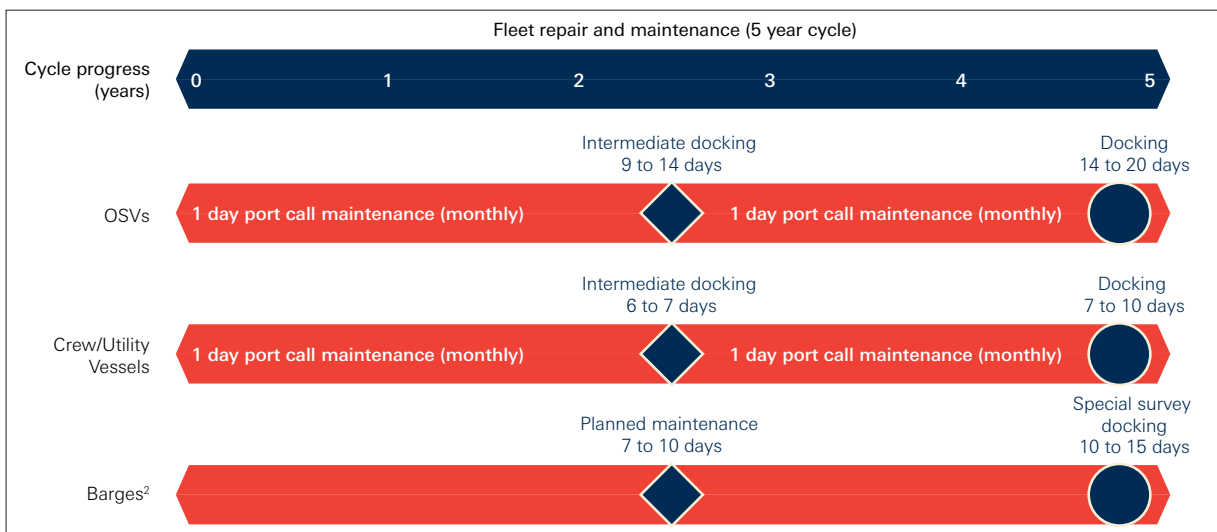
### 5.7.3 Vessel conversion

Conversion works include conversion and retrofitting (a process involving upgrading or integrating a system not originally fitted in the vessel), renewal, blasting and painting, electrical and electronic works and mechanical works.

Most conversion work is subcontracted to third party subcontractors, who perform the work out of the Shipyard under close supervision by the Group’s technical team and project manager. For a conversion project, the relevant equipment, parts and materials are procured from third party suppliers.

Customised vessels often achieve higher DCRs and are more conducive to long term charter contracts, resulting in higher Utilisation rates. This also leads to enhanced barriers to entry for the Group’s competitors.

Figure 5.8: Fleet repair and maintenance<sup>1</sup>



Notes:

- 1 The repair and maintenance regime applicable to Coastal Survey Vessels may differ from that applied to the other larger vessel classes. Coastal Support Vessels operate from shore bases and are frequently in close vicinity, which allows them to be maintained on an ‘as necessary’ basis, with due regard for running hours and manufacturer’s guidelines.
- 2 Barge maintenance due to unexpected damage is undertaken during off-hire period at the cost of the customer.

<sup>1</sup> The Shipyard also earns internal revenues which are not included in the figures.

The Shipyard has undertaken a number of major and minor conversion projects. Four of the major conversion projects have been for Miclyn Express Offshore, with the vessels M.V. Veritas Voyager, M.V. Miclyn Endurance, M.V. Miclyn Enterprise and M.V. Fugro Solstice all converted in Batam. Post conversion, these vessels were able to achieve significantly higher DCRs relative to pre conversion.

Miclyn Express Offshore has also completed major third party conversions for Punj Lloyd (cable lay barge) and Leighton (pipe laying barge).

## 5.8 Group strategy and growth opportunities

Miclyn Express Offshore aims to become the provider of choice for offshore oil and gas service vessels across South-East Asia, Australia and the Middle East. In the short to medium term, the business has an opportunity to leverage a relatively young and diverse fleet to consolidate its position in key markets and take market share from smaller operators. In the longer term, Miclyn Express Offshore will focus on five key strategies to increase long term fleet Utilisation and drive sustainable revenue growth across the business:

### Vessel renewal and fleet expansion

Miclyn Express Offshore aims to continue upgrading the specifications of its fleet, through both its fleet renewal program and vessel customisation activities.

Under the fleet renewal program, the Group may dispose of older, lower specification vessels that are less efficient to run and focus on new vessels customised for specific offshore support roles.

Under the customisation of existing vessels program, Miclyn Express Offshore can provide its customers with vessels that are tailored to suit their specific requirements. In management's experience, specialised vessels result in longer term charters signed at higher charter rates. As OSVs provide support services across a customer's operations and are typically not chartered for individual platforms, redeployment risk of highly specialised vessels when specific operations come to the end of their economic lives is somewhat mitigated. Miclyn Express Offshore has recently undertaken a capital expenditure expansion into OSVs due to the high margins they accrue relative to Crew/Utility Vessels.

The Group will focus on continuing to add to its stock of specialised OSVs. Vessels of particular focus include AHTs, FPSO support vessels and seismic vessels for long term charters. These vessel classes are expected to be in high demand going forward.

Miclyn Express Offshore will continue to maintain a young average fleet age through an ongoing fleet renewal program focusing particular attention on sales of Crew/Utility Vessels and some of the older OSVs (particularly tugs) and Barges. Newbuilds are largely expected to be developed at the Shipyard.

### Customer led focus to charters and Newbuilds

Miclyn Express Offshore's strong long term relationships with many of its core customers are an important aspect of its business. They promote stable and increasing revenues and cross selling opportunities and enhance the reputation of the business. The Group will continue to develop strategic relationships with core customers such as Chevron and Saipem, to improve charter renewals and to increase the number of vessels

being chartered by individual customers. Miclyn Express Offshore will leverage these relationships to cross market OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels. The Group will aim to supply the full range of vessels to customers' geographically diverse operations.

The ability to customise vessels for customers is a key competitive advantage for Miclyn Express Offshore. The Group will continue to build and customise vessels for key customers, which will facilitate the maintenance of strong relationships. Customisation has the added advantage of providing longer term charters.

### Enhancement of Utilisation rates and long term margins through move towards longer term charters across the fleet

In order to provide stable revenue streams and build long term relationships with customers, Miclyn Express Offshore has been seeking and will continue to seek to migrate a higher proportion of its fleet to long term charters. While Crew/Utility Vessels have typically been chartered on contracts with a range of one to seven years, OSVs and Barges have been chartered out on shorter contracts, generally lasting one to three years. Coastal Survey Vessels will typically be chartered on contracts with a range of three to 12 months (excluding extension permits). Since the combination of EOT and Miclyn Offshore, management have been structuring charter terms to encourage longer term charters and actively migrating vessels on spot contracts to long term charters. The continued push to customise existing vessels will assist in obtaining longer term charter opportunities.

As a result of more vessels being signed on long term charter contracts, Miclyn Express Offshore should achieve higher Utilisation rates across its fleet, leading to higher operating margins. Although short term contracts are more lucrative, this is more than offset by the loss in Utilisation.

### Selective pursuance of accretive acquisition opportunities

The offshore oil and gas service industry is highly fragmented in Miclyn Express Offshore's areas of operation. Management continually monitors the market for opportunities to acquire vessels and offshore operations which may offer expansion in the Group's target geographic markets. The Group will also look to potentially acquire vessels that provide contract opportunities with key customers. The senior management team continues to assess the market for strategic opportunities with revenue and cost synergy potential.

Consistent with this strategy Miclyn Express Offshore recently agreed to acquire 50.0% of Samson Maritime, following completion of the IPO.

### Target geographic regions with significant growth opportunities

The Group has a strategy to take advantage of opportunities to significantly grow its business in Australia, Indonesia, Malaysia, Qatar and Thailand. The Group also aims to increase the number of vessels on charter in India. The large size of these markets as described in Section 5.5 provides potential for significant growth for Miclyn Express Offshore Group.

Table 5.2: Group strategy by region/country

REGION/ COUNTRY	MICLYN EXPRESS OFFSHORE STRATEGY
<b>Thailand</b>	<p>The existing and potential offshore oil and gas developments in Thailand will require AHTs and Crew/Utility Vessels, including a number of contracts for one of the Group's long term customers, Chevron. In the short term the Group is aiming to win these tenders, increasing the number of Newbuild Crew/Utility Vessels to be delivered for these opportunities.</p> <p>The Group will continue to monitor other opportunities in the region and in the longer term aim to renew its existing contracts to continue to maintain a strong presence in Thailand.</p>
<b>Indonesia</b>	<p>The Group believes that there is a short supply of local vessels in the Indonesian market, with management estimating that the existing and upcoming developments will require approximately 130 vessels. Most of these vessels will be Crew/Utility Vessels, AHTSs and SVs. To take advantage of these opportunities, Miclyn Express Offshore is intending to establish a joint venture with the Indonesian operator BLT, a major international shipping line, to own and manage Indonesian flagged vessels. The joint venture will offer the following benefits to Miclyn Express Offshore:</p> <ul style="list-style-type: none"> <li>• Miclyn Express Offshore can leverage BLT's close relationships with global oil and gas companies; and</li> <li>• local flag management will increase exposure to the Indonesian market.</li> </ul> <p>In the short term, the joint venture with BLT will enable the Group to take advantage of the significant demand for tugs and Barges in Indonesia. In the longer term, it is expected that the joint venture will be expanded to include a mix of OSVs including AHTs, tugs and Crew/Utility Vessels.</p>
<b>Malaysia</b>	<p>The Group is currently setting up a wholly owned local flag structure, which will provide it with the opportunity to increase its exposure to this market.</p> <p>Specific short term opportunities include the Petronas hook-up and commissioning contract and other vessel contracts under development.</p> <p>In the medium to long term, Miclyn Express Offshore aims to expand the wholly owned local flag structure to include additional vessels to enable the Group to further expand its Malaysian business.</p>
<b>Australia</b>	<p>The Group's fleet can be utilised in upcoming projects in Australia and is well positioned to increase its exposure to Australian offshore oil and gas production and marine civil engineering projects. The existing and upcoming developments will require tugs, Barges, Crew/Utility Vessels, OSVs and Coastal Survey Vessels.</p> <p>The Group's short term strategy is to:</p> <ul style="list-style-type: none"> <li>• expand in Australia through its investment in Samson Maritime, including tendering for various Gorgon project contracts;</li> <li>• reposition more vessels and equipment (especially tugs and Barges) into the region in anticipation of the Gorgon project for joint use by Samson Maritime and Miclyn Express Offshore; and</li> <li>• further develop pre-existing customer relationships and Samson Maritime customer relationships, and forge new relationships in the marine civil construction sector with a view to becoming one of the major contractors in the north-west shelf offshore oil and gas market, specifically for the Gorgon project.</li> </ul> <p>In the medium to long term, the Group's strategy is to:</p> <ul style="list-style-type: none"> <li>• build on the base in Point Samson (Dampier, Western Australia) which Samson Maritime currently operates out of and grow the Samson Maritime business in line with Samson Maritime's growth plans, which will give Miclyn Express Offshore the opportunity to provide additional Miclyn Express Offshore OSV charters into the north-west shelf; and</li> <li>• become one of the major service vessel providers in the Australian offshore oil and gas market, through the Group's investment in Samson Maritime.</li> </ul>

**REGION/ COUNTRY      MICLYN EXPRESS OFFSHORE STRATEGY****Middle East**

The Group's short term strategy is to:

- consolidate positions in UAE, Saudi Arabia and Iran;
- develop its Qatar strategy due to significant opportunities in the local offshore oil and gas industry; and
- take advantage of significant project work expected in CY2010 to charter out available vessels.

In the next 12 to 24 months, Miclyn Express Offshore aims to further expand its presence in the Middle East through:

- establishing a presence in Qatar by increasing the number of vessels chartered out in the region; and
- charter additional Newbuild Crew/Utility Vessels to Barwil Dubai.

In the long term the Group's strategy is to:

- consolidate positions by strengthening contract basis, organisation strength and processes; and
- identify small scale regional acquisitions.

**India**

Miclyn Express Offshore is increasing its project work in India, including tugs, Barges and AHTs. The Group aims to increase the number of vessels on Long Term Contracts in India through building on and further developing its long term relationships with key customers who operate in India. Management believes the Group can take advantage of opportunities which will present themselves as the Marine Civil Construction sector rebounds in 2010 through increasing vessels chartered in the area, without the need to set up specific operations in the country and thereby manage the risks associated with operating in India.

**5.8.1 Achievement of growth strategy**

Near term growth will be driven by:

- full period contribution from Newbuilds in FY2009 and FY2010; and
- increased DCR, Utilisation and margins due to the vessels being larger and of higher specification.

Future growth will be driven by:

- execution of the growth and the business initiatives outlined in this Section; and
- completion of the currently committed Newbuild program.

The Group believes that it has adequate financing available from both operating cash flows and debt facilities to fund the identified growth initiatives including the Newbuild program.

**5.9 Health, Safety, Quality and Environment**

Miclyn Express Offshore understands that HSQE considerations are key concerns for customers and has established the Miclyn Express Offshore HSQE policy. The Group prides itself on a strong track record of best practice, which management believes to be a key competitive advantage.

In order to ensure that these high standards are maintained, Miclyn Express Offshore has in place a number of training programs which are applicable across all customer types, focusing on: awareness; specific risk situations (or behaviour-based safety and management of high risk interfaces); inexperience; and similar issues. Further, these programs are subject to regular customer and management reviews and audits. As a result, the Group has never been rejected for any contracts for non-compliance with HSQE practices required by customers.

Miclyn Express Offshore's HSQE policy, which was established in 1999, is a system for the safe operation of vessels for pollution protection. This system is certified

through a Document of Compliance from the ABS, which was issued in 2001, and is also certified under the International Safety Management System and ISO 9001:2000 as of 2006. Miclyn Express Offshore also prides itself on its Operational Excellence Management System, which was developed as a result of its offshore experience and working relationships with Chevron and Saudi Aramco. Staff training programs ensure that crew and land-based staff perform their duties to customers' satisfaction and in line with best practice guidelines.

**5.10 Employees**

As at 31 December 2009, Miclyn Express Offshore had 714 full time employees.<sup>1</sup> Approximately 69% of the Group's employees are crew members, with the remaining staff involved in management, onshore support activities or shipbuilding.

**5.11 Training and development**

Miclyn Express Offshore is focused on continuous training and development to enhance the skills and knowledge of crew and staff. The Group recommends courses and training programs and staff are encouraged to source and suggest courses and training programs that are relevant to their work.

Miclyn Express Offshore recognises that motivated and trained employees are essential to the Group's efficiency and effectiveness and in maintaining its competitive position. The Group's training policy is designed to ensure that all employees are equipped with the appropriate skills to perform their job requirements in a safe manner.

Upon joining the Group's vessels, all crew members are required to undergo an internal familiarisation program. This program is conducted by one of the senior officers on board the vessel and includes a briefing on the guidelines set out by the ISM Code that Miclyn Express Offshore has adopted. Training on rescue operations, safety procedures and ship security policies are also included in this program.

<sup>1</sup> Includes some employees employed through joint ventures.

Risk Factors

# 6



## 6.1 Introduction

There are a number of factors, both specific to Miclyn Express Offshore and of a general nature, which may have a material adverse effect on the ability of the Group to effectively implement its strategy; its operating and financial performance; its ability to pay dividends; and the value of the Shares. Many of the circumstances giving rise to these risks are beyond the control of the Group, the Directors and Management.

This section describes certain specific areas that are believed to be the major risks associated with an investment in Miclyn Express Offshore.

Prospective investors should note that this section is not an exhaustive list of the risks associated with an investment in Miclyn Express Offshore and it should be considered in conjunction with other information disclosed in this Prospectus, including the Directors' Forecast. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

## 6.2 Business risk factors

### 6.2.1 Reliance on offshore oil and gas exploration, development and production activity

The level of activity in the offshore oil and gas industry may vary and is principally affected by the prevailing or predicted future oil and gas prices. A number of other factors, including economic growth, energy demand, the cost and availability of other energy sources (including clean energy) and changes in energy technology and regulation (including moves to clean technology), also affect the industry.

The future growth of Miclyn Express Offshore is dependent on the continued expansion in the offshore oil and gas exploration, development and production industry. There can be no assurance that the current levels of offshore oil and gas activity will be maintained in the future or that oil and gas companies will not reduce their offshore activities and capital expenditure. Any prolonged period of low offshore oil and gas activity would be likely to have an adverse effect on the business, financial condition and profits of Miclyn Express Offshore.

### 6.2.2 Changes in the supply of, and demand for, OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels

There are a number of factors that affect the supply of, and demand for, OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels in the offshore oil and gas industry. Demand is affected by the level of activity in the offshore oil and gas industry as referred to above, as well as the availability and cost of substitute services (including substitutes that are not currently viable alternatives). There are currently a number of Newbuild OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels under contract for construction at shipyards globally. An increase in supply without a corresponding increase in demand or retirement of aging vessels is likely to increase competition among vessel owners and operators. Any change in vessel supply and demand conditions as referred to above is likely to directly affect the Utilisation and charter rates of the Group's vessels, and therefore the Group's profits.

### 6.2.3 Competition and customer loss

The offshore oil and gas service industry is highly competitive and is comprised of many global and regional owners and operators of vessels. As a result, Miclyn Express Offshore faces competition from both local and international offshore oil and gas service providers in the markets in which it operates. Increased competition may result in reduced charter rates, presenting challenges for maintaining strong growth rates, profit margins and cash flows.

If the Group were to lose the business of key customers, the loss of business could have a material and adverse impact on the profits of the Group.

### 6.2.4 Operations

Miclyn Express Offshore's operations are subject to various risks inherent in servicing the offshore oil and gas industry, including:

- increases in input costs such as crewing or lube-oil costs, which may reduce operating margins;
- premature termination or non-renewal of charter contracts;
- redeployment costs if assets are unable to be used in their current geography for a period of time;
- inability to source reliable subcontractors and suppliers;
- equipment damage, technical failures or human error;

- health and safety of the Group's employees;
- use of some vessels as security vessels carrying firearms;
- litigation, disputes or other claims arising in relation to the Group's operations (including defective repairs to, or delayed repairs to, third parties' vessels at the Shipyard);
- industrial unrest, particularly involving onboard crew or staff at the Shipyard;
- fires or explosions;
- capsizing, sinking, grounding and collisions;
- piracy, vessel seizures or arrests and acts of terrorism; and
- natural disasters and environmental and other accidents.

An incident related to one of these risks could have adverse consequences, including loss of human life or serious injury, significant damage to and loss of the Group's vessels, assets and equipment, business disruption, environmental pollution, political consequences and damage to Miclyn Express Offshore's reputation. The occurrence of such incidents may result in a loss of revenue and/or the incurrence of additional costs, or liabilities and therefore reduced profitability.

#### **6.2.5 Geopolitical, government and regulatory factors**

A significant portion of Miclyn Express Offshore's revenues are generated from operations in countries and regions where the geopolitical climates are challenging, including parts of the Asia Pacific and Middle East (including Iran). Any deterioration of the geopolitical climate, including the outbreak of war or the imposition of economic sanctions in one or more of the Group's key markets, may require the Group or its customers to discontinue business operations in the affected country or countries, resulting in a decline in Utilisation of the Group's vessels and services.

The nature of the industry and the geographic locations in which the Group operates may make the Group more susceptible to protracted or uncertain legal disputes than other types of business.

The Group must comply with international regulations as well as domestic regulations and sanctions in jurisdictions in which its vessels operate or are registered and in which subsidiaries of the Group are domiciled.

The Group is exposed to the inherent risks, as well as to the local customs and practices of the countries in which it operates.

These regulations and customs may impact the Group's ability to operate in these jurisdictions or maintain or repatriate funds from these jurisdictions. For example, Group companies may not always receive necessary licences and approvals. Furthermore, regulations and customs or their application and interpretation may change and the Group may have difficulties interpreting or complying with such regulations and

customs, or these may otherwise adversely affect the Group and/or increase the Group's costs of operation. Amendments are currently proposed to existing US economic sanctions against Iran under which sanctions may apply to non-US entities providing vessels or other services to support refined petroleum importation or the construction, repair or modernisation of refineries. The Group does not currently have operations of this type but continues to monitor relevant legislative developments.

In order to comply with local law, the Group uses shipping agents, service providers and other arrangements to operate and support its chartered vessels in some areas, most notably in Indonesia, Saudi Arabia and Thailand and a dispute between the Group and its agents and service providers may mean that the Group will no longer be able to operate, or will operate subject to more restrictions in particular regions.

Additionally, a government of the flag state of one or more of the Group's vessels could requisition one or more of the vessels with or without compensation, for example (and most commonly), during a period of war or emergency.

#### **6.2.6 Reliance on key personnel**

The success of Miclyn Express Offshore is dependent on the continued efforts of its senior management team, who are responsible for formulating and implementing Miclyn Express Offshore's growth strategy, corporate development and overall business strategy, and who have been instrumental in the growth and expansion of the business to date. The loss of these key personnel could materially impact Miclyn Express Offshore's business, in particular if it is unable to recruit suitable replacements in a timely manner.

#### **6.2.7 Ability to recruit and retain skilled operational staff and management**

The efficient and safe operation of Miclyn Express Offshore's business and vessels requires suitably skilled and qualified operational staff and management personnel. Competition to recruit skilled operational staff and management have in the past been intense, and the Group has faced difficulties recruiting or retaining operational staff and management with the particular skill sets required for its business as well as increased costs.

#### **6.2.8 Delays in delivery of Newbuilds**

As part of its strategic plans for the growth of the business, the Group is dependent upon the delivery of new vessels. There is no guarantee that Newbuilds provided by the Shipyard will be delivered within budget or that the Group will not experience delays in delivery of committed Newbuilds from the Shipyard or third party shipyards. In addition, there may not be third party shipyard slots available either at all, or at prices or delivery times acceptable to the Group.

There can also be no assurance that the Shipyard, or third party shipyards, will be able to source key machinery and equipment (such as engines and gearboxes) in a timely manner and without delay.

### 6.2.9 Insurance

The Group maintains hull and machinery insurance and protection and indemnity insurance on listed vessels, and increased value insurance and innocent owners' interest insurance for selected vessels. The Group also enters into marine cargo insurance for certain materials in transit and builder's risk insurance for certain conversions and Newbuilds at the Shipyard.

Although the Group maintains insurance coverage which it considers appropriate, it is not insured against all foreseeable risks for its business and there can be no assurances that in the future the Group will be able to maintain its current level of insurance at commercially reasonable rates.

### 6.2.10 Fraud and breakdown of internal control systems

The Group operates a complex business within the offshore oil and gas service industry in a number of jurisdictions with different regulatory regimes and requires a number of licences and permits in order to carry out its operations. While Miclyn Express Offshore has stringent internal control systems in place, the high level of corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties.

### 6.2.11 Taxation

Any change in laws and regulations applicable to the taxation of income, intercompany transactions, withholding taxes, levies and other transactional taxes of the Group in the countries in which the Group operates, or any change in their current interpretation or any disputes with tax authorities or any changes to the income mix of the Group, could adversely affect its tax status and increase its tax payable, which could have a negative impact on its financial results. In particular, given the Group has cross border intercompany transactions, tax authorities in any of the countries in which Miclyn Express Offshore operates may challenge the Group's transfer prices as not reflecting arms length transactions, or may challenge other interpretations of tax law, which if successful may result in a higher tax liability for the Group.

Please see Section 12 for more information on the tax payable by the Group.

### 6.2.12 Funding

While the Directors believe cash flows and debt facilities will be sufficient to cover capital expenditure requirements, there is a risk that if the capital requirements of the Group exceed its expectations and its cash flows from operations, together with its debt facilities existing at the relevant time, are insufficient to fund its ongoing activities and to implement its business strategies, the Group may be required to obtain additional debt or equity financing. Miclyn Express Offshore cannot guarantee that it would be able to obtain such future financing or refinancing as may be required, or that it would be able to obtain subsequent financing on comparable terms or at all.

Failure to obtain financing on commercially reasonable terms and on a timely basis, or at all, may cause the Group to forfeit or forgo business opportunities or result in increased financing costs or a need to raise capital and could adversely affect the Group's earnings and financial position.

Under the proposed IPO Facilities, the Group is exposed to interest rate risks arising from borrowing at variable rates. The Group currently utilises interest rate swaps to manage its exposure to interest rate changes on a portion of its existing debt, which will be terminated at settlement.

Miclyn Express Offshore will assess future interest rate hedging on an ongoing basis, taking into account levels of debt and interest coverage ratios, the outlook for interest rates and the cost of hedging.

### 6.2.13 Foreign exchange

The large majority of Miclyn Express Offshore's revenues and costs are denominated in US dollars or US dollar pegged currencies, although some costs, including in relation to Miclyn Express Offshore's head office in Singapore, are denominated in other currencies. Adverse movements in the US dollar may result in a relative increase in these costs.

Miclyn Express Offshore will assess foreign exchange hedging on an ongoing basis, taking into account levels of translation exposure, the outlook for foreign exchange rate movements and the cost of hedging.

### 6.2.14 Asbestos

Miclyn Express Offshore discovered asbestos in 2008 in, and has subsequently removed asbestos from, three of its vessels. Miclyn Express Offshore has since checked all of its current vessels and has confirmed that it now complies with the United States' National Institute for Occupational Safety and Health and other international standards. The Group has also developed an asbestos management plan that means no asbestos-containing materials are allowed in any operating areas. While the Group has taken measures to guard against and manage risks associated with asbestos, there can be no assurances that the costs of the review and disposal, or liability arising in connection with the presence of asbestos, will not be material.

### 6.2.15 Investment in Samson Maritime

The Group agreed to invest in Samson Maritime in February 2010. There is no guarantee that the business of Samson Maritime will perform as anticipated and while the Group has obtained warranties in relation to the investment, such warranties are subject to limitations and there is no guarantee that a claim will provide sufficient compensation if a claim is made.

## 6.3 Risks relating to an investment in the Company

### 6.3.1 General economic conditions

A prolonged deterioration in general economic conditions could be expected to have a material adverse effect on the Group's financial performance, financial position, cash flows, dividends, growth prospects and Share price.

### 6.3.2 Equity market conditions

There are risks associated with any investment in shares. The market price of listed securities, such as the Shares, is affected by numerous factors including, but not limited to, those identified in this section and other factors such as general economic and equity market conditions, or hostilities, tensions and acts of terrorism. As a consequence, the Shares may trade on ASX at higher or lower prices than their issue price.

### 6.3.3 Liquidity and realisation

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their securities. This may result in Shareholders receiving a market price for their Shares that is less than the price they paid for those Shares.

### 6.3.4 Significant shareholders

Following completion of the Offer, Ray Rider and Macquarie Group may hold up to a maximum of 10% and 38.2%<sup>1</sup> of the Shares, respectively. This could make them among the largest Shareholders. Consequently, the Existing Shareholders may have the ability to influence the election of Directors, the appointment of new management and the potential outcome of all matters submitted to a vote of the Shareholders. The interests of the Existing Shareholders may differ from the interests of the Group and other Shareholders.

The sale of Shares in the future by the Existing Shareholders, or market expectations of such a sale, could adversely affect the market price of the Shares.

### 6.3.5 Foreign exchange, dividends and Share price

Dividends declared will be in US dollars. For payment to Shareholders, dividends will be converted into Australian dollars at a spot exchange rate on the day prior to the dividend payment date. Due to the need to convert dividends from US dollars to Australian dollars for payment, Shareholders may potentially be advantaged or disadvantaged by exchange rate fluctuations, depending on whether the Australian dollar weakens or strengthens against the US dollar during the period between the declaration of the dividend and conversion into Australian dollars. Refer to Section 1.6 for information on Miclyn Express Offshore's dividend policy.

The majority of Miclyn Express Offshore's earnings are in US dollars. Fluctuations in the spot exchange rate may impact the valuation of the Company in Australian dollar terms and therefore the price of the Shares.

### 6.3.6 Bermuda incorporation

The Company is incorporated and registered in Bermuda, and its corporate affairs are governed by (among other things) its memorandum of association and Bye-laws and the Bermuda Companies Act. The Bermuda laws relating to the protection of the interests of minority shareholders and fiduciary responsibilities of directors differ from Australian laws. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of Bermuda companies, and may only do so in limited circumstances. In addition, the takeovers and substantial holding provisions of the Corporations Act do not apply to the Company. A summary of the company laws of Bermuda is set out in Section 13.3. As a result of being incorporated in Bermuda and having its significant assets outside Australia, it may be difficult for investors to effect service of process upon the Company within Australia, or to enforce judgements obtained in the courts of Australia against the Company.

<sup>1</sup> Based on the mid-point of the Indicative Price Range.

# Board and Senior Management Team

# 7



## 7.1 Board

### Neil Hamilton Chairman, Non-Executive Director

Neil, 57, has over 26 years of senior management experience, including 15 years in executive roles in the funds management, investment, insurance and resource sectors and prior to this within the legal profession.

Neil has broad directorship experience across a range of ASX-listed companies. He is currently the chairman of Northern Iron, Mount Gibson Iron and IRESS Market Technology and is a non-executive director of Metcash and Oz Minerals. Neil is expected to be elected as chairman of Oz Minerals at their April 2010 board meeting. In line with accepted corporate governance standards with regard to appropriate levels of board membership, Neil will be resigning from his positions at both IRESS Market Technology and Northern Iron in May 2010.

### Diederik de Boer Chief Executive Officer, Executive Director

Diederik, 56, is currently responsible for the overall execution of Miclyn Express Offshore's corporate and business strategies and plans. He has 30 years of experience in the maritime industry. Diederik has worked with the Miclyn Express Offshore group of companies since 1991, when he was appointed the general manager of CW Marine Services (Singapore) and the regional director of SvitserWijismuller Group, the predecessor companies of EOT. From 1979 to 1990, he worked for SMIT, in which his last position was as marketing manager for their Far East organisation, where he was involved in the marketing and operation of offshore vessels. He subsequently joined IMS in 1991 as a business development manager, handling project marketing of equipment for the airport and timber industries. Diederik obtained a bachelor's degree from the Erasmus University Rotterdam in August 1976 in law and subsequently completed a three year MBA course at the Graduate Institute of Management in Delft.

### Philip Aiken Non-Executive Director

Philip, 61, is currently the chairman of Robert Walters and a non-executive director of Kazakhmys and National Grid, each of which is listed on the London Stock Exchange. He has over 35 years' experience in the manufacturing and resources industries. Philip started his career in 1970 as an engineer with CIG in Australia and was appointed the managing director of CIG in 1989. He was the regional director (South Pacific) at the BOC Group in Australia from 1990 to 1992 and was subsequently appointed as the managing director (Gases, Europe) in 1993, a position he held until 1995. In 1995, Mr Aiken joined BTR Nylex as a managing director and was concurrently also an executive director of BTR. In 1997, he joined BHP Billiton Group and from August 1997 until his retirement at the end of 2006, he was responsible for BHP Billiton's petroleum and energy businesses. Philip was a senior adviser for Macquarie Capital (Europe) from January 2007 until August 2009. Philip obtained a bachelor's degree in engineering (chemical) from the University of Sydney and attended the Harvard Business School's Advance Management Program in 1989.

### William 'Bill' Bloking FAICD Non-Executive Director

Bill, 59, brings over 35 years' experience in the global oil and gas industry and the oil and gas service industry, including 15 years in senior management and directorship roles. He is a former general manager of natural gas with Esso Indonesia, Chief Executive Officer of BHP Billiton Petroleum (Northwest Shelf) and president, Australia Asia Gas for BHP Billiton Petroleum for Australia/Asia Gas. He was educated at the University of South Carolina in science and mechanical engineering (summa cum laude) and served in the US Army from 1969 until 1972, including 12 months in Vietnam.

Bill is a governor of the American Chamber of Commerce in Australia, an Adjunct Professor at Murdoch University and a Fellow of the Australian Institute of Company Directors. His strong chairman and directorship experience includes current roles as chairman of KAL Energy and Nido Petroleum and as a non-executive director of John Holland Group, the West Australian Symphony Orchestra and the Lions Eye Institute.



**Ajaib Hari Dass**  
**Non-Executive**  
**Director**

Ajaib, 60, is currently a managing partner at Haridass Ho & Partners, is an accredited mediator of the Singapore Mediation Centre administered by the Singapore Academy of Law, is a magistrate of the Singapore Subordinate Courts, sits as a referee of the Small Claims Tribunal and is a mediator at the Singapore Subordinate Courts, Criminal Relations Disputes. Ajaib has 33 years of experience in active legal practice, having been called to the bar in 1976. He specialises in all admiralty matters both of a litigious and non-litigious nature, as well as matters relating to ship sale and purchase and the financing aspects of such transactions, with particular expertise in the area of admiralty matters and matters relating to general and marine insurance, e.g. collision, cargo claims and charterparty disputes. Ajaib also handles general commercial and banking litigation work. Ajaib obtained a bachelor's degree in law with honours from the University of London and was admitted to practice as a barrister-at-law at Middle Temple, London.

**Nick Peterson**  
**Non-Executive**  
**Director**

Nick, 36, currently leads Macquarie Group's Industrials advisory team across Asia, in line with which his responsibilities include mergers and acquisitions, equity capital markets, debt capital markets and principal investment transactions in the transport, consumer, basic materials, manufacturing and healthcare sectors. In 2001 Nick helped establish Macquarie Group's Resources advisory team in London and was based in Europe until 2003.

Nick has over 13 years' experience in the finance industry, and was a Director of Dyno Nobel prior to its listing on the ASX and the Chairman of Miclyn Express Offshore until his retirement on 15 February 2010.

Nick graduated with a double degree in business and law with honours from the University of Queensland. Nick was formerly a part time lecturer for the University of Melbourne's Masters of Applied Finance programme and a tutor in the University of Queensland's Master of Business Administration course.

**George Venardos**  
**Non-Executive**  
**Director**

George, 52, has over 30 years' experience in financial services, including former positions as group chief financial officer of Insurance Australia Group and chairman of the Finance & Accounting Committee of the Insurance Council of Australia. He is a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors, the Taxation Institute of Australia and the Institute of Chartered Secretaries and Administrators (London).

George has significant directorship experience and holds current ASX listed company positions with IOOF, Ardent Leisure and Bluglass.



## 7.2 Senior management team

The senior management team is highly experienced with a well established track record of operation within the industry. In-depth and longstanding relationships have been developed with key customers. The team has a strong track record of creating value for shareholders with solid core earnings despite recent economic volatility.

### Diederik de Boer Chief Executive Officer, Executive Director

Refer to Section 7.1.



**Nick Gleeson**  
**Chief Financial Officer**

Nick, 38, was appointed to the role of CFO in December 2009. Prior to his recent appointment with the group, Nick was chief financial officer at BW Gas, the largest owner and operator of liquid petroleum gas and one of the largest independent owners and operators of liquid natural gas carriers globally. Nick started his career with KPMG in Sydney, before joining Philips Electronics, where he held various audit chief, financial controller and chief financial officer roles. Following this, Nick was chief financial officer, UK and Asia for Swiss-listed Compagnie Financière Tradition. Nick has broad experience across the finance, accounting and management fields. Nick has an MBA from INSEAD and is a chartered accountant.

**Darren Ang**  
**Chief Operating Officer**

Prior to joining EOT in 2005, Darren, 39, was employed as an assistant engineer at A.P. Moller from May 1991 to February 1992, a petroleum surveyor at Det Norske Veritas from November 1994 to August 1995 and a marine-related consultant at Bureau Veritas from October 1997 to May 1999. He also worked at SvitzerWijismuller from May 1999 until joining EOT. During his tenure at SvitzerWijismuller, Darren held various positions in the company, including operations manager, deputy general manager and general manager. Between September 1995 and September 1997, Darren attended the University of Newcastle upon Tyne, where he graduated with a bachelor's degree (first class) in marine engineering. Darren is also a member of the Institute of Marine Engineers, the Society of Naval Architects and Marine Engineers and the Singapore Institute of Management.

**Ashley Robinson**  
**Chief Commercial Officer**

Ashley, 44, was appointed to the role of CCO in December 2009. Prior to his recent appointment with the Group, Ashley acted as group general manager at Amsbach Group. While at Amsbach Group, Ashley led the development of the business from a group of loosely related individual businesses into a coordinated entity supporting each other's activities and jointly developing their market share. Prior to this Ashley has held a number of management and business development roles at various maritime companies. Ashley also has extensive experience working on offshore vessels and is a class one master mariner. Ashley has over 25 years' experience in the marine services industry.



### 7.3 Directors' and executives' remuneration and executive service agreements

The Constitution of the Company provides that the Non-Executive Directors are entitled to such remuneration, as determined by the Directors, which remuneration must not exceed in aggregate the maximum amount determined by the Company in general meeting. Currently, it has been determined that such remuneration will not exceed US\$2 million p.a., to be apportioned among the Non-Executive Directors as they determine in their absolute discretion. The Directors acknowledge that as the Company grows, the demands on the Directors will increase and the Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the members.

To ensure the continuing employment of Diederik de Boer, the Company has entered into a service agreement with him ('Service Agreement') which replaces his current employment agreement with MEO Holdings Limited. The Service Agreement will come into effect upon the date of settlement and allotment of Shares to investors under the Offer.

Pursuant to the Service Agreement:

- Diederik's employment is for an initial fixed term of 30 months and upon the expiry of the initial fixed term, will continue until it is terminated; and
- either Diederik or the Company may terminate Diederik's employment by giving six months' notice or by paying a sum amounting to six months' salary in lieu of notice.

Diederik's base salary is S\$450,000.00 per annum. In addition, Diederik is entitled to receive a monthly housing allowance of S\$3,250, a monthly car allowance of S\$1,750 and other benefits typical of a contract of this nature, including that Diederik will be eligible for consideration for a bonus, payable at the absolute discretion of the Board, and for participation in the Plan.

### 7.4 Corporate governance Board of Directors and committees

The Directors as at the date of this Prospectus are detailed in Section 7.1.

The Board monitors the operational and financial position and performance of Miclyn Express Offshore and oversees its business strategy, including approving the strategic goals of the Group. The Board is responsible for the corporate governance of Miclyn Express Offshore.

