

**MTQ CORPORATION LIMITED – Extraordinary General Meeting (“EGM”) held on 1 October 2019****Questions and Answers****Question:**

1. *What was the initial investment of Neptune Marine?*

**Answer:**

The Company had invested approximately A\$78 million in Neptune Marine and had recorded significant losses from the operating business in Neptune Marine for the past 4 years. However, the Company received A\$9 million in dividend during the initial stage of investment. In addition, the Company would be receiving A\$18.5 million from this transaction.

There is no significant gain or loss arising from amount invested in Neptune Marine as the transaction is based on net asset deal. Though it may not be the best deal on the table, this transaction provides the Company an upside going forward. The Board is of the view that this transaction is the best possible deal and is in the best interest to the shareholders under the current market condition.

**Question:**

2. *Is the deal through a tendering process or on a willing-buyer willing-seller basis?*

**Answer:**

This transaction is not a divestment as such. The Company is transferring Neptune Marine's assets into a company which we believe will enable us to derive synergies, and will benefit us ultimately. The Company has to look for the right party, analyse what can the other party offer and ensure that there are synergies out of the transaction. The Board has considered various parties before concurring that MMA is the most suitable candidate to pursue this transaction.

**Question:**

3. *Did the Company conduct due diligence on MMA Offshore Limited (“MMA”)?*

**Answer:**

The Company conducted various due diligence on MMA. In addition, MMA, being a public listed company in Australia, is also subjected to vigorous and regular disclosure and compliance requirements. The business relationship with MMA is not new given that the Company has also collaborated with MMA on various jobs throughout the years.

**Question:**

4. *A shareholder is more concern of the following risks involved in this transaction as the Company is given MMA's shares and noted two observations as follows:*
- (i) MMA is in the chartering business of which the business will be affected by the oil prices. If MMA is not doing well, MTQ will in turn be affected; and*
  - (ii) The fluctuation of the share price of MMA.*

**Answer:**

The Chairman acknowledged that there would be risks in every business and transaction.

The services Neptune Marine provide requires boats/vessels which we do not have and we have no intention to own any boat/vessel as it involves huge amount of capex. On the other hand, being a vessel company, MMA is able to offer a comprehensive subsea engineering services by acquiring Neptune Marine which will enhance the competitiveness of MMA. The Company is looking forward to benefit from this combined synergy.

The transaction is attractive to the shareholders of MTQ as there is significant discount to the share price of MMA and we have considered the synergies arising from this transaction.

**Comment:**

5. *The Company had made a big effort and spent a hefty sum to acquire Neptune Marine despite the unsuccessful attempt to acquire 100% of Neptune Marine. To better understand this transaction, it is thus necessary to revisit the rationale/decision behind the acquisition of Neptune Marine. The Company had proceeded with the acquisition then because the Board would have considered that Neptune Marine is a good business and has had the intention to keep it for longer term. However, this intention has now changed with the intention to dispose Neptune.*

**Answer:**

The Company did not expect the drastic downturn of the market which affected Neptune Marine at the time of the initial investment. Notwithstanding this, the Company has received good dividend from Neptune Marine during the early days of the investment.

At present, the challenge is for the Company to better the Neptune Marine's dire situation, cut losses and divest Neptune Marine's asset to MMA and reap the benefits from the synergies between MMA and Neptune Marine.

**Question:**

6. (i) *What is the NTA of Neptune Marine and NAV of MMA's share?*  
(ii) *The Company is receiving MMA's shares based on NAV but the vessel value deteriorates over time as it ages. Hence, can the Company recover its initial investment of A\$13.5 million through trading the shares of MMA?*

**Answer:**

Neptune Marine's asset is being sold at NAV of approximately A\$18.5 million and A\$5 million in cash. The NAV of MMA is A\$0.35. Even though MMA is A\$200 million in debt, MMA is still financially healthy by the industry standard. MMA is in a marginally positive cash flow position and there are indication that the banks will continue to support MMA.

The Company is receiving MMA shares at its current trading price of A\$0.20 and has the right to sell the shares immediately if the Company thinks that it yields the best return for the shareholders after this transaction. The market is recovering slowly and coupled with MMA's competitiveness, MMA should do better and translate into better share price. If there is no such deal today, Neptune Marine will improve marginally when the market recovers but it will not have its own competitive edge unlike a collaboration with MMA.

**Question:**

7. *What is the lowest traded share price of MMA?*

**Answer:**

The lowest traded share price of MMA was A\$0.15.