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ASX Announcement

5 March 2014

Letter to Ineligible Shareholders

Further to the announcement by Mermaid Marine Australia Limited on Tuesday, 25 February 2014 relating to a 7 for 18 accelerated pro rata renounceable entitlement offer (**Entitlement Offer**), a letter (in the form attached) has today been despatched to ineligible shareholders under the Entitlement Offer.

Dylan Roberts
Company Secretary
Mermaid Marine Australia Limited

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[Name]
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Dear Shareholder

Mermaid Marine Australia Limited Pro Rata Accelerated Renounceable Entitlement Offer and Institutional Placement to raise A\$317 million

On Tuesday, 25 February 2014, Mermaid Marine Australia Limited (ABN 21 083 185 693) (**MMA**) announced a fully underwritten pro rata accelerated renounceable entitlement offer of new MMA shares (**New Shares**) at an offer price of A\$2.40 per New Share (**Offer Price**) (**Entitlement Offer**) combined with a fully underwritten placement of New Shares to eligible institutional investors (**Institutional Placement**) at the Offer Price to raise A\$317 million. MMA will offer eligible existing shareholders (**Eligible Shareholders**) the opportunity to subscribe for 7 New Shares for every 18 existing MMA shares held on the record date of 7.00pm (Sydney time) on Friday, 28 February 2013 (**Record Date**).

Why are we sending you this letter?

This letter is to inform you about the Entitlement Offer and to explain to you why you will not be able to subscribe for shares under the Entitlement Offer.

No action required

This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

Details of the Entitlement Offer

The New Shares issued under the Entitlement Offer will comprise up to approximately 90.5 million New Shares. The final number of New Shares issued, and therefore the total amount raised under the Entitlement Offer, will depend on the extent to which New Shares are applied for under the retail component of the Entitlement Offer.

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The proceeds of the Entitlement Offer and the Institutional Placement will be used, in conjunction with funds raised under new debt facilities of A\$253 million, to fund the acquisition of 100% of the shares in each of the subsidiaries of Jaya Holdings Limited (the **Acquisition**) and transaction related expenses associated with the offer. The total consideration payable by MMA under the Acquisition is S\$625 million (A\$550 million).

The Entitlement Offer comprises an offer to eligible institutional shareholders (**Institutional Entitlement Offer**) and an offer to eligible retail shareholders to participate at the same Offer Price and offer ratio (**Retail Entitlement Offer**). The Entitlement Offer is being made pursuant to section 708AA of the *Corporations Act 2001*(Cth) (**Corporations Act**) (as modified by ASIC Class Order 08/35), meaning that no prospectus needs to be prepared in relation to the Entitlement Offer. The Institutional Entitlement Offer has already been completed and raised gross proceeds of approximately A\$143 million.

Details and eligibility of the Retail Entitlement Offer

The Retail Entitlement Offer is being made to eligible retail shareholders (as defined below) on the basis of 7 New Shares for every 18 existing MMA shares held at 7.00pm (Sydney time) on the Record Date. An offer booklet in relation to the Retail Entitlement Offer (**Retail Offer Booklet**) will be despatched to Eligible Retail Shareholders on or around Wednesday, 5 March 2014.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing MMA shares as at 7.00pm (Sydney time) on the Record Date;
- as at the Record Date, have an address recorded on the MMA share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds MMA shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee in respect of other underlying holdings) in the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) and were not treated as ineligible institutional shareholders under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Retail Shareholders and who did not participate in the Institutional Entitlement Offer are ineligible shareholders.

The restrictions upon eligibility to participate in the Retail Entitlement Offer arise because of legal and regulatory limitations in some countries other than Australia and New Zealand and the potential costs to MMA of complying with these legal and regulatory requirements compared with the relatively small number of shareholders there, the small number of shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. MMA has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Corporations Act, that it would be unreasonable to make or extend offers to shareholders in all countries in connection with the Retail Entitlement Offer.

Unfortunately, as you do not satisfy the criteria stated above, you are deemed not to be an Eligible Retail Shareholder for the purposes of the Retail Entitlement Offer. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, MMA wishes to notify you that MMA will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. Under the terms of the Retail Entitlement Offer, you are not eligible to apply for New Shares and you will not be sent a copy of the offering materials relating to the Retail Entitlement Offer.

Retail Shortfall Bookbuild

New Shares equivalent to the number of New Shares not taken up by Eligible Retail Shareholders and New Shares that would have been offered to ineligible retail shareholders had they been entitled to participate in the Retail Entitlement Offer will be sold through the retail shortfall bookbuild on Wednesday, 26 March 2014 (**Retail Shortfall Bookbuild**), which is to be undertaken by Morgan Stanley Australia Securities Limited, as lead manager of the Entitlement Offer. You will receive any proceeds in excess of the Offer Price in respect of your portion of entitlements sold in the Retail Shortfall Bookbuild (net of expenses and any applicable withholding tax). Please note, there is no guarantee you will receive any value as a result of the Retail Shortfall Bookbuild.

If you have any queries regarding the Retail Entitlement Offer, or if you believe you are an Eligible Retail Shareholder please call the MMA Offer Information Line on 1300 628 310 (within Australia) or +61 3 9415 4294 (outside Australia) between 8.30am to 5.30pm (Sydney time) Monday to Friday during the Retail Entitlement Offer period. For other questions, you should consult your stockbroker, accountant or other professional adviser.

On behalf of the Board and management of MMA, thank you for your continued support.

Yours sincerely



Tony Howarth AO
Chairman

Important Information

This letter is issued by MMA. This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in MMA in any jurisdiction. This letter does not constitute financial product advice and has been prepared without taking account of the investment objectives, financial situation or needs of any particular investor. This letter does not and will not form any part of any contract for the acquisition of MMA shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares referred to herein have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised by, and the entitlements and New Shares may not be offered or sold to, persons in the United States or to persons that are acting for the account or benefit of persons in the United States unless they have been registered under the U.S. Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

No documents relating to the Retail Entitlement Offer may be sent or distributed, in whole or in part to persons in the United States or to persons that are acting for the account or benefit of any person in the United States.