All decision making on substantive matters will be decided by management and the Board. To assist the Board in performing its duties, the following committees have been established, each of which has its own charter:

- Audit, Risk Management and Safety Committee; and
- Nomination and Remuneration Committee.

The Board may establish other committees from time to time if required.

The charters of these committees reflect ASX Best Practice Recommendations and are available from the Company's website, [www.miclynexpressoffshore.com](http://www.miclynexpressoffshore.com).

#### **Audit, Risk Management and Safety Committee**

In relation to the audit aspects, the Audit, Risk Management and Safety Committee assists the Board:

- in relation to the reporting of financial information;
- in relation to the appropriate application and amendment of accounting policies;
- in relation to the appointment, independence and remuneration of the external auditor; and
- by acting as a link between the external auditor, the Board and management of the Company,

by receiving reports from management, reviewing those reports, and subsequently making recommendations to the Board within the committee's areas of recommendatory responsibility and in accordance with any legal, accounting or other relevant requirements.

The Audit, Risk Management and Safety Committee also assists the Board with respect to formulating risk management strategies and monitoring compliance with those strategies to ensure that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk (including financial, business and operational risks);
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies, and remedial action is taken where necessary; and
- the procedures the Company has in place are compliant with laws and regulations (particularly in areas such as trade practices, corporate governance, occupational health and operational safety, including physical safety and accident prevention, and also the environment including pollution prevention),

by receiving reports from management, reviewing these reports, and subsequently making recommendations to the Board within the committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The committee will meet as often as required and it is intended that it will normally meet three times a year, except where the committee chair determines otherwise. Meetings of the committee may be attended by non-committee members, including members of management and the external auditor, at the invitation of the committee chair. The committee will provide reports to the Board on the matters within the committee's areas of recommendatory responsibility. The committee may take advice from external parties.

The committee consists of only Non-Executive Directors and comprises at least three Non-Executive Directors, the majority of whom are independent, including the committee chair, who is not to be the chair of the Board.

It is intended that all members of the committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (i.e. be a qualified accountant or other finance professional with experience of financial and accounting matters).

The committee currently consists of George Venardos, Bill Bloking and Philip Aiken.

#### **Nomination and Remuneration Committee**

The purpose of the Nomination and Remuneration Committee is to assist the Board in the effective discharge of its responsibilities, including, but not limited to, matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and CEO, selection and appointment practices and remuneration arrangements for management and employees of the Group.

The committee may also assist the Board in relation to any corporate governance issues related to the Directors, as requested by the Board from time to time.

The committee will assist the Board in relation to matters falling within its responsibilities by receiving reports from management, reviewing these reports, and subsequently making recommendations to the Board within the committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The committee will meet as often as required and it is intended that it will normally meet three times a year, except where the committee chair determines otherwise. Meetings of the committee may be attended by non-committee members, including members of management at the invitation of the committee chair. The committee will provide reports to the Board on matters within the committee's areas of recommendatory responsibility.

The committee consists of at least three members, the majority of whom are independent, including the committee chair, and currently consists of Neil Hamilton, Ajajib Hari Dass and George Venardos.

#### **Disclosure policy**

Once Listed, the Company will be a 'disclosing entity' pursuant to sections 111AC and 111AR of the Corporations Act. As such, it will be subject to the continuous disclosure requirements of the Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Group will be required to disclose to ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Shares. In addition, the Company will provide ASX with any information necessary to correct or prevent a false market in Shares.

All information provided to ASX for release to the market will be posted to the Company's website at [www.miclynexpressoffshore.com](http://www.miclynexpressoffshore.com) after ASX confirms an announcement has been made.

The Company has also adopted a Shareholder communications strategy aimed at ensuring that Shareholders are well informed of all major developments affecting the state of affairs of Miclyn Express Offshore.

Continuous disclosure will be a standing agenda item at each Board meeting.

#### **Policy for dealing in securities**

The Board has adopted a policy for dealing in securities which governs trading in Company securities by Directors, officers, senior executives, employees and their associates ('Relevant Persons'). The purpose of the policy for dealing in securities is to raise awareness of insider trading rules, and of the fact that trading must not proceed without prior notification and approval in certain circumstances.

Any Relevant Person who is in possession of price sensitive information which is not generally available to the market must not deal in Company securities. Subject to notification and approval requirements, Directors and senior executives may deal in Company securities during any of the following periods:

- the four week period commencing 24 hours after the announcement of the preliminary final statement or full year results announcement to ASX;
- the four week period commencing 24 hours after the announcement to ASX of the half year results;
- the four week period commencing 24 hours after the Company's annual general meeting; and
- the period that the Company has a current prospectus or other form of disclosure document on issue under which persons may subscribe for securities in the Company.

During any other period, Directors and senior executives must receive approval for any proposed dealing in the Company's securities in accordance with the policy.

The policy provides that if a Director or senior executive wishes to deal in Company securities during the above trading windows, they must, in advance of any proposed dealings, advise the Chairman (in the case of Directors), the Board (in the case of the Chairman), or the CEO, chairman of the Audit, Risk Management and Safety Committee and Company Secretary (in the case of senior executives) of their intention to do so.

Directors must also confirm any such dealings in Company securities in accordance with the policy.

In addition, the policy includes specific rules with respect to hedging and margin loan arrangements which are in line with market best practice.

### Code of conduct

The Board has also adopted a code of conduct which sets out Miclyn Express Offshore's commitment to maintaining high levels of integrity and ethical standards in its business practices. The code of conduct sets out for all Directors, Management and employees the standards of behaviour expected of them, and the steps that should be taken in the event of uncertainty or a suspected breach by a colleague.

### Deeds of indemnity, insurance and access

The Company has entered into deeds of indemnity, insurance and access with each Director and the Company Secretary which confirm their right of access to Board papers and require the Company to indemnify the Director or Company Secretary to the full extent permitted by law for liability incurred as a director or officer of the Company or any of its subsidiaries.

### Board Charter

The Board is responsible for the overall governance of the Group.

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- providing strategic direction for, and approving, Miclyn Express Offshore's business strategies and objectives;
- monitoring the operational and financial position and performance of Miclyn Express Offshore;
- identifying the principal risks faced by Miclyn Express Offshore and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
- appointing, overseeing, evaluating performance of and, where appropriate, removing, the CEO, approving other key executive appointments and planning for executive succession;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements; and
- approving, and reviewing from time to time, Miclyn Express Offshore's internal compliance procedures, including any codes of conduct, and taking all reasonable steps to ensure that the business of Miclyn Express Offshore is conducted in an open and ethical manner.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, Director, employee or other person subject to ultimate responsibility of the Directors.

Under the Charter, a Director may obtain Independent professional advice with the Chairman's prior approval.

The Board is currently made up of seven directors, six of whom are non-executive directors. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the chair should be an independent non-executive director.

The Board considers an independent director to be a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist it in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The Board considers five of the six Non-Executive Directors to be independent.

Philip Aiken was a Senior Adviser for Macquarie Capital (Europe) Limited, part of Macquarie Group, from January 2007 until August 2009 and provided consultancy services to Macquarie Group during that time. Philip Aiken has also acted as the Macquarie Group's representative on the board of MEO Holdings since 19 January 2009.

Ajaib Hari Dass has been acting as Michael Kum's representative on the board of MEO Finance since 1 August 2009, being the time Michael Kum resigned from the board. Ajaib Hari Dass has also been acting as Michael Kum's representative on the board of MEO Holdings since 1 June 2009.

Neither Philip Aiken nor Ajaib Hari Dass will be acting as a representative of the Macquarie Group or Mr Kum, respectively, upon appointment to the Board. Having regard to the nature and extent of the work performed by Mr Aiken and Mr Hari Dass prior to their appointments to the Board and to their roles and responsibilities as Directors, the Board has determined that Mr Aiken and Mr Hari Dass are independent Directors.

The Board Charter includes a specific term which provides that for so long as Macquarie Capital Group Limited and/or its affiliates hold 15% or more of the Shares in the Company, the Board will include one director nominated by Macquarie Capital Group Limited. In accordance with this power, Macquarie Capital Group Limited has nominated Nick Peterson as a director. Accordingly, the Board has determined that Nick Peterson is a non-independent Non-Executive Director.

# Pro Forma Historical Financial Information

# 8



## 8.1 Overview

The pro forma Historical Financial Information included in this Section and the Appendix consists of:

- the pro forma historical consolidated statement of revenue, EBITDA and EBIT of Miclyn Express Offshore Group for FY2007, FY2008, FY2009 and 1H FY2010, as set out in Section 8.3;
- the pro forma historical consolidated statement of cash flows before financing and tax of Miclyn Express Offshore Group for FY2007, FY2008, FY2009 and 1H FY2010, as set out in Section 8.3; and
- the pro forma consolidated balance sheet of Miclyn Express Offshore Group as at 31 December 2009, as set out in Section 8.5.

As discussed in more detail in Section 8.2.3, the audited and reviewed consolidated financial statements of Miclyn Offshore Group for FY2007 and MEO Finance Group for FY2008, FY2009 and 1H FY2010 are different from the pro forma Historical Financial Information for the same periods presented in this Prospectus, primarily because the FY2007 and FY2008 audited consolidated financial statements do not include the full year results of the Acquired Businesses and along with FY2009 and 1H FY2010 have not been normalised to exclude significant one-off items.

During 2H FY2010, the Group agreed to make an investment in Samson Maritime. Following completion of the IPO, the Samson Maritime interest will be acquired and held as a jointly controlled entity which is consolidated on a proportional basis (50.0%), consistent with Miclyn Express Offshore's accounting policy for jointly controlled entities. No adjustments for this transaction have been made to the pro forma historical financial statements presented for FY2007, FY2008, FY2009 and 1H FY2010 in this Section, apart from the pro forma consolidated balance sheet presented in Section 8.5 which includes the proportional consolidation (50.0%) of the assets and liabilities of Miclyn Express Offshore's investment in Samson Maritime as if the acquisition had occurred on 31 December 2009.

The pro forma Historical Financial Information is presented in abbreviated form and should be read in conjunction with, and is qualified by reference to, the information contained elsewhere in this Section and the pro forma Historical Financial Information contained in the Appendix. This Section and the Appendix do not contain all of the disclosures that are necessary in an annual financial report prepared in accordance with IFRS. Details of how to obtain a copy of the Appendix are contained in the Important Information section at the beginning of this Prospectus.

## 8.2 Basis of preparation and presentation

### 8.2.1 Accounting convention

The pro forma Historical Financial Information included in this Prospectus has been prepared in accordance with the recognition and measurement principles prescribed under IFRS, except in respect of the pro forma adjustments.

Historically, Miclyn Offshore Group and MEO Finance Group have prepared audited financial statements and associated disclosures in accordance with generally accepted accounting principles in Singapore Financial Reporting Standards ('SFRS').

The recognition and measurement principles of SFRS are substantially similar to those set out in IFRS. An assessment of the financial impact of restating financial statements from SFRS to IFRS has been undertaken by management with no material adjustments identified that impact the financial statements of Miclyn Offshore Group or MEO Finance Group.

There are no differences in recognition and measurement principles between IFRS and AIFRS; however, AIFRS contains a number of additional disclosure requirements, particularly in relation to related party transactions and key management personnel remuneration disclosures.

Prior to the Company's intended acquisition of MEO Finance, the Miclyn Express Offshore business will have operated under a different corporate structure, with different gearing, tax and treasury profiles from those proposed for the Group after completion of the Offer. As a consequence, the Directors believe that the historical net finance costs and associated income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been had the Group operated under the new structure which will be in place after Settlement. Accordingly, the historical net finance costs and income tax expense have not been presented in the pro forma Historical Financial Information of the Group included in this Section and the Appendix.

### 8.2.2 Derivation of financial information

The pro forma Historical Financial Information of Miclyn Express Offshore Group contained in this Section and in the Appendix has been derived from the following:

- the audited consolidated financial statements of Miclyn Offshore Group for FY2007 and MEO Finance Group for FY2008 and FY2009, prepared in accordance with SFRS;
- the unaudited consolidated financial statements of MEO Finance Group for 1H FY2010, prepared in accordance with SFRS and reviewed in accordance with Singapore Standard on Review Engagements;
- the audited and unaudited financial records of the Acquired Businesses; and
- the unaudited balance sheet of Samson Maritime at 30 November 2009.

No significant adjustments were required to present the FY2007, FY2008, FY2009 and 1H FY2010 pro forma Historical Financial Information of the business in accordance with IFRS.

A more detailed discussion of the derivation of the pro forma Historical Financial Information for Miclyn Express Offshore Group is set out in Notes D.1.2 and E of the Appendix.

### 8.2.3 Pro forma and normalisation adjustments

The pro forma Historical Financial Information of Miclyn Express Offshore Group includes certain pro forma adjustments to reflect the operations of the Group that will be in place as at completion of the Offer and normalisation adjustments to remove certain significant one-off items within the Historical Financial Information of the Miclyn Express Offshore businesses and the Acquired Businesses, as considered appropriate by the Directors.

The principal pro forma adjustments to the Historical Financial Information relate to the inclusion of the pro forma normalised pre-acquisition results of operations and cash flows of the Acquired Businesses as if the acquisition had occurred on 1 July 2006. In addition, pro forma adjustments have been made in relation to management's FY2008 review of certain accounting practices, including the alignment of the depreciation policies of the Acquired Businesses. These adjustments incorporate these policies as if they had been in place from 1 July 2006. As stated in Section 8.1, no adjustment has been made to the pro forma consolidated statement of revenue, EBITDA and EBIT and pro forma historical consolidated statement of cash flows before financing and tax to reflect the Group's 50% interest in Samson Maritime.

The principal normalisation adjustments for the pro forma historical consolidated statement of revenue, EBITDA and EBIT relate to the exclusion of costs arising from the acquisition of the Acquired Business, such as head office rationalisation and relocation expenses, external loan termination fees, other non-recurring costs and legal fees associated with the current capital structure and the one-off costs associated with the Offer.

The principal normalisation adjustments for the pro forma historical consolidated statements of cash flows before financing and tax reflect the cash flow impacts of the adjustments described above.

The pro forma Historical Financial Information is not adjusted for Listed company costs.

All of the above adjustments, together with a reconciliation of the audited consolidated financial statements of Miclyn Offshore Group, for FY2007 and the audited and reviewed consolidated financial statements of MEO Finance Group for FY2008, FY2009 and 1H FY2010, to the pro forma Historical Financial Information, are provided in Note E of the Appendix.

#### 8.2.4 Presentation and functional currency

The results of the major operating businesses are recorded in their functional currencies. The Group's US dollar denominated revenue represented approximately 86% of Miclyn Express Offshore Group's total pro forma revenue in FY2009, with the remainder denominated in currencies of the other operational markets, including UAE (approximately 8%), Saudi Arabia (approximately 4%), Singapore (approximately 2%), and others (the balance).

Consequently, under IFRS, the Directors believe the US dollar reporting represents the best indicator of the results of Miclyn Express Offshore Group and therefore the pro forma Historical Financial Information is presented in US dollars and future financial reports for the Group will be presented in US dollars.

However, for the convenience of prospective investors, Australian dollar information has been included in this Prospectus. US dollar pro forma consolidated statement of revenue, EBITDA and EBIT, pro forma historical consolidated statement of cash flows before financing and tax and consolidated balance sheet information has been translated into Australian dollars at the following exchange rates:

- US dollar consolidated statement of revenue, EBITDA and EBIT and pro forma historical consolidated statement of cash flows information

has been translated into Australian dollars at the average exchange rate for the financial periods presented, being US\$0.784:A\$1.00 for FY2007, US\$0.894:A\$1.00 for FY2008, US\$0.735:A\$1.00 for FY2009 and US\$0.868:A\$1.00 for 1H FY2010; and

- US dollar consolidated balance sheet information has been translated into Australian dollars at the exchange rate as at 31 December 2009 of US\$0.893:A\$1.00.

#### 8.2.5 Accounting for IPO structure

At Settlement, the Company will effect a business combination by acquiring MEO Finance, the current legal parent entity of MEO Finance Group, so that the Company will become the ASX-listed legal parent entity of Miclyn Express Offshore Group. The business combination will be effected by issuing shares in the Company under the Offer contemporaneously with the Company's acquisition of MEO Finance.

In substance, the transaction is an administrative restructuring of MEO Finance Group to facilitate the Group's listing on ASX, the sale of Existing Shareholders' interests and the raising of additional capital to pay down debt. As such, in accordance with the principles of IFRS 3 (2008) – Business Combinations, the transaction is recorded as though the existing MEO Finance Group acquired the Company. The major implications of the accounting for the IPO structure are that consolidated financial statements shall be issued under the name of the Company, but described in the notes as a continuation of the financial statements of MEO Finance Group and accordingly:

- the assets and liabilities shall be recognised and measured in those consolidated financial statements at the carrying amounts of the existing MEO Finance Group, rather than fair value at the date of acquisition by the Company;
- the retained earnings and other equity balances recognised in those consolidated financial statements shall be the existing retained earnings and other equity balances of MEO Finance Group;
- the amount recognised as issued equity instruments in those consolidated financial statements shall be determined by adding the additional equity retained by the Group to the issued equity recorded in the MEO Finance Group financial statements immediately before the acquisition; and
- comparative information presented in those consolidated financial statements shall be that of MEO Finance Group.

As part of a prior restructure and business combination, on 23 November 2007 MEO Finance acquired Marine Services Holding Ltd, the holding company of the Acquired Businesses from MAFL, a wholly owned subsidiary of Macquarie Group. MAFL had previously acquired Miclyn Express Offshore Pte Ltd (formerly known as Express Offshore Transport Pte Ltd), in July 2007. The assets and liabilities of Miclyn Express Offshore Pte Ltd and its holding companies (Oceantrans Investments Limited and Marine Services Holding Ltd) were recorded in the consolidated MEO Finance balance sheet at their fair values at the date of acquisition by MEO Finance, being 23 November 2007. The existing assets and liabilities of MEO Finance (primarily the assets and liabilities of Miclyn Offshore Pte Ltd) were not restated.

### 8.2.6 Statutory financial information

In its financial statements for FY2010, Miclyn Express Offshore Group will present for Miclyn Express Offshore Group – consolidated financial information for MEO Finance Group ('Accounting Acquirer') and its deemed controlled entities for FY2010. Comparative financial information will be included for the MEO Finance Group FY2009 as the consolidated financial statements are deemed a continuation of the financial statements of the Accounting Acquirer under the principles of IFRS 3 (2008) – Business Combinations.

Unlike the pro forma Historical Financial Information of Miclyn Express Offshore Group presented in this Prospectus and the Appendix, the FY2009 comparative pro forma consolidated income statement presented in the FY2010 statutory financial report will:

- present operating results to the NPAT level;
- include the financial costs and tax expenses associated with the capital structure in place prior to Settlement; and
- exclude the pro forma and normalisation adjustments referred to in Section 8.2.3.

### 8.3 Pro forma historical consolidated statement of revenue, EBITDA, EBIT and cash flows

Table 8.1 presents the pro forma historical consolidated statement of revenue, EBITDA and EBIT of Miclyn Express Offshore Group for FY2007, FY2008, FY2009 and 1H FY2010 (refer to Section 8.2.2 and Note E of the Appendix for a description of the derivation of this financial information):

**Table 8.1: Pro forma historical consolidated statement of revenue, EBITDA and EBIT of Miclyn Express Offshore for FY2007, FY2008, FY2009 and 1H FY2010**

PRO FORMA	US\$ MILLION				A\$ MILLION			
	FY2007	FY2008	FY2009	1H FY2010	FY2007	FY2008	FY2009	1H FY2010
<b>Revenue from operating activities</b>	<b>71.9</b>	<b>93.1</b>	<b>98.0</b>	<b>54.8</b>	<b>91.7</b>	<b>104.1</b>	<b>133.3</b>	<b>63.2</b>
Cost of sales	(34.1)	(37.7)	(39.5)	(22.7)	(43.5)	(42.1)	(53.7)	(26.2)
<b>Gross profit</b>	<b>37.8</b>	<b>55.4</b>	<b>58.5</b>	<b>32.1</b>	<b>48.2</b>	<b>62.0</b>	<b>79.6</b>	<b>37.0</b>
Gross margin	52.5%	59.5%	59.7%	58.5%	52.5%	59.5%	59.7%	58.5%
Other operating income	0.8	1.3	1.5	0.5	1.0	1.4	2.0	0.5
Administrative expenses	(6.8)	(9.8)	(11.9)	(6.9)	(8.7)	(11.0)	(16.2)	(7.9)
Foreign exchange gains/(losses)	1.9	(1.6)	0.9	–	2.4	(1.8)	1.3	–
<b>Operating earnings</b>	<b>33.7</b>	<b>45.3</b>	<b>49.0</b>	<b>25.7</b>	<b>42.9</b>	<b>50.6</b>	<b>66.7</b>	<b>29.6</b>
Vessel disposal gains/(losses)	8.1	8.7	2.5	2.5	10.4	9.8	3.3	2.9
<b>EBITDA</b>	<b>41.8</b>	<b>54.0</b>	<b>51.5</b>	<b>28.2</b>	<b>53.3</b>	<b>60.4</b>	<b>70.0</b>	<b>32.5</b>
Depreciation and amortisation	(6.2)	(8.2)	(10.2)	(6.4)	(7.9)	(9.2)	(13.8)	(7.4)
<b>EBIT</b>	<b>35.6</b>	<b>45.8</b>	<b>41.3</b>	<b>21.8</b>	<b>45.4</b>	<b>51.2</b>	<b>56.2</b>	<b>25.1</b>

#### Notes:

- 1 US dollar pro forma Historical Financial Information has been translated into Australian dollars at the average exchange rates for the relevant financial periods, being US\$0.784:A\$1.00 for FY2007, US\$0.894:A\$1.00 for FY2008, US\$0.735:A\$1.00 for FY2009 and US\$0.868:A\$1.00 for 1H FY2010.
- 2 The notes in the Appendix form part of this pro forma Historical Financial Information.
- 3 Prior to the Company's intended acquisition of MEO Finance, the Miclyn Express Offshore business operated under a different corporate structure, with different gearing, tax and treasury profiles from those proposed for the Group after completion of the Offer. As a consequence, the Directors believe that the historical net finance costs and associated income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been had the Group operated under the new structure which will be in place after Settlement. Accordingly, net finance costs and income tax expense have not been presented for FY2007, FY2008, FY2009 and 1H FY2010. Pro forma EBITDA and pro forma EBIT exclude interest income, gains/(losses) on hedging instruments that are recognised in profit or loss, unwinding of the debt upfront fees and finance expense incurred on outstanding loans. These items are included in the definition of net finance costs as set out in the accounting policies note in Note D.14 of the Appendix.
- 4 For the purposes of presentation of financial information in this Prospectus and Appendix, cost of sales has been presented exclusive of all depreciation and amortisation. In its statutory financial report for FY2010, the Group intends to present cost of sales inclusive of depreciation and amortisation applicable to both the Vessel Chartering and Shipyard businesses going forward.
- 5 The pro forma historical consolidated statements of revenue, EBITDA and EBIT have not been adjusted to reflect the acquisition of a 50.0% interest in Samson Maritime.

Table 8.2 presents the pro forma historical consolidated statement of cash flows before financing and tax of the Group for FY2007, FY2008, FY2009 and 1H FY2010:

**Table 8.2: Pro forma historical consolidated statement of cash flows before financing and tax**

PRO FORMA	US\$ MILLION				A\$ MILLION			
	FY2007	FY2008	FY2009	1H FY2010	FY2007	FY2008	FY2009	1H FY2010
<b>EBIT</b>	<b>35.6</b>	<b>45.8</b>	<b>41.3</b>	<b>21.8</b>	<b>45.4</b>	<b>51.2</b>	<b>56.2</b>	<b>25.1</b>
Depreciation and amortisation	6.2	8.2	10.2	6.4	7.9	9.2	13.8	7.4
<b>EBITDA</b>	<b>41.8</b>	<b>54.0</b>	<b>51.5</b>	<b>28.2</b>	<b>53.3</b>	<b>60.4</b>	<b>70.0</b>	<b>32.5</b>
Vessel disposal gains/(losses)	(8.1)	(8.7)	(2.5)	(2.5)	(10.4)	(9.8)	(3.3)	(2.9)
Non-cash and other items	(0.6)	(0.5)	(0.6)	(0.3)	(0.8)	(0.5)	(0.9)	(0.4)
Working capital movements	5.6	(0.8)	(3.4)	(6.1)	7.2	(0.9)	(4.6)	(7.0)
<b>Cash flows available from operations</b>	<b>38.7</b>	<b>44.0</b>	<b>45.0</b>	<b>19.3</b>	<b>49.3</b>	<b>49.2</b>	<b>61.2</b>	<b>22.2</b>
Proceeds from sale of property, plant and equipment (including vessels)	44.0	30.1	6.9	5.6	56.2	33.7	9.4	6.6
Capital expenditure – maintenance	(1.8)	(2.6)	(3.6)	(1.9)	(2.3)	(2.9)	(4.9)	(2.2)
Capital expenditure – growth	(69.9)	(90.0)	(67.3)	(14.7)	(89.2)	(100.7)	(91.5)	(17.0)
<b>Cash flows before financing and tax</b>	<b>11.0</b>	<b>(18.5)</b>	<b>(19.0)</b>	<b>8.3</b>	<b>14.0</b>	<b>(20.7)</b>	<b>(25.8)</b>	<b>9.6</b>

Notes:

- 1 US dollar pro forma Historical Financial Information has been translated into Australian dollars at the average exchange rate for the relevant financial periods being US\$0.784:A\$1.00 for FY2007, US\$0.894:A\$1.00 for FY2008, US\$0.735:A\$1.00 for FY2009 and US\$0.868:A\$1.00 for 1H FY2010.
- 2 The pro forma historical consolidated statement of cash flows before financing and tax have not been adjusted to reflect the acquisition of a 50.0% interest in Samson Maritime.

**Table 8.3: Historical fleet composition<sup>1</sup>**

NUMBER OF VESSELS	FY2007	FY2008	FY2009	1H FY2010
Opening fleet size	71	85	86	99
Delivery	22	10	18	8
Disposal	(8)	(9) <sup>2</sup>	(5)	(3)
<b>Closing fleet size</b>	<b>85</b>	<b>86</b>	<b>99</b>	<b>104</b>

Notes:

- 1 Includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).
- 2 One Crew/Utility Vessel was destroyed in FY2008 during a cyclone.

Table 8.4 presents the key pro forma financial indicators for the business segments of the Group for FY2008, FY2009 and 1H FY2010.

**Table 8.4: Key pro forma historical financial indicators by business segment**

US\$ MILLION	OSVs			CREW/UTILITY VESSELS			BARGES			SHIPYARD		
	FY2008	FY2009	1H FY2010	FY2008	FY2009	1H FY2010	FY2008	FY2009	1H FY2010	FY2008	FY2009	1H FY2010
Revenue from operating activities	34.8	40.3	28.1	33.8	41.6	21.0	14.4	14.6	4.7	10.1	1.5	1.0
Cost of sales	(11.2)	(16.9)	(11.0)	(15.3)	(20.3)	(10.4)	(2.0)	(1.9)	(0.7)	(9.2)	(0.4)	(0.6)
Gross profit	23.6	23.4	17.1	18.5	21.3	10.6	12.4	12.7	4.0	0.9	1.1	0.4
Gross margin <sup>3</sup>	67.8%	58.2%	60.9%	54.7%	51.1%	50.4%	86.3%	86.8%	85.2%	8.6%	75.7%	35.6%
Utilisation	86.8%	77.5%	65.5%	94.2% <sup>2</sup>	84.8%	81.3%	64.0%	63.5%	39.9%	n/a	n/a	n/a

Notes:

- 1 Financial indicators split by business segment for FY2007 are not available for all line items as this period pre-dates the acquisition of Acquired Businesses.
- 2 The FY2008 Utilisation rate of 94.2% has been normalised for 10 Crew/Utility Vessels that were detained in Indonesia for an average of four months each. The vessels were detained due to a forged application for the extension of an import permit by a former agent of the Group, resulting in the failure of registration of the vessels. The issue was substantially resolved in 2008. The normalised costs relate to the net result of lost revenue and corresponding operating expenditure had the vessels not been detained.
- 3 Gross margins for business segments are based on actual numbers before rounding.

## 8.4 Management's discussion and analysis of pro forma results of operations

Management's discussion and analysis below relates to the pro forma Historical Financial Information for the Miclyn Express Offshore Group for FY2007, FY2008, FY2009 and 1H FY2010 (Tables 8.1 and 8.2) and should be read in conjunction with the description of the basis upon which the information has been prepared (refer to Section 8.2), and the pro forma adjustments described in Section 8.2.3 (as further detailed in Note E.1 of the Appendix).

A description of the business and drivers is provided in Sections 5 and 9.

### 8.4.1 Consolidated revenue FY2008

Pro forma consolidated revenue for the Group increased by 29.5% from US\$71.9 million in FY2007 to US\$93.1 million in FY2008, as a result of an increasingly modernised fleet and buoyant market demand, driven by record global oil prices during this period. Growing demand for oil led to increased offshore exploration activities to locate and exploit natural gas and oil reserves. This resulted in a global shortage of vessels and specialised crews, which enabled the Group to record higher DCRs and secure longer term contracts on its key vessels.

Charter revenue increased by 23.4% from US\$67.3 million in FY2007 to US\$83.1 million in FY2008, primarily due to:

- the full year effect of 22 vessels and Barges delivered in FY2007;
- the part year effect of 10 vessels and Barges delivered in FY2008;
- the Group's strategy of increasing the number of vessels on long term charter, which in turn led to increases in vessel Utilisation;

- the increase in average DCRs for the OSV, Crew/Utility Vessel and Barge fleets as a result of the demand and supply imbalance that existed in the offshore oil and gas service vessel industry, coupled with the Group's continuing fleet optimisation strategy of selling older and lower specification vessels and replacing them with new, higher specification vessels which attract premium DCRs; and
- the increase in OSV fleet Utilisation as a result of buoyant market conditions and the delivery of new higher specification vessels which the Group placed on long term charters.

The above increases in revenue were partially offset by the disposal of 8 vessels and Barges during FY2007 and 9 during FY2008, and by lower average Utilisation of the Crew/Utility Vessel and Barge fleets.

### FY2009

Between FY2008 and FY2009, pro forma consolidated revenue increased by 5.3% from US\$93.1 million to US\$98.0 million, despite the significant oil price correction and volatility experienced throughout the year. The Group's geographical diversity and focus on the less volatile production and development phases (relative to the exploration phase) of the offshore oil and gas cycle, along with its longer term contracts and strong customer relationships, provided significant downside protection against these challenging market conditions.

Charter revenue increased by 16.1% from US\$83.1 million in FY2008 to US\$96.5 million in FY2009, primarily due to:

- the full year effect of 10 vessels and Barges delivered in FY2008;
- the part year effect of 18 vessels and Barges delivered in FY2009; and
- an increase in the average DCRs for the OSV and Crew/Utility Vessel fleets as a result of continued fleet optimisation, leading to a greater proportion of higher specification and newer vessels attracting premium DCRs.

These revenue increases were partially offset by the disposal of 9 vessels and Barges during FY2008 and 5 during FY2009, lower average Utilisation of the OSV and Crew/Utility Vessel fleets and lower average DCRs for the Barge fleet.

#### 1H FY2010

Pro forma consolidated revenue for 1H FY2010 was US\$54.8 million. This result was driven by:

- the full period impact of 7 OSVs, 10 Crew/Utility Vessels and 1 Barge added during FY2009;
- the part period impact of 5 OSVs and 3 Crew/Utility Vessels added during 1H FY2010; and
- an increase in the average DCRs for the OSV fleet and the Crew/Utility Vessel fleet.

### 8.4.2 Vessel Chartering revenue

#### 8.4.2.1 OSVs

##### FY2008 revenue

Pro forma revenue from OSVs increased by 37.2% from US\$25.4 million in FY2007 to US\$34.8 million in FY2008 primarily driven by:

- the full year impact of 2 vessels delivered in FY2007;
- the part year impact of 2 vessels delivered in FY2008;
- an increase in average DCRs for all classes of OSV, mid-point DCR increasing from US\$5,400 in FY2007 to US\$7,150 in FY2008; and
- an increase in average Utilisation of the OSV fleet, increasing from 81.1% in FY2007 to 86.8% in FY2008.

Partly offsetting the above increases in revenue were the full year impact of the disposal of 1 vessel in FY2007 and the part year impact of the disposal of 4 vessels in FY2008.

#### Average DCRs

**Table 8.5: Average minimum and maximum DCRs – OSVs**

US\$	FY2007			FY2008			FY2009			1H FY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
OSV (AHT/AHTS/MPV/SV)	6,100	8,000	7,050	7,700	9,500	8,600	8,500	10,900	9,700	10,100	10,900	10,500
OSV (Supply vessel/tug)	3,000	4,000	3,500	4,500	4,800	4,650	5,900	6,900	6,400	6,900	8,200	7,550
OSV fleet	4,800	6,000	5,400	6,500	7,800	7,150	7,600	9,500	8,550	9,100	10,100	9,600

Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid for each vessel and an average of the maximum DCRs paid for each vessel in the category.
- 2 The range of DCRs varies significantly among the AHTs, AHTSs, MPVs and SVs depending on vessel specification and capability. The more specialised vessels in the industry can command DCRs of approximately US\$20,000 or more, while the less sophisticated vessels can command DCRs of approximately US\$5,000.
- 3 All average minimum and maximum DCRs are rounded to the nearest US\$100.

#### FY2009 revenue

Between FY2008 and FY2009, pro forma revenue from OSVs increased by 15.5% from US\$34.8 million to US\$40.3 million, primarily driven by:

- the full year impact of 2 vessels delivered in FY2008;
- the part-year impact of 7 vessels delivered in FY2009; and
- an increase in average DCRs for all classes of OSV, mid-point DCR increasing from US\$7,150 in FY2008 to US\$8,550 in FY2009.

These increases in revenue were partially offset by a decline in OSV Utilisation and the full year impact of the disposal of 4 vessels in FY2008.

#### 1H FY2010 revenue

Pro forma charter revenue from OSVs for 1H FY2010 was US\$28.1 million, contributing 51.3% of consolidated revenue. This performance was driven by:

- the full period impact of 7 OSVs delivered in FY2009;
- the part period impact of 5 OSVs delivered in 1H FY2010; and
- a change in vessel mix, with an increased proportion of SVs in the OSV fleet, leading to an increase in the mid-point DCR from US\$8,550 in FY2009 to US\$9,600 in 1H FY2010.

This result was partially offset by the impact of 1 OSV disposed of during 1H FY2010 and a decline in OSV fleet Utilisation from 77.5% in FY2009 to 65.5% in 1H FY2010.

The mid-point of the average minimum and maximum DCR bands for the AHT, AHTS, MPV and SV OSVs increased by 22.0% from FY2007 to FY2008 and by 12.8% from FY2008 to FY2009, while the mid-point for supply/tug OSVs increased by 32.9% and 37.6% in the same periods, respectively. The rise in average DCRs between FY2007 and FY2008 was driven by the increased demand for OSVs on a global scale resulting from increased offshore oil and gas exploration and development underpinned by record oil prices and the addition of several higher specification vessels, commanding higher DCRs.

Despite falling oil prices between FY2008 and FY2009 and demand easing for OSVs across the sector, the Group maintained high DCRs for the OSV fleet, as a consequence of its focus on long term charters and new higher specification vessels.

#### **Utilisation**

Between FY2007 and FY2008, the average OSV fleet Utilisation rate increased from 81.1% to 86.8%, resulting from:

- strong demand from increased offshore exploration and development activities;
- the Group's strategy to charter a higher proportion of its OSV fleet on longer term contracts;
- the increasing number of highly specialised vessels in the fleet; and
- the disposal of 1 under-utilised vessel in FY2007.

Between FY2008 and FY2009, the average OSV fleet Utilisation declined from 86.8% to 77.5%, falling below historical levels, resulting from:

- weakening in the OSV spot market as a result of oil price volatility causing a temporary easing of OSV demand;
- the late delivery of 7 new OSVs from third party shipyards. The uncertainty around delivery dates for these vessels hampered marketing activities and as such they did not immediately secure charter contracts, although as at 31 December 2009, all 7 of these vessels were on charter; and
- unexpected repairs and maintenance which reduced on-hire days.

The Group's modern OSV fleet and focus on securing Long Term Contracts helped to mitigate the declines in Utilisation experienced through this period.

OSV Utilisation declined from 77.5% in FY2009 to 65.5% in 1H FY2010. This decline was primarily due to:

- late delivery of Newbuilds by third party shipyards and the uncertainty on Newbuild delivery dates meant that it was difficult to market these vessels, resulting in initially low Utilisation when the vessels were finally delivered. The majority of these vessels are now chartered, many on Long Term Contracts; and
- project delays in India which impacted the Utilisation of the tug fleet.

The Group's general strategy to maximise Utilisation for its tugs (and also Barges) has been to mobilise them between India and South-East Asia during the year to support the construction activity of oil companies.

Due to the monsoon seasons, the Group's tugs and Barges have typically operated from October to February in India and from March to September in South-East Asia supporting construction and oil development projects.

Low tug fleet Utilisation rates were experienced during 1H FY2010 as a result of specific project delays in India, which management attributed to political uncertainty in the lead-up to elections and to a lesser extent due to the prevailing volatility in oil prices. Subsequently, greater certainty in the political environment and stability in oil prices, settling around US\$70 to US\$80/bbl as at the date of this Prospectus, has resulted in plans to recommence these projects. However, the imminent monsoon season in India has seen most of these projects deferred until September 2010.

Excluding the impact of the Newbuilds delivered in 1H FY2010 and the tug fleet, the OSV fleet Utilisation was 83.8%, which represents an improvement over the average OSV fleet Utilisation for FY2009 of 77.5% (which was also impacted by delayed Newbuilds) and is in line with OSV fleet Utilisation of 86.8% and 81.1% for FY2008 and FY2007, respectively.

During 1H FY2010, Utilisation of the 5 Newbuilds was 39.9% and the tug fleet Utilisation was 24.3%. If these abnormally low Utilisation levels had been in line with the spot market historical average levels of 75.0%, this would have led to an overall OSV fleet Utilisation of 80.4%, which as noted above, would have been in line with prior periods' average OSV fleet Utilisation levels.

#### **8.4.2.2 Crew/Utility Vessels**

##### ***FY2008 revenue***

Pro forma revenue from Crew/Utility Vessels increased by 9.3% from US\$30.9 million in FY2007 to US\$33.8 million in FY2008, primarily driven by:

- the full year impact of 2 vessels delivered in FY2007;
- the part year impact of 2 vessels delivered in FY2008; and
- an increase in DCRs for Crew/Utility Vessels, mid-point DCR increasing from US\$1,700 in FY2007 to US\$2,100 in FY2008.

This result was partially offset by a decline in Crew/Utility Vessel fleet Utilisation from 96.6% in FY2007 to 94.2% in FY2008.

##### ***FY2009 revenue***

Between FY2008 and FY2009, pro forma revenue from Crew/Utility Vessels increased by 23.1% from US\$33.8 million to US\$41.6 million, primarily driven by:

- the full year impact of 2 vessels delivered in FY2008;
- the part year impact of 10 vessels delivered in FY2009; and
- an increase in the average DCRs for Crew/Utility Vessels, mid-point DCR increasing from US\$2,100 in FY2008 to US\$2,450 in FY2009.

These charter revenue increases were partially offset by the disposal of 4 Crew/Utility Vessels and by a decline in the average Crew/Utility Vessel fleet Utilisation rates from 94.2% in FY2008 to 84.8% in FY2009, as discussed on the following page.

### 1H FY2010 revenue

Pro forma charter revenue from Crew/Utility Vessels for 1H FY2010 was US\$21.0 million, contributing 38.3% of consolidated revenue in 1H FY2010. This performance was driven by:

- the full period impact of 10 Crew/Utility Vessels delivered in FY2009;
- the part period impact of 3 Crew/Utility Vessels delivered in 1H FY2010; and
- higher average DCRs, mid-point DCR increasing from US\$2,450 in FY2009 to US\$2,650 in 1H FY2010 obtained from larger, more powerful vessels.

This result was partially offset by a decrease in Utilisation and the full period impact of 4 Crew/Utility Vessels disposed of in FY2009.

The mid-point of the average minimum and maximum DCR bands increased by 23.5% from FY2007 to FY2008 and increased 16.7% between FY2008 and FY2009 as illustrated in Table 8.6, as a result of strong demand for fast crew transportation vessels associated with an increase in the number of new oil and gas developments in South-East Asia and the Middle East, where the fleet is deployed.

### Average DCRs

**Table 8.6: Average minimum and maximum DCRs – Crew/Utility Vessels**

US\$	FY2007			FY2008			FY2009			1H FY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
Crew/Utility Vessels	1,600	1,800	1,700	1,900	2,300	2,100	2,300	2,600	2,450	2,500	2,800	2,650

Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid for each vessel and an average of the maximum DCRs paid for each vessel in the category.
- 2 The range of DCRs varies significantly between the Crew/Utility Vessels with the younger and higher bhp vessels commanding higher DCRs.
- 3 All average minimum and maximum DCRs are rounded to the nearest US\$100.

### Utilisation

Typically, as compared with OSVs or Barges, Crew/Utility Vessels have the highest Utilisation rates of all vessel classes, due to the majority of vessels being on Long Term Contracts.

Pro forma Utilisation decreased from 96.6% in FY2007 to 94.2%<sup>1</sup> in FY2008, due to the expiry of several Long Term Contracts and short delays in securing new charter contracts for off-hire vessels.

Between FY2008 and FY2009, Utilisation decreased from 94.2% to 84.8% as a result of a number of vessels being off-hire for a period of one to two months in between charter renewals and weakness in the spot market during FY2009. This weakness was as a consequence of the delivery of new vessels into South-East Asia without a corresponding increase in vessel demand due to the difficult market conditions in FY2009, resulting in increased competition for short term charters.

Between FY2009 and 1H FY2010, Crew/Utility Vessel fleet Utilisation declined from 84.8% to 81.3%, as a result of the under-Utilisation of a number of older Crew/Utility Vessels and due to a change in Indonesian cabotage regulations, which restricts operations of foreign flagged vessels in the region.

#### 8.4.2.3 Barges

##### FY2008 revenue

Pro forma revenue from Barges increased by 31.1% from US\$11.0 million in FY2007 to US\$14.4 million in FY2008, primarily driven by:

- the full year impact of 18 Barges delivered in FY2007;
- the part year impact of 6 Barges delivered in FY2008; and

- an increase in average DCRs from US\$2,550 in FY2007 to US\$2,750 in FY2008.

Partially offsetting the above increases in revenue were the full year impact of the disposal of 7 Barges in FY2007, the part year impact of the disposal of 4 Barges in FY2008 and a decline in Utilisation from 73.7% in FY2007 to 64.0% in FY2008, as discussed below.

##### FY2009 revenue

Between FY2008 and FY2009, pro forma revenue from Barges increased by 1.1% from US\$14.4 million in FY2008 to US\$14.6 million in FY2009, primarily driven by:

- the full year impact of 6 Barges delivered in FY2008; and
- the part year impact of 1 Barge delivered in FY2009.

Partially offsetting the above increases in revenue were the full year impact of the disposal of 4 Barges in FY2008 and the part year impact of the disposal of 1 Barge in FY2009. Additionally, both average DCRs and Utilisation for the Barge fleet declined between FY2008 and FY2009, as discussed below.

##### 1H FY2010 revenue

Pro forma revenue from Barges for 1H FY2010 was US\$4.7 million. This performance was driven by the full period impact of 1 Barge delivered in FY2009.

The result was partially offset by the full period impact of 1 Barge disposed of during FY2009, the part period impact of the disposal of 2 Barges in 1H FY2010, a decline in Utilisation from 63.5% in FY2009 to 39.9% in 1H FY2010 and lower average DCRs for spot market contracts, reducing from US\$2,600 in FY2009 to US\$2,500 in 1H FY2010, as discussed below.

<sup>1</sup> The FY2008 Utilisation rate of 94.2% has been normalised for 10 Crew/Utility Vessels that were detained in Indonesia for an average of four months each. The vessels were detained due to a forged application for the extension of an import permit by a former agent of the Group, resulting in the failure of registration of the vessels. The issue was substantially resolved in 2008.

### Average DCRs

The mid-point of the average minimum and maximum DCR bands (refer Table 8.7) increased by 7.8% from FY2007 to FY2008, primarily driven by the increasing number of longer Barges in the fleet, which command higher DCRs.

Management believes the decline of 5.5% in the mid-point of the average DCRs for the Barge fleet between FY2008 and FY2009 was primarily a result of the global financial crisis negatively impacting the marine civil construction market in the Middle East and from increased competition in South-East Asia due to the delivery of new tonnage into the region, without a corresponding increase in vessel demand due to the difficult market conditions in FY2009. This led to weakness in the regional spot market for Barges and increased off-hire days as the fleet was redeployed.

**Table 8.7: Average minimum and maximum DCRs – Barges**

\$US	FY2007			FY2008			FY2009			1H FY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
Barges	2,400	2,700	2,550	2,500	3,000	2,750	2,400	2,800	2,600	2,500	2,500	2,500

Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid for each vessel and an average of the maximum DCRs paid for each vessel in the category.
- 2 All average minimum and maximum DCRs are rounded to the nearest US\$100.

### Utilisation

Average Utilisation for the Barge fleet decreased from 73.7% in FY2007 to 64.0% in FY2008. This decline was primarily due to the early delivery of 4 Barges, prior to the customer's required commencement date, resulting in a period of downtime for these Barges.

Barge fleet Utilisation remained relatively stable between FY2008 and FY2009, with 64.0% in FY2008 and 63.5% in FY2009 despite the postponement of a number of major marine civil construction projects in the Middle East, increased competition in South-East Asia and political uncertainty in India in the lead-up to elections which caused the delay of a number of specific construction contracts. However, Utilisation during 1H FY2010 declined to 39.9% largely as a result of these factors. The outlook for Barge Utilisation is discussed in Section 9.3.4.3.

### 8.4.3 Shipyard revenue

The Shipyard is currently being used by the Group primarily for the construction of the current Newbuild program and the repair and maintenance of the existing fleet. The Shipyard also undertakes some third party vessel conversions and repairs, although the capacity to undertake this work is limited by the level of internal demand for the Shipyard's services, which is generally given priority over third party work. Upon completion of the current Newbuild program, the Group will have the flexibility and capacity to be able to undertake more third party conversions and repairs.

Pro forma Shipyard revenue increased from US\$4.6 million in FY2007 to US\$10.1 million in FY2008, principally due to a large one-off third party conversion project which was undertaken in FY2008 and generated revenue of US\$7.5 million.

Pro forma Shipyard revenue declined from US\$10.1 million in FY2008 to US\$1.5 million in FY2009, primarily due to the Group's own Newbuild program, which had priority over providing third party conversion and construction contracts.

Pro forma Shipyard revenue for 1H FY2010 was US\$1.0 million, reflecting the continued focus on the Group's own Newbuild program over third party contracts.

### 8.4.4 Pro forma historical operating earnings

#### *FY2008 gross profit*

Between FY2007 and FY2008, pro forma consolidated gross profit increased by 46.7% from US\$37.8 million to US\$55.4 million, driven by:

- the expansion in consolidated charter revenue through the higher DCRs achieved for OSVs, Crew/Utility Vessels and Barges and the changes to the fleet, as noted above; and
- an increase in consolidated gross margin from 52.5% in FY2007 to 59.5% in FY2008, as a result of:
  - a change in vessel mix, with an increased proportion of specialised and new vessels in the fleet, leading to higher average DCRs and higher average margins since these are not fully offset by higher operating costs; and
  - offset by an increase in cost of sales by 10.4% from US\$34.1 million in FY2007 to US\$37.7 million in FY2008, principally due to higher average OSV fleet Utilisation, increasing crew salary and wage costs (driven by a global labour shortage of specialised vessel crew operators), rising fuel bunker costs (attributed to the global increase in oil prices), increasing port costs (associated with the docking of several under-utilised Barges), and an increase in vessel maintenance costs (associated with the increased Utilisation of the OSV and Crew/Utility Vessel fleet).

#### *FY2008 operating earnings*

Between FY2007 and FY2008, pro forma operating earnings before vessel disposal gains increased by 34.5% from US\$33.7 million to US\$45.3 million, with the operating margin before vessel disposals increasing from 46.8% to 48.6%, primarily due to the expansion in gross profit described above.

These gains were offset by an increase in administrative expenses of 44.0% from US\$6.8 million in FY2007 to US\$9.8 million in FY2008, primarily driven by:

- employee wage and salary costs increasing by 41.4% from US\$4.1 million in FY2007 to US\$5.8 million in FY2008, primarily as a result of an increase in administrative staff headcount, which increased by 16 from 62 at 30 June 2007 to 78 as at 30 June 2008, associated with the acquisition of EOT and its subsidiaries; and
- legal and professional fees increasing by US\$0.3 million from US\$0.5 million to US\$0.8 million due to the growth of the business and the increased compliance costs of the organisation, associated with the acquisition of EOT.

Operating earnings were also impacted by foreign exchange losses realised in FY2008 which amounted to US\$1.6 million compared to exchange gains in FY2007 of US\$1.9 million. The majority of the FY2008 expense related to an unfavourable movement in the Thai baht and Singapore dollar against the US dollar and importation of capital equipment denominated in non-US dollar currencies for which there were no natural hedges.

#### ***FY2009 gross profit***

Between FY2008 and FY2009, pro forma consolidated gross profit increased by 5.6% from US\$55.4 million to US\$58.5 million, driven by:

- the expansion in consolidated charter revenue through the higher DCRs achieved for OSVs, Crew/Utility Vessels and Barges and the changes to the fleet, as noted above; and
- a marginal increase in consolidated gross margin from 59.5% in FY2008 to 59.7% in FY2009, as a result of:
  - a change in vessel mix, with an increased proportion of specialised and new vessels in the fleet, leading to higher average DCRs and higher average margins since these are not fully offset by higher operating costs; and
  - an improvement in Shipyard gross profit from US\$0.9 million in FY2008 to US\$1.1 million in FY2009, as a result of an improvement in Shipyard gross margin from 8.6% in FY2008 to 75.7% in FY2009, coupled with a reduction in Shipyard revenues from US\$10.1 million in FY2008 to US\$1.5 million in FY2009. This performance resulted from minimal third party vessel conversion works undertaken in FY2009 due to the Newbuild program underway at the Shipyard.
- the increase in gross profit was offset by an increase in operating expenses of 4.8% from US\$37.7 million in FY2008 to US\$39.5 million in FY2009, despite a decline in OSV and Crew/Utility Vessel fleet Utilisation. This was primarily as a result of the enlargement of the fleet from 85 vessels and Barges (opening balance in FY2008) to 99 vessels and Barges (closing balance in FY2009) driving increased crew headcount and other ship operating expenses, including repairs and maintenance. Operating expenses for FY2009 included a number

of non-recurring and one-off costs associated with the modification of a number of vessels for specific charter contracts and the rectification and maintenance works on several Newbuilds.

#### ***FY2009 operating earnings***

Between FY2008 and FY2009, pro forma operating earnings increased by 8.3% from US\$45.3 million to US\$49.0 million, with the operating margin increasing from 48.6% to 50.0%, respectively, primarily due to the expansion in gross profit described above.

This operating earnings increase was offset by an increase in administrative expenses of 21.6% from US\$9.8 million in FY2008 to US\$11.9 million in FY2009, primarily due to:

- employee wage and salary costs increasing by 39.1% from US\$5.8 million in FY2008 to US\$8.1 million in FY2009, primarily as a result of an increase in staff headcount, which increased by 134 (56 operations and 78 administration) at 30 June 2008, to 142 (70 operations and 72 administration) as at 30 June 2009, salary increments and depreciation of the US dollar against the Singaporean dollar, Indonesian rupiah and Thai baht; and
- legal and professional fees increasing by US\$0.5 million from US\$0.8 million to US\$1.3 million due to increased compliance and consultancy costs, primarily as a result of the increased audit costs in FY2009, being the first full year of trading of the enlarged Group.

#### ***1H FY2010 gross profit***

Pro forma consolidated gross profit for 1H FY2010 was US\$32.1 million, as a result of:

- the changes in average DCR, utilisation and fleet movements for the Barge, OSV and Crew/Utility Vessel fleets, as outlined above;
- a decline in gross margin from 59.7% in FY2009 to 58.5% in 1H FY2010 as a result of:
  - lower utilisation of the OSV and Crew/Utility Vessel fleets, leading to higher bunker costs and a decline in Barge utilisation leading to higher port entry costs.
- this decline was offset by:
  - a change in vessel mix, with an increased proportion of specialised and new vessels in the fleet, leading to higher average daily charter rates and higher average margins since revenues are not fully offset by higher operating costs; and
  - lower average repair and maintenance expenses as a result of the lower average age of the fleet.

#### ***1H FY2010 operating earnings***

Pro forma operating earnings before vessel disposals for 1H FY2010 were US\$25.7 million. This result represents 45.9% of the full year forecast for FY2010. The result was driven by:

- the forecast growth in revenue, outlined above; and
- a deterioration in gross margin, driven by the declines in Vessels and Barge fleets outlined above.

### 8.4.5 Vessel disposals

As noted in Section 5, an ongoing focus of the Group is fleet renewal as a fleet with a lower average age tends to exhibit higher operational reliability and cost efficiency and is therefore more desirable to customers.

Due to these factors, selective disposal of older vessels is seen as an important part of the Group's ongoing fleet renewal program as it removes older vessels from the fleet mix and assists the Group with funding for new vessels.

The Group may also consider the disposal of vessels which have become less relevant to its overall strategy if an opportunity to sell the vessel at an attractive valuation arises.

In FY2007 and FY2008, gains on vessel disposals were US\$8.1 million and US\$8.7 million, respectively. The Group disposed of 7 Barges and 1 OSV in FY2007, and 4 Barges and 4 OSVs in FY2008. Total cash received from these disposals amounted to US\$44.0 million in FY2008 and US\$30.1 million in FY2009. The buoyant market conditions and shortage of vessel and Barge supply in FY2007 and FY2008 allowed the Group to enter into a number of charter contracts where the counterparty agreed to purchase the vessel at the end of the charter contract. This enabled the Group to sell a number of older vessels and to reinvest the proceeds in more powerful OSVs and larger Barges, which attracted higher DCRs.

In FY2009, gains on vessel disposals were US\$2.5 million. During the period, the Group disposed of 1 Barge and 4 Crew/Utility Vessels. Cash received from disposals in FY2009 amounted to US\$6.9 million, reflecting an easing of market demand for used Vessels and Barges during this period as a result of the global financial crisis and oil price volatility.

During 1H FY2010, the Group disposed of 1 OSV and 2 Barges, resulting in a gain of US\$2.5 million. Cash received for these sales amounted to US\$5.7 million. Disposals included a pusher tug/Barge combination that was over 20 years old, resulting in a decline in the average age of both the OSV and Barge fleets.

### 8.4.6 Capital expenditure

Total pro forma capital expenditure was US\$71.7 million in FY2007, US\$92.6 million in FY2008, US\$70.9 million in FY2009 and US\$16.6 million in 1H FY2010.

#### *Growth capital expenditure*

Growth capital expenditure relates to Newbuilds and Barges and significant modifications and upgrade works undertaken on Barges, vessels and plant and machinery.

During FY2007, FY2008 and FY2009, the Group undertook a strategy to significantly modernise and expand the fleet through vessel acquisitions. As a result, US\$69.9 million was incurred on growth capital expenditure during FY2007 and a further US\$90.0 million in FY2008. FY2009 growth capital expenditure was US\$67.3 million, including US\$65.2 million for OSVs, Barge and Crew/Utility Vessel Newbuilds and the balance incurred on the Shipyard, plant and machinery and other projects.

During 1H FY2010, growth capital expenditure amounted to US\$14.7 million. This included US\$10.7 million incurred on OSV Newbuilds and US\$3.1 million incurred on Crew/Utility Vessel Newbuilds, with the balance being incurred for information technology, the Shipyard and other projects.

As at 31 December 2009, an additional 6 OSVs and 1 Crew/Utility Vessel remained under construction. The work in progress associated with this construction was US\$47.2 million.

#### *Maintenance capital expenditure*

Maintenance capital expenditure relates to minor fixtures and fittings, renovations, office equipment and furniture, motor vehicles and vessel dry-docking costs.

In FY2007, maintenance capital expenditure was US\$1.8 million and this increased to US\$2.6 million in FY2008.

Maintenance capital expenditure increased from US\$2.6 million in FY2008 to US\$3.6 million in FY2009, primarily as a result of the enlarged fleet and the timing of periodic intermediate and special survey dry-dockings for Vessels and Barges.

During 1H FY2010, US\$1.9 million was incurred on maintenance capital expenditure. This expenditure primarily related to OSV and Crew/Utility Vessels, with only US\$0.1 million incurred on the Barge fleet.

### 8.4.7 Depreciation and amortisation

Pro forma depreciation and amortisation increased from US\$6.2 million in FY2007 to US\$8.2 million in FY2008 due to the full year impact of depreciation on 2 OSVs, 2 Crew/Utility Vessels and 18 Barges delivered in FY2007 and the part year impact of additional depreciation on 2 OSVs, 2 Crew/Utility Vessels and 6 Barges delivered in FY2008. This increase in expense was offset by the full year impact of 1 OSV and 7 Barges disposed of in FY2007 and the part year impact of 4 OSVs, 1 Crew/Utility Vessel and 4 Barges disposed of during FY2008.

Between FY2008 and FY2009, pro forma depreciation and amortisation increased from US\$8.2 million to US\$10.2 million due to the full year impact of depreciation on 2 OSVs, 6 Barges and 2 Crew/Utility Vessels delivered in FY2008 and the part year impact of additional depreciation from 7 OSVs, 1 Barge and 10 Crew/Utility Vessels delivered in FY2009. This increase in expense was offset by the full year impact of the 4 OSVs, 1 Crew/Utility Vessel and 4 Barges disposed of during FY2008 and the part year impact of the 4 Crew/Utility Vessels and 1 Barge disposed of during FY2009.

Pro forma depreciation in 1H FY2010 was US\$6.4 million. This was driven by the full period impact of depreciation of the 7 OSVs, 1 Barge and 10 Crew/Utility Vessels delivered in FY2009 and the part period impact of the additional depreciation from 5 OSVs and 3 Crew/Utility Vessels delivered in 1H FY2010. This increase in expense was partially offset by the full period impact of the 4 Crew/Utility Vessels and 1 Barge disposed of during FY2009 and the part period impact of 1 OSV and 2 Barges disposed of during 1H FY2010.

## 8.5 Pro forma consolidated balance sheet

### 8.5.1 Basis of preparation

Table 8.8 sets out the pro forma consolidated balance sheet of Miclyn Express Offshore Group as at 31 December 2009 (refer to Section 8.2.2 for a description of the derivation of this financial information). As discussed in Section 8.2.1, the pro forma consolidated balance sheet of Miclyn Express Offshore Group has been prepared in accordance with IFRS, except in respect of the pro forma adjustments.

The major assumptions applied in the preparation of the pro forma consolidated balance sheet are described in Section 8.5.2.

The pro forma consolidated balance sheet as at 31 December 2009 should be read in conjunction with the financial information and notes to the financial information set out in the Appendix, which includes a reconciliation from the MEO Finance statutory balance sheet at 31 December 2009 to the pro forma consolidated balance sheet.

**Table 8.8: Pro forma consolidated balance sheet as at 31 December 2009**

	PRO FORMA 31 DEC 2009 (US\$ MILLION)	PRO FORMA 31 DEC 2009 (A\$ MILLION) <sup>1</sup>
<b>Current assets</b>		
Cash and cash equivalents	10.9	12.2
Trade receivables	24.4	27.3
Other receivables and prepayments	6.9	7.7
Inventories	4.1	4.6
<b>Total current assets</b>	<b>46.3</b>	<b>51.8</b>
<b>Non-current assets</b>		
Property, plant and equipment	296.1	331.6
Other assets	0.1	0.1
Goodwill	46.1	51.7
<b>Total non-current assets</b>	<b>342.3</b>	<b>383.4</b>
<b>Total assets</b>	<b>388.6</b>	<b>435.2</b>
<b>Current liabilities</b>		
Trade and other payables	20.5	23.0
Current tax payable	5.2	5.9
Loan and borrowings	5.2	5.8
Other liabilities	1.4	1.5
<b>Total current liabilities</b>	<b>32.3</b>	<b>36.2</b>
<b>Non-current liabilities</b>		
Loan and borrowings	132.5	148.3
Other non-current liabilities	2.3	2.6
<b>Total non-current liabilities</b>	<b>134.8</b>	<b>150.9</b>
<b>Total liabilities</b>	<b>167.1</b>	<b>187.1</b>
<b>Net assets/(liabilities)</b>	<b>221.5</b>	<b>248.1</b>
<b>Equity</b>		
Share capital	173.4	194.2
Other equity reserves	(45.0)	(50.4)
Translation reserve	(0.1)	(0.1)
Retained earnings	92.5	103.6
Minority interests	0.7	0.8
<b>Total equity</b>	<b>221.5</b>	<b>248.1</b>

Notes:

- 1 US dollar pro forma Historical Financial Information has been translated into Australian dollars at the spot exchange rate as at 31 December 2009, being US\$0.893:A\$1.00.
- 2 The proportional consolidation of Samson Maritime included in the pro forma consolidated balance sheet as at 31 December 2009 is based on a preliminary assessment of the purchase price allocation for the purposes of the Prospectus. Following the completion of the transaction the purchase price accounting will be revisited in full. To the extent that there is any change in the purchase price allocation, including for the fair value of vessels or recognition of identifiable intangible assets at the time of acquisition, this may result in a change to the goodwill recorded. In addition, an analysis will be performed on the pre-existing relationship from bareboat charter arrangements with Miclyn Express Offshore, which may result in a fair value gain/loss being recognised in profit and loss.

### 8.5.2 Assumptions<sup>1</sup>

The pro forma consolidated balance sheet has been extracted from the reviewed financial statements of MEO Finance for 1H FY2010 and adjusted to reflect the impact of the Offer, including the associated restructure and refinancing, and the investment in Samson Maritime as if they had occurred as at 31 December 2009. The adjustments made reflect the following assumptions:

- the total value of Shares issued on completion of the IPO is US\$502.6 million (A\$562.9 million) (based on the mid-point of the Indicative Price Range, using the historical foreign exchange rate as at 31 December 2009 of US\$0.893:A\$1.00);
- the Company acquires MEO Finance on Settlement for an estimated purchase price of US\$329.5 million;
- the Company acquires a 50.0% interest in Samson Maritime following Settlement for a total cash cost of US\$15.6 million (A\$17.5 million) and a deferred issue of Shares to the Samson Vendors worth US\$5.0 million (A\$5.5 million);
- existing financing facilities borrowings of US\$263.8 million are repaid along with any interest accrued at Settlement and outstanding interest rate swaps are settled. As at 31 December 2009 these interest rate swaps had a value of US\$7.0 million;
- capitalised borrowing costs of US\$4.6 million are written-off as part of the repayment of existing financing facilities;
- new bank facilities of US\$120.0 million are drawn;
- as part of the re-organisation of the capital structure of Miclyn Express Offshore prior to the IPO, a dividend will be paid to the holders of Existing Shares. This dividend will be sized such that after Settlement the total consolidated cash balance of the Group excluding any contribution from Samson Maritime will be approximately US\$10.0 million. For the purposes of preparing the pro forma balance sheet, a dividend of US\$5.8 million has been assumed;
- outstanding receivables of US\$1.4 million and payables balances of US\$8.7 million between MEO Finance Group and MEO Holdings are settled;
- an amount of US\$3.3 million has been agreed to be paid by MEO Finance to Ray Rider in relation to the prior restructure and business combination in which MEO Finance acquired the Acquired Businesses in FY2008; and
- the Company will bear a total of US\$6.7 million in Offer Costs out of a total pool of US\$17.0 million in relation to the issue of new Shares. The equity raised from the issue of new Shares will be used to repay existing facilities, settle the consideration for the acquisition of the 50.0% interest in Samson Maritime and pay Offer Costs. The remaining Offer Costs will be borne directly by the Existing Shareholders, Diederik de Boer and Darren Ang, as a cost related to the Company purchasing their Existing Shares and other costs associated with the Listing. The costs borne by the Company are capitalised against contributed equity.

## 8.6 Liquidity

### 8.6.1 General

The principal sources of funds are cash flows from operations and borrowings under bank credit facilities. Miclyn Express Offshore expects that it will finance its ongoing operations with a combination of operating cash flows and bank credit facilities.

Simultaneously with the Offer, the Company is refinancing its existing debt facilities package such that at or around Settlement it will have net debt (including the Company's share of joint venture debt) of US\$126.8 million. The Directors expect that the Company will have sufficient working capital from its operations and these new debt facilities to meet its operational requirements and business needs during the Forecast Period.

### 8.6.2 Finance facilities

The Group's main external debt facilities are a US\$120 million term facility and a US\$30 million revolving facility provided by Oversea-Chinese Banking Corporation, Standard Chartered Bank and WestLB AG ('Banks'). Refer to Section 13.5.7 for further information including details of security arrangements.

**Table 8.9: Summary of debt facilities**

FACILITY	LIMIT	TYPE OF FUNDING	MATURITY DATE	REPAYMENT AND INTEREST
<b>Term facility</b>	US\$120 million	Loans	5 years from financial close	Semi-annual (amortisation profile with repayments increasing over the term of the facility), first repayment of 5.5% due on 31 March 2011 and a 37.5% final repayment on the maturity date Variable interest payable at the end of each interest period
<b>Revolving facility</b>	US\$30 million	Loans, bank guarantees, performance bonds, bid bonds and letters of credit	5 years from financial close	Bullet repayment on the maturity date Variable interest payable at the end of each interest period

<sup>1</sup> Certain of the assumptions used in the preparation of the pro forma consolidated balance sheet differ from those used in the key offer statistics and elsewhere in the Prospectus for the reasons referred to in Table 3.1.

In addition:

- the Uniwise Joint Venture has separate external debt financing to fund its business. Uniwise has term debt facilities provided by Kasikornbank and HSBC, with a total outstanding debt of US\$23.4 million as at 31 December 2009:
  - the Group's proportional share of the outstanding facilities as at 31 December 2009 was US\$11.7 million; and
  - these facilities are amortising over the facility tenors, and will mature between July 2013 and February 2015;
- the Group intends to fund its joint venture in Indonesia with BLT through similar joint venture funding arrangements; and
- following completion of the Offer and acquisition of Samson Maritime, Samson Maritime will repay A\$7.1 million of its existing debt facilities with the Commonwealth Bank of Australia. It is Samson Maritime's intention to roll over and extend the tenor of the remaining debt facilities provided by the Commonwealth Bank of Australia;
  - the Group's pro rata share of the outstanding facilities will be A\$6.7 million.

### 8.6.3 Working capital

Miclyn Express Offshore's working capital levels primarily reflect the number of vessels and Barges chartered and the level of capital expenditure relating to the Shipyard. Working capital has not historically exhibited material seasonal effects due to the stable revenue and expense profile arising from year round operations and the Long Term Contracts on which the majority of the fleet operates.

Miclyn Express Offshore Group has historically funded working capital through cash flows from operations and working capital facilities. The Group actively manages working capital and aims to reduce working capital over time. Inventory levels primarily relate to spare parts located at the Shipyard. Inventory levels are primarily aligned to the number of vessels in the fleet and in particular Crew/Utility Vessels for which the Group maintains a pool of spare engines.

### 8.6.4 Capital commitments

The Group has US\$13.5 million capital commitments contracted for as at 31 December 2009 of which US\$13.1 million relates to the construction of six OSVs and one Crew/Utility Vessel. This represents 21% of the capital expenditure outstanding on the vessels under construction. Further information on these commitments can be found in Note D.21 of the Appendix.

### 8.6.5 Off balance sheet financing arrangements

The Group has a small number of operating leases relating to rentals payable by the Group for its office premises and equipment. The rentals are fixed for three and five years, respectively, with a total commitment over the next five years of US\$0.7 million.

Other than items noted above and in Note D.21 of the Appendix, the Group does not believe that it has entered into any off balance sheet transaction, arrangement or other relationship that is reasonably likely to materially affect its financial condition, revenues or expenses, results of operations, liquidity, capital expenditure, the availability of capital resources or requirements for capital resources.

### 8.6.6 Foreign exchange risk

The Group is exposed to market risks associated with foreign currency exchange rates, particularly with respect to exchange rates between the US dollar, the UAE dirham, the Saudi riyal, the Australian dollar and the Singapore dollar. In this regard approximately 86% of Miclyn Express Offshore Group's FY2009 pro forma revenue was denominated in US dollars, and the remainder being denominated in UAE dirham (8%), Saudi riyal (4%) and Singapore dollars (2%). Only 1% of pro forma revenue for FY2009 was denominated in Australian dollars; however, for the Forecast Period this is expected to be higher due to the investment that Miclyn Express Offshore will make in Samson Maritime during 2H FY2010.

Exchange differences may also arise from the translation of profits arising from operations recorded in currencies other than the US dollar.

Miclyn Express Offshore will assess foreign exchange hedging on an ongoing basis, taking into account levels of translation exposure, the outlook for foreign exchange rate movements and the cost of hedging.

### 8.6.7 Interest rate risk

The Group is exposed to interest rate risks arising on borrowing at variable rates. Accordingly, Miclyn Express Offshore will assess interest rate hedging on an ongoing basis, taking into account levels of debt and interest coverage ratios, the outlook for interest rates and the cost of hedging.

Following Settlement and the termination of the existing interest rate hedge, the Company will not have any hedging instruments in place, but as noted above, will continue to assess on an ongoing basis.

## 8.7 Critical accounting policies

Miclyn Express Offshore Group's critical accounting policies are those it believes are most important to the presentation of its financial position and performance. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles with no need for the application of judgement. However, in certain circumstances, the preparation of consolidated financial statements in conformity with IFRS requires the Group to use judgement to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Group believes the policies described below represent its critical accounting policies.

### 8.7.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of activities, net of goods and services tax, rebates and discounts, where applicable, and after eliminating sales within the Group.

Charter hire income is recognised in the period of hire of vessels, on a time proportion basis over the term of the contract.

Revenue from ship repair services and conversion projects is recognised over the period in which the services are rendered on a percentage-of-completion basis.

Mobilisation and demobilisation income is recognised upon delivery of services based on the amount invoiced.

### 8.7.2 Property, plant and equipment

All property, plant and equipment is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The Directors assess on an annual basis whether there are any indicators of impairment on the vessels in accordance with the accounting policy on impairment of assets.

Cost includes expenditure that is directly attributable to the acquisition of the asset, plus conversion costs if applicable. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation is charged so as to write off the cost of property, plant and equipment over its estimated useful life after allowing for estimated residual values, using the straight-line method. The estimated useful lives of assets are summarised as follows:

- leasehold land – over the remaining lease period and expected extension totalling 38 years;
- building – 20 years;
- marine vessels – 20 to 25 years from delivery (OSVs 25 years, Crew/Utility Vessels 25 years and Barges 20 years);
- motor vehicles – 10 years;
- plant and machinery – 5 years;
- furniture and fittings – 3 years;
- office equipment – 3 to 5 years.

No depreciation is provided on vessels in construction.

The estimated useful lives, residual values and depreciation method are reviewed each year-end, with the effect of any changes in estimates accounted for on a prospective basis. The residual value of the vessels is defined as the estimated amount that the Group would currently obtain from disposal of the vessels, after deducting the estimated costs of disposal, as if the vessels were already of the age and in the condition expected at the end of their useful lives.

Estimates in respect of the useful life and residual value of certain items of plant and equipment were revised effective 1 July 2007 for annual reporting purposes. The pro forma Historical Financial Information assumes that the revised estimated useful lives and residual values were applicable from 1 July 2006.

Vessels are subject to major overhauls at regular intervals. The associated dry-docking costs are capitalised when incurred and are amortised over a period of 2.5 or five years, representing the various survey cycles.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the pro forma historical consolidated statement of revenue, EBITDA and EBIT.

# Directors' Forecast

# 9



## 9.1 Basis of preparation and presentation

The Forecast Financial Information has been prepared on the basis of the best estimates of the Directors and includes the pro forma forecast consolidated income statement and pro forma forecast statement of cash flows for FY2010 and CY2010 ('Directors' Pro Forma Forecast') and the statutory forecast consolidated income statement for FY2010 and CY2010 ('Directors' Statutory Forecast') (collectively referred to as the 'Directors' Forecast'). The Directors' Pro Forma Forecast differs materially from the Directors' Statutory Forecast for these periods, as detailed in Section 9.2.

The accounting policies disclosed in Note D of the Appendix have been consistently applied in the preparation of the Directors' Forecast. For comparative purposes, certain pro forma Historical Financial Information is disclosed in this section. The pro forma Historical Financial Information has also been disclosed in Section 8 and the Appendix and includes the pro forma historical consolidated statement of revenue, EBITDA and EBIT for FY2007, FY2008, FY2009 and 1H FY2010. The basis of preparation and presentation of the Directors' Forecast in this section is consistent with the basis of preparation and presentation for the historical periods described in Section 8.2.

The Directors' Forecast is based upon a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, the Directors and Management, and upon assumptions with respect to future business decisions, which are subject to change.

The Directors' Forecast includes the impact of Miclyn Express Offshore's 50.0% investment in Samson Maritime following completion of the IPO. Miclyn Express Offshore's Samson Maritime interest is included on a proportional consolidation basis (50.0%), consistent with Miclyn Express Offshore's accounting policy for jointly controlled entities. The pro forma forecast consolidated income statement and pro forma forecast statement of cash flows for FY2010 and CY2010 have been prepared on the basis that the transaction was completed on 1 January 2010, whereas the statutory forecast consolidated income statement and statutory forecast statement of cash flows for FY2010 and CY2010 have been prepared on the basis that the transaction will be completed on 1 April 2010.

The inclusion of the Directors' Forecast in this Prospectus should not be regarded as a representation or warranty with respect to its accuracy or the accuracy of the underlying best estimate assumptions or that Miclyn Express Offshore will achieve, or is likely to achieve, any particular results. The Directors' Forecast also assumes the success of Miclyn Express Offshore's business strategies. The success of these strategies is subject to uncertainties and contingencies beyond the control of the Group, the Directors and Management, and no assurance can be given that the strategies will be effective or that the anticipated benefits from the strategies will be realised in the periods for which the Directors' Forecast has been prepared or otherwise.

Events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the Directors' Forecast. These differences may be material.

The Directors' Forecast is based on best estimate assumptions as to Newbuild deliveries, revenue, DCRs, Utilisation, capital expenditure, costs and exchange rates, among other things, for FY2010 and CY2010. As shown in the sensitivity analysis in Section 9.6, relatively small changes in key variables can have an impact on operating results. Accordingly, the Directors cannot and do not guarantee the achievement of the Directors' Forecast.

The Directors believe that due care and attention has been used in the preparation of the Directors' Forecast, and consider the assumptions to be reasonable when viewed as a whole. The Forecast Financial Information is not fact and prospective investors are cautioned not to place undue reliance on the Directors' Forecast.

There is no intention to publish revisions to the Directors' Forecast in the future.

## 9.2 Pro forma historical and pro forma forecast consolidated income statement

The tables below set out certain pro forma Historical Financial Information and the Directors' Pro Forma Forecast consolidated income statement and the Directors' statutory forecast consolidated income statement. The information in the tables should be read together with the key best estimate assumptions underlying the Directors' Pro Forma Forecast described in Section 9.4, the sensitivity analysis set out in Section 9.6, the risk factors set out in Section 6 and other information contained in this Prospectus.

The Directors' Pro Forma Forecast differs from the Directors' Statutory Forecast due to:

- the inclusion in the Directors' Pro Forma Forecast of the full year effect of certain expenses which will commence post Listing;
- the exclusion from the Directors' Pro Forma Forecast of certain non-recurring items that are expected to be incurred in FY2010 and CY2010 but are not representative of the ongoing costs of Miclyn Express Offshore;
- the inclusion in the Directors' Pro Forma Forecast of the full year impact of acquiring a 50.0% interest in Samson Maritime, assuming the acquisition occurred on 1 January 2010; and
- the different debt profile of the business following the refinancing that will occur at Settlement.

These items are detailed in the reconciliation of the Directors' Pro Forma Forecast to the Directors' Statutory Forecast in Section 9.5. The Directors' Statutory Forecast reflects the actual expected timing of the above items of expense.

Table 9.1: Pro forma historical and pro forma forecast consolidated income statement

PRO FORMA	US\$ MILLION				A\$ MILLION			
	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
<b>Revenue from operating activities</b>	<b>98.0</b>	<b>124.7</b>	<b>78.1</b>	<b>148.0</b>	<b>133.3</b>	<b>143.5</b>	<b>89.7</b>	<b>170.0</b>
Cost of sales	(39.5)	(51.1)	(28.9)	(57.2)	(53.7)	(58.8)	(33.2)	(65.7)
<b>Gross profit</b>	<b>58.5</b>	<b>73.6</b>	<b>49.2</b>	<b>90.8</b>	<b>79.6</b>	<b>84.7</b>	<b>56.5</b>	<b>104.3</b>
Gross margin	59.7%	59.0%	63.0%	61.3%	59.7%	59.0%	63.0%	61.3%
Other operating income	1.5	0.9	0.3	0.5	2.0	0.9	0.3	0.6
Administrative expenses	(11.9)	(15.7)	(9.3)	(18.0)	(16.2)	(18.0)	(10.6)	(20.7)
Foreign exchange gains/losses	0.9	(0.0)	–	–	1.3	(0.0)	–	–
<b>Operating earnings</b>	<b>49.0</b>	<b>58.8</b>	<b>40.2</b>	<b>73.3</b>	<b>66.7</b>	<b>67.6</b>	<b>46.2</b>	<b>84.2</b>
Vessel disposal gains/(losses)	2.5	2.7	3.4	3.6	3.3	3.2	3.9	4.1
<b>EBITDA</b>	<b>51.5</b>	<b>61.5</b>	<b>43.6</b>	<b>76.9</b>	<b>70.0</b>	<b>70.8</b>	<b>50.1</b>	<b>88.3</b>
Depreciation and amortisation	(10.2)	(13.7)	(8.2)	(15.5)	(13.8)	(15.9)	(9.4)	(17.8)
<b>EBIT</b>	<b>41.3</b>	<b>47.8</b>	<b>35.4</b>	<b>61.4</b>	<b>56.2</b>	<b>54.9</b>	<b>40.7</b>	<b>70.5</b>
Net finance costs			(2.6)	(5.0)			(3.0)	(5.7)
<b>PBT</b>			<b>32.8</b>	<b>56.4</b>			<b>37.7</b>	<b>64.8</b>
Income tax expense			(1.7)	(3.3)			(2.0)	(3.8)
<b>NPAT</b>			<b>31.1</b>	<b>53.1</b>			<b>35.7</b>	<b>61.0</b>
Profit attributable to minority interest			(0.1)	(0.1)			(0.1)	(0.2)
Profit attributable to members of the Company			31.0	53.0			35.6	60.8

## Notes:

- 1 US dollar pro forma Historical Financial Information for FY2009 has been translated into Australian dollar at the average exchange rate for the financial year, being US\$0.735:A\$1.00.
- 2 US dollar pro forma Historical Financial Information for 1H FY2010 has been translated into Australian dollar at the average exchange for the half year, being US\$0.868:A\$1.00 and US dollar pro forma Forecast Financial Information for 2H FY2010 has been translated into Australian dollar at US\$0.871:A\$1.00, being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 3 US dollar pro forma Forecast Financial Information for CY2010 and 1H FY2011 has been translated into Australian dollar at US\$0.871:A\$1.00, being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 4 Prior to the Company's intended acquisition of MEO Finance, the Miclyn Express Offshore business operated under a different corporate structure, with different gearing, tax and treasury profiles from those proposed for the Group after completion of the Offer. As a consequence, the Directors believe that the historical net finance costs and associated income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been had the Group operated under the new structure which will be in place after Settlement. Accordingly, net finance costs and income tax expense have not been presented for the FY2010 forecast as it includes the actual results of MEO Finance for 1H FY2010.
- 5 In presenting pro forma EBITDA and pro forma EBIT, interest is defined as net finance costs, as described in Note D.14 of the Appendix.
- 6 Depreciation and amortisation charges represent the depreciation and amortisation of the Group's fixed assets (which includes dry docking expenditure), as described in Sections 9.4.2.5 and 9.4.2.6.
- 7 For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of all depreciation and amortisation. In its statutory financial report for FY2010, Miclyn Express Offshore intends to present cost of sales inclusive of depreciation and amortisation applicable to both the Vessel Chartering and Shipyard businesses.
- 8 As noted in Section 8, the pro forma Historical Financial Information has been presented to the EBIT level only, as the businesses historically operated under a different corporate structure with different gearing and tax profiles.

Table 9.2: Statutory historical and statutory forecast consolidated income statement

STATUTORY	US\$ MILLION				A\$ MILLION			
	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
<b>Revenue from operating activities</b>	<b>98.0</b>	<b>120.7</b>	<b>78.1</b>	<b>144.0</b>	<b>133.3</b>	<b>139.0</b>	<b>89.7</b>	<b>165.5</b>
Cost of sales	(39.5)	(48.9)	(28.9)	(55.0)	(53.7)	(56.3)	(33.2)	(63.2)
<b>Gross profit</b>	<b>58.5</b>	<b>71.8</b>	<b>49.2</b>	<b>89.0</b>	<b>79.6</b>	<b>82.7</b>	<b>56.5</b>	<b>102.3</b>
Gross margin	59.7%	59.5%	63.0%	61.8%	59.7%	59.5%	63.0%	61.8%
Other operating income	1.5	0.9	0.3	0.5	2.0	1.0	0.3	0.6
Administrative expenses	(14.2)	(16.8)	(9.3)	(18.2)	(19.3)	(19.2)	(10.6)	(21.0)
Foreign exchange gains/(losses)	0.9	(0.0)	–	–	1.3	(0.0)	–	–
<b>Operating earnings</b>	<b>46.7</b>	<b>55.9</b>	<b>40.2</b>	<b>71.3</b>	<b>63.6</b>	<b>64.5</b>	<b>46.2</b>	<b>81.9</b>
Vessel disposal gains/(losses)	2.5	2.7	3.4	3.6	3.3	3.2	3.9	4.1
<b>EBITDA</b>	<b>49.2</b>	<b>58.6</b>	<b>43.6</b>	<b>74.9</b>	<b>66.9</b>	<b>67.7</b>	<b>50.1</b>	<b>86.0</b>
Depreciation and amortisation	(10.0)	(13.8)	(8.2)	(15.4)	(13.6)	(16.0)	(9.4)	(17.7)
<b>EBIT</b>	<b>39.2</b>	<b>44.8</b>	<b>35.4</b>	<b>59.5</b>	<b>53.3</b>	<b>51.7</b>	<b>40.7</b>	<b>68.3</b>
Net finance costs			(2.6)	(10.7)			(3.0)	(12.2)
<b>PBT</b>			<b>32.8</b>	<b>48.8</b>			<b>37.7</b>	<b>56.1</b>
Income tax expense			(1.7)	(2.9)			(1.9)	(3.3)
<b>NPAT</b>			<b>31.1</b>	<b>45.9</b>			<b>35.8</b>	<b>52.8</b>
Profit attributable to minority interest			(0.0)	(0.1)			(0.1)	(0.1)
Profit attributable to members of the Company			31.1	45.8			35.7	52.7

## Notes:

- 1 US dollar statutory Historical Financial Information for FY2009 has been translated into Australian dollar at the average exchange rate for the financial year, being US\$0.735:A\$1.00.
- 2 US dollar statutory Historical Financial Information for 1H FY2010 has been translated into Australian dollar at the average exchange for the half being US\$0.868:A\$1.00 and US dollar statutory forecast financial information for 2H FY2010 (which is included in forecast FY2010 and forecast CY2010) has been translated into Australian dollar at US\$0.871:A\$1.00 being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 3 US dollar statutory Forecast Financial Information for CY2010 and 1H FY2011 has been translated into Australian dollar at US\$0.871:A\$1.00 being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 4 Prior to the Company's intended acquisition of MEO Finance, the Miclyn Express Offshore business operated under a different corporate structure, with different gearing, tax and treasury profiles from those proposed for the Group after completion of the Offer. As a consequence, the Directors believe that the historical net finance costs and associated income tax expense incurred by these businesses are not representative of what the net finance costs and income tax expense would have been had the Group operated under the new structure which will be in place after Settlement. Accordingly, net finance costs and income tax expense have not been presented for the FY2010 forecast as it includes the actual results of MEO Finance for 1H FY2010.
- 5 In presenting statutory EBITDA and statutory EBIT, interest is defined as net finance costs, as described in Note D.14 of the Appendix.
- 6 Depreciation and amortisation charges represent the depreciation and amortisation of the Group's fixed assets (which includes dry docking expenditure), as described in Sections 9.4.2.5 and 9.4.2.6.
- 7 For the purposes of presentation of financial information in this Prospectus and the Appendix, cost of sales has been presented exclusive of all depreciation and amortisation. In its statutory financial report for FY2010, Miclyn Express Offshore intends to present cost of sales inclusive of depreciation and amortisation applicable to both the Vessel Chartering and Shipyard businesses.
- 8 The statutory Historical Financial Information has been presented to the EBIT level only, as the businesses historically operated under a different corporate structure with different gearing and tax profiles.

Table 9.3: Pro forma historical and pro forma forecast statement of cash flows

PRO FORMA	US\$ MILLION				A\$ MILLION			
	FY2009	FORECAST FY2010	FORECAST 1H FY2011	CY2010	FY2009	FORECAST FY2010	FORECAST 1H FY2011	CY2010
<b>EBIT</b>	<b>41.3</b>	<b>47.8</b>	<b>35.4</b>	<b>61.4</b>	<b>56.2</b>	<b>54.9</b>	<b>40.7</b>	<b>70.5</b>
Depreciation and amortisation	10.2	13.7	8.2	15.5	13.8	15.9	9.4	17.8
<b>EBITDA</b>	<b>51.5</b>	<b>61.5</b>	<b>43.6</b>	<b>76.9</b>	<b>70.0</b>	<b>70.8</b>	<b>50.1</b>	<b>88.3</b>
Vessel disposal gains/(losses)	(2.5)	(2.7)	(3.4)	(3.6)	(3.3)	(3.2)	(3.9)	(4.1)
Non-cash and other items	(0.6)	(0.8)	(0.4)	(0.9)	(0.9)	(0.9)	(0.5)	(1.0)
Working capital movement	(3.4)	(12.6)	(1.4)	(8.9)	(4.6)	(14.5)	(1.6)	(10.3)
<b>Cash flows available from operations</b>	<b>45.0</b>	<b>45.4</b>	<b>38.4</b>	<b>63.5</b>	<b>61.2</b>	<b>52.2</b>	<b>44.1</b>	<b>72.9</b>
Proceeds from sale of property, plant and equipment (including vessels)	6.9	7.3	6.8	8.3	9.4	8.4	7.8	9.6
Capital expenditure – growth	(67.3)	(34.0)	(19.1)	(38.4)	(91.5)	(39.1)	(21.9)	(44.1)
Capital expenditure – maintenance	(3.6)	(5.8)	(4.3)	(8.1)	(4.9)	(6.7)	(4.9)	(9.3)
<b>Cash flows before financing and tax</b>	<b>(19.0)</b>	<b>12.9</b>	<b>21.8</b>	<b>25.3</b>	<b>(25.8)</b>	<b>14.8</b>	<b>25.1</b>	<b>29.1</b>
Financing			(2.6)	(5.0)			(3.0)	(5.7)
Debt repayment			(1.0)	(1.5)			(1.2)	(1.7)
Debt drawdown			5.0	5.0			5.7	5.7
Tax			(1.7)	(3.3)			(2.0)	(3.8)
<b>Cash flows after financing and tax</b>			<b>21.5</b>	<b>20.5</b>			<b>24.6</b>	<b>23.6</b>

## Notes:

- 1 US dollar pro forma Historical Financial Information for FY2009 has been translated into Australian dollar at the average exchange rate for the financial year, being US\$0.735:A\$1.00.
- 2 US dollar pro forma Historical Financial Information for 1H FY2010 has been translated into Australian dollar at the average exchange for the half year being US\$0.868:A\$1.00 and US dollar pro forma Forecast Financial Information for 2H FY2010 (which is included in forecast FY2010 and forecast CY2010) has been translated into Australian dollar at US\$0.871:A\$1.00, being the six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 3 US dollar pro forma Forecast Financial Information for CY2010 and 1H FY2011 has been translated into Australian dollar at US\$0.871:A\$1.00, being the forecast six month forward rate at the time of the initial preparation of the Directors' Forecast.
- 4 In arriving at pro forma EBITDA and pro forma EBIT, interest is defined as net finance costs, as set out in accounting policy Note D.14 of the Appendix.
- 5 Non-cash and other items include the recognition over the contract period of upfront contract payments and movement in other immaterial balance sheet items.
- 6 Working capital movements are defined as the change in trade receivables, trade payables and inventories.
- 7 As noted in Section 8, the pro forma Historical Financial Information has been presented before interest and tax, as the businesses historically operated under a different corporate structure with different gearing and tax and profiles.

**Table 9.4: Key pro forma historical and forecast financial indicators by business segment – OSVs**

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
Revenue from operating activities	40.3	67.2	44.1	83.0
Cost of sales	(16.9)	(25.4)	(15.3)	(29.5)
Gross profit	23.4	41.8	28.8	53.5
Gross profit margin	58.2%	62.2%	65.5%	64.4%
Utilisation	77.5%	74.8%	86.0%	84.3%

Note: Refer to notes to Table 9.1 for details of exchange rate applied and a description of the presentation of cost of sales and gross profit.

**Table 9.5: Key pro forma historical and forecast financial indicators by business segment – Crew/Utility Vessels**

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
Revenue from operating activities	41.6	44.5	23.8	47.4
Cost of sales	(20.3)	(21.3)	(10.5)	(21.4)
Gross profit	21.3	23.2	13.3	26.0
Gross profit margin	51.1%	52.2%	56.0%	54.9%
Utilisation	84.8%	85.4%	93.3%	91.4%

Note: Refer to notes to Table 9.1 for details of exchange rate applied and a description of the presentation of cost of sales and gross profit.

**Table 9.6: Key pro forma consolidated historical and forecast financial indicators by business segment – Barges**

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
Revenue from operating activities	14.6	8.3	6.7	10.3
Cost of sales	(1.9)	(1.5)	(0.8)	(1.6)
Gross profit	12.7	6.8	5.9	8.7
Gross profit margin	86.8%	81.9%	87.8%	84.2%
Utilisation	63.5%	41.0%	73.5%	58.0%

Note: Refer to notes to Table 9.1 for details of exchange rate applied and a description of the presentation of cost of sales and gross profit.

**Table 9.7: Key pro forma historical and forecast financial indicators by business segment – Coastal Survey Vessels**

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
Revenue from operating activities	n/a	2.7	2.5	5.3
Cost of sales	n/a	(1.6)	(1.6)	(3.3)
Gross profit	n/a	1.1	0.9	2.0
Gross profit margin	n/a	41.1%	35.6%	38.4%
Utilisation	n/a	n/a	81.0%	84.7%

Note: Refer to notes to Table 9.1 for details of exchange rate applied and a description of the presentation of cost of sales and gross profit.

**Table 9.8: Key pro forma historical and forecast financial indicators by business segment – Shipyard**

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
Revenue from operating activities	1.5	2.0	1.0	2.0
Cost of sales	(0.4)	(1.3)	(0.7)	(1.4)
Gross profit	1.1	0.7	0.3	0.6
Gross profit margin	75.7%	33.5%	28.3%	29.9%

Note: Refer to notes to Table 9.1 for details of exchange rate applied and a description of the presentation of cost of sales and gross profit.

**Table 9.9: Contract cover as at 31 December 2009<sup>1</sup>**

% OF CONTRACTED OR HIGHLY PROBABLE CHARTER REVENUE	FORECAST 2H FY2010 (%)	FORECAST 1H FY2011 (%)	FORECAST CY2010 (%)
OSVs	86.4	62.0	73.5
Crew/Utility Vessels	89.9	87.8	88.8
Barges <sup>2</sup>	23.4	6.0	12.0
Coastal Survey Vessels	76.6	39.4	58.7
<b>Overall fleet</b>	<b>83.9</b>	<b>64.4</b>	<b>73.5</b>

Notes:

- Contract cover is calculated as a percentage of forecast charter revenue and does not include auxiliary revenue items, such as revenue accrued from food and accommodation.
- Barges typically operate in the spot market and therefore do not generally have a high level of contract cover.

**Table 9.10: Vessel additions and disposals<sup>1</sup>**

NUMBER OF VESSELS	FY2009	FORECAST FY2010	FORECAST 1H FY2011
Opening fleet size	86	99	115
Delivery	18	20 <sup>2</sup>	2
Disposal	(5)	(4)	(5)
<b>Closing fleet size</b>	<b>99</b>	<b>115</b>	<b>112</b>

Notes:

- Includes jointly controlled vessels and vessels that are chartered-in on a long term bareboat charter basis (i.e. not owned by Miclyn Express Offshore).
- Includes vessels to be added to the fleet as a result of the Australian joint venture with Samson Maritime (3 OSVs, 2 Crew/Utility Vessels and 6 Coastal Survey Vessels) and excludes 1 OSV on bareboat chartered and forecast for return in 2H FY2010.

### 9.3 Management's discussion and analysis of Directors' Pro Forma Forecast

The commentary included in this section discusses the key factors that are forecast to impact the financial performance of Miclyn Express Offshore in FY2010 and CY2010. Management's discussion and analysis should be read in conjunction with the tables of key pro forma financial indicators (Tables 9.1 and 9.3 to 9.9).

The FY2010 forecast comprises six months of actual trading, being 1 July 2009 through to 31 December 2009 (1H FY2010), and six months of forecast trading, being 1 January 2010 through to 30 June 2010 (2H FY2010). The Directors have provided a forecast for the 12 month period from 1 January 2010 through to 31 December 2010 (CY2010), with the period from 1 July 2010 through to 31 December 2010 being the first six months of FY2011 (1H FY2011). For discussion of the key assumptions underpinning the Directors' Forecasts, please refer to Section 9.4.

The analysis has been structured as follows:

- comparison of full year forecast for FY2010 with FY2009, with explanations of variances;
- forecast for 1H FY2011 as compared with forecast for 2H FY2010, with explanations of variances; and
- discussion of the key performance metrics for each of the operating segments.

The Directors' Pro Forma Forecast has been prepared on the basis of best estimate assumptions set out in Section 9.4. Investors are advised to consider these assumptions in conjunction with the sensitivity analysis set out in Section 9.6, the risk factors set out in Section 6 and other information presented in this Prospectus.

#### 9.3.1 Consolidated revenue and gross profit

##### 9.3.1.1 FY2010 consolidated revenue and gross profit

Pro forma consolidated revenue for Miclyn Express Offshore is forecast to increase by 27.3% from US\$98.0 million in FY2009 to US\$124.7 million in FY2010. This increase is driven by:

- the full year impact of 7 OSV, 10 Crew/Utility Vessel and 1 Barge Newbuild added during FY2009;
- the part year impact of 6 OSV and 3 Crew/Utility Vessel Newbuilds added during FY2010;
- the part year impact of 4 OSVs, 2 Crew/Utility Vessels and 6 Coastal Survey Vessels which will be added during FY2010 as a result of the investment in Samson Maritime (2 of the OSVs are operated through the investment, with 1 OSV on a long term bareboat charter from a third party and 1 OSV on a short term bareboat charter from a third party);
- an increase in the average DCRs for the OSV fleet from US\$8,550 in FY2009 to US\$9,800 in FY2010 and for the Crew/Utility Vessel fleet from US\$2,450 in FY2009 to US\$2,600 in FY2010; and
- an increase in Utilisation for the Crew/Utility Vessel fleet from 84.8% in FY2009 to 85.4% in FY2010.

This increase in revenue is forecast to be offset by:

- the full year impact of 4 Crew/Utility Vessels and 1 Barge disposed of in FY2009;
- the part year impact of the disposal of 1 OSV, 5 Crew/Utility Vessels (4 of which are expected to be sold into the Indonesian joint venture with BLT, as discussed below) and 2 Barges during FY2010<sup>1</sup> and the return of 1 OSV, currently bareboat chartered from a third party and back-to-back chartered to a customer, through the investment in Samson Maritime;

<sup>1</sup> The Dios and Diosa tug-Barge combination was disposed of in October 2009. This has been treated as the disposal of 1 OSV and 1 Barge.

- a decline in the average Utilisation of the OSV fleet from 77.5% in FY2009 to 74.8% in FY2010;
- a decline in the average Utilisation of the Barge fleet from 63.5% in FY2009 to 41.0% in FY2010; and
- a decline in average DCRs for the Barge fleet from US\$2,600 in FY2009 to US\$2,350 in FY2010.

Pro forma consolidated gross profit is forecast to increase by 25.8% from US\$58.5 million in FY2009 to US\$73.6 million in FY2010 as a result of:

- an increase in charter revenue, as outlined above and set out in the following subsections; and
- a slight decline in gross margin from 59.7% in FY2009 to 59.0% in FY2010, as a result of:
  - lower Utilisation of the OSV and Crew/Utility Vessel fleets, leading to higher bunker costs (these relate to fuel and lubricants that the Group uses for off-charter movements of vessels and standby periods where the costs are not passed onto customers. Customers are liable for fuel, lubricant and water costs incurred when the vessel is on charter); and
  - the addition to the fleet of 6 Coastal Survey Vessels as a result of the investment in Samson Maritime. These vessels have lower gross margins than for the other segments.

This decline in gross margin is forecast to be offset by:

- a change in OSV and Crew/Utility Vessel mix, with an increased proportion of specialised and new vessels in the fleet, leading to higher average DCRs and higher average gross margins since revenues are not fully offset by higher operating costs; and
- lower average repairs and maintenance expenses as a result of the lower average age of the fleet.

### 9.3.1.2 1H FY2011 consolidated revenue and gross profit

Pro forma consolidated revenue is forecast to increase by 11.7% from US\$69.9 million in 2H FY2010 to US\$78.1 million in 1H FY2011, driven by:

- the full period impact of 1 OSV added during 2H FY2010;
- the part period impact of 1 OSV and 1 Crew/Utility Vessel added during 1H FY2011;
- an increase in the Utilisation of the OSV fleet from 82.5% in 2H FY2010 to 86.0% in 1H FY2011, an increase in the Utilisation rate of the Crew/Utility Vessel fleet from 89.4% in 2H FY2010 to 93.3% in 1H FY2011 and an increase in the Utilisation of the Barge fleet from 42.2% in 2H FY2010 to 73.5% in 1H FY2011; and
- an increase in the average DCR for the OSV fleet from US\$9,900 in 2H FY2010 to US\$11,200 in 1H FY2011 and an increase in the average DCR for the Barge fleet from US\$2,300 in 2H FY2010 to US\$2,350 in 1H FY2011.

The increase in revenue is forecast to be offset by:

- the full period impact of 1 Crew/Utility Vessel disposed of in 2H FY2010, 4 Crew/Utility Vessels sold into the Indonesian joint venture with BLT and

the return of 1 OSV currently bareboat chartered from a third party and back-to-back chartered to a customer, through the investment in Samson Maritime in 2H FY2010;

- the part period impact of 1 OSV and 2 Crew/Utility Vessels disposed of in 1H FY2011; and
- a decline in Utilisation of the Coastal Survey Vessel fleet from 88.4% in 2H FY2010 to 81.0% in 1H FY2011, as discussed below.

Pro forma consolidated gross profit is forecast to increase by 18.3% from US\$41.6 million in 2H FY2010 to US\$49.2 million in 1H FY2011, driven by:

- an improvement in gross margin from 59.4% in 2H FY2010 to 63.0% in 1H FY2011 as a result of the change in vessel mix. The increased proportion of specialised and new vessels in the fleet leads to higher average DCRs and higher average gross margins since higher revenues are not fully offset by higher operating costs;
- an increase in OSV and Crew/Utility Vessel fleet Utilisation, offset by lower Coastal Survey Vessel fleet Utilisation, leading to net lower bunker costs; and
- an increase in Barge Utilisation leading to higher gross margins, as a result of the largely fixed nature of operating expenses.

## 9.3.2 OSV segment

### 9.3.2.1 FY2010 charter revenue and gross profit

Pro forma charter revenue from OSVs is forecast to increase by 66.9% from US\$40.3 million in FY2009 to US\$67.2 million in FY2010, contributing 53.9% of consolidated FY2010 revenue, primarily driven by:

- the full year impact of 7 OSV Newbuilds delivered in FY2009;
- the part year impact of 6 OSV Newbuilds delivered in FY2010;
- the part year impact of 4 OSVs added during FY2010 as a result of the investment in Samson Maritime (1 of these vessels is on a long term bareboat charter and another is on a short term bareboat charter from a third party); and
- a change in vessel mix, with an increased proportion of SVs in the OSV fleet, leading to higher average DCRs, increasing from US\$8,550 in FY2009 to US\$9,800 in FY2010.

The increase in OSV revenue is forecast to be offset by:

- the part year impact of 1 OSV disposed of during FY2010 and the return of 1 OSV, currently bareboat chartered from a third party and back-to-back chartered to a customer, through the investment in Samson Maritime; and
- a decline in OSV fleet Utilisation from 77.5% in FY2009 to 74.8% in FY2010, as a result of lower tug Utilisation in 1H FY2010.

Pro forma gross profit from OSVs is forecast to increase by 78.6% from US\$23.4 million in FY2009 to US\$41.8 million in FY2010, contributing 56.8% of consolidated FY2010 gross profit, primarily driven by:

- the impact of the FY2009 and FY2010 fleet changes, driving higher OSV charter revenue, as outlined above; and

- an increase in pro forma gross profit margins from 58.2% to 62.2%, as a result of:
  - a change in vessel mix, with an increased proportion of SVs in the OSV fleet, leading to higher average DCRs and higher average margins since revenues are not fully offset by higher operating costs; and
  - a reduction in one-off maintenance and repair expenditures from those incurred in FY2009 to upgrade vessels post-delivery to meet specific customer charter requirements and lower average repairs and maintenance expenses as a result of the lower average age of the OSV fleet.

The increase in OSV gross profit is forecast to be offset by:

- increases in average crew costs due to wage inflation and the requirement for higher skilled crew for specialised Newbuild OSVs; and
- declines in Utilisation and consequently higher bunker charges.

### 9.3.2.2 1H FY2011 charter revenue and gross profit

Pro forma charter revenue from OSVs is forecast to increase by 12.7% from US\$39.1 million in 2H FY2010 to US\$44.1 million in 1H FY2011, contributing 56.4% of consolidated 1H FY2011 revenue, driven by:

- the full period impact of 1 OSV Newbuild delivered in 2H FY2010;
- the part period impact of 1 OSV Newbuild delivered in 1H FY2011;
- an increase in the proportion of highly specialised vessels in the fleet, resulting in higher average DCRs, increasing from US\$9,900 in 2H FY2010 to US\$11,200 in 1H FY2011; and
- an increase in average Utilisation rates from 82.5% in 2H FY2010 to 86.0% in 1H FY2011, as discussed below.

The increase in OSV revenue is forecast to be offset by:

- the full period impact of the return of 1 OSV, currently bareboat chartered from a third party and back-to-back chartered to a customer, through the investment in Samson Maritime; and
- the part period impact of the disposal of 1 OSV in 1H FY2011.

Pro forma gross profit from OSVs is forecast to increase by 16.8% from US\$24.7 million in 2H FY2010 to US\$28.8 million in 1H FY2011, contributing 58.6% of consolidated 1H FY2011 gross profit, driven by:

- the net impact of the 2H FY2010 and 1H FY2011 fleet changes, driving higher OSV charter revenue, as outlined above; and
- an improvement in pro forma gross margins from 63.2% to 65.5%, as a result of:
  - an increase in Utilisation and consequently lower bunker charges;
  - a change in vessel mix, with an increased proportion of SVs in the OSV fleet, leading to higher average DCRs and higher average gross margins since revenues are not fully offset by higher operating costs; and

- lower average repairs and maintenance expenses as a result of the lower average age of the fleet.

Increase in gross profits is forecast to be offset by:

- higher operating costs; and
- increased crew costs, in line with inflation.

### 9.3.2.3 Average fleet Utilisation and contract cover

The Group's OSV fleet operates in both the long term and spot charter markets. As discussed in Section 5.6.3.3, it is the AHTs, SVs and specialised OSVs that are chartered on Long Term Contracts and the tug fleet that operates in the spot market.

Contracted revenue accounts for 77.2% of 2H FY2010 forecast OSV charter revenue and 50.1% of 1H FY2011 forecast OSV charter revenue, with an additional 9.2% deemed by the Directors to be highly probable in 2H FY2010 and 11.9% in 1H FY2011 due to expected contract renewals and strong customer relationships.

As described in Section 8.4.2.1, 1H FY2010 Utilisation was impacted by the late delivery of Newbuilds by third party shipyards and by project delays in India which impacted the Utilisation of the tug fleet.

Utilisation is expected to increase in FY2010 and 1H FY2011 as a result of the increase in tender activity for existing and prospective customers in Malaysia and Thailand to support offshore oil and gas construction projects and in Australia to support offshore gas construction projects, including the Gorgon and other north-west shelf development projects. This strong pipeline of opportunities is expected to lead to longer term contracts for recent Newbuilds and increased activity in the spot market for tugs and Barges.

### 9.3.2.4 Average DCRs

The key determinants of DCRs for OSVs include the charter type (spot market charter or Long Term Contract), industry conditions (supply/demand balance), the age of the vessel, the general vessel type and whether it is fitted with specialised equipment.

The Group will be taking delivery of 2 accommodation barges during CY2010. These vessels provide support for offshore construction and topside maintenance projects and are in high demand. The forecast DCRs for these vessels are the highest in the OSV fleet and the Group expects that the first will be delivered in 2H FY2010.

There has been an increase in the average OSV fleet DCRs. This is illustrated in Table 9.10.

Between 1H FY2010 and 2H FY2010, the average DCRs for OSVs are forecast to increase by 3.4% to US\$9,800, as a result of the acquisition of 2 MPVs through the investment in Samson Maritime. These vessels are specialised multi-role support and tug vessels, attracting higher DCRs than the overall average of the OSV fleet. The average DCRs for OSVs are forecast to increase between 2H FY2010 and 1H FY2011 by 13.2% to US\$11,200 due to the impact of the delivery of the second accommodation barge, which is expected to achieve higher DCRs than the 2H FY2010 fleet average and the disposal of an under-utilised OSV with lower DCRs than the 2H FY2010 fleet average.

Table 9.11: Average minimum and maximum DCRs – OSVs

US\$	FY2009			FORECAST FY2010			FORECAST 1H FY2011			FORECAST CY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
OSV (AHT/AHTS/ MPV/SV)	8,500	10,900	9,700	10,400	11,500	10,950	12,300	12,400	12,350	10,900	12,000	11,450
OSV (supply/tug)	5,900	6,900	6,400	7,100	9,400	8,250	9,100	9,400	9,250	8,400	9,400	8,900
<b>OSV fleet</b>	<b>7,600</b>	<b>9,500</b>	<b>8,550</b>	<b>9,000</b>	<b>10,600</b>	<b>9,800</b>	<b>11,100</b>	<b>11,300</b>	<b>11,200</b>	<b>10,200</b>	<b>11,100</b>	<b>10,650</b>

## Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid (or forecast) for each vessel and an average of the maximum DCRs paid for each vessel in the category.
- 2 The range of DCRs varies significantly among the AHTs/AHTSs, MPVs and SVs depending on vessel specification and capability. The more specialised vessels can command DCRs of approximately US\$20,000 or more, while the vessels of lower specification can command DCRs of approximately US\$5,000.
- 3 The table includes DCRs for one third party vessel that have been back-to-back chartered with the Group's customers. In such instances, the DCR included is that for the external customer charter.
- 4 All average minimum and maximum DCRs are rounded to the nearest US\$100.

### 9.3.3 Crew/Utility Vessel segment

#### 9.3.3.1 FY2010 charter revenue and gross profit

Pro forma charter revenue from Crew/Utility Vessels is forecast to increase by 7.0% from US\$41.6 million in FY2009 to US\$44.5 million in FY2010, contributing 35.7% of consolidated revenue in FY2010, primarily driven by:

- the full year impact of 10 Crew/Utility Vessels delivered in FY2009;
- the part year impact of 3 Crew/Utility Vessels delivered in FY2010;
- the part year impact of 2 Crew/Utility Vessels added during 2H FY2010, as a result of the investment in Samson Maritime;
- higher average DCRs, increasing from US\$2,450 in FY2009 to US\$2,600 in FY2010, as a result of the higher proportion of larger, more powerful vessels; and
- higher Utilisation of Crew/Utility Vessel fleet, increasing slightly from 84.8% in FY2009 to 85.4% in FY2010, as discussed below.

The increase in Crew/Utility Vessel revenue is forecast to be offset by:

- the full year impact of 4 Crew/Utility Vessels disposed of in FY2009; and
- the disposal of 5 Crew/Utility Vessels disposed of during FY2010 (4 of these Crew/Utility Vessels are forecast to be transferred to the Indonesian joint venture with BLT discussed below).

Pro forma gross profit from Crew/Utility Vessels is forecast to increase by 9.3% from US\$21.3 million in FY2009 to US\$23.2 million in FY2010, contributing 31.6% of consolidated gross profit in FY2010, driven by:

- the impact of the FY2009 and FY2010 fleet changes, driving higher average Crew/Utility Vessel charter revenue, as outlined above; and
- an improvement in gross margins from 51.1% to 52.2%, as a result of:
  - an increased proportion of new, larger, more powerful vessels in the Crew/Utility Vessel fleet, attracting higher DCRs and margins;
  - lower average repairs and maintenance expenses as a result of the lower average age of the fleet; and

- higher Crew/Utility Vessel fleet Utilisation, leading to lower bunker costs.

#### 9.3.3.2 1H FY2011 charter revenue and gross profit

Pro forma consolidated revenue from Crew/Utility Vessels is forecast to increase by 0.8% from US\$23.6 million in 2H FY2010 to US\$23.8 million in 1H FY2011, contributing 30.5% of consolidated revenue in 1H FY2011, driven by:

- the part period impact of 1 Crew/Utility Vessel delivered in 1H FY2011; and
- an improvement in the Crew/Utility Vessel fleet Utilisation rate from 89.4% in 2H FY2010 to 93.3% in 1H FY2011, as discussed below.

Increase in Crew/Utility Vessel revenue is forecast to be offset by:

- the full period impact of 1 Crew/Utility Vessel disposed of during 2H FY2010 and the impact of 4 Crew/Utility Vessels transferred to the Indonesian joint venture; and
- the disposal of 2 Crew/Utility Vessels in 1H FY2011.

Pro forma gross profit for Crew/Utility Vessels is forecast to increase by 5.3% from US\$12.7 million in 2H FY2010 to US\$13.3 million in 1H FY2011, contributing 27.1% of consolidated gross profit in 1H FY2011, driven by:

- the impact of the 1H FY2011 fleet changes, driving higher Crew/Utility Vessel charter revenue, as outlined above; and
- an increase in gross margin from 53.8% to 56.0%, as a result of:
  - the increased proportion of new, larger, more powerful and higher gross margin vessels in the Crew/Utility Vessel fleet;
  - lower average repairs and maintenance expenses as a result of the lower average age of the fleet; and
  - lower average bunker costs as a result of higher Utilisation.

The increase in Crew/Utility Vessel gross profit is forecast to be offset by:

- crew cost increases, in line with inflation.

**Table 9.12: Average minimum and maximum DCRs – Crew/Utility Vessels**

US\$	FY2009			FORECAST FY2010			FORECAST 1H FY2011			FORECAST CY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
Crew/Utility Vessels	2,300	2,600	2,450	2,500	2,700	2,600	2,600	2,700	2,650	2,600	2,700	2,650

## Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid (or forecast) for each vessel and an average of the maximum DCRs paid (or forecast) for each vessel in the category.
- 2 The range of DCRs varies significantly between the Crew/Utility Vessels, with the younger and higher bhp vessels commanding higher DCRs than older and less powerful vessels.
- 3 All average minimum and maximum DCRs are rounded to the nearest US\$100.

**9.3.3.3 Average fleet Utilisation and contract cover**

The Group's Crew/Utility Vessel fleet operates in both the long term and spot charter markets.

Long Term Contracts provide greater certainty for the Group's forecast charter revenue from Crew/Utility Vessel operations. A total of 83.0% of the 2H FY2010 forecast US\$23.2 million of Crew/Utility Vessel charter revenue is contracted and 77.6% of the 1H FY2011 forecast of US\$23.5 million is contracted. Furthermore, the Directors assess that an additional 6.9% of the 2H FY2010 forecast and 10.2% of the 1H FY2011 forecast are highly probable due to expected option renewals and strong customer relationships.

The Directors forecast an increase in Utilisation from 81.3% in 1H FY2010 to 89.4% in 2H FY2010, as a result of securing Long Term Contracts with key customers, disposing of older vessels which have been under-utilised in recent months and also the sale of 4 Crew/Utility Vessels into the proposed Indonesian joint venture with BLT (a local partner), in order to comply with the new cabotage regulations and enhance its operations in Indonesia. Similarly, through further disposals of 2 older under-utilised Crew/Utility Vessels, Utilisation is forecast to increase from 89.4% in 2H FY2010 to 93.3% in 1H FY2011. This is in line with the historical Utilisation of the Crew/Utility Vessel fleet achieved in FY2007 of 96.6% and FY2008 of 94.2%.

**9.3.3.4 Average DCRs**

The Directors expect DCR increases to be achieved on renewal of contracts for vessels coming off long term charter party agreements, and as a result of price escalation clauses for certain key customers, which link DCRs to threshold oil prices.

Between 1H FY2010 and 2H FY2010, the mid-point average DCRs are forecast to decline by 1.7% to US\$2,600 and to maintain at approximately this level through 1H FY2011.

**9.3.4 Barge segment****9.3.4.1 FY2010 charter revenue and gross profit**

Pro forma charter revenue from Barges is forecast to decrease by 43.3% from US\$14.6 million in FY2009 to US\$8.3 million in FY2010, contributing 6.6% of consolidated FY2010 revenue, primarily as a result of:

- the full year impact of 1 Barge disposed of in FY2009;
- the disposal of 2 Barges in FY2010;
- a decline in Utilisation from 63.5% in FY2009 to 41.0% in FY2010, as discussed below; and
- lower charter rates on the spot market, declining from US\$2,600 in FY2009 to US\$2,350 in FY2010.

The decrease in Barge revenue is forecast to be offset by:

- the full year impact of 1 Newbuild acquired in FY2009.

Pro forma gross profit from the Barge fleet is forecast to decline by 46.5% from US\$12.7 million in FY2009 to US\$6.8 million in FY2010, contributing 9.2% of consolidated gross profit in FY2010. This decrease is primarily driven by:

- the impact of the FY2009 and FY2010 fleet changes, resulting in lower Barge charter revenue, as outlined above; and
- a decline in pro forma gross margins from 86.8% to 81.9%, as a result of:
  - the fixed nature of Barge operating expenses, resulting in declines in charter revenue translating directly to lower gross margins; and
  - lower Utilisation of the Barge fleet leading to additional port entry expenses.

**9.3.4.2 1H FY2011 charter revenue and gross profit**

Pro forma charter revenue from the Barge fleet is forecast to increase by 87.2% from US\$3.6 million in 2H FY2010 to US\$6.7 million in 1H FY2011, contributing 8.6% of consolidated revenue in 1H FY2011, driven by:

- an increase in Utilisation from 42.2% in 2H FY2010 to 73.5% in 1H FY2011, as a result of the strong pipeline of projects and increased tender activity across Australia, India and South-East Asia, as discussed further below; and
- an improvement in average DCRs of 2.6% from US\$2,300 in 2H FY2010 to US\$2,350 in 1H FY2011, as a result of the expiry of several Long Term Contracts and the subsequent operation of the Barges on the spot market, attracting higher average DCRs.

Pro forma gross profit from the Barge fleet is forecast to increase by 112.0% from US\$2.8 million in 2H FY2010 to US\$5.9 million in 1H FY2011, contributing 11.9% of consolidated gross profit in 1H FY2011, driven by:

- the increases in charter revenue, as outlined above; and
- an increase in pro forma gross margin from 77.6% to 87.8%, as a result of:
  - increases in charter revenue translating directly to higher gross margins; and
  - higher Utilisation of the Barge fleet leading to lower port entry expenses.

### 9.3.4.3 Average fleet Utilisation and contract cover

Barges are generally not placed on Long Term Contracts. Most Barges operating in the offshore oil and gas industry are placed on short spot price contracts. Miclyn Express Offshore's Barges are designed and used for the marine civil construction industry and this industry is both seasonal and project based. Customers only require Barges for limited durations in line with the customer scheduling.

A total of 5.5% of the 2H FY2010 forecast US\$3.6 million of segment revenue is contracted, while no portion of the 1H FY2011 forecast of US\$6.7 million is currently contracted. The Directors assess that an additional 17.9% of the 2H FY2010 forecast and 6.0% of the 1H FY2011 forecast is highly probable due to expected option renewals and strong customer relationships.

Recent strength in oil prices has led to a significant recovery in the tender pipeline in South-East Asia and Australia. To meet this demand, the Group has redeployed its Barge fleet to South-East Asia and is currently in advanced negotiations with existing and prospective customers to charter a significant proportion of the off-hired Barge fleet. Based on the current status of these negotiations and customer feedback, the Directors have assumed that a proportion of the current and expected tenders in Malaysia, Thailand and Australia will be won. Additionally, the Directors have assumed that this increase in market activity will allow the Barge fleet to achieve historic levels of Utilisation in the spot market.

As a result of these factors, Utilisation is forecast to improve from 39.9% in 1H FY2010 to 42.2% in 2H FY2010 and to 73.5% in 1H FY2011. This level of Utilisation is higher than the five year historical average levels of Utilisation in the Barge charter spot market of approximately 65.0%<sup>1</sup> and is driven by the resumption of marine civil construction projects, following a period of low activity. The Directors have assumed that the recovery will lead to a short term increase beyond historical Utilisation levels as pent-up demand is met.

### 9.3.4.4 Average DCRs

The Group's fleet optimisation and renewal strategy helped the average DCRs for the Barge fleet to increase from FY2007 to FY2009, but are expected to decline in FY2010 as a result of the temporary weakness in the spot market described above, as illustrated in Table 9.13.

In order to ensure high levels of Utilisation for the Barge fleet in FY2010, the Directors have assumed lower DCRs for the tenders they are currently bidding on.

Between 1H FY2010 and 2H FY2010, the mid-point average DCR is forecast to decrease by 9.3% to US\$2,300, with an increase forecast between 2H FY2010 and 1H FY2011 of 2.2% to US\$2,350.

### 9.3.5 Coastal Survey Vessel segment

#### 9.3.5.1 FY2010 charter revenue and gross profit

Following the acquisition of a 50.0% interest in Samson Maritime, the Group will add 6 Coastal Survey Vessels to its fleet. The pro forma forecast consolidated income statement for the Group presents the results from operations for these vessels from the beginning of CY2010. As such, they have only contributed to these results from 2H FY2010 onwards and therefore there is no result from FY2009 for comparison.

Pro forma charter revenue from Coastal Survey Vessels during FY2010 is forecast to be US\$2.7 million, contributing 2.2% of consolidated revenue in FY2010.

Pro forma gross profit from the Coastal Survey Vessels during FY2010 is forecast to be US\$1.1 million, contributing 1.5% of consolidated gross profit in FY2010. The gross margin for this segment is forecast to be 41.1%.

#### 9.3.5.2 1H FY2011 charter revenue and gross profit

Pro forma charter revenue from the Coastal Survey Vessel fleet is forecast to decline by 7.1% from US\$2.7 million in 2H FY2010 to US\$2.5 million in 1H FY2011, contributing 3.3% of consolidated revenue in 1H FY2011, driven by:

- a decline in Utilisation from 88.4% in 2H FY2010 to 81.0% in 1H FY2011, as discussed below.

Pro forma gross profit from the Coastal Survey Vessel fleet is forecast to decline by 19.6% from US\$1.1 million in 2H FY2010 to US\$0.9 million in 1H FY2011, contributing 1.8% of consolidated gross profit in 1H FY2011, driven by:

- the decreases in charter revenue as outlined above; and
- a decline in pro forma gross profit margins from 41.1% to 35.6%, as a result of lower Utilisation of the Coastal Survey Vessels fleet, as discussed below.

**Table 9.13: Average minimum and maximum DCRs – Barges**

US\$	FY2009			FORECAST FY2010			FORECAST 1H FY2011			FORECAST CY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
Barges	2,400	2,800	2,600	2,200	2,500	2,350	2,300	2,400	2,350	2,200	2,400	2,300

Notes:

- 1 The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid (or forecast) for each vessel and an average of the maximum DCRs paid (or forecast) for each vessel in the category.
- 2 All average minimum and maximum DCRs are rounded to the nearest US\$100.
- 3 The table includes DCRs for one third party vessel that have been back-to-back chartered with the Group's customers. In such instances, the DCR included is that for the external customer charter.

### 9.3.5.3 Average fleet Utilisation and contract coverage

The Group's Coastal Survey Vessels operate predominantly on project specific contracts dissimilar to OSV and Crew/Utility Vessels. The terms of contract are supply time orientated, meaning they are extended as required for undertaking of the project and are terminated upon completion. The medium term nature and flexibility of Coastal Survey Vessel contracts allow for higher DCRs and efficient entrance to high demand markets, including Australia's north-west shelf. A total of 52.9% of the 2H FY2010 forecast US\$2.7 million of segment revenue is contracted and 19.2% of the 1H FY2011 forecast of US\$2.5 million is contracted. The Directors assess that an additional 23.7% of the 2H FY2010 forecast and 20.3% of the 1H FY2011 forecast is highly probable due to expected option renewals and strong customer relationships.

The Directors' Forecast has assumed a decline in Utilisation of the Coastal Survey Vessels fleet from 88.4% in 2H FY2010 to 81.0% in 1H FY2011. This decline is driven by the expiry of contracts and options for 4 of the Group's 6 Coastal Survey Vessels during 2H FY2010 and their assumed subsequent operation on the spot market.

The Group currently has a strong pipeline of tenders for these vessels for work on the Gorgon development project. The Directors have assumed that a number of these contracts will be awarded and that Utilisation during 2H FY2010 and 1H FY2011 for these off-hired vessels will be in line with historical Utilisation levels for Coastal Survey Vessels of approximately 75%.

### 9.3.5.4 Average DCRs

During the Forecast Period, average DCRs for the Coastal Survey Vessel fleet are forecast to remain stable.

### 9.3.6 Shipyard segment

#### 9.3.6.1 Shipyard operations

During CY2010, the Group expects the Shipyard to continue focusing its resources and capacity on internal projects. The Shipyard is forecast to complete 2 Newbuild OSVs during CY2010 (1 in 2H FY2010 and 1 in 1H FY2011) for Miclyn Express Offshore.

The Directors forecast FY2010 Shipyard revenue to increase from the US\$1.5 million achieved in FY2009 to US\$2.0 million in FY2010.

1H FY2010 revenue for the Shipyard was US\$1.0 million. Shipyard revenue is forecast to remain at this level for 2H FY2010 and 1H FY2011.

### 9.3.7 Operating earnings

#### 9.3.7.1 FY2010 operating earnings

Pro forma operating earnings are forecast to increase by 19.9% from US\$49.0 million in FY2009 to US\$58.8 million in FY2010, as a result of:

- the forecast growth in revenue and gross profit outlined above.

This increase in operating earnings is forecast to be offset by:

- a 31.3% increase in administrative expenses from US\$11.9 million to US\$15.7 million, primarily due to increased staff costs, arising from the costs of the employee incentive plan and additional pro forma overheads of US\$0.9 million associated with the investment in Samson Maritime;
- a decline in foreign exchange gains from US\$0.9 million in FY2009 to a loss of less than US\$0.1 million in FY2010; and
- an increase in headcount and additional expenses related to listed company operations (e.g. investor relations, Listing fees and Directors' fees).

#### 9.3.7.2 1H FY2011 operating earnings

Pro forma operating earnings are forecast to increase by 21.5% from US\$33.1 million in 2H FY2010 to US\$40.2 million in 1H FY2011, driven by:

- the forecast growth in revenue and gross profit outlined above; and
- higher vessel sale gains of US\$3.4 million in 1H FY2011, compared with US\$0.2 million in 2H FY2010.

This increase in operating earnings is forecast to be offset by:

- an increase in administrative expenses of 6.9% from US\$8.7 million in 2H FY2010 to US\$9.3 million in 1H FY2011, as a result of increased staff costs in line with inflation, and increased headcount in line with supporting the enlarged business.

Table 9.14: Average minimum and maximum DCRs – Coastal Survey Vessels

US\$	FY2009			FORECAST FY2010			FORECAST 1H FY2011			FORECAST CY2010		
	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID	MIN	MAX	MID
Coastal Survey Vessels	n/a	n/a	n/a	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500

Notes:

- The range of DCRs for each category of vessel is calculated by taking an average of the minimum DCRs paid (or forecast) for each vessel and an average of the maximum DCRs paid (or forecast) for each vessel in the category.
- All average minimum and maximum DCRs are rounded to the nearest US\$100.

### 9.3.8 Vessel delivery and disposal

As outlined in Section 5.8, the Group has a strategy of managing the composition of the fleet to best meet customer and market requirements and to ensure that the fleet remains young. These activities are summarised earlier in Table 9.10:

Consistent with the ongoing strategy of managing fleet composition, the Group has forecast disposal of 1 OSV (excluding the return of 1 OSV that is currently bareboat chartered by Samson Maritime from a third party and back-to-back chartered to a customer), 5 Crew/Utility Vessels (4 of which are expected to be sold into the Indonesian joint venture with BLT, as discussed below) and 2 Barges during FY2010, followed by further disposals of 1 OSV, 2 Crew/Utility Vessels and 2 Barges in 1H FY2011. The Crew/Utility Vessels forecast for disposal are among the oldest vessels in the fleet. As a result of this, the average age of the Crew/Utility Vessel fleet decreases from 13.5 years at 30 June 2009 to 13.2 years at 30 June 2010 and remains at this level at 31 December 2010. The OSV forecast for disposal in 1H FY2011 is the oldest vessel in the OSV fleet, resulting in a reduction in the average age of the OSV fleet during 1H FY2011 from 5.2 years at 30 June 2010 to 4.3 years at 31 December 2010.

6 Newbuild OSVs and 3 Crew/Utility Vessels are forecast to be added to the fleet during FY2010 (of which all but 1 OSV were delivered in 1H FY2010). In 2H FY2010, an additional 3 OSVs (excluding 1 OSV that is currently bareboat chartered by the Australian joint venture with Samson Maritime from a third party and back-to-back chartered to a customer), 2 Crew/Utility Vessels and 6 Coastal Survey Vessels will be added to the fleet as a result of the Group acquiring an interest in Samson Maritime. During 1H FY2011, 1 further OSV and 1 additional Crew/Utility Vessel are forecast to join the fleet.

The combined gross profit for FY2009, generated by the vessels forecast to be disposed of during FY2010, was US\$2.2 million (including 50% of the gross profit generated by the 4 Crew/Utility Vessels forecast to be transferred to the BLT joint venture) and the gain from disposals during FY2010 is forecast to be US\$2.7 million.

The combined gross profit for FY2009, generated by the vessels forecast to be disposed of during 1H FY2011, was US\$3.3 million and the gain from disposals during 1H FY2011 is forecast to be US\$3.4 million.

The Directors expect the disposal and renewal cycle to continue pursuant to the stated fleet renewal program.

Although the specific vessel requirements of potential purchasers make it difficult to predict which vessels will be sold during a given financial period, past results indicate that although the number of disposals and any resulting gain on disposal can be volatile, the size of the Group's fleet means that disposals are a regular and ongoing source of annual profit and cash flows for the Group.

Subject to current general market conditions continuing (supporting current assumptions of DCRs, Utilisation and operating margins) the Group would expect growth in earnings beyond 31 December 2010, given the targeted investment in fleet expansion.

## 9.4 Key assumptions underlying the Directors' Forecast

### 9.4.1 General assumptions

The following general assumptions are relevant to both the Directors' Pro Forma Forecast and the Directors' Statutory Forecast, unless specifically stated otherwise:

- current commodity market conditions, specifically current oil prices, persist throughout the Forecast Period, promoting continued offshore oil and gas industry expansion;
- no significant industrial, contractual, environmental or legal claim or political disturbances impact the Group and the continuity of its operations;
- no loss of vessels resulting from accident or force majeure;
- no detention or other restrictions in the usage of vessels;
- no significant change in the regulatory environments and legislative regimes (including tax) or their interpretation in the jurisdictions in which Miclyn Express Offshore or its key customers or suppliers operate which will materially impact on the Directors' Forecast;
- notwithstanding the Group's investment objectives, no acquisitions are completed or investments are made by the Group and there are no further acquisitions or divestments of vessels during the Forecast Period other than those disclosed in this Prospectus;
- no material changes in IFRS, and interpretations as set out by the International Accounting Standards Board or International Financial Reporting Interpretations Committee, which may have a material effect on Miclyn Express Offshore's financial results and reported cash flows during the Forecast Period;
- no material beneficial or adverse effects arising from the actions of competitors;
- in relation to the Directors' Pro Forma Forecast, no change in the Group's debt and capital structure other than as set out in, or contemplated by, this Prospectus; and
- no material amendment to any material agreement or arrangement relating to the Group's businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements.

### 9.4.2 Specific assumptions

The following best estimate assumptions have been adopted by the Directors in preparing both the Directors' Pro Forma Forecast and the Directors' Statutory Forecast.

#### 9.4.2.1 Operating revenue

The forecast statutory and pro forma revenue for FY2010 and CY2010 have been prepared using a bottom-up approach. Charter revenue for OSVs, Crew/Utility Vessels, Barges and Coastal Survey Vessels is based on vessel-by-vessel budgets and Shipyard revenue is based on forecast capacity and recent historical external repair activity.

#### 9.4.2.2 Cost of sales

The bottom-up direct operating expense budget process takes into account crew wages (including repatriation costs and retention benefits) by employees at forecast FY2010 and CY2010 pay rates specific to local countries/regions. In addition, bunkers, consumables, repairs and maintenance and all other costs are based on contracted terms or historical experience, adjusted for Directors' expectations of forecast price increases as required.

The operating expense forecast includes actual and further expected synergies arising from procurement agreements negotiated subsequent to the consolidation of Miclyn Offshore and EOT with regards to the purchasing of fuel, lube oil, spare parts, certain consumables and vessel insurance. Improved pricing has already been achieved in procurement agreements signed post the November 2007 merger.

Refer to Sections 9.4.3, 9.4.4, 9.4.5 and 9.4.6 for specific forecast operating expense assumptions.

#### 9.4.2.3 Administrative expenses

##### *Personnel costs*

The Directors' forecast of personnel expense for FY2010 and CY2010 was prepared on a region-by-region basis, and was conducted at an individual employee level, covering salary and wages, bonuses, training, recruitment, allowances and pension expenses. The actual list of personnel as at the end of FY2009 was used as the basis for the forecast and adjustments were made for forecast headcount additions and exits, depending on each of the Group's regional offices' expected business requirements.

Wage assumptions for new employees were based on employment contracts and market estimates. Expected wage inflation was included at regional levels due to the disparity in wage levels and growth rates in regions in which the Group operates. A net headcount increase of 9 staff is forecast between 1 January 2010 and 31 December 2010 for the existing Group's operations, which is driven by the overall expected business growth and the expansion of the Shipyard. As a result of the above and the full year impact of net headcount increases during FY2009, CY2010 personnel costs for the existing Group's operations are forecast to grow to US\$11.6 million from US\$8.1 million in FY2009.

Additional personnel costs associated with the operations of the investment in Samson Maritime have also been included in the FY2010 and CY2010 forecast. The investment is forecast to add an additional US\$1.5 million of additional personnel costs during CY2010.

#### *Other expenses*

Other expenses primarily comprise office rental, professional fees, office supplies, travel and other sundry expenses. The Directors' Forecast is based on contracted terms, quotes and historical experience.

#### 9.4.2.4 Listed company costs

The Directors' Pro Forma Forecast for CY2010 assumes the full year effect of additional Listed company costs of US\$1.3 million p.a., including the costs of reporting, independent Directors' fees, Directors' and officers' insurance, employee incentive plan, communications, compliance and registry. The Directors' Statutory Forecast for FY2010 and CY2010 includes US\$1.0 million of additional Listed company costs, representing the forecast part year effect of these costs.

#### 9.4.2.5 Depreciation

The Directors' Pro Forma Forecast depreciation for FY2010 of US\$12.1 million is based on the aggregate of:

- actual depreciation for FY2009, adjusted for the full year effect of depreciation on capital expenditure undertaken during FY2009;
- depreciation on Newbuilds acquired during FY2010 from the date of expected vessel delivery;
- depreciation on vessels acquired through the investment in Samson Maritime, treating the transaction as having completed on 1 January 2010;
- forecast depreciation for other assets based on the expected date that the Group will commence use of the asset; and
- pro forma adjustment of US\$0.2 million to reduce depreciation from the statutory expense, as a result of the non-completion of sale of a vessel held for sale in FY2009. Had the vessel not been held for sale, FY2009 depreciation expense would have been higher and FY2010 depreciation expense lower since the opening book value would have been lower.

The Directors' Pro Forma Forecast depreciation for CY2010 of US\$13.7 million is based on the aggregate of:

- actual depreciation for FY2009, adjusted for the full year effect of depreciation on capital expenditure undertaken during FY2009;
- depreciation on Newbuilds acquired during CY2010 from the date of expected vessel delivery;
- the depreciation on vessels acquired through the investment in Samson Maritime, treating the transaction as having completed on 1 January 2010; and
- forecast depreciation for other assets based on the expected date that the Group will commence use of the asset.

Vessels held for sale are not depreciated by the Group from the date the sale contract is signed. Where vessels are forecast to be sold (on the basis of advanced negotiations or heads of agreement) but a final contract has not been signed, the Directors have depreciated vessels up until the expected date of completion.

#### 9.4.2.6 Amortisation

The Group amortises the capitalised costs incurred in vessel dry-docking and engine overhauls. The dry-docking costs are amortised over the Directors' estimate of the useful life of the expenditure, which equates to the assumed length between intermediate and special survey dry-dockings, being 2.5 years and five years respectively. Crew/Utility Vessel engine overhauls are amortised over five years, which reflects the Directors' estimate of time between overhauls for each engine.

Total amortisation expense is forecast to be US\$1.7 million for FY2010 for both the Directors' Statutory and Pro Forma Forecasts and US\$1.8 million for CY2010 for both statutory and pro forma accounts. The increase between FY2010 and CY2010 is driven by the amortisation of additional dry-docking and engine overhauls capitalised during 1H FY2010.

#### 9.4.2.7 Capital expenditure

The Directors forecast US\$63.5 million in cash flows available from operations in CY2010. Finance expenses and cash taxes are forecast at US\$8.3 million, leaving US\$55.2 million to fund growth and maintenance capital expenditure of US\$46.5 million. An additional US\$8.3 million proceeds are forecast from asset disposals, providing cash flow headroom of US\$17.0 million over the course of CY2010. The timing of receipts of cash from operations and asset sales and cash payments required to fund capital expenditure and working capital may however require the Group to draw upon its revolving facility from time to time. The Directors forecast a principal repayment of US\$1.5 million on the Uniwise Joint Venture debt facility during CY2010 but expect the majority of the revolving facility to remain undrawn at 31 December 2010, with only US\$5.0 million forecast to have been drawn at this date. Further details on capital expenditure are set out in Table 9.15.

Table 9.15: Summary of forecast pro forma capital expenditure

US\$ MILLION	FY2009	FORECAST FY2010	FORECAST 1H FY2011	FORECAST CY2010
<b>Growth</b>				
OSVs and Barges	50.1	26.6	17.0	32.8
Crew/Utility Vessels	16.1	4.4	0.9	2.1
Coastal Survey Vessels	–	–	–	–
Other	1.1	3.0	1.2	3.5
<b>Total pro forma growth capital expenditure</b>	<b>67.3</b>	<b>34.0</b>	<b>19.1</b>	<b>38.4</b>
<b>Maintenance</b>				
OSVs and Barges	2.0	2.1	1.5	2.4
Crew/Utility Vessels	1.2	3.6	2.6	5.4
Coastal Survey Vessels	–	0.1	0.2	0.3
Other	0.4	–	–	–
<b>Total pro forma maintenance capital expenditure</b>	<b>3.6</b>	<b>5.8</b>	<b>4.3</b>	<b>8.1</b>
<b>Total pro forma capital expenditure</b>	<b>70.9</b>	<b>39.8</b>	<b>23.4</b>	<b>46.5</b>

**Growth capital expenditure**

Growth capital expenditure is forecast to decline by 42.4% from US\$67.3 million in FY2009 to US\$38.4 million in CY2010. This expenditure primarily relates to the Newbuild program and the decline is driven by the reduction in Newbuilds scheduled for completion and delivery in CY2010, relative to FY2009 and 1H FY2010. The Group took delivery of a total of 18 new vessels in FY2009 (7 OSVs, 10 Crew/Utility Vessels and 1 Barge) and is expecting delivery of only 3 vessels during CY2010 (2 OSVs and 1 Crew/Utility Vessel). US\$10.8 million of this capital expenditure was committed for expenditure in CY2010 as at the date of the Prospectus.

In addition to the 2 accommodation barges that are forecast for completion and delivery during CY2010, the Group also has an additional 4 OSVs under construction (2 AHTs and 2 AHTSs). These are forecast to be completed beyond 1H FY2011 and account for US\$24.4 million of the total US\$35.0 million CY2010 Newbuild expenditure (i.e. OSVs, Crew/Utility Vessels and Barges only). 58% of the anticipated capital costs of these four OSVs are forecast to have been incurred by 31 December 2010.

The Directors expect that the majority of growth capital expenditure will be funded through free cash flow during CY2010.

Beyond the Forecast Period, the Directors expect Miclyn Express Offshore to have annual growth capital expenditure in the range of US\$30 million to US\$40 million, subject to prevailing market conditions and the availability of appropriate investment opportunities.

**Maintenance capital expenditure**

Maintenance capital expenditure is forecast to increase by 123.3% in CY2010 from US\$3.6 million in FY2009 to US\$8.1 million in CY2010. This increase is driven by the enlarged fleet size and the timing of scheduled engine overhauls and intermediate and special surveys.

**9.4.2.8 Working capital**

The Group's working capital requirements vary across a year, driven by the chartering requirements of its customers in the offshore oil and gas and marine civil construction sectors. The Group actively manages working capital and aims to reduce working capital over time.

The Directors' Forecast for CY2010 has assumed accounts receivable days of 80 and accounts payable days of 60. These working capital ratios are in line with historical trading averages. At 31 December 2009, trade working capital (i.e. excluding capital expenditure

payables) amounted to US\$21.6 million, which is forecast to increase to US\$29.1 million at 31 December 2010, driven by the growth of the Group's business.

**9.4.2.9 Net finance costs**

Pro forma net finance costs are forecast to be US\$5.0 million in CY2010 based on committed debt term sheets.

**9.4.2.10 Tax**

Pro forma cash tax expense is forecast to be US\$3.3 million in CY2010. The pro forma effective tax rate of the Group in CY2010 is forecast to be 5.9%, reflecting the Section 13A Singapore Income Tax Act exempt income status of a significant portion of the Group's earnings, with most withholding taxes borne by the respective charter parties.

For further discussion of the Group's tax profile, please refer to the Tax Report prepared by Deloitte Touche Tohmatsu Ltd in Section 12.

**9.4.2.11 Offer Costs**

US\$6.8 million of the forecast Offer Costs are paid by the Group, but are recorded against equity and hence have no impact on the Directors' Forecast, either on a pro forma or a statutory basis.

**9.4.2.12 Exchange rates**

The following six month forward exchange rates (as at 12 February 2010) have been used for forecast year CY2010 respectively:

- US dollar:Australian dollar exchange rate of US\$0.871:A\$1.00, based on six month forward rates at the time of the initial preparation of the Directors' Forecast; and
- US dollar:Singapore dollar exchange rate of US\$0.714:S\$1.00, based on available forward rates at the time of the initial preparation of the Directors' Forecast.

**9.4.3 OSVs – key assumptions****9.4.3.1 Fleet revenue**

The OSV segment forecast is built up based on a bottom-up vessel-by-vessel approach. Where forecast revenue is contracted as at the date of this Prospectus, the applicable contract DCRs and Utilisation rates have been used. DCRs are either fixed over the Forecast Period, or subject to escalation under the terms of the charter contract. Where revenue is expected to be from the spot market, DCRs and Utilisation rates based on historic trends (with adjustments to these to account for current/expected market conditions) have been applied.

The vessel-by-vessel forecast approach takes account of vessel type. As at the date of this Prospectus, the OSV fleet composition<sup>1</sup> is as follows:

**Table 9.16: OSV fleet composition**

	AHT/AHTS	SV	SUPPLY/UTILITY	TUG	TOTAL
Fleet count	9	3	6	7	25

The OSV segment forecast for CY2010 is based on the assumed increase in the existing 25 vessel fleet by 2 accommodation barges. 1 OSV disposal is currently forecast for CY2010 (excluding 1 OSV bareboat chartered by Samson Maritime and forecast to be returned in 2H FY2010).

In preparing the Directors' Forecast, the Directors have assumed that any contracts with renewal options that expire during the Forecast Period will be renewed on similar terms, consistent with past experience. Other vessels are assumed to revert to operating on the spot market.

<sup>1</sup> Excludes 1 OSV currently bareboat chartered from a third party and forecast for return in 2H FY2010.

### 9.4.3.2 Operating costs

The cost of labour is a key input in Miclyn Express Offshore's OSV operations. Vessel crew costs for OSVs are forecast to increase by Directors' estimate of inflation in CY2010, reflecting country specific inflationary pressures, as well as strong demand for crew in certain countries.

A key assumption in the Directors' Forecast is the retention and recruitment of sufficient staff to operate the increased number of vessels to be owned by the Company. In order to achieve this, the Company has implemented pay and bonus structures appropriate to each region in which OSVs operate.

Other key operating expense inputs, including bunker costs (non-chargeable fuel expenses and lube oil), consumables and repairs and maintenance, are assumed to move in line with or above Directors' inflation expectations. The Directors' Forecast also includes a provision for emergency repairs equal to approximately 39% of the forecast level of OSV repairs and maintenance expenses, to take account of any unforeseen repairs and maintenance required.

### 9.4.4 Crew/Utility Vessels – key assumptions

#### 9.4.4.1 Fleet revenue

The Crew/Utility Vessel segment forecast is built up based on a bottom-up vessel-by-vessel approach. Where forecast revenue is contracted as at the date of this Prospectus, the applicable contract DCRs and Utilisation rates have been used. DCRs are either fixed over the Forecast Period, or subject to escalation under the terms of the charter contract. Where revenue is expected to be from the spot market, DCRs and Utilisation rates based on historic trends (with adjustments to these to account for current/expected market conditions) have been applied.

The Crew/Utility Vessel segment forecast for CY2010 is based on the assumption that the existing 61 vessel fleet is maintained throughout the year, with the disposal of 3 Crew/Utility Vessels being offset by the addition of 1 Crew/Utility Vessel Newbuild and 2 additional Crew/Utility Vessels acquired through Miclyn Express Offshore's investment in Samson Maritime. A further 4 vessels are assumed to be transferred to the BLT joint venture.

In preparing the Directors' Forecast, the Directors have assumed that any contracts with renewal options that expire during the Forecast Period will be renewed on similar terms, consistent with past experience. Other vessels are assumed to revert to operating on the spot market.

### 9.4.4.2 Operating expenses

The cost of labour is a key input in Miclyn Express Offshore's Crew/Utility Vessel operations. Vessel crew costs are forecast to increase by the Directors' expectation of inflation in CY2010 for Crew/Utility Vessels, reflecting country specific inflationary pressures, as well as strong demand for crew in certain countries.

A key assumption in the Directors' Forecast is the retention and recruitment of sufficient staff to operate the increased number of vessels to be owned by the Company. In order to achieve this, the Company has implemented pay and bonus structures appropriate to each region in which Crew/Utility Vessels operate.

Other key operating expense inputs, including bunker costs (non-chargeable fuel expenses and lube oil), consumables, commissions and repairs and maintenance, are assumed to move in line with or above Directors' expectation of inflation. The Directors' Forecast also includes a provision for emergency repairs equal to approximately 28% of the forecast level of Crew/Utility Vessel repairs and maintenance expenses, to take account of any unforeseen repairs and maintenance required.

### 9.4.5 Barges – key assumptions

#### 9.4.5.1 Fleet revenue

By the nature of their project-based work, Barges typically operate on the short term spot market and do not typically secure Long Term Contracts. However, various periods in the past have shown relatively stable levels of Utilisation across the fleet. Where forecast revenue is contracted as at the date of this Prospectus, the applicable contract DCRs and Utilisation rates have been used. DCRs are either fixed over the Forecast Period, or subject to escalation under the terms of the charter contract. Where revenue is expected to be from the spot market, DCRs and Utilisation rates based on historic trends (with adjustments to these to account for current/expected market conditions) have been applied.

The Barge segment forecast for CY2010 is based on the existing 21 Barge fleet.

In preparing the Directors' Forecast, the Directors have assumed that spot market activity will occur on a basis consistent with past experience.

#### 9.4.5.2 Operating expenses

Barges do not incur labour cost.

Other key operating expense inputs, including bunker costs (non-chargeable fuel expenses and lube oil), consumables, insurance, port costs and repairs and maintenance are assumed to move in line with or above inflation. The Directors' Forecast also includes a provision for emergency repairs equal to approximately 55% of the forecast level of Barge repairs and maintenance expenses, to take account of any unforeseen repairs and maintenance required.

#### 9.4.6 Coastal Survey Vessels – key assumptions

##### 9.4.6.1 Fleet revenue

The Coastal Survey Vessel segment forecast is built up based on a bottom-up vessel-by-vessel approach. Where forecast revenue is contracted, the applicable contract DCRs and Utilisation rates have been used. Where revenue is expected to be from the spot market, DCRs and Utilisation rates based on historic trends (with adjustments to these to account for current/expected market conditions) have been applied.

The Coastal Survey Vessel segment forecast for CY2010 is based on no increase in the existing 6 vessel fleet.

In preparing the Directors' Forecast, the Directors have assumed that any contracts with renewal options that expire during the Forecast Period will be renewed on similar terms, consistent with past experience. Other vessels are assumed to revert to operating on the spot market.

##### 9.4.6.2 Operating expenses

Operating costs for Miclyn Express Offshore's Coastal Survey Vessel operations have been based on Directors' expectations of gross margins.

The cost of labour is a key input in Miclyn Express Offshore's Coastal Survey Vessel operations. Vessel crew costs for Coastal Survey Vessels are forecast to increase above Directors' estimate of inflation in CY2010, reflecting country specific inflationary pressures, as well as strong demand for crew in certain countries.

Other key operating expense inputs, including bunker costs (non-chargeable fuel expenses and lube oil), consumables and repairs and maintenance, are assumed to move in line with or above Directors' inflation expectations. The Directors' Forecast also includes a provision for emergency repairs equal to approximately 26% of the forecast level of Coastal Survey Vessel repairs and maintenance expenses, to take account of any unforeseen repairs and maintenance required.

#### 9.4.7 Shipyard – key assumptions

##### 9.4.7.1 Revenue and gross profit from services to third parties

The Directors' Forecast for Shipyard revenue is based on Shipyard capacity to perform third party repairs, which is dependent on the timing of commencement and completion of Miclyn Express Offshore Newbuild activity.

## 9.5 Directors' Statutory Forecast

### 9.5.1 Basis of preparation

The Directors' Statutory Forecast comprises the statutory forecast consolidated income statement of Miclyn Express Offshore Group for FY2010 and CY2010, as set out in Tables 9.17 and 9.18.

The Directors' Statutory Forecast has been prepared on the basis upon which it is anticipated that consolidated financial information will be prepared and presented in the Group's statutory financial statements for FY2010 and 1H FY2011.

The Directors' Forecast includes the impact of the investment in Samson Maritime for both FY2010 and CY2010. The forecast results for the interest have been consolidated into the Group's forecast consolidated financial statements on a proportional consolidation basis, reflecting the 50% interest in Samson Maritime to be held by the Group, consistent with Miclyn Express Offshore's accounting policy for jointly controlled entities. The pro forma forecast consolidated income statement and pro forma forecast statement of cash flows for FY2010 and CY2010 have been prepared on the basis that the transaction completed on 1 January 2010, whereas the statutory forecast consolidated income statements and statutory forecast summary statement of cash flows for FY2010 and CY2010 have been prepared on the basis that the transaction will be completed on 1 April 2010.

Tables 9.17 and 9.18 provide a reconciliation between the pro forma and statutory forecast consolidated income statements for FY2010 and CY2010 respectively. No reconciliation has been provided for 1H FY2011 as the statutory and pro forma forecast consolidated income statements are expected to be identical.

**Table 9.17: Reconciliation of Directors' pro forma and Directors' statutory forecast consolidated income statements for FY2010**

US\$ MILLION	PRO FORMA FORECAST FY2010	PART YEAR ADJUSTMENTS	NON-RECURRING ITEMS	STATUTORY FORECAST FY2010
<b>Revenue from operating activities</b>	<b>124.7</b>	<b>(4.0)</b>	–	<b>120.7</b>
Cost of sales	(51.1)	2.2	–	(48.9)
<b>Gross profit</b>	<b>73.6</b>	<b>(1.8)</b>	–	<b>71.8</b>
Vessel disposal gains/(losses)	2.7	–	–	2.7
Other operating income	0.9	–	–	0.9
Administrative expenses	(15.7)	0.1	(1.2)	(16.8)
Foreign exchange gains/losses	(0.0)	–	–	(0.0)
<b>EBITDA<sup>1</sup></b>	<b>61.5</b>	<b>(1.7)</b>	<b>(1.2)</b>	<b>58.6</b>
Depreciation and amortisation	(13.7)	0.1	(0.2)	(13.8)
<b>EBIT<sup>1</sup></b>	<b>47.8</b>	<b>(1.6)</b>	<b>(1.4)</b>	<b>44.8</b>

Note:

1 In arriving at EBITDA and EBIT, interest is defined as net financing costs as set out in the accounting policies note, Note D.14, in the Appendix.

Table 9.18: Reconciliation of Directors' Pro Forma Forecast and Directors' Statutory Forecast consolidated income statements for CY2010

	PRO FORMA FORECAST CY2010 US\$ MILLION	PART YEAR ADJUSTMENTS US\$ MILLION	NON- RECURRING ITEMS US\$ MILLION	INTEREST ADJUSTMENT US\$ MILLION	TAX ADJUSTMENT US\$ MILLION	STATUTORY FORECAST CY2010 US\$ MILLION
<b>Revenue from operating activities</b>	<b>148.0</b>	<b>(4.0)</b>	–	–	–	<b>144.0</b>
Cost of sales	(57.2)	2.2	–	–	–	(55.0)
<b>Gross profit</b>	<b>90.8</b>	<b>(1.8)</b>	–	–	–	<b>89.0</b>
Vessel disposal gains/(losses)	3.6	–	–	–	–	3.6
Other operating income	0.5	–	–	–	–	0.5
Administrative expenses	(18.0)	0.1	(0.3)	–	–	(18.2)
Foreign exchange gains/losses	–	–	–	–	–	–
<b>EBITDA<sup>1</sup></b>	<b>76.9</b>	<b>(1.7)</b>	<b>(0.3)</b>	–	–	<b>74.9</b>
Depreciation and amortisation	(15.5)	0.1	–	–	–	(15.4)
<b>EBIT<sup>1</sup></b>	<b>61.4</b>	<b>(1.6)</b>	<b>(0.3)</b>	–	–	<b>59.5</b>
Net finance costs	(5.0)	–	–	(5.7)	–	(10.7)
<b>PBT</b>	<b>56.4</b>	<b>(1.6)</b>	<b>(0.3)</b>	<b>(5.7)</b>	–	<b>48.8</b>
Income tax expense	(3.3)	–	–	–	0.4	(2.9)
<b>NPAT</b>	<b>53.1</b>	<b>(1.6)</b>	<b>(0.3)</b>	<b>(5.7)</b>	<b>0.4</b>	<b>45.9</b>
Profit attributable to minority interest	(0.1)	–	–	–	–	(0.1)
Profit attributable to members of the Company	53.0	–	–	–	–	45.8

Note:

<sup>1</sup> In arriving at EBITDA and EBIT, interest is defined as net financing costs as set out in the accounting policies note, Note D.14, in the Appendix.

### 9.5.2 Part year adjustments

An adjustment has been made to pro forma revenue, cost of sales and administrative expenses to include the results of Miclyn Express Offshore's investment in Samson Maritime, assuming that the acquisition occurred on 1 January 2010.

An adjustment has been made to pro forma earnings to include the employee incentive plan and Directors' fee expenses for the whole of CY2010, assuming that the IPO occurred on 1 January 2010.

### 9.5.3 Non-recurring items

An adjustment has been made to pro forma earnings to remove the impact of non-recurring costs related to the Offer, which include the cost of consultants, other professional fees and other one-off personnel expenses.

### 9.5.4 Net finance cost adjustments

Pro forma interest expense has been reduced to adjust for the full year impact of the reduced Group debt balance following the Offer, the write-off of facility arrangement fees related to the existing facility and interest rate swap break fees.

### 9.5.5 Tax adjustment

The tax adjustment represents the tax impact of the adjustments described above.

### 9.5.6 Statement of cash flows

The pro forma forecast statement of cash flows for CY2010 provided in Table 9.3 will differ to the statutory forecast statement of cash flows for CY2010. In addition to the adjustments and non-recurring items impacting the consolidated income statements outlined above, the statutory forecast statement of cash flows will include the impact of the reorganisation of the capital structure upon completion of the IPO, which includes a dividend paid to the Existing Shareholders. The impacts of the reorganisation of the capital structure are included in Section 8.5.2.

## 9.6 Sensitivity analysis

The Directors' Pro Forma Forecast in Section 9.2 is based on certain economic and business assumptions about future events. Set out in Table 9.19 is a summary of the sensitivity of the Directors' Pro Forma Forecast NPAT to variations in a number of key variables for CY2010. The sensitivity analysis illustrates the impact of changes to the delivery date of new vessels, spot vessel Utilisation and DCRs achieved on vessels operating in the spot market (applied to all categories of vessels). The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that the Group's management would respond to any adverse change in one variable by taking action to minimise the net effect on the Group's earnings.

Presented below are some of the key sensitivities which could affect the Directors' Pro Forma Forecast NPAT for CY2010 for the Group.

**Table 9.19: Sensitivity analysis on Directors' Pro Forma Forecast NPAT for CY2010**

MICLYN EXPRESS OFFSHORE SENSITIVITIES	NPAT IMPACT US\$ MILLION
One month delay in delivery of all Newbuilds not delivered as at the date of this Prospectus	(0.5)
Reduction of 5% in spot DCRs	(2.4)
Reduction of 5% in spot Utilisation	(2.2)
Interest rate: + 50 basis points	(0.7)
Increase of 5% in crew operating costs	(0.5)

### 9.6.1 One month delay in delivery of all Newbuilds not delivered as at the date of this Prospectus

The estimated impact of a one month delay in delivery of Newbuilds forecast for delivery during CY2010 represents the tax effected impact of the forgone gross profit.

### 9.6.2 Reduction of 5% in spot DCRs

The estimated impact of a 5% reduction in DCR achieved by vessels forecast to operate in the spot charter market represents the tax effected impact of the forgone gross profit.

### 9.6.3 Reduction of 5% in spot Utilisation

The estimated impact of a 5% decrease in the Utilisation of vessels operating in the spot market represents the tax effected impact of the forgone gross profit.

### 9.6.4 Interest rate: + 50 basis points

A 50 basis point p.a. increase in the interest rate would have a US\$0.7 million negative impact on the Directors' Pro Forma Forecast NPAT of the Group for CY2010. This represents a movement in the interest charge on the variable component of the debt. Refer to Section 13.5.7 for more details on Group debt facilities and the hedging arrangements.

### 9.6.5 Increase of 5% in crew operating costs

This represents the estimated impact of a 5% increase in crew operating costs through higher than expected wage negotiations.

# Investigating Accountants' Report

# 10



# Deloitte.

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

The Directors  
Miclyn Express Offshore Limited  
3 HarbourFront Place  
#07-01 HarbourFront Tower 2  
Singapore 099854

2 March 2010

Dear Sirs

## Miclyn Express Offshore Limited – INVESTIGATING ACCOUNTANTS' REPORT

### Introduction

At the request of the directors of Miclyn Express Offshore Limited (the Company) this report has been prepared for inclusion in a prospectus to be dated 2 March 2010 for the issue of fully paid ordinary shares at a price to be determined via a bookbuild process (the Prospectus).

A number of defined words and terms used in this report have the same meaning as set out in the Glossary contained in the Prospectus.

### Financial Information

You have requested that Deloitte Touche Tohmatsu (Deloitte) prepare an Investigating Accountants' Report reviewing the pro forma historical financial information set out in tables 8.1, 8.2 and 8.8 of the Prospectus and sections A, B, C, D and E of the Appendix<sup>1</sup> to the Prospectus (the Appendix) comprising the unaudited pro forma historical:

- Consolidated statement of revenue, EBITDA and EBIT of the Miclyn Express Offshore Group for the years ended 30 June 2007, 30 June 2008 and 30 June 2009 and for the six months ended 31 December 2009;
- Consolidated statement of cash flows before financing and tax of the Miclyn Express Offshore Group for the years ended 30 June 2007, 30 June 2008 and 30 June 2009 and for the six months ended 31 December 2009;
- Consolidated balance sheet of the Miclyn Express Offshore Group as at 31 December 2009; and
- Notes to the above unaudited pro forma historical financial information

(referred to collectively as the Pro Forma Historical Financial Information).

<sup>1</sup> The Appendix is a separate document lodged with ASIC, and is taken to be included as part of the Prospectus in accordance with section 712 of the Corporations Act.

# Deloitte.

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2 March 2010

The Pro Forma Historical Financial Information has been derived from historical financial information after adjusting for the pro forma transactions and/or adjustments described in the Appendix.

The historical financial information in respect of the Miclyn Express Offshore Group (except for Miclyn Express Offshore Limited, the parent entity of the Group incorporated on 11 September 2008), upon which the Pro Forma Historical Financial Information is based has been audited and reviewed in accordance with Singapore Standards of Auditing.

The Directors of the Company are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the determination of the pro forma transactions and/or adjustments.

The Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by IFRS applicable to annual financial reports prepared in accordance with the Corporations Act. The pro forma historical consolidated statement of revenue, EBITDA and EBIT has been prepared to the level of "profit from ordinary activities before interest and income tax expense" (EBIT). The pro forma historical consolidated statement of revenue, EBITDA and EBIT excludes the impact of the existing capital structure, as reflected in interest expense and income taxes, as this capital structure is not considered relevant given anticipated changes in debt and equity structures as a result of the proposed transactions.

## Scope for Review of Pro Forma Historical Financial Information

We have reviewed the Pro Forma Historical Financial Information in order to report whether anything has come to our attention which causes us to believe that the Pro Forma Historical Financial Information as set out in tables 8.1, 8.2 and 8.8 of the Prospectus and sections A, B, C, D and E of the Appendix is not presented fairly in accordance with the accounting policies adopted by the Company and described in the Appendix.

Our review of the Pro Forma Historical Financial Information has been conducted in accordance with Australian Auditing Standards on Review Engagements (ASRE) 2405 "*Review of Historical Financial Information Other than a Financial Report*". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Review of work papers, accounting records and other documents;
- Review of the pro forma transactions and/or adjustments made to the historical financial information;
- Analytical procedures applied to the financial data;
- Comparison of consistency in application of the recognition and measurement principles in IFRS and the accounting policies adopted by the Company and disclosed in the Appendix; and
- Enquiry of Directors, management and others.

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2 March 2010

These procedures do not provide all the evidence required in an audit, thus the level of assurance we provide is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **Review Statement on Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information as set out in Tables 8.1, 8.2 and 8.8 of the Prospectus and sections A, B, C, D and E of the Appendix, is not presented fairly in accordance with the accounting policies adopted by the Company and described in the Appendix.

## **Subsequent Events**

Subsequent to 31 December 2009 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of the Company have occurred, other than the matters dealt with in this report or the Prospectus, which would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading or deceptive.

## **Independence and Disclosures of Interests**

Deloitte does not have any interest in the outcome of this Offer other than the preparation of this Report, the preparation of the report on the Directors' Forecast by Deloitte Corporate Finance Pty Limited and other services in relation to the Offer for which normal professional fees will be received. Deloitte is the auditor of the Company and from time to time Deloitte also provides certain other professional services for which normal professional fees are received.

## **Consent**

Deloitte has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Samantha Lewis  
Partner

Report on Directors' Forecast

# 11



# Deloitte.

Deloitte Corporate Finance Pty Limited  
ACN 003 833 127  
AFSL 241457

550 Bourke Street  
Melbourne VIC 3000  
GPO Box 78  
Melbourne VIC 3001 Australia

DX: 111  
Tel: +61 (0) 3 9671 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

The Directors  
Miclyn Express Offshore Limited  
3 HarbourFront Place  
07-01 HarbourFront Tower 2  
Singapore 099254

2 March 2010

Dear Sirs

## REPORT ON DIRECTORS' FORECAST

### Introduction

Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) has been engaged by the directors of Miclyn Express Offshore Limited (the Company) to prepare this Report on Directors' Forecast for inclusion in a prospectus to be issued by the Company in respect of the offer of ordinary shares in the Company (the Prospectus).

Deloitte Corporate Finance is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services Licence for the issue of this report.

Defined words and terms used in this Report have the same meaning as set out in the Glossary contained in the Prospectus.

### Directors' Forecast

Deloitte Corporate Finance has been engaged to prepare a report covering the forecast financial information set out in Section 9 of the Prospectus comprising the following:

- the pro forma forecast consolidated income statement and pro forma forecast statement of cash flows of the Company for the financial year ending 30 June 2010 and the calendar year ending 31 December 2010 as set out in tables 9.1 and 9.3 in Section 9.2 of the Prospectus (the Directors' Pro Forma Forecast)
- the statutory forecast consolidated income statement of the Company for the financial year ending 30 June 2010 and the calendar year ending 31 December 2010 as set out in table 9.2 in Section 9.2 of the Prospectus (the Directors' Statutory Forecast)

(referred to collectively as the Directors' Forecast).

The Directors' Forecast has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ending 30 June 2010 and the calendar year ending 31 December 2010. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies which are often outside the control of the Company. The Directors' Forecast has been prepared using assumptions summarised in the Prospectus which are based on best estimate assumptions relating to future events that management expects to occur and actions that management expects to take.

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The sensitivity analysis set out in Section 9.6 of the Prospectus demonstrates the impacts on the Directors' Forecast of changes in key assumptions. The Directors' Forecast is therefore only indicative of the financial performance which may be achievable. Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Directors' Forecast.

Accordingly prospective investors should have regard to the business risk factors set out in Section 6.2 of the Prospectus, the investment risks set out in Section 6.3 of the Prospectus and the sensitivity analysis set out in Section 9.6 of the Prospectus.

## Directors' Responsibility

The Directors are solely responsible for the preparation and presentation of the Directors' Forecast and the information contained therein, including the assumptions on which they are based. The Directors' responsibility also includes the preparation of the Prospectus in accordance with the Corporations Act.

## Scope

We have conducted a limited assurance engagement on the Directors' Forecast in order to express a conclusion on it based on our procedures.

We conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the Australian Auditing and Assurance Standards Board, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that, in all material respects:

- i) the Directors' best estimate assumptions set out in Section 9.4 of the Prospectus do not provide reasonable grounds for the preparation of the Directors' Forecast
- ii) the Directors' Forecast is not properly prepared on the basis of the Directors' best estimate assumptions, consistent with the accounting policies adopted and used by the Company and in accordance with the recognition and measurement principles prescribed in International Financial Reporting Standards
- iii) the Directors' Forecast itself is unreasonable.

Our procedures consisted primarily of enquiry, comparison, and analytical review procedures we considered necessary including discussions with management and directors of the Company of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Directors' Forecast and the evaluation of accounting policies used in the Directors' Forecast.

Our limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing and Assurance Standards and provides less assurance than an audit. Accordingly, we do not express an audit opinion.

Prospective financial information, such as the Directors' Forecast, relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the Directors' Forecast is based, those assumptions are generally future-orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the Prospectus and such variations may be material. We express no opinion as to whether the Directors' Forecast will be achieved.

ASAE 3000 requires us to comply with the requirements of the applicable code of professional conduct issued on behalf of a professional accounting body.

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## Conclusion

Based on our review, nothing has come to our attention which causes us to believe that, in all material respects:

- i) the Directors' best estimate assumptions, as set out in Section 9.4 of the Prospectus, do not provide reasonable grounds for the preparation of the Directors' Forecast
- ii) the Directors' Forecast is not properly prepared on the basis of the Directors' best estimate assumptions, consistent with the accounting policies adopted and used by the Company and in accordance with the recognition and measurement principles prescribed in International Financial Reporting Standards
- iii) the Directors' Forecast itself is unreasonable.

## Limitation of use

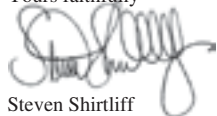
We disclaim any responsibility for any reliance on this Report or on the Directors' Forecast to which it relates for any other purpose than that for which it was prepared.

## Independence and Disclosure of Interests

Deloitte Corporate Finance does not have any interest in the outcome of this Offer other than the preparation of this report, the Investigating Accountant's Report included in Section 10 and the Tax Report included in Section 12, and participation in the due diligence procedures and other services in relation to the Offer for which normal professional fees will be received.

Deloitte & Touche LLP (Singapore) is the auditor of the Company, and from time to time also provides certain other professional services for which normal professional fees are received.

Yours faithfully



Steven Shirtliff  
Director  
Deloitte Corporate Finance Pty Limited

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## Financial Services Guide

### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

### What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Australia). Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

We and Deloitte Australia (and other entities related to Deloitte Australia):

- do not have any formal associations or relationships with any entities that are issuers of financial products; and
- may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au Fax: +61 2 9255 8434	Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 <a href="mailto:info@fos.org.au">info@fos.org.au</a> <a href="http://www.fos.org.au">www.fos.org.au</a> Tel: 1300 780 808 Fax: +61 3 9613 6399
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### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

10 February 2010

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

# Tax Report

# 12



# Deloitte.

Deloitte Touche Tohmatsu Ltd  
ACN 092 223 240

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX: 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

The Directors  
Miclyn Express Offshore Limited  
3 HarbourFront Place  
07-01 Harbour Front Tower 2  
Singapore 099254

Dear Sirs

## TAX REPORT

### Introduction

This report has been prepared at the request of the directors of Miclyn Express Offshore Limited (the Company) for inclusion in a prospectus to be issued by the Company in respect of the offer of ordinary shares in the Company (the Prospectus).

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary.

### Scope

The Company has asked us to comment on the primary tax issues relevant to the determination of the forecast tax expense of the Company, that impact the effective tax rate of the Group, as contained in the Directors' Forecast and to confirm that there is no reason to believe that the disclosed effective tax rate is unreasonable.

Outlined below are the key tax issues relevant to the determination of the forecast tax expense of US\$3.3m, which represents an effective tax rate of 5.9% for the year ending 31 December 2010 as included in Section 9.2 of the Prospectus.

### Background

The following information is relevant to the determination of the forecast tax expense:

- the Group currently operates predominately through Singapore and Hong Kong subsidiaries that enter into charter contracts in relation to Singapore and Hong Kong owned vessels conducting business across South East Asia, Australia and the Middle East
- the majority of charter contracts entered into by the Singapore subsidiaries and some of those entered into by the Hong Kong subsidiaries are negotiated on a net basis. Under charter contracts negotiated on a net basis the withholding tax liability is recovered from the customer
- the Company is a Singaporean tax resident company which is not managed and controlled in or otherwise a tax resident of Australia.

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## Review of Forecast Tax Expense

### *Tax Treatment – Singapore and Hong Kong*

Charter income derived by Singapore subsidiaries of the Group is exempt from Singapore tax under Section 13A of the Singapore Income Tax Act where the income is derived from Singapore vessels operating in international waters. Non charter income derived and remitted to Singapore subsidiaries of the Group is taxed at a rate of 17%.

Income derived by Hong Kong subsidiaries of the Company is not subject to Hong Kong tax to the extent that income is derived from sources outside Hong Kong. Income derived from sources inside Hong Kong waters is taxed at a rate of 16.5%.

### *Tax Treatment – Withholding Tax*

Withholding tax is generally payable on charter income in most jurisdictions in which the vessels operate. However, to the extent that the charter contracts are negotiated on a net basis, the withholding tax liability is recovered from the customer.

The maximum withholding tax rates which may be applicable to charter fees paid to Singapore or Hong Kong subsidiaries under the relevant jurisdiction's domestic tax law or its double tax agreement with Singapore/Hong Kong (as applicable) are listed below.

<b>Country of operation</b>	<b>Singapore Withholding Tax Rates</b>	<b>Hong Kong Withholding Tax Rates</b>
Indonesia	2.64%	2.64%
Iran	5%	5%
Malaysia	0%	10%
Saudi Arabia	5%	5%
Singapore	0%	0%
Thailand	0%	15%
United Arab Emirates	0%	0%

### *Tax Treatment – Other Jurisdictions*

The Group is subject to local income taxes in relation to:

- its chartering activities in Australia at a rate of 30%
- its shipbuilding and repair operations in Indonesia at a rate of 25%
- its back to back chartering arrangements into Thailand using Hong Kong owned vessels at a rate of 18%.

### **Limitations on our work**

Our Work has been performed under the terms of our engagement with the Company.

Therefore, our Work is based on:

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- an assumption that the transactions and events will occur as contemplated by the Directors' Forecasts; and in particular, that the quantum and mix of income and expenses will occur as contemplated in the Directors' Forecast, the charter contracts will be implemented and that charter contracts will not be re-negotiated. Prospective financial information, such as the Directors' Forecasts, relates to events and actions that have not yet occurred and may not occur. Accordingly, actual financial performance may vary from the prospective financial information presented in the Prospectus and such variations may be material. We express no opinion as to whether the Directors' Forecasts will be achieved;
- the law, regulations, and other authorities in effect at the date of this report. If there are any significant changes in or to these (for which we shall have no responsibility to advise the Company) such changes may result in our conclusions being rendered out of date; and
- our work is not binding on any local or foreign revenue authority or any court or tribunal and should not be considered a representation, warranty or guarantee that any revenue authority or the courts or tribunals will agree with our conclusions.

### Conclusion

As the majority of the income earned by the Company and its subsidiaries is charter income derived by Singapore or Hong Kong owned vessels operating in international waters, and such charter contracts are negotiated on a net basis, the forecast tax expense, as contained in the Directors' Forecasts, results in an effective tax rate of 5.9%.

Subject to the limitations noted above, there is no reason to believe that the disclosed effective tax rate is unreasonable.

To the extent that there is no change to the income mix and the tax rates, legislation or current interpretation of such legislation in the countries of operation/ownership there is no reason to believe that there should be a material change to the effective tax rate.

### Responsibility

The representatives of Deloitte Touche Tohmatsu Ltd as trustee for the Deloitte Tax Services Trust (Deloitte Tax) involved in preparing this report are not licensed to provide financial product advice. Taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision in relation to a financial product.

Deloitte Tax has consented to the inclusion of this report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte Tax makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

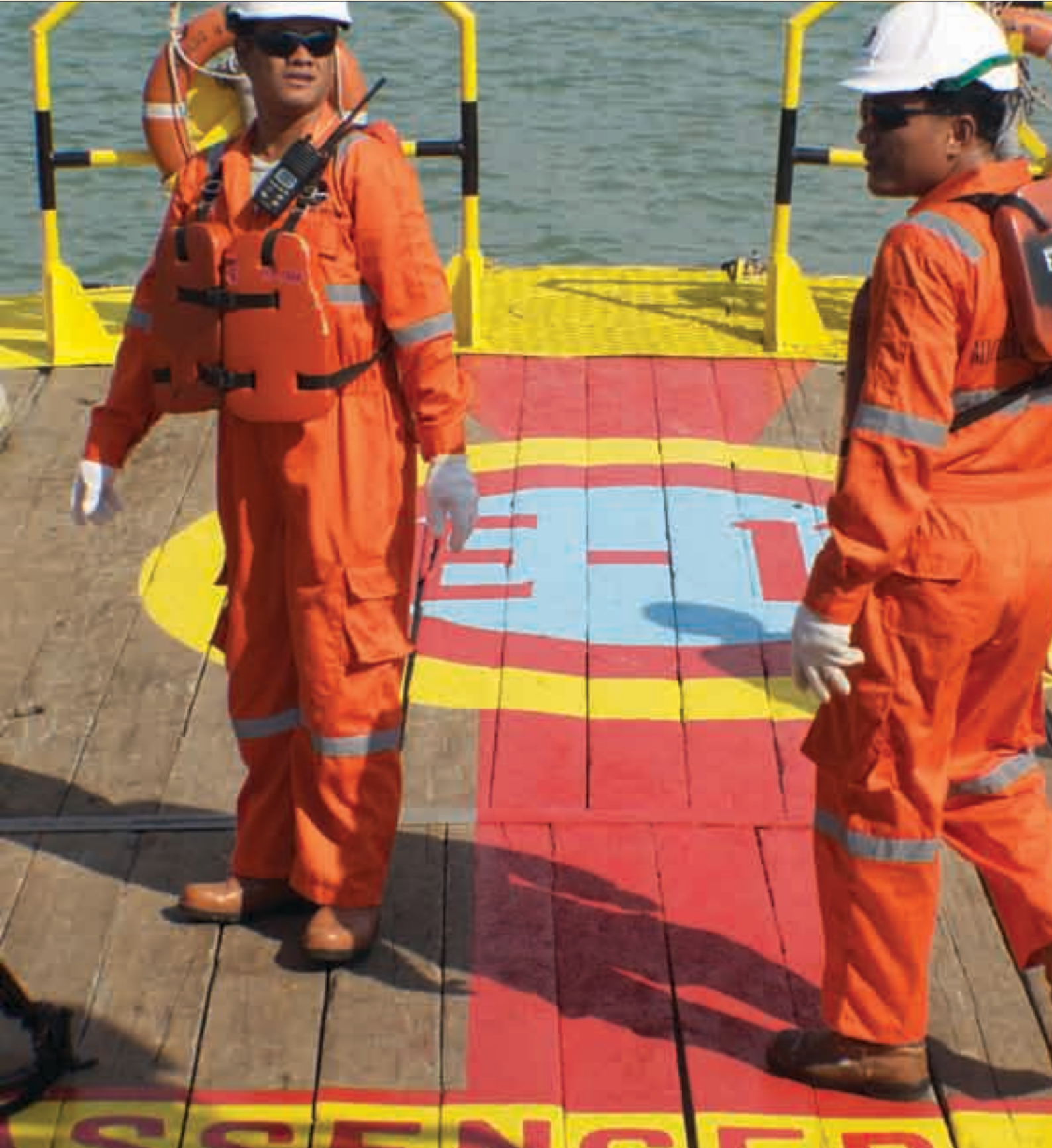
Yours sincerely,



Tracey Rens  
Director  
Deloitte Touche Tohmatsu Ltd

## Additional Information

# 13



## 13.1 Registration and corporate structure

The Company was registered in Bermuda on 11 September 2008 as an exempted company.

The Company was registered as a foreign company under the Corporations Act on 4 February 2010.

## 13.2 The constitution and rights attaching to shares

### 13.2.1 Summary of the Constitution and Shares

The rights attaching to the Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Bermuda Companies Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The key provisions of the Constitution and the principal rights, liabilities and obligations of Shareholders are summarised in this section.

### 13.2.2 Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless the Shareholder appoints more than one proxy) and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Where there are two or more joint holders of a share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders. Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by at least three Shareholders entitled to vote on the resolution, Shareholders with not less than one tenth of the votes that may be cast on the resolution, or the Chairman. If votes are equal on a proposed resolution, the Chairman has a casting vote, in addition to any deliberative vote, on either a show of hands or a poll.

#### 13.2.2.1 Dividends

Subject to the Bermuda Companies Act, the Directors may from time to time determine to distribute dividends, which are divisible among the members in proportion to the number of shares held by them, subject to the rights attaching to the shares with special dividend rights. No shares with special dividend rights are currently on issue. Refer to Section 1.6 for further information on the dividend policy of the Company.

#### 13.2.2.2 Issue of further shares

The Directors may (subject to the restrictions on the issue of shares imposed by the Constitution, the Listing Rules and the Bermuda Companies Act) issue, grant options in respect of, or otherwise dispose of further shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions or restrictions) as they see fit.

#### 13.2.2.3 Variation of class rights

Subject to the Bermuda Companies Act and their terms of issue, the rights attaching to any class of shares may be varied with the written consent of holders of shares with at least 75% of the votes in the class, or by a special resolution passed at a separate meeting of the holders of shares of the class.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

#### 13.2.2.4 Transfer of shares

Shareholders may transfer shares by a written transfer instrument in the usual form or any form approved by the Directors or by a proper transfer affected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Listing Rules, the ASTC Settlement Rules and the Bermuda Companies Act.

The Directors may refuse to register a transfer of shares, including in circumstances permitted by the Listing Rules or ASX. The Directors must refuse to register a transfer of shares where required to do so by the Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASTC Settlement Rules.

The Company may purchase its own shares for cancellation or acquire them as treasury shares in accordance with the Bermuda Companies Act on such terms as the Board thinks fit.

#### 13.2.2.5 General meeting and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Bermuda Companies Act. At least 14 days notice of a meeting must be given to Shareholders.

#### 13.2.2.6 Winding up

Subject to the Constitution and any special resolution or preferential rights attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the shares held by them.

#### 13.2.2.7 Directors – appointment and removal

The minimum number of Directors is four and the maximum is to be fixed by the Directors but may not be more than nine unless Shareholders pass a resolution varying the number. Directors are elected at annual general meetings of the Company.

Retirement will occur on a rotational basis so that one third of the Directors (where the number of Directors is greater than five) plus any Director who has held office for three annual general meetings (excluding the Managing Director) retire at each annual general meeting of the Company.

Where the number of Directors is five or less (excluding the managing director and any casual Directors), then two of the remaining Directors must retire from office at each annual general meeting of the Company.

The Directors may also appoint a Director to fill a casual vacancy on the Board or, if authorised by the Shareholders, in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

**13.2.2.8 Directors – voting**

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the Chairman has a casting vote in addition to the Chairman's deliberative vote unless only two Directors are present or are entitled to vote, in which case the proposed resolution is taken as having been lost.

**13.2.2.9 Directors – remuneration**

The Directors, other than the Managing Director, an Executive Director or the Macquarie Group representative, shall be paid by way of fees for services, the maximum aggregate sum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum approved by Shareholders at a general meeting is US\$2 million p.a. Any change to that aggregate sum needs to be approved by Shareholders. The Constitution also provides for the Company to pay all reasonable expenses of Directors in attending meetings and carrying out their duties. Remuneration of the Managing Director or an Executive Director shall be the amount that the Directors decide.

**13.2.2.10 Powers and duties of Directors**

The Directors may exercise all powers and do all things that are within the Company's power and the powers are not expressly required by the Bermuda Companies Act, any other applicable law of Bermuda or the Constitution to be exercised by the Company in general meeting.

**13.2.2.11 Capitalisation of profits**

Subject to the Bermuda Companies Act, the Constitution, the Listing Rules, any rights or restrictions attached to any shares or class of shares and any special resolution of the Company, the Directors may capitalise and distribute profits or other amounts available for distribution among those Shareholders who would be entitled to receive dividends and in the same proportions.

**13.2.2.12 Alteration of share capital**

Subject to the Bermuda Companies Act, the Listing Rules and the Constitution, the Company may alter its share capital.

**13.2.2.13 Preference shares**

The Company may, subject to the Bermuda Companies Act, issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution.

**13.2.2.14 Directors' and officers' indemnity and insurance**

The Company, to the extent permitted by law, indemnifies each officer of the Group on a full indemnity basis against any losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or a subsidiary of the Company.

The Company, to the extent permitted by law, may insure a Director, company secretary, or any officer of Miclyn Express Offshore against a liability incurred by such person in the person's relevant capacity, in the course of acting in connection with the affairs of the Company or a subsidiary or arising out of the person holding office. The Company may also insure such person for costs and expenses incurred by that person in defending or resisting proceedings whatever the outcome.

**13.2.2.15 Amendment**

No Bye-law may be rescinded, altered or amended and no new Bye-law may be made, save in accordance with the Bermuda Companies Act and until the same has been approved by a resolution of the Board and by a resolution of the Shareholders.

No alteration or amendment to the memorandum of association of the Company may be made, save in accordance with the Bermuda Companies Act and until same has been approved by a resolution of the Board and by a resolution of the Shareholders.

**13.3 Applicable company law**

The Company was incorporated in Bermuda and, therefore, operates subject to Bermuda law and, in particular, is not subject to certain aspects of Australian company law. The Company has been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes.

Set out below is a table summarising some of the key differences between Australian and Bermuda company laws as they apply to the Company. A fuller summary of relevant Bermuda company law is set out in the Appendix, covering the following areas:

- share capital;
- membership;
- financial assistance for the acquisition of shares in a company or its holding company;
- takeovers;
- dividends and distributions;
- protection of minorities;
- management;
- accounting and auditing requirements and auditors;
- exchange control;
- taxation and stamp duty;
- loans to directors;
- inspection of corporate records; and
- winding up.

It is important to note that neither this summary nor the Appendix purports to:

- be a complete review of all matters of Bermuda company law and taxation; or
- highlight all provisions that may differ from equivalent provisions in Australia.

The Group believes that the information in the Appendix is primarily of interest to professional analysts or advisers, or investors with similar specialist information needs. If you consider that the information in the Appendix may assist you in making your investment decision, you may obtain a copy of the Appendix free of charge by calling the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia).

Table 13.1: Key differences between Australian and Bermuda company laws

	AUSTRALIA	BERMUDA
<b>Takeovers</b>	Substantial holder notice requirements 20% stop rule Compulsory acquisition permitted by holders of 90% or more of shares	No equivalent substantial holder notice or 20% stop rule provisions. <sup>1</sup> Compulsory acquisition permitted: <ul style="list-style-type: none"> <li>• where a scheme or contract involving the transfer of shares in a company to another company (in this item referred to as 'transferee company'), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than 90% in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary; and</li> <li>• by holders of 95% or more of shares.</li> </ul>
<b>Directors' duties</b>	The Corporations Act contains a number of statutory duties which are imposed on directors, including the duty of due care and diligence, good faith and avoidance of improper use of position or information.	The Bermuda Companies Act provides for comparable duties, being to act honestly and in good faith with a view to the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Australian Corporations Act obligations will apply where the act or omission of the director or officer occurs in connection with: <ul style="list-style-type: none"> <li>• the Company carrying on business in Australia;</li> <li>• an act that the Company does, or proposes to do, in Australia; or</li> <li>• a decision by the Company whether or not to do, or refrain from doing, an act in Australia.</li> </ul> Having regard to the Company's business, these requirements may not always be applicable.
<b>Financial assistance/self-acquisition</b>	Financial assistance and self-acquisition of shares in the company or its holding company are prohibited subject to limited exception.	Comparable Bermuda provisions exist in relation to financial assistance, although the precise scope of the exceptions differs from those in the Corporations Act. An acquisition of shares in the company or its holding company is allowed subject to certain conditions.
<b>Protection of minorities</b>	The Corporations Act has various provisions allowing for application for a court order for oppressive conduct of a company's affairs, allowing for derivative actions and permitting the inspection of a company's books. A winding up may also be sought on just and equitable grounds.	Bermuda law has comparably wide statutory oppression and just and equitable winding up actions. However, class actions and derivative actions are generally not available to members under Bermuda law.

<sup>1</sup> The Company may be required to disclose changes in substantial holdings of which it is aware in accordance with its continuous disclosure obligations under the Corporations Act and ASX listing rules.

	<b>AUSTRALIA</b>	<b>BERMUDA</b>
<b>Related party transactions</b>	The Corporations Act regulates the provision of financial benefits to related parties of 'public companies'.	The Bermuda Companies Act does not contain provisions to this effect. The Company will, however, be required to comply with ASX listing rule requirements in respect of related party transactions.
<b>Filing of documents/ access to information</b>	The Corporations Act requires a corporation to file various documents with ASIC, including its accounts and notification of changes to its constitution. Documents filed with ASIC are available to the public. The Corporations Act also provides for a statutory right to apply to a court for an order permitting the member to inspect the books of a company.	Although the Company is required to comply with the Australian obligations, and may also be required to disclose such information to ASX under continuous disclosure, the Company is not subject to orders under the Corporations Act permitting a member to inspect its books. The Bermuda Companies Act requires a company to file certain documents with the Bermuda Registrar of Companies, including an increase in authorised share capital, a company's memorandum of association (including its objects and powers) and any alteration thereto. Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. Members of the company have the right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. The register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge.
<b>Notice of meetings</b>	The Corporations Act requires at least 28 days' notice of a general meeting of a listed company.	The Bermuda Companies Act requires five days' notice of a general meeting and the Constitution provides for 14 days' notice.
<b>Removal of directors</b>	The Corporations Act contains various provisions regarding resignation, removal and retirement of directors. The Corporations Act provides that a director may be removed by resolution at a general meeting, subject to the company receiving at least two months' notice of the intention to move the resolution and the company notifying the relevant director as soon as possible after receiving notice of that intention.	The Bermuda Companies Act provides that subject to a company's bye-laws, the members of a company may at a special general meeting called for that purpose, remove a director. Notice of such meeting must be served on the director at least 14 days before the meeting, and he shall be entitled to be heard at the meeting.

Where it is noted that Bermuda company law contains comparable provisions to those existing under Australian law, it is emphasised that the summary table only attempts to provide general guidance, and that the detailed provisions may contain differences (including as to the availability of the cause of action), and may also be subject to differing interpretation by Australian and Bermuda courts.

## 13.4 Employee and executive equity plans

### 13.4.1 Employee incentive plan

#### 13.4.1.1 The Plan

The Company has adopted an equity compensation plan to assist in the attraction, motivation and retention of employees (including Executive Directors) within the Company ('Plan') ('Plan Participants').

The Plan enables the Company to grant options ('Employee and Executive Options') to Plan Participants. Each Employee and Executive Option is a conditional entitlement to one Share, subject to the satisfaction of specified performance conditions.

Shares issued under the Plan on exercise of Employee and Executive Options will rank equally with the other issued Shares.

#### 13.4.1.2 Eligibility

Under the Plan, the Company may grant Employee and Executive Options to employees within the Group from time to time as determined by the Board in its discretion and in accordance with the rules of the Plan and applicable law. In respect of the initial grant of Employee and Executive Options, the date of grant of the Employee and Executive Options granted to the eligible Plan Participants (comprising 24 executives, including the CEO) will be the date of Listing. The CEO will be the only director eligible to participate in the Plan. The CEO will be granted 2,305,000 Employee and Executive Options under the Plan and on the terms summarised below.

#### 13.4.1.3 Consideration

Unless the Board determines otherwise, Employee and Executive Options will be granted for no consideration.

Plan Participants will be required to pay an exercise price on exercise of their Employee and Executive Options. The exercise price will be determined by the Board and will usually equal the volume weighted average price of the Shares over the one week period up to and including the date of grant of the Employee and Executive Options. In accordance with Bermuda Law, under no circumstances will the exercise price be less than the par value of the Share. It is proposed that the initial grant of Employee and Executive Options will have an exercise price equivalent to the Institutional Offer Final Price. No loans will be made available in respect of payment of the exercise price.

#### 13.4.1.4 Terms and conditions

An Employee and Executive Option will vest and become exercisable to the extent that the performance conditions specified at the time of grant are satisfied. The Board has discretion under the Plan as to the terms upon which it will offer options under the Plan, including the performance conditions.

It is proposed that the performance conditions attached to the initial grant of Employee and Executive Options will involve an approximately three year employment service condition, earnings per share ('EPS') growth target hurdles and a comparative total shareholder return ('TSR') hurdle. These performance conditions are provided in more detail below.

The number of Employee and Executive Options which vest depends on the extent to which the performance hurdles are satisfied.

#### *Service condition*

No Employee and Executive Options will vest unless the Plan Participant is employed on the date of the FY2013 results announcement.

Employee and Executive Options subject to the EPS performance condition ('EPS Employee and Executive Options')

In respect of the initial grant of Employee and Executive Options, 75% of the total grant made to each eligible Plan Participant will be EPS Employee and Executive Options, comprised of four tranches, as follows:

- tranche 1 will be one third of total EPS Employee and Executive Options granted to each eligible Plan Participant;
- tranche 2 will be one sixth of total EPS Employee and Executive Options granted to each eligible Plan Participant;
- tranche 3 will be one sixth of total EPS Employee and Executive Options granted to each eligible Plan Participant; and
- tranche 4 will be one third of total EPS Employee and Executive Options granted to each eligible Plan Participant.

The performance hurdles for the EPS Employee and Executive Options are:

**Tranche 1** – Subject to the service condition outlined above, 100% of tranche 1 EPS Employee and Executive Options will vest on the date of the FY2013 results announcement if the Company has achieved the relevant performance hurdle set out in the table below.

**Tranches 2, 3 and 4** – Subject to the service condition outlined above, 50% of the relevant tranches of EPS Employee and Executive Options will vest on the date of the FY2013 results announcement if the Company has achieved the relevant performance hurdle set out in the table below. The remaining 50% of the relevant tranche of EPS Employee and Executive Options will vest on a pro rata basis for performance above the relevant target EPS (with 100% of the relevant tranche of EPS Employee and Executive Options vesting if the target EPS for the relevant tranche is exceeded by at least 10%).

The EPS Employee and Executive Options performance hurdle testing dates are:

- tranche 1: 1H FY2011 results announcement;
- tranche 2: FY2011 results announcement;
- tranche 3: FY2012 results announcement; and
- tranche 4: FY2013 results announcement.

Vesting will not occur until the date of the FY2013 results announcement.

TRANCHE	TARGET EPS
1	Actual reported CY2010 statutory EPS for the Prospectus Forecast Period equalling or exceeding the CY2010 statutory EPS implied by the CY2010 statutory NPAT disclosed in the Prospectus and the actual total number of shares on issue at Listing ('Tranche 1 Target EPS')
2	Actual statutory FY2011 EPS being at least 7.5% above the Tranche 1 Target EPS ('Tranche 2 Target EPS')
3	Actual statutory FY2012 EPS being a further 15% above the Tranche 2 Target EPS ('Tranche 3 Target EPS')
4	Actual statutory FY2013 EPS being a further 15% above the Tranche 3 Target EPS ('Tranche 4 Target EPS')

If the performance hurdle in respect of tranche 1 is not satisfied, 50% of the EPS Employee and Executive Options in tranche 1 lapse and the remaining EPS Employee and Executive Options become subject to the performance hurdle in respect of tranche 2.

If the performance hurdle in respect of tranche 2 is not satisfied, 100% of the EPS Employee and Executive Options in tranche 2 and any other EPS Employee and Executive Options subject to tranche 2 performance hurdles become subject to the performance hurdle in respect of tranche 3.

If the performance hurdle in respect of tranche 3 is not satisfied, 100% of the EPS Employee and Executive Options in tranche 3 and any other EPS Employee and Executive Options subject to tranche 3 performance hurdles become subject to the performance hurdle in respect of tranche 4.

If the performance hurdle in respect of tranche 4 is not satisfied, 100% of the EPS Employee and Executive Options in tranche 4 and any other EPS Employee and Executive Options subject to tranche 4 performance hurdle immediately lapse.

***Employee and Executive Options subject to TSR performance condition ('TSR Employee and Executive Options')***

The remaining 25% of each grant of Employee and Executive Options made to Plan Participants at Listing will comprise TSR Employee and Executive Options.

The performance condition to be used to determine the number of TSR Employee and Executive Options that vest compares the TSR performance of the Company with the TSR performance of each of the individual entities in a comparator group of entities across the TSR performance period. Broadly, TSR is the growth in share price plus dividends reinvested. The performance period for the TSR Employee and Executive Options commences on the date of Listing and ends on the date of the FY2013 results announcement. The TSR performance hurdle will be tested based on the closing price of Shares on the day following the date of the FY2013 results announcement. There is no re-testing of the TSR performance condition.

The comparator group of entities is the group of companies comprising the ASX Small Ordinaries Accumulation Index (ticker XSOA) as at the beginning of the TSR performance period. The Board has the discretion to adjust this comparator group to take into account events including but not limited to takeovers, mergers or de-mergers that might occur during the TSR performance period.

**TSR MEASUREMENT TABLE**

Performance against peer group of companies over the TSR performance period	Proportion of that may be exercised if the TSR performance hurdle is met
Less than 50th percentile	0%
At 50th percentile	50%
More than 50th and up to 75th percentile	Pro rata between 51% and 99%
More than 75th percentile	100% (maximum of award)

**13.4.1.5 Issue or acquisition of Shares on exercise of Employee and Executive Options**

At the discretion of the Company, Shares in respect of which a Plan Participant has exercised Employee and Executive Options may be delivered by being issued to the Plan Participant by the Company or purchased on-market by the Company for the Plan Participant.

**13.4.1.6 No transfer of Employee and Executive Options**

Without the prior approval of the Board, Employee and Executive Options may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.

**13.4.1.7 Expiry of Employee and Executive Options**

Unless the Board determines otherwise, if an Employee and Executive Option has not lapsed earlier it will lapse at the seventh anniversary of the date of grant. In respect of the initial grant of Employee and Executive Options, the Board has determined that the Employee and Executive Options will lapse at the fifth anniversary of the date of grant if they have not lapsed earlier.

**13.4.1.8 Quotation**

Employee and Executive Options will not be quoted on ASX.

The Company will apply for official quotation of any Shares issued upon exercise of Employee and Executive Options, in accordance with the Listing Rules.

**13.4.1.9 Cessation of employment**

The Plan contains provisions concerning the treatment of vested and unvested Employee and Executive Options in the event a Plan Participant ceases employment.

Where an employee ceases employment because of redundancy, death, disability or other reason with the approval of the Board, unvested Employee and Executive Options may, at the Board's discretion, vest and the employee (or a nominated person in the case of death) will have 30 days to exercise any vested Employee and Executive Options. If a Plan Participant is terminated for cause, all Employee

and Executive Options that Plan Participant holds will immediately lapse, regardless of whether the applicable performance conditions are satisfied or not.

The Board may determine that Employee and Executive Options lapse or are forfeited if a Plan Participant engages in fraudulent or dishonest conduct.

#### 13.4.1.10 Change of control of the Company

In the event a takeover is made, recommended or becomes unconditional, the Board may determine that unvested Employee and Executive Options vest, having regard to pro rata performance against the performance conditions tested from the date of grant to the relevant takeover bid date.

#### 13.4.1.11 Voluntary winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date, or soon after it dispatches such notice to each member of the Company, give notice thereof to all participants. Each participant (or his or her legal personal representative(s)) shall thereupon be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the participant credited as fully paid.

#### 13.4.1.12 Other Plan terms

The Plan will also contain customary and usual terms, having regard to Australian and Bermuda law, for dealing with:

- changes in capital structure; and
- administration, variation, suspension and termination of the Plan.

### 13.5 Material contracts

The Directors consider that there are a number of contracts or types of contracts which are significant or material to the Company or of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for Shares. The main provisions of each such contract or type of contract are summarised below. These summaries do not purport to be complete.

#### 13.5.1 Charter party contracts

Various entities in the Group enter into a range of charter party contracts, either directly or via an agent, with customers.

The contracts are normally entered into in the form of international standard form contracts, such as the BIMCO Standard Bareboat Charter 'BARECON 89', BIMCO Standard Barge Bareboat Charter Party 'BARGEHIRE 94' and BIMCO Uniform Time Charter Party for Offshore Service Vessels 'SUPPLYTIME 89'. The contracts vary between charters, based on the duration and nature of the type of charter, and may also be entered into pursuant to master charter

party agreements. The duration may vary from short term charters, often called spot charters, of several days or months to longer term charters lasting many months and up to several years. Customers also often seek to extend the duration of a charter party contract. The nature of the charter can vary from time charters, bareboat charters and voyage charters. In a time charter, the Group provides the vessel together with its crew for an agreed DCR and for an agreed duration. Under a bareboat charter, the Group provides only the vessel and the customer provides the crew and maintains the vessel. Voyage charters are for an agreed transit between ports or points and are normally crewed by the Group.

#### 13.5.2 Agency and services agreements

The Group uses shipping agents to operate and support its chartered vessels in some areas, most notably in Indonesia and Saudi Arabia. The Group also has services agreements in respect of its Thai operations.

For Indonesia, the Group has an agency agreement with PT Persuahaan Pelayaran Sea Horse under which the agent acts as its general agent for ocean services and chartering activities in Indonesia specifically with regard to Crew/Utility Vessels only. The agency agreement is terminable on 90 days' notice by either party. The agency arrangements do not apply to the Group's Shipyard activities. Likewise, for Saudi Arabia the Group has an agency agreement with Barwil Agencies Ltd for Shipping & Trading under which the agent acts as its agent for chartering and support activities in Saudi Arabia. This agency agreement is also terminable on 90 days' notice by either party.

In Thailand, the Group has a services agreement with its joint venture entity, Uniwise, to manage and service the Group's vessels. Uniwise also has a services agreement with Unithai under which Unithai provides certain administration, marketing and accounting services to Uniwise.

The Group pays various fees and reimbursement of disbursements to its agents and service providers in return for the services.

#### 13.5.3 Joint venture and similar agreements

The Group has joint venture and similar arrangements with several parties. These include:

- a joint venture in Thailand, in respect of Uniwise Holdings Limited and Uniwise Offshore Limited, between the Group entity Cuig Maritime Pte Ltd and the entity Unithai Energy Company Ltd;
- a shareholders' agreement in Malaysia in respect of Blansco Sdn Bhd, between the Group entity Miclyn Express Offshore Pte Ltd and Malaysian nationals;
- a partnership agreement in UAE in respect of Express Offshore Transport (UAE) LLC, between the Group entity Miclyn Express Offshore Pte Ltd and Mohammed Mubasheri Al Marzooqi; and
- a joint venture in Saint Vincent, in respect of Indowise Shipping Ltd, between the Group entity Miclyn Express Offshore Pte Ltd and the entities Marine Systems Limited and PT Aquaria Prima.

The Thai joint venture is for the joint ownership and operation of OSVs and Crew/Utility Vessels in Thailand. The Group owns 20% of the operating entity, Uniwise, directly, while the balance is held

by Uniwise Holding Company Limited, in which the Group has a 37.5% stake. The balance of Uniwise Holding Company is held by the joint venture partner, Unithai. A shareholders' agreement of indefinite term governs the Uniwise Joint Venture. It contains rights of pre-emption and restrictions on the sale of shares in the two joint venture companies, including that a shareholder may not, without the prior consent of the other shareholders, sell, transfer, pledge, assign or in any other way dispose of that shareholder's beneficial ownership of any shares in the joint venture companies to third parties, except in relation to transfers first offered to the other shareholders and not taken up. The agreement also contains restrictions on each party (and any corporate entities in which that party's ownership is 10% or more) being involved with the ownership or operation of offshore supply and Crew/Utility Vessels in Thailand without the consent of the other shareholders. Finally, the shareholders' agreement provides that if the board or shareholders in general meeting are repeatedly unable to reach agreement on a matter and the matter is not resolved via formal negotiations, a 'deadlock' procedure may be implemented resulting in a sale of shares between the shareholders at a price determined by the company's auditors. The shareholders' agreement is not as extensive as shareholders' agreements customary in Australia.

In Indonesia, Miclyn Express Offshore Pte Ltd and P.T. Berlian Laju Tanker Tbk entered into a memorandum of understanding on 20 October 2009. The memorandum of understanding, which is to remain in force for one year, records the parties' intention to establish a joint venture company to undertake the ownership, operation and charter of vessels to support the Indonesian offshore oil and gas sectors, in particular, through Crew/Utility Vessels, support vessels, AHTSs, AHTs, accommodation vessels/barges, seismic support vessels, tugs and other Barges.

The Group has also entered into shareholders' agreements in relation to its interest in Samson Maritime which are described below.

#### 13.5.4 Subscription and Share Sale Agreement

On 24 February 2010, the Group entered into the Subscription and Share Sale Agreement with Samson Maritime Holdings Pty Ltd ('Samson Maritime') and its current shareholders ('Samson Maritime Vendors') under which it agreed to acquire 50.0% (by a combination of subscription and transfer) of the share capital of Samson Maritime five business days after Settlement.

The total consideration payable for the 50.0% interest is approximately A\$23 million. This amount may be adjusted to reflect the difference between the target net assets of Samson Maritime at completion (as agreed at signing) and its actual net assets at completion (as calculated after completion). Assuming there are no adjustments, the consideration payable for the 50.0% interest will be satisfied by paying A\$17.5 million in cash at completion of the acquisition, and a deferred issue of Shares at the Institutional Offer Final Price (worth A\$5.5 million) to occur on 24 February 2011. From the proceeds of the Group's investment and a capital contribution by the Samson Maritime Vendors, Samson Maritime will repay A\$7.1 million of existing debt facilities with the Commonwealth Bank.

The amount of deferred Shares issued to the Samson Maritime Vendors may be reduced to the extent there are agreed or settled claims made against the Samson Maritime Vendors before the deferred Shares are issued.

Samson Maritime and the Samson Maritime Vendors have provided a number of warranties, including in relation to:

- title, power and authority;
- accounts, financial records, assets, financing arrangements, solvency, and taxes and duties;
- contracts and insurances; and
- properties, environmental issues, litigation and compliance with laws, employee issues, and accuracy of information.

There are also provisions for the preservation and transfer of assets, agreements and arrangements which are currently used by or made available to Samson Maritime via a separate partnership of the Samson Maritime Vendors.

There are a range of limitations on the liability of Samson Maritime and the Samson Maritime Vendors including where:

- the Group has not given notice of a claim within 18 months of completion for general warranty claims and within seven years of completion for tax claims; and
- the claims must exceed designated minimum amounts and may not exceed designated maximum amounts (which vary depending on the warranties in question).

#### 13.5.5 Shareholders' Deed

The Group has entered into a Shareholders' Deed with Samson Maritime and the Samson Maritime Vendors which will come into effect when the Group completes its acquisition of the 50.0% interest in Samson Maritime. Under the Shareholders' Deed, the parties have agreed that the principal objectives of the company are to continue to operate the existing business, to tender for suitable OSV opportunities in the Australian offshore oil and gas sector and to operate the business consistently with an agreed business plan. Miclyn Express Offshore and the Samson Maritime Vendors have agreed that neither party can sell their Samson Maritime shares (remaining shares in the case of the Samson Maritime Vendors) until one year after completion of the acquisition of the 50.0% interest.

After that time, any proposed transfers may be subject to pre-emptive rights requiring a shareholder to first offer its shares to the existing shareholders before any sale to a third party. There are also 'drag along' and 'tag along' rights which operate after one year after completion of the acquisition of the 50.0% interest and which only apply where a shareholder's interest in Samson Maritime reaches 80% or above.

Each shareholder has the right to appoint one director for every 20.0% that it holds in Samson Maritime shares.

All resolutions at meetings of the board may be decided by a simple majority, except for certain fundamental matters (such as winding up and the removal of the Company's auditor), which require a unanimous resolution of all directors appointed by all shareholders.

If the board is repeatedly unable to reach agreement on certain fundamental matters, then senior representatives of the shareholders are required to seek to resolve the matter before a formal 'deadlock' procedure may be implemented for the transfer of shares between the shareholders.

If specified events of default occur, a non-defaulting party has a right either to buy the shares of the defaulting party or to require the defaulting party to buy its shares (at a specified discount or premium to fair market value, respectively).

Subject to certain exceptions, each shareholder and its respective affiliates is restricted from competing against Samson Maritime in connection with its business in Australia and to some extent in relation to New Zealand. This restriction applies until two years after a shareholder disposes of all of its shares in Samson Maritime.

### 13.5.6 Offer Management Agreement

The Offer is being managed by the Joint Lead Managers pursuant to an Offer Management Agreement dated 2 March 2010 between the Company, MEO Finance, the Joint Lead Managers and Macquarie Asset Finance Limited (as a representative of the Existing Shareholders).

Under the Offer Management Agreement, the Joint Lead Managers agreed to manage the Offer, including the bookbuild and allocation processes for the Offer, and provide settlement support for the Institutional Offer and the Broker Firm Offer.

#### Commission, fees and expenses

The Company must pay, or procure payment to, the Joint Lead Managers of:

- a global coordinator fee equal to 0.50% of the proceeds of the Offer; and
- a joint lead manager fee equal to 2.00% of the proceeds of the Offer, of which:
  - 1.30% of the gross proceeds received under the Broker Firm Offer must be distributed to the relevant Brokers pro rata to their allocations under the Broker Firm Offer; and
  - the remainder must be distributed equally among the Joint Lead Managers (including the Global Coordinator).

The Company may also pay an incentive fee, being up to 0.75% of the proceeds of the Offer, at the absolute discretion of the Company and the Global Coordinator. The Global Coordinator must then distribute any such incentive fee among the Joint Lead Managers (excluding the Global Coordinator) in proportions as determined by the Global Coordinator and the Company in their absolute discretion.

The fees above are exclusive of GST.

The above fees will become payable (subject to the Company's discretion in respect of the incentive fee) by the Company on Settlement.

The Company has also agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.<sup>1</sup>

#### Warranties

The Offer Management Agreement contains certain common representations, warranties and undertakings provided by the Company to the Joint Lead Managers. The warranties relate to matters such as the conduct of the parties, information provided, financial information, material contracts, licences and insurance in relation to this Prospectus and the Offer. The Company's undertakings include that it will not, during the period following the date of the Offer Management Agreement until 90 days after the issue and allotment of Shares under the Offer, issue or agree to issue any Shares or other securities without the consent of the Joint Lead Managers, subject to certain exceptions (such as the employee incentive plan and dividend reinvestment plan described in this Prospectus).

#### Indemnity

Subject to certain exclusions relating to, among other things, fraud, recklessness, willful misconduct or gross negligence by an indemnified party, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

#### Termination events

If any of the following events occurs at any time before Settlement or such other time as specified below, then a Joint Lead Manager may at any time by notice to the Company and the other Joint Lead Managers, immediately without any cost or liability to the Joint Lead Manager, terminate its obligations under the Offer Management Agreement.

If an event marked with an asterisk (\*) occurs, a Joint Lead Manager may not terminate its obligations under the Offer Management Agreement unless it has reasonable grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the price or value of the Offer or the success or the outcome of the Offer or could give rise to a material liability of that Joint Lead Manager under any law or regulation.

- **(disclosures in Prospectus)** a statement contained in this Prospectus is misleading or deceptive (including, without limitation, misleading representations within the meaning of section 728(2) of the Corporations Act and anything likely to deceive, mislead, or confuse with regard to any particular that is material to the offer of securities to which it relates under section 38B of the Securities Act 1978 (NZ) or a statement that is untrue under section 58 of the Securities Act 1978 (NZ)), or a matter is omitted from this Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act and certain New Zealand securities laws).
- **\*(disclosures in due diligence report)** the due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is misleading or deceptive or is likely to mislead or deceive.

<sup>1</sup> The Offer Costs are being shared by the Existing Shareholders, Diederik de Boer, Darren Ang and the Company. See Section 13.11 for further information.

- **\*(adverse change)** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including from those respectively disclosed in this Prospectus or other public information.
- **(new circumstance)** there occurs a new circumstance that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to the Company or any other entity in the Group (other than an allotment permitted under the Offer Management Agreement, within the meaning of section 719 of the Corporations Act).
- **\*(hostilities)** hostilities not presently existing commence (whether war has been declared or not) or a major act of terrorism is perpetrated anywhere in the world or escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, Singapore, Hong Kong, Bermuda, New Zealand, the United States of America, Japan, Russia, the United Arab Emirates, India, Thailand, Malaysia, Indonesia or the People's Republic of China.
- **\*(financial moratorium)** any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, Singapore, Hong Kong, New Zealand, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse change or disruption to the existing financial markets, political or economic conditions or currency exchange rates or controls of Australia, New Zealand, Singapore, Hong Kong, the United Kingdom or the United States, or the international financial markets or any change in national or international political, financial or economic conditions; or any change or development involving a prospective adverse change in any of those conditions or markets; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.
- **(market fall)** the S&P/ASX 200 Index of ASX falls by an amount that is 15% or more of the level as at the close of trading on the day prior to the date the bookbuild opens, and remains below that level for a period of three consecutive business days or until the date of Settlement.
- **\*(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Bermuda, New Zealand or Australia or any state of Australia a new law, or the Bermuda Monetary Authority, the Reserve Bank of Australia, or any Bermuda, New Zealand, Commonwealth or state authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Offer Management Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the Shares as contemplated in this Prospectus.
- **\*(change in management)** a change in senior management of the Company or Miclyn Express Offshore Pty Ltd.
- **\*(change in key personnel)** there is a change in key personnel.
- **(indictable offence)** a director of the Company is charged with an indictable offence.
- **\*(compliance with regulatory requirements)** a contravention by the Company or any entity in the Group of the Bermuda Companies Act, the NZ securities laws, the Corporations Act, its memorandum of association and bye-laws, or any of the Listing Rules or any other applicable laws.
- **\*(Prospectus to comply)** this Prospectus or any aspect of the Offer does not comply with the Bermuda Companies Act, the NZ securities laws, the Corporations Act, the Listing Rules or any other applicable law or regulation.
- **(Listing approvals)** unconditional approval (or conditional approval subject only to customary conditions) to:
  - the Company's admission to the official list of ASX;
  - the official quotation of all of the Shares in the Offer on ASX; or
  - allow conditional trading in the Shares in accordance with the timetable for the Offer,
 is refused or not granted on or before the approval date for Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or ASX indicates to the Company that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld.
- **(notifications)** any of the following notifications are made:
  - \*the Bermuda Registrar of Companies contacts or gives any notice to the Company;
  - \*the Bermuda Monetary Authority contacts or gives any notice to the Company;
  - \*the New Zealand Companies Office or the New Zealand Securities Commission contacts or gives any notice to the Company;
  - ASIC issues an order under section 739 of the Corporations Act;

- ASIC gives a notice of a hearing under section 739(2) of the Corporations Act (other than a notice which does not become public or is withdrawn before becoming public);
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer documents or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investment Commission Act 2001 (Cth) in relation to the Offer documents (other than a hearing which does not become public or is withdrawn before becoming public);
- any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Offer documents withdraws that consent; or
- \*any person gives a notice under section 730 of the Corporations Act in relation to the Offer documents.
- **(withdrawal)** the Company withdraws this Prospectus or the Offer.
- **\*(default)** a default by the Company in the performance of any of its obligations under the Offer Management Agreement occurs.
- **\*(warranties)** a representation or warranty contained in the Offer Management Agreement on the part of the Company is not true or correct.
- **\*(certificate)** the Company does not provide a closing certificate as and when required by the Offer Management Agreement or a statement in any closing certificate is untrue or incorrect.
- **\*(material contracts)** any term of a material contract is varied, terminated, rescinded or altered without the prior consent of the Joint Lead Managers or any material contract is found to be void or voidable.

### 13.5.7 Debt financing arrangements

#### 13.5.7.1 Summary of new debt facilities

The Company has received a credit approved commitment from Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and WestLB AG ('Banks') to enter into a facility agreement ('IPO Facilities Agreement') with MEO Finance, Miclyn Finance Ltd and Marine Services Holdings Ltd ('Initial Borrowers') and various of the Company's subsidiaries (the Initial Borrowers and such subsidiaries are together the 'Guarantors') for the Banks to provide the interest bearing debt facilities ('IPO Facilities') outlined in Table 8.9 in Section 8.6.2.

#### 13.5.7.2 Conditions precedent

The right of the Initial Borrowers and any Guarantor which becomes a borrower under the IPO Facilities Agreement (the Initial Borrowers and such Guarantors are together the 'Borrowers') to make the first and further drawings under the IPO Facilities will be subject to the satisfaction of various conditions precedent which are typical of financing facilities of this type.

#### 13.5.7.3 Purposes

The IPO Facilities, in conjunction with the proceeds of the Offer (refer to Section 3.2.2), will be made available to the Borrowers for the following purposes:

- in the case of the term facility, toward repaying a portion of the Group's existing external debt;
- in the case of the revolving facility, to fund general corporate purposes; and
- in the case of both the term facility and revolving facility, for any other purpose approved by the Banks.

It is intended that the term facility will be fully drawn upon the date of Settlement. The revolving facility will be utilised to fund capital expenditure and general corporate requirements of the Group over the tenor of the IPO Facilities.

#### 13.5.7.4 Guarantee and security arrangements

The IPO Facilities will be provided on a secured basis and will be guaranteed by the Guarantors. Security will include fixed and floating charges over the shares and assets of the Borrowers and Guarantors, as well as charges over certain bank accounts of certain members of the Group. Security and guarantees will be subject to compliance with applicable financial assistance laws in the jurisdiction of incorporation of the relevant member of the Group.

#### 13.5.7.5 Interest

For cash advances under the IPO Facilities, interest will be payable at a rate equal to the sum of the relevant base rate plus a fixed margin.

A portion of the Offer proceeds will be used to pay the break fees in relation to the Group's existing interest rate hedges. No interest rate hedging is required to be put in place for the IPO Facilities; however, the Group will continue to operate a prudent interest rate risk management policy.

#### 13.5.7.6 Representations, warranties, undertakings and events of default

The IPO Facilities Agreement will contain representations, warranties and undertakings from the Borrowers, the Guarantors and any subsidiaries which become guarantors of the IPO Facilities ('Obligors'). The representations, warranties and undertakings are typical of financing facilities of this type. Breach of these representations, warranties and undertakings, which include financial covenants, may constitute events of default under the IPO Facilities Agreement.

The IPO Facilities Agreement will also contain certain other events of default typical of financing facilities of this type.

The IPO Facilities Agreement includes limited mandatory prepayment provisions. The Group has the ability to use the proceeds received from the sale of certain assets or from insurance claims for permitted purposes, which include capital expenditure. However if that cash is not utilised for these purposes, mandatory prepayment provisions apply.

#### 13.5.7.7 Review events

It will be a review event if:

- the Obligors fall under the control of a single shareholder, or a group of entities acting in concert, whereby control means the ability to appoint more than 50% of the directors of the board of the Company; or
- a single shareholder, or a group of shareholders, or entities acting in concert owns or controls more than 50% of the issued share capital of the Company.

On the occurrence of the review event, the Banks and the Obligors must consult with each other for at least 60 days in relation to the review event with a view to establishing the impact of the review event and a remedial action plan. If the review event and remedial action plan are not acceptable to the Banks, the Borrowers must repay all money outstanding under the IPO Facilities within a period that may be as short as 60 days from receiving notice that repayment is required, and the Banks may immediately cancel their commitments. If the review event and remedial action plan are acceptable to the Banks subject to revised terms, each Obligor and the Banks will, if such terms are accepted by the Obligors, take reasonable steps to promptly implement those revised terms. However, if the revised terms have not been implemented to the satisfaction of the Banks within 60 days of the Banks notifying the Borrowers of the revised terms, the Borrowers must repay all money outstanding under the IPO Facilities and the Banks may immediately cancel their commitments.

### 13.5.8 Financial assistance

In connection with the IPO Facilities, certain Singaporean subsidiaries of the Group will be required to provide guarantees and security in the form of fixed and floating charges. In Singapore, compliance with financial assistance laws requires resolutions to be passed at an extraordinary general meeting and a notice to be printed in a newspaper stating the terms of the resolutions passed at the meeting and noting that the Registrar of Companies in Singapore, and any member, debenture holder, trustee for debenture holders or creditor of the relevant subsidiary, may, within 21 days after the publication of the notice, make an application to the court opposing the giving of the relevant guarantee or security. The Company will publish the relevant notice in The Straits Times newspaper. If no objections are made, financial assistance can be given in accordance with the terms of the resolutions on and from the date following 21 days after the relevant notice is published.

### 13.5.9 Repayment of pre IPO debt facilities

As at 31 December 2009, certain non-financial events of default existed in relation to the Group's current debt facilities which are being retired as part of the Offer. These events of default are technical in nature only and relate to matters regarding assignment of charter contracts to lenders, the form of required insurance and execution and perfection of security over certain vessels granted in favour of the lenders. The assignment of charter contracts are sought by lenders as an additional form of security and the Group is actively pursuing obtaining such assignments in discussions with the contract counterparties where the contracts are deemed material. With respect to the form of required insurance, the Group has discussed with its lenders that such form does not represent current market practice and the Group is therefore unable to comply with this requirement under the debt facilities. The Group proposed a revised form of insurance to the lenders which is consistent with current market practice as advised by the Group's insurance broker.

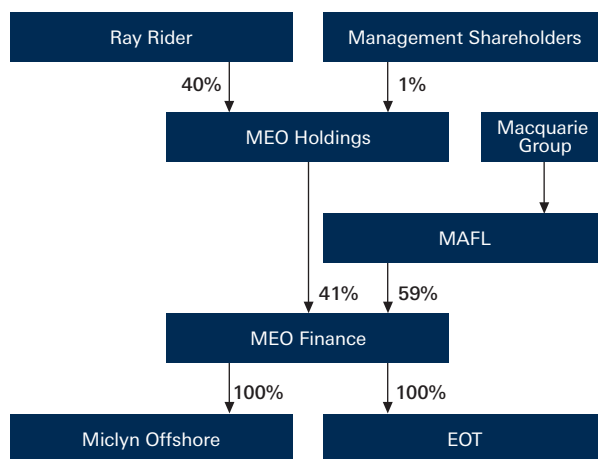
Based on discussions to date with lenders, the Group has no reason to believe that its lenders intend to call for early repayment of its debt facilities as a result of these technical events of default. The lenders have been aware of these events of default for an extensive period and are satisfied with the Group's efforts to resolve such issues. At no point have the lenders indicated any intention to call for early repayment. Further, the Group has now secured committed new debt facilities as part of the IPO process. The proceeds from the new debt facilities will, together with proceeds from the IPO, be applied to the full retirement of the current debt facilities. It is important to note that the terms of the new debt facilities do not contain obligations similar to those under the current debt facilities that are the subject of the technical events of default referred to above.

### 13.5.10 Restructure Agreement

The Offer is being made to enable the Company to acquire MEO Finance.

See Figure 13.1 below for a diagram of the corporate structure immediately prior to the Company's acquisition of MEO Finance.

**Figure 13.1: Miclyn Express Offshore corporate structure immediately prior to the Company's acquisition of MEO Finance**



Note: Percentages represent holding of Class A ordinary shares of the various entities.

The Existing Shareholders, Michael Kum, Diederik de Boer, Darren Ang and the Company, among others, have entered into an agreement concerning the restructure associated with the Offer ('Restructure Agreement'). Under the Restructure Agreement:

- the Company has the right to acquire all of MEO Holdings' and MAFL's shares in MEO Finance upon the issue of the Shares under the Offer;
- steps will be taken such that Ray Rider, Macquarie Group and the Current Management Shareholders will effectively reinvest by subscribing for Shares (see Table 3.2 for the likely level of reinvestment);
- the consideration the Company pays MEO Holdings and MAFL will be calculated as the amount raised under the Offer plus the Reinvestment Proceeds, less:
  - any monies needed to repay approximately US\$143.8 million of Miclyn Express Offshore's debt balance under the existing debt facility;

- break fees on related interest rate hedging arrangements, estimated at US\$8 million based on interest rates prevailing at 1 March 2010;
- A\$17.5 million required to pay the cash consideration component of the investment in Samson Maritime; and
- the Company's portion of the Offer Costs, expected to be A\$7.6 million;
- MEO Finance will declare a dividend to pay out its surplus cash to MAFL and MEO Holdings, with the result that the Miclyn Express Offshore Group will hold US\$10 million following completion of the steps in the Restructure Agreement;
- MAFL, Ray Rider, Diederik de Boer and Darren Ang agree to pay a portion of the Offer Costs; and
- at the completion of the steps contemplated in the Restructure Agreement (expected to complete by no later than the day following Settlement), Ray Rider will receive total cash of approximately A\$83.1 million and Macquarie Group will receive (via MAFL, net of the reinvestment by Macquarie Capital Group Limited) A\$39.5 million in connection with the realisation of their investments in the Miclyn Express Offshore Group (based on the assumptions referred to above pricing at the mid-point of the Indicative Price Range and assuming a Miclyn Express Offshore Group surplus cash balance of US\$4.7 million at the time of the dividend referred to above).
- Macquarie Group (through its subsidiary Macquarie Capital Group Limited) will reinvest a portion of its proceeds from the transfer to the Company of 118,473,765 shares in MEO Finance and (through its subsidiary MAFL) will issue a promissory note in consideration for its subscription for those shares which Macquarie Group will transfer to members of the management team under the Equity Arrangements;
- Ray Rider will issue the Company a promissory note in consideration for its subscription for Shares. The promissory note will ultimately be transferred to Ray Rider as part payment for the transfer to the Company of 82,246,320 shares in MEO Finance; and
- Diederik de Boer and Darren Ang will each issue the Company two promissory notes in consideration for their subscription for Shares. Two of those promissory notes will ultimately be transferred to their original issuer as part payment for the transfer to the Company of 82,246,320 shares in MEO Finance, while the other two will be retained by the Company and redeemed in cash following Settlement.

Accordingly, each of Ray Rider and Macquarie Group will in effect reinvest a portion of their proportion of the proceeds of the Offer received by each of them and Diederik de Boer and Darren Ang will in effect reinvest their entire share of the Offer proceeds. The amount of the reinvestment will be the 'Reinvestment Proceeds'.

Each of Ray Rider and Macquarie Group reserves the right to reinvest more or less than their proportional share of the Offer proceeds.

All Shares issued to Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang under these Reinvestment Arrangements (including all Shares to be immediately transferred to Management Shareholders under the Equity Arrangements as set out in Section 3.2.3.2) are offered and issued under (and subject to the disclosures in) this Prospectus, and will rank equally with the Shares issued under the Offer.

Ray Rider, Macquarie Group and Diederik de Boer have agreed to an escrow arrangement with the Company under which they will be restricted from dealing with the Shares issued under the Reinvestment Arrangements until three business days after the announcement of the Company's 1H FY2011 results,<sup>1</sup> with limited exceptions such as dealings for estate planning purposes or as part of a takeover offer or scheme. In relation to the escrow arrangements for Ray Rider, Michael Kum and Lynda Ong are also restricted from dealing with their interests in Ray Rider for the same period and subject to the same limited exceptions. The escrow arrangements will not apply to the Shares transferred from Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang to certain members of Management under the Equity Arrangements (see Section 3.2.3.2).

The Shares to be issued under these Reinvestment Arrangements are expected to be issued on completion of the Offer. The issue and transfers of shares by the Bermuda companies (including the Company) contemplated in the Reinvestment Arrangements may be effected only with the prior consent of the Bermuda Monetary Authority, which consent has not yet been obtained. The Company and the other Bermuda

The Restructure Agreement contains very limited warranties in respect of the share transfers contemplated in the Restructure Agreement, including that any shares transferred under the agreement are free of encumbrances.

Under the Restructure Agreement Ray Rider has agreed not to compete with the business carried on by Miclyn Express Offshore from time to time for a period of 12 months from Listing, including by investing in competing businesses (subject to exceptions for small stakes in publicly listed entities) or contacting customers for the purpose of offering services provided by the Group at the date of Listing which, to the knowledge of Ray Rider, were provided to that customer in the 12 months prior to Listing or employing or contacting senior, specialist or executive employees of the Group with a view to engaging them in a competing business. In addition, under an assignment of rights under a share purchase agreement entered into in 2007, a Miclyn Express Offshore company will have rights to enforce a similar undertaking from Michael Kum and Lynda Ong not to compete with the Miclyn Express Offshore business for a period of 12 months from Listing, including by contacting customers for the purpose of offering services provided by Miclyn Offshore Group companies at the date of completion of the share purchase agreement which, to the knowledge of them, were provided to that customer in the previous 12 months.

#### 13.5.10.1 Reinvestment Arrangements

Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang will subscribe for Shares at the Institutional Offer Final Price, to reflect their ongoing investment in the Company post completion of the Offer. The Reinvestment Arrangements are as follows:

<sup>1</sup> Cornell Tsiang, who tendered three months' notice of his resignation as chief financial officer of Miclyn Express Offshore on 9 December 2009, will not be subject to the escrow arrangements.

companies intend to apply for their respective permissions after the date of lodgement of this Prospectus and before Settlement. In the event permission is not granted, the issue and transfer of shares of the Bermuda companies mentioned above and the issue of Shares pursuant to the Offer will not be completed.

### 13.6 ASX waivers

The Company intends to apply for a waiver of the following rules:

- Listing Rule 6.10.4 – a waiver so that a removal or change of a Shareholder's right to vote is permitted, not only where the right is removed or changed under Australian legislation, but under any applicable Bermuda legislation;
- Listing Rule 7.1 – a waiver in connection with the issue of Shares without Shareholder approval to an underwriter of the Company's dividend reinvestment plan (see Section 13.7);
- Listing Rule 7.1 – a waiver so that the Company may issue Shares as consideration for the investment in 50.0% of the issued capital of Samson Maritime without obtaining Shareholder approval or reducing the Company's placement capacity under Listing Rule 7.1;
- Waivers so that the Company may issue Shares to Macquarie Group, Ray Rider, Diederik de Boer and Darren Ang in connection with the purchase of the Miclyn Express Offshore business and the Reinvestment Arrangements without obtaining Shareholder approval or reducing the Company's placement capacity under Listing Rule 7.1; and
- Listing Rule 10.14 – a waiver so that the Company may issue Shares to Diederik de Boer (a director of the Company), as part of the Plan without obtaining Shareholder approval.

The Company will formally apply for a waiver of these Listing Rules at the time of lodgement of its application for admission to the official list of ASX.

The Company will also apply for an ASX declaration that the market in the Company's ordinary shares be conditional between 26 March 2010 and 6 April 2010.

The Company will also seek waivers in the future to permit any buy-backs or divestments of Shares permitted under Bermuda legislation which may be proposed in the future.

### 13.7 Dividend reinvestment plan

The Directors have approved and implemented a dividend reinvestment plan ('DRP').

The rules of the DRP are typical of a dividend reinvestment plan operated by an ASX listed company. Shareholders who elect to participate in the DRP will be able to reinvest the dividends they are entitled to receive in Shares rather than receiving those dividends in cash. Shareholders may choose to participate in the DRP in respect of some or all of their Shares. The Board may choose to enter into underwriting arrangements from time to time for the partial or full underwriting of any shortfall in the DRP take-up with respect to a particular dividend.

The DRP will commence from the date of Listing, and may be varied, terminated or suspended by the Board at any time, according to the rules of the DRP.

A Shareholder subject to the laws of another country may not participate in the DRP until the Board is satisfied that such participation will not constitute a breach of the laws of that country.

A copy of the rules of the DRP will be made available to Shareholders in advance of the record date for the first dividend payable by the Company. Alternatively, a copy of the rules of the DRP will be available on the Company's website at [www.miclynexpressoffshore.com](http://www.miclynexpressoffshore.com).

### 13.8 Australian taxation considerations

This is a general description of the Australian income tax consequences for investors who acquire Shares through the Retail Offer or Institutional Offer.

The taxation summary seeks to provide Australian tax resident individual Shareholders, Australian tax resident complying superannuation fund Shareholders, Australian tax resident corporate Shareholders and tax non-resident Shareholders with an overview of the relevant Australian income tax considerations associated with holding Shares, the payment of dividends by the Group and the future disposal of their Shares.

The Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The individual circumstances of each investor may affect the taxation implications of the investment of that investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

The Company disclaims all liability to any investor or other party for all costs, losses, damages and liabilities that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or any other party or the reliance on it by the investor or any other party.

Unless otherwise indicated, these comments are based on the income tax law, established interpretations of that law and understanding of the practice of the tax authority in Australia as at the date of this Prospectus. Investors should also be aware that the Australian tax rules are continuing to undergo significant change.

#### 13.8.1 Application of controlled foreign company regime to Australian tax resident Shareholders

The existing controlled foreign company ('CFC') provisions are proposed to be repealed as of 1 July 2010 and replaced by new provisions. The new provisions are proposed to apply only to taxpayers and their associates who control foreign corporations.

The Company assumes that Australian investors (together with associates) will not hold sufficient interests in the Company (or its subsidiaries or associates) to be considered a CFC under the current or proposed Australian CFC provisions. The Company notes that a CFC will exist under the Australian provisions if:

- there are five or fewer Australian residents or associates of Australian residents (each holding at least 1%) who have or are entitled to acquire at least a 50% control interest in the foreign company; or

- a single Australian resident (together with associates) holds at least 40% of the control interests in the foreign company. This can be rebutted if there is a person who is not an Australian resident who actually controls the foreign company; or
- irrespective of the interests in the foreign company, five or fewer Australian residents (including their associates) have de facto control of the foreign company.

### **13.8.2 Application of foreign investment fund provisions to Australian tax resident Shareholders**

Broadly, the foreign investment fund ('FIF') provisions apply to interests in foreign companies that are not considered CFCs. Advice regarding any consequences of the FIF provisions should be obtained by investors. In particular, investors should consider whether exclusions for attribution under the FIF regime can be satisfied (for example, the exemption for individuals who hold direct FIF interests with a value of less than A\$50,000 or the exception for complying superannuation funds).

The FIF rules are proposed to be repealed as of 1 July 2010. They will be replaced by anti roll up provisions which are unlikely to apply to investors in the Company.

### **13.8.3 Taxation of dividends**

Dividends are paid to Shareholders from the accounting profits of the Company. No Singaporean withholding tax should be deducted from such dividends.

It should be noted that the definition of dividend for Australian income tax purposes is broad and can include certain capital returns and off-market share buy-backs.

#### **13.8.3.1 Australian tax resident Shareholders – general**

Generally, dividends received by Australian tax resident Shareholders will be included in their assessable income. There is an exemption for non-portfolio investments held by Australian tax resident corporate Shareholders (see Section 13.8.3.3).

No foreign income tax offset is likely to be available in relation to any assessable dividends as Singaporean withholding tax should not be deducted from these dividends.

#### **13.8.3.2 Australian tax resident Shareholders – complying superannuation funds**

Generally, complying superannuation fund Shareholders will be taxable on dividends paid by the Company.

#### **13.8.3.3 Australian tax resident Shareholders – corporations**

Broadly, where Australian tax resident corporate Shareholders hold less than a 10% interest in the Company, dividends paid by the Company to the Shareholders should be assessable income (unless paid out of profit already taxed under the FIF regime).

Where an Australian tax resident corporate Shareholder holds a 10% or greater interest in the Company, dividends paid by the Company to the Shareholders should not be assessable.

#### **13.8.3.4 Non-resident Shareholders – general**

Company dividends paid to non-resident Shareholders (for tax purposes) should generally not be taxable in Australia.

## **13.8.4 Taxation of future Share disposals**

### **13.8.4.1 Australian tax resident**

#### **Shareholders – general**

Australian tax resident Shareholders who trade Shares in the ordinary course of their business and/or hold their Shares on revenue account or as trading stock must include any gains made on the disposal of their Shares in their assessable income. Shareholders who include gains made on the disposal of their Shares in their assessable income are then not assessed for Australian capital gains tax on the disposal.

All other Shareholders hold their Shares on capital account. These Shareholders must consider the impact of Australian capital gains tax rules on the disposal of their Shares.

#### **13.8.4.2 Non-resident Shareholders – general**

Non-resident Shareholders who hold Shares on revenue account may need to include profits from the sale of Shares in assessable income for Australian tax purposes, where those profits are sourced in Australia. The source of revenue profits on sale of Shares is a complex issue and revenue profits on sale of Shares via an on-market trade on ASX may be regarded as sourced in Australia. Applicable double taxation agreements may provide relief from Australian taxation.

Non-resident Shareholders who do not hold Shares on revenue account should not be subject to Australian capital gains tax upon disposal of their Shares unless the Shares are attributable to the carrying on of a business through a permanent establishment in Australia.

#### **13.8.4.3 Australian tax resident Shareholders – corporations**

Any capital gain derived upon a disposal of Shares by an Australian tax resident corporate Shareholder would generally be included in assessable income where the Shareholder held less than a 10% interest in the Company.

Any capital gain or loss derived upon a disposal of Shares by an Australian tax resident corporate Shareholder may be reduced where that Shareholder held at least 10% of the direct voting interests in the Company for a continuous period of 12 months in the two years before the disposal. Broadly, the Australian capital gains tax gain or loss would be reduced by the 'active business asset percentage' for the Company.

#### **13.8.4.4 Individual and complying superannuation fund Shareholders – Australian capital gains tax concession**

Australian tax resident individual Shareholders may be entitled to a concession on the amount of capital gains assessed. The concession is available to individual Shareholders who hold their Shares for at least 12 months prior to disposal. The concession results in only 50% of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the discount capital gains tax provisions. The concession is not available to corporate Shareholders.

The capital gains tax treatment of Australian tax resident complying superannuation fund Shareholders is, in general, the same as that set out for Australian tax resident individuals, except that the capital gains tax discount is one third rather than 50%.

### 13.8.5 Stamp duty

No stamp duty will be payable by successful Applicants or bidders on the issue of Shares to successful Applicants or bidders pursuant to the Offer. In addition, under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares by successful Applicants or bidders.

### 13.8.6 Goods and services tax

Under current Australian law, goods and services tax will not be payable in respect of any issue or transfer of Shares.

## 13.9 Interests of Directors and advisers

Other than as set out in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed director to induce them to become, or to qualify as, a director of the Company.
- None of the following persons:
  - a Director or proposed director of the Company;
  - each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
  - a promoter of the Company; or
  - an underwriter to the issue of the Shares, holds or held at any time during the last two years an interest in:
    - the formation or promotion of the Company;
    - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of the Shares; or
    - the offer of the Shares,

or was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the offer of the Shares.

### 13.9.1 Interests of Directors

The Directors are not required to hold any Shares under the provisions of the Constitution.

The independent Non-Executive Directors (and their associates) are entitled to and have noted an intention to apply for Shares in the Offer as per Table 13.2.

**Table 13.2: Shares held by the Board immediately following the Offer**

DIRECTOR	VALUE OF SHARES <sup>1</sup>
Neil Hamilton	A\$200,000
Philip Aiken	A\$50,000
Ajaib Hari Dass	A\$120,000
Bill Bloking	A\$50,000
George Venardos	A\$25,000
Nick Peterson <sup>2</sup>	–

Notes:

- 1 These Shares may be held through associated entities.
- 2 Nick Peterson is precluded from taking up Shares in the Offer because of applicable Macquarie Group compliance policies.

<sup>1</sup> Based on the mid-point of the Indicative Price Range.

### 13.9.2 Interests of existing investors

Ray Rider, Macquarie Group and the Current Management Shareholders will hold at least 111.4 million Shares on settlement of the Offer. Macquarie Group reserves the right to realise a lower amount of their investment (and therefore may hold more Shares than indicated here) (refer to Section 3.2.3.3).<sup>1</sup>

Based on the mid-point of the Indicative Price Range at US\$0.893:A\$1.00 on the Closing Date of the Institutional Offer, the value of the proceeds that will be received by the shareholders of MEO Finance is A\$135.7 million,<sup>1</sup> and based on the indicative holdings of Shares by Ray Rider and Macquarie Group, the value of the Shares that will be held by Ray Rider, Macquarie Group and the Current Management Shareholders is A\$230.7 million.<sup>1</sup> These Shares will represent approximately 41% of the Company's issued capital after completion of the Offer (refer to Section 3.2.3.3).

#### 13.9.2.1 Interests of Macquarie Group

Macquarie Group has a number of relationships with the shareholders of MEO Holdings and the Company:

- Macquarie Group has an indirect interest of 59.02% of the issued capital of MEO Finance as at the date of this Prospectus. Macquarie will hold at least 81.5 million Shares after completion of the Offer, representing approximately 30% of the Company's issued capital (refer to Section 3.2.3.3). Macquarie Group reserves the right to realise a lower amount of their investment (and therefore may hold more Shares than indicated here);
- the Macquarie Group entity to be issued Shares has agreed to an escrow arrangement with the Company under which it will be restricted from dealing with the Shares until three business days after the announcement of the Company's 1H FY2011 results;
- Macquarie Securities (Asia) Pte Ltd is acting as financial adviser to Miclyn Express Offshore in relation to arranging the IPO Facilities:
  - the Existing Shareholders have agreed to pay Macquarie Securities (Asia) Pte Ltd a financial advisory fee equal to 1.00% of the total amount of the IPO Facilities. This fee will become payable upon first drawdown of the IPO Facilities; and
- MCAL is acting as global coordinator and a joint lead manager to the Offer (refer to Section 13.5.6).

### 13.9.3 Interests of advisers and others

MCAL has acted as global coordinator to the Offer. MCAL, J.P. Morgan and Morgan Stanley have acted as joint lead managers to the Offer. The Company has agreed to pay MCAL in its capacity as global coordinator the amount in accordance with the Offer Management Agreement referred to in Section 13.5.6 for these services, and to distribute from this fees payable to the other Joint Lead Managers and Brokers.

Deloitte Touche Tohmatsu, Deloitte Corporate Finance Pty Limited and Deloitte Touche Tohmatsu Ltd have prepared the investigating accountants' report, report on Directors' Forecast and taxation report, which are included in this Prospectus, respectively. Deloitte Touche Tohmatsu and Deloitte Corporate Finance Pty Limited have also performed due diligence enquiries in relation to financial accounting matters. The Company has paid, or agreed to pay, A\$750,000 for such services

to the date of this Prospectus. Further amounts may be paid in accordance with the time-based charge out rates of Deloitte Touche Tohmatsu, Deloitte Corporate Finance Pty Limited and Deloitte Touche Tohmatsu Ltd.

Freehills has acted as Australian legal adviser to the Company in connection with the Offer and has performed work in relation to the Australian due diligence enquiries on legal matters. As at the date of this Prospectus, the Company has paid, or agreed to pay, approximately A\$855,000 in respect of work relating to the Offer and also in respect of the restructuring and reorganisation arrangements and certain of the acquisition and joint venture arrangements referred to in this Prospectus. Further amounts may be paid to Freehills for services provided before and after the date of this Prospectus in accordance with its time-based charge out rates.

Clarkson Research has been commissioned by the Company to provide certain industry data and information in connection with the preparation of this Prospectus. Information from that research has been included in various graphs. The Company paid £10,000 for the provision of this information.

Unless stated otherwise, all such payments have been paid or are payable in cash. The Company is also generally obligated to pay the out-of-pocket expenses of the advisers listed above which are included in the amounts stated.

### 13.10 Advisers' and others' consents and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Deloitte Corporate Finance Pty Limited has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its review of directors' forecast and to be named in this Prospectus in the form and context in which it is named;
  - Deloitte Touche Tohmatsu Limited has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its tax report and to be named in this Prospectus in the form and context in which it is named;
  - Deloitte & Touche LLP (Singapore) has given and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named as auditor in the form and context it is so named and has not withdrawn its consent to the inclusion in this Prospectus;  
The Deloitte entities above take no responsibility for any part of this Prospectus other than any reference to their name and their reports.
  - Link Market Services Limited has given, and has not withdrawn, its written consent to be named as the Share Registry of the Company in the form and context in which it is named. Link Market Services Limited has not taken part in the preparation of any part of this Prospectus other than the recording of its name as Share Registry of the Company. Link Market Services Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.
  - Clarkson Research has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to (i) the use of the graphical and statistical information supplied by Clarkson Research as set forth in this Prospectus, (ii) the inclusion of statements in this Prospectus based on that information and (iii) the references to Clarkson Research in this Prospectus, in the form and context in which each appears. Clarkson Research has not authorised or caused the issue of this Prospectus. To the maximum extent permitted by law, Clarkson Research and its agents, officers and employees make no representation regarding, and disclaim and take no responsibility for, any part of or any statements in or omissions from the Prospectus other than each statement Clarkson Research has made and each statement which is said to be based on a statement Clarkson Research has made.
  - Pareto Securities has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to (i) being named in the prospectus and (ii) the inclusion of the data Pareto Securities created and each statement which is said to be based on the data Pareto Securities created. Pareto Securities has not authorised or caused the issue of this Prospectus and disclaims and takes no responsibility for any part of or any statements in or omissions from this Prospectus, other than each statement Pareto Securities has made and each statement which is said to be based on a statement Pareto Securities has made.
- MCAL has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the global coordinator in the form and context it is so named;
  - each of MCAL, J.P. Morgan and Morgan Stanley has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a joint lead manager in the form and context it is so named;
  - Freehills has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's Australian legal adviser in the form and context it is so named. Freehills takes no responsibility for any part of this Prospectus other than any reference to its name;
  - Deloitte Touche Tohmatsu has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named as investigating accountant in the form and context it is so named and has not withdrawn its consent to the inclusion in this Prospectus of its investigating accountants' report for inclusion in this Prospectus;

### 13.11 Offer Costs

If the Offer proceeds, the total expenses are estimated at approximately US\$17.1 million (A\$19.2 million). This includes advisory, legal, accounting, tax, Listing and administrative fees, the Global Coordinator and Joint Lead Managers' fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses.

Syndicate Fees will be borne by Ray Rider, Macquarie Group and the Company.

Ray Rider and Macquarie Group will be required to pay their portion of the Syndicate Fees, based on the proceeds raised from selling their Existing Shares excluding the extent to which they reinvest in the Shares. The Company will bear the Syndicate Fees not borne by Ray Rider and Macquarie Group.

The Company, Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang will each contribute the other Offer Costs.

### 13.12 Litigation and claims

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

The nature of the Group's business means that vessels may be at risk of arrest, detention or seizure. For example, since July 2007, two vessels operating in Indonesian waters have been detained due to allegations of irregularities in the completion of customs documentation. The detention of these vessels means that they may only operate in, and may not leave, Indonesian waters. The Group is currently disputing this detention.

### 13.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales and each applicant for Shares under this Prospectus and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

### 13.14 ASX admission and quotation

The Company will apply, within seven days of the date of this Prospectus, to ASX for admission to the official list for ASX and for official quotation of the Shares on the market operated by ASX.

Quotation of the Shares on ASX is expected to occur initially on a conditional and deferred settlement basis on or about 26 March 2010.

### 13.15 Statement of Directors

The Directors report that after due enquiries by them, in their opinion, since the date of preparation of the financial statements in the financial information in Section 8, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

This Prospectus is authorised by each Director who consents to its lodgement with ASIC and its issue.

# Glossary

# 14



<b>A\$</b>	Australian dollars
<b>ABN</b>	Australian Business Number
<b>ABS</b>	American Bureau of Shipping
<b>Acquired Businesses</b>	EOT and associated companies
<b>AHTs</b>	Anchor handling tugs
<b>AHTSs</b>	Anchor handling tugs/supply vessels
<b>AIFRS</b>	Australian equivalents of International Financial Reporting Standards
<b>Allotment Date</b>	30 March 2010, being the day on which Shares will be allotted
<b>Appendix</b>	The appendix to this Prospectus which is incorporated by reference into this Prospectus, and which may be obtained free of charge by calling the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia). The Miclyn Express Offshore Offer Information Line will be open on business days from 8:30am to 5:30pm (Sydney time). The Appendix is taken to be included in this Prospectus in accordance with section 712(3) of the Corporations Act
<b>Application</b>	An application to subscribe for Shares under this Prospectus
<b>Application Form</b>	An application form either attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from the Miclyn Express Offshore IPO website <a href="http://www.miclynexpressoffshore-ipo.com">www.miclynexpressoffshore-ipo.com</a>
<b>Application Monies</b>	The amount accompanying an Application Form submitted by an applicant
<b>ARBN</b>	Australian Registered Body Number
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASTC Settlement Rules</b>	The rules of ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532)
<b>ASX</b>	Australian Securities Exchange, as operated by ASX Limited (ABN 98 008 624 691)
<b>Awards</b>	Contingent awards of Shares and/or cash payments that MEO Holdings may make to Participants pursuant to the Scheme
<b>Banks</b>	Oversea-Chinese Banking Corporation, Standard Chartered Bank and WestLB AG
<b>Barge</b>	A flat top and bottomed steel pontoon primarily used to transport heavy materials and equipment to work locations, unless otherwise defined, as described in Section 4.4.3
<b>bbl</b>	Barrel
<b>Bermuda Companies Act</b>	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
<b>bhp</b>	Brake horsepower
<b>BIMCO</b>	Baltic and International Maritime Council
<b>BLT</b>	PT Berlian Laju Tanker Tbk
<b>Board</b>	The board of Directors
<b>Borrowers</b>	The Initial Borrowers and any Guarantor which becomes a borrower under the IPO Facilities Agreement
<b>BPD</b>	Barrels per day
<b>Broker</b>	Any ASX participating organisation
<b>Broker Firm Offer</b>	The invitation under this Prospectus to Australian and New Zealand resident Retail Investor clients of Brokers who have received a firm allocation of Shares from their Broker, as described in Section 3.4.1

<b>Broker Firm Offer Applicant</b>	A person offered a firm allocation of Shares by their Broker
<b>BV</b>	Bureau Veritas
<b>Bye-laws</b>	The bye-laws of the Company, as amended, supplemented or modified from time to time
<b>CAGR</b>	Compound annual growth rate
<b>CCO</b>	Chief Commercial Officer, Ashley Robinson
<b>CEO</b>	Chief Executive Officer, Diederik de Boer
<b>CFO</b>	Chief Financial Officer, Nick Gleeson
<b>CHESS</b>	Clearing House Electronic Subregister System, operated by ASTC
<b>Clarkson Research</b>	Clarkson Research Services Limited
<b>Closing Date</b>	The date on which the Offer closes, being 22 March 2010 in respect of the Retail Offer or 24 March 2010 in respect of the Institutional Offer. These dates may be varied (e.g., brought forward) without prior notice by the Company, in consultation with the Joint Lead Managers
<b>Coastal Survey Vessels</b>	Vessels designed to operate with the dual functions of crew transfer and hydrographic/environmental survey functions
<b>Company</b>	Miclyn Express Offshore Limited, a company incorporated under the laws of Bermuda with company number 42388
<b>Company Secretary</b>	Lawrence Chan
<b>Constitution</b>	The memorandum of association of the Company, as amended, supplemented or modified from time to time, and the Bye-laws
<b>COO</b>	Chief Operating Officer, Darren Ang
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Crew/Utility Vessels</b>	Vessels used principally for the fast sea transportation of personnel and supplies to and from production platforms, as described in Section 4.4.2
<b>Current Management Shareholders</b>	Diederick de Boer and Darren Ang
<b>CY</b>	The calendar year ended or ending 31 December, as the context requires
<b>DCR</b>	Daily charter rate
<b>Deloitte Touche Tohmatsu</b>	Deloitte Touche Tohmatsu (ABN 74 490 121 060)
<b>Directors</b>	The directors of the Company
<b>Directors' Forecast</b>	The Directors' Pro Forma Forecast and the Directors' Statutory Forecast
<b>Directors' Pro Forma Forecast</b>	The pro forma forecast consolidated income statement and pro forma forecast statement of cash flows for FY2010 and CY2010, as set out in Section 9
<b>Directors' Statutory Forecast</b>	The statutory forecast consolidated income statement for FY2010 and CY2010, as set out in Section 9
<b>DRP</b>	The dividend reinvestment plan, as described in Section 13.7
<b>EBIT</b>	Earnings before interest and tax
<b>EBITA</b>	Earnings before interest, tax and amortisation
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EIA</b>	Energy Information Administration

<b>Employee and Executive Options</b>	Options granted by the Company to employees (including Executive Directors) which are conditional entitlements to one Share, subject to the satisfaction of specified performance conditions
<b>EOT</b>	Miclyn Express Offshore Pte Ltd (formerly known as Express Offshore Transport Pte Ltd), a company incorporated in Singapore (Registered No. 199206761W), and its subsidiaries
<b>EPS</b>	Earnings per share
<b>Equity Arrangements</b>	Shares issued to Management, as defined in Section 3.2.3.2
<b>Existing Shareholders</b>	Current majority owners of the Miclyn Express Offshore business who will be selling a portion of their interest in the business as part of the Offer, being Macquarie Group and Ray Rider
<b>Existing Shares</b>	Shares in MEO Finance in which Ray Rider, Macquarie Group, Diederik de Boer or Darren Ang have a direct or indirect interest
<b>FDR</b>	Fair dividend rate
<b>FIF</b>	Foreign investment fund
<b>Forecast Financial Information</b>	The statutory or pro forma forecast financial information for the Forecast Period set out in Section 9
<b>Forecast Financial Periods</b>	FY2010, 1H FY2011 and CY2010
<b>Forecast Period</b>	The period from 1 January 2010 until 31 December 2010
<b>FPSO</b>	Floating production, storage and offloading platform
<b>FSO</b>	Floating storage and offloading platform
<b>FY</b>	The financial year ended or ending 30 June, as the context requires
<b>GDP</b>	Gross domestic product
<b>Global Coordinator, MCAL or Macquarie Capital Advisers Limited</b>	Macquarie Capital Advisers Limited (ABN 79 123 199 548)
<b>Global Industries</b>	Global Industries, Ltd.
<b>Group</b>	See Miclyn Express Offshore
<b>GST</b>	Australian goods and services tax
<b>Guarantors</b>	The Initial Borrowers and various of the Company's subsidiaries
<b>HIN</b>	Holder Identification Number
<b>Historical Financial Information</b>	The historical financial information for the Historical Financial Periods, as set out in Section 8
<b>Historical Financial Periods</b>	FY2007, FY2008, FY2009 and 1H FY2010
<b>HSQE</b>	Health, safety, quality and environment
<b>IEA</b>	International Energy Agency
<b>IFRS</b>	International Financial Reporting Standards
<b>IMF</b>	International Monetary Fund
<b>Indicative Price Range</b>	The indicative price range for the Institutional Offer, as specified in Section 3.5.2
<b>Initial Borrowers</b>	MEO Finance, Miclyn Finance Ltd and Marine Services Holdings Ltd
<b>Institutional Investor</b>	An investor to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus or other formality, including in Australia persons to whom offers or invitations in respect of Shares can be made without the need for a lodged prospectus under section 708 of the Corporations Act

<b>Institutional Offer</b>	The invitation to Institutional Investors in Australia and a number of overseas jurisdictions (excluding the US), made pursuant to this Prospectus, as described in Section 3.5
<b>Institutional Offer Final Price</b>	The Australian dollar denominated price that successful bidders and Applicants will pay for Shares under the Institutional Offer
<b>IPO</b>	Initial public offering
<b>IPO Facilities</b>	Interest bearing debt facilities provided to the Guarantors by the Banks
<b>IPO Facilities Agreement</b>	The facility agreement between the Banks and the Initial Borrowers
<b>ISM Code</b>	The International Safety Management Code
<b>Joint Lead Managers</b>	MCAL, J.P. Morgan and Morgan Stanley
<b>J.P. Morgan</b>	J.P. Morgan Australia Limited (ABN 52 002 888 011)
<b>Length Overall</b>	The total length of the vessel including bowsprits or other items projecting from the bow or stern of a vessel
<b>Listing</b>	Admission of the Company to the official list of ASX and quotation of the Shares on the ASX
<b>Listing Rules</b>	The listing rules of ASX
<b>Long Term Contract</b>	A charter contract of over 12 months in duration
<b>m</b>	Metre
<b>Macquarie Group</b>	Macquarie Group Limited and, where the context requires, all its subsidiaries
<b>MAFL</b>	Macquarie Asset Finance Limited (ABN 53 064 219 601)
<b>Management</b>	The CEO, CFO, CCO and COO and other members of the senior management team of Miclyn Express Offshore
<b>Management Shareholders</b>	Members of Management and past members of the management team of the Miclyn Express Offshore business who are issued Shares pursuant to the Equity Arrangements, as described in Section 3.2.3.2
<b>MCAL</b>	Macquarie Capital Advisers Limited (ABN 79 123 199 548)
<b>MEO Finance</b>	MEO Finance Company Limited, a company registered in Bermuda that owns the Miclyn Express Offshore business
<b>MEO Finance Group</b>	MEO Finance and all its subsidiaries
<b>MEO Holdings</b>	MEO Holdings Limited, a company registered in Bermuda
<b>Miclyn Express Offshore, Miclyn Express Offshore Group or Group</b>	The Company (ARBN 141 683 552) and all its subsidiaries, as if the Company had purchased MEO Finance under the Restructure Agreement, as described in Section 13.5.10 and as if the acquisition of the 50.0% interest in Samson Maritime, as described in Section 13.5.4, has been completed (in both cases, unless the context otherwise requires)
<b>Miclyn Express Offshore Offer Information Line</b>	1800 095 654 (within Australia, toll free) or +61 2 8280 7114 (outside of Australia)
<b>Miclyn Offshore or Miclyn Offshore Group</b>	Miclyn Offshore Pte Ltd, a company incorporated in Singapore (Registered No. 199005283H), and its subsidiaries
<b>Morgan Stanley</b>	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276)
<b>MOU</b>	Memorandum of understanding
<b>MPVs</b>	Multi purpose vessels
<b>New Shareholders</b>	Shareholders that have been issued Shares under the Offer other than the Existing Shareholders and the Management Shareholders
<b>Newbuild</b>	A newly-constructed vessel
<b>Newbuilding</b>	The construction of new vessels
<b>Non-Executive Director</b>	A non-executive Director

<b>Note</b>	A note in the Appendix to this Prospectus
<b>NPAT</b>	Net profit after tax
<b>NZ\$</b>	New Zealand dollars
<b>Obligors</b>	The Borrowers, the Guarantors and any subsidiaries of Miclyn Express Offshore which become guarantors of the IPO Facilities
<b>Offer</b>	The Retail Offer and the Institutional Offer
<b>Offer Costs</b>	The total costs of and incidental to the Offer, including the Syndicate Fees, any amounts payable by the Company under the Offer Management Agreement and the costs associated with establishment and negotiation of the Company's IPO Facilities and any other amounts payable to lenders in respect of the Offer, including the debt advisory fee payable to Macquarie Securities (Asia) Pte Limited and any other upfront facility fees charged by lenders in respect of the Offer
<b>Offer Management Agreement</b>	The offer management agreement between the Company, MEO Finance and the Joint Lead Managers, described in Section 13.5.6
<b>OGJ</b>	Oil and gas journal
<b>OPEC</b>	Organization of the Petroleum Exporting Countries
<b>OSVs</b>	Offshore support vessels, consisting of AHTs, AHTSs, MPVs, SVs, straight supply and utility vessels and tugs
<b>Pareto Securities</b>	Pareto Securities AS
<b>PBT</b>	Profit before tax
<b>Plan</b>	The equity compensation plan that the Company has implemented to assist in the attraction, motivation and retention of its employees (including executive Directors)
<b>Plan Participant</b>	Employees (including executive Directors) within the Company who participate in the Plan
<b>Priority Offer</b>	The invitation under this Prospectus to Australian and New Zealand resident Retail Investors by the Company in its sole discretion, as described in Section 3.4.2
<b>Prospectus</b>	This prospectus, being a prospectus for the purpose of Chapter 6D of the Corporations Act
<b>Purchase Price</b>	The price at which the Company will acquire all the shares in MEO Finance from MEO Holdings and MAFL
<b>Ray Rider</b>	Ray Rider Limited, an entity associated with the Miclyn Offshore founder, Michael Kum
<b>Regulation S</b>	Regulation S promulgated under the US Securities Act
<b>Reinvestment Arrangements</b>	The arrangements whereby Ray Rider, Macquarie Group, Diederik de Boer and Darren Ang will subscribe for Shares at the Institutional Offer Final Price, as described in Section 13.5.10.1
<b>Reinvestment Proceeds</b>	The amount of the reinvestment in the Offer by the Macquarie Group, Ray Rider, Darren Ang and Diederik de Boer
<b>Relevant Persons</b>	Directors, officers, senior executives, employees and their associates
<b>Restructure Agreement</b>	The agreement between the Existing Shareholders, Diederik de Boer, Darren Ang and the Company (among others), as described in Section 13.5.10
<b>Retail Investor</b>	An investor who is not an Institutional Investor
<b>Retail Offer</b>	The Broker Firm Offer and the Priority Offer
<b>Retail Offer Final Price</b>	The Australian dollar denominated price that successful bidders and applicants will pay for Shares under the Retail Offer
<b>S\$</b>	Singapore dollars
<b>Samson Maritime</b>	Samson Maritime Holdings Pty Ltd and its controlled entities

<b>Samson Maritime Vendors</b>	Benjamin Ward, BW Marine Services Pty Ltd (ACN 096 136 024) in its capacity as trustee of the Ward Family Trust, Jeremy Williams and Williams Maritime Pty Ltd (ACN 106 948 958) in its capacity as trustee of the Williams Family Trust
<b>Scheme</b>	The MEO Holdings management incentive scheme
<b>Scheme Participants</b>	Participants in the Scheme
<b>Section</b>	A section of this Prospectus
<b>Service Agreement</b>	The service agreement entered into by Diederik de Boer and the Company
<b>Settlement</b>	Settlement in respect of all, or substantially all, of the Shares the subject of the Offer occurring under the Offer Management Agreement and associated settlement support arrangements
<b>SFRS</b>	Singapore Financial Reporting Standards
<b>Share</b>	A fully paid ordinary share in the Company
<b>Share Registry</b>	Link Market Services Limited (ABN 54 083 214 537)
<b>Shareholder</b>	A registered holder of a Share
<b>Shareholders' Deed</b>	The shareholders' deed which the Group has entered into with Samson Maritime and the Samson Maritime Vendors
<b>Shipyard</b>	The shipyard at Batam, Indonesia, owned and operated by Miclyn Express Offshore
<b>SRN</b>	Securityholder Reference Number
<b>Subscription and Share Sale Agreement</b>	The Group's agreement with Samson Maritime and the Samson Maritime Vendors whereby the Group will acquire a 50.0% interest in Samson Maritime following completion of the IPO
<b>SVs</b>	Specialised vessels
<b>Sweet Equity</b>	Performance related Awards which constitute a proportion of the total amount equal to 3.75% of the equity profit (broadly being the increase in equity value of MEO Holdings less initial invested equity and any subsequent injections)
<b>Syndicate Fees</b>	Fees to be paid to the Global Coordinator, the Joint Lead Managers and any Brokers
<b>TSR</b>	Total shareholder return
<b>UAE</b>	United Arab Emirates
<b>United States or US</b>	The United States of America
<b>Unithai</b>	Unithai Line Public Company Ltd
<b>Uniwise</b>	Uniwise Offshore Limited
<b>Uniwise Joint Venture</b>	Miclyn Express Offshore's joint venture in Thailand, as described in Section 13.5.3
<b>US\$</b>	United States dollars
<b>US Person</b>	Has the meaning given by Regulation S
<b>US Securities Act</b>	The United States Securities Act of 1933, as amended
<b>Utilisation</b>	Utilisation is equal to total days chartered divided by the total days available for charter in a given period. If the vessel was acquired in a previous period, total days available for charter is equal to the number of days in the period or if a vessel was delivered during the year, total days available for charter is based on the date the vessel was delivered adjusted for the average time to bring the vessel ready for use such as loading supplies, fuel, painting and minor modifications
<b>Vessel Chartering</b>	Miclyn Express Offshore's business focusing on the chartering of OSVs, Crew/Utility Vessels and Barges to customers in the offshore oil and gas industry and marine civil construction industry



# Your Guide to the Broker Firm Application Form

BEFORE COMPLETING THIS BROKER FIRM APPLICATION FORM THE APPLICANT(S) SHOULD READ THE PROSPECTUS IN FULL. BY LODGING THIS BROKER FIRM APPLICATION FORM, THE APPLICANT(S) AGREES THAT THIS APPLICATION IS UPON AND SUBJECT TO THE TERMS OF THE PROSPECTUS, AGREES TO TAKE ANY NUMBER OF SHARES THAT MAY BE ALLOTTED TO THE APPLICANT(S) PURSUANT TO THE PROSPECTUS AND DECLARES THAT ALL DETAILS AND STATEMENTS MADE ARE COMPLETE AND ACCURATE. IT IS NOT NECESSARY TO SIGN THIS BROKER FIRM APPLICATION FORM.

- A** Insert the Australian dollar value of Shares you wish to apply for. You may be issued all of the Shares applied for or a lesser number.
- B** Write the full name you wish to appear on the statement of Shares. If you are applying on behalf of a company, partnership, trust or superannuation fund, you must enter the full title, not abbreviations. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- C** Please enter your postal address for all correspondence. All communications to you from Miclyn Express Offshore Limited and the Registrar will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- D** Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- E** If you are already a CHES participant or sponsored by a CHES participant, and wish to hold Shares allotted to you under this Application in uncertificated form on the CHES subregister, write your Holder Identification Number (HIN) here. **Please note** that if you supply a CHES HIN but the name and address details on your Broker Firm Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register. Otherwise leave this section blank and on allotment you will be sponsored by the Company and allotted a Securityholder Reference Number (SRN).
- F** Broker Firm Applicants must contact their Broker from whom they received their firm allocation for instructions on how to submit their Broker Firm Application Form and Application Monies.
- G** Please enter your telephone number, area code and contact name in case we need to contact you in relation to your Application.

## ACKNOWLEDGEMENTS

I/we declare that by lodging this Broker Firm Application Form with my/our Application Monies to my/our Broker, I/we represent and warrant that I/we have read and understood the Prospectus to which this Broker Firm Application Form relates.

By lodging this Broker Firm Application Form, I/we represent, warrant and agree that I/we am/are an Australian or New Zealand citizen or resident in Australia or New Zealand, and am/are not acting for the account or benefit of, a person in the United States or any other foreign person and will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold.

I/we hereby authorise Miclyn Express Offshore Limited to complete and execute any documents necessary to effect allotment of any Shares.

## DECLARATION

By submitting this Broker Firm Application Form with my/our Application Monies to my/our Broker, I/we declare, represent and warrant that this Application is completed and lodged in accordance with the Prospectus and subject to the declarations/statements on this Broker Firm Application Form and declare that all declarations and statements made by me/us (including the declarations/statements on this Broker Firm Application Form) are complete and accurate. I/We agree to be bound by the constitution of Miclyn Express Offshore Limited and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus. I/We acknowledge that my/our Application to acquire Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

In consultation with the Joint Lead Managers, Miclyn Express Offshore Limited may, in its discretion, reject any Application, including where the Broker Firm Application Form is not properly completed or where a cheque submitted with the Broker Firm Application Form is dishonoured. If your Broker Firm Application Form is not completed correctly, is late or if the accompanying payment is for the wrong amount, it may still be treated as valid.

The decision of Miclyn Express Offshore Limited as to whether to treat your Application as valid, and how to construe, amend or complete it, is final.

In consultation with the Joint Lead Managers, Miclyn Express Offshore Limited has the right, in its discretion, to accept any Application in part only and allocate to the Applicant fewer shares than the Applicant applied for. The decision of Miclyn Express Offshore Limited on the number of shares to be allocated to you is final. An Applicant will not, however, be treated as having offered to subscribe for more shares than are indicated on the Broker Firm Application Form.

If an Application is rejected, or is accepted in part only, the Applicant will receive a refund of all or part of their Application Monies without interest (as applicable).

## LODGEMENT INSTRUCTIONS

Applicants who receive a firm offer of Shares from their Broker (as described in section 3 of the Prospectus) should return their completed Broker Firm Application Form and Application Monies to the Broker from whom they received their firm offer of Shares (unless instructed otherwise).

**Applications must be received by the Broker in sufficient time for the Broker to process that Application by the Closing Date, expected to be no later than 5:00pm (AEDT) on 22 March 2010 or such other date as the Directors may determine. If you are returning your Broker Firm Application Form by post, you should allow sufficient time for collection and delivery by postal services.**

During the Offer Period, you may either contact your Broker or the Miclyn Express Offshore Offer Information Line on 1800 095 654 (within Australia) or +61 2 8280 7114 (outside Australia) to receive a free copy of the Prospectus (including this Application Form). The Prospectus is also available online at [www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com).

## PRIVACY STATEMENT

Link Market Services Limited advises that information about you as a shareholder (including your name, address and details of the shares you hold) will be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address shown on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mr Adam Charles Edwards	A C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section B on the Broker Firm Application Form.

# Corporate directory

## Miclyn Express Offshore's registered and head office

### **Miclyn Express Offshore Limited**

3 Harbour Front Place  
#07-01 Harbour Front Tower 2  
Singapore 099254

## Global Coordinator

### **Macquarie Capital Advisers Limited**

Level 9  
1 Martin Place  
Sydney NSW 2000

## Joint Lead Managers

### **Macquarie Capital Advisers Limited**

Level 9  
No. 1 Martin Place  
Sydney NSW 2000

### **J.P. Morgan Australia Limited**

Level 32  
225 George Street  
Sydney NSW 2000

### **Morgan Stanley Australia Securities Limited**

Level 39  
Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## Australian legal adviser

### **Freehills**

MLC Centre  
19 Martin Place  
Sydney NSW 2000

## Investigating Accountant

### **Deloitte Touche Tohmatsu**

Grosvenor Place  
225 George Street  
Sydney NSW 2000

## Tax Report

### **Deloitte Touche Tohmatsu Ltd**

Grosvenor Place  
225 George Street  
Sydney NSW 2000

## Report on Directors' Forecasts

### **Deloitte Corporate Finance Pty Limited**

550 Bourke Street  
Melbourne VIC 3000

## Auditor

### **Deloitte & Touche LLP (Singapore)**

6 Shenton Way  
#32-00 DBS Building Tower Two  
Singapore 068809

## Share Registry

### **Link Market Services Limited**

Level 12  
680 George Street  
Sydney NSW 2000

## Miclyn Express Offshore Offer Information Line

Within Australia: 1800 095 654 (toll free)  
Outside Australia: +61 2 8280 7114

The Miclyn Express Offshore Offer Information Line will be open on business days from 8:30am to 5:30pm (Sydney time)

## Corporate websites

### **Offer website**

[www.miclynexpressoffshore-ipo.com](http://www.miclynexpressoffshore-ipo.com)

### **Miclyn Express Offshore website**

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