**Member's Statement**

Halom Investments Pte Ltd (**Halom**) is the largest shareholder of MMA Offshore Limited (**MMA**, or the **Company**), holding approximately 18.09% interest. Over the past 18 months, we are increasingly concerned with the direction of MMA under current leadership.

It's time for change. It's time for corrective action to salvage MMA from its unsustainable capital structure, drive a new strategic vision for the Company and restore value for shareholders that has been destroyed.

As MMA's largest shareholder, we are leading this change.

Halom has proposed resolutions for consideration at MMA's upcoming AGM to:

1. Remove Tony Howarth (Chairman) and Jeff Weber (CEO/MD) as directors; and
2. Elect two non-executive directors to MMA's Board, being Jeffrey Mews and Haridass Ajaib.

## Track record of Chairman and CEO

As Chairman and CEO respectively, Tony Howarth and Jeff Weber have presided over:

1. The poorly timed, top-of-cycle acquisition of Jaya Holdings Ltd for A$550 million[1], using of US$227 million in new debt funding which has materially contributed to the Company's current balance sheet troubles. Pro-forma debt post-acquisition was A$447 million[1].
2. A collapse in MMA's market capitalisation of A$882 million[2], equating to a significant share price decline from A$4.076 on 28 February 2013 to A$0.185 on 11 September 2017.
3. Total reported losses of $522 million over the past two financials years[3], with high prospects of further losses being incurred in FY18.
4. A remuneration regime that remains excessive (notwithstanding recent changes) and not commensurate with challenging market conditions and MMA's substantial losses.

As shareholders, we have seen limited accountability from the Chairman and CEO for the events that have seriously manifested under their leadership. Limited corrective action has been taken since 2014 to salvage MMA apart from cutting costs and to sell allegedly 'non-core' assets at 'fire sale' prices.

## MMA's precarious position

Halom is very concerned about the future of MMA. Our concerns include:

- **Unsustainable debt levels** – MMA has $324m debt on balance sheet as at 30 June 2017. This is an unsustainable 18x FY17 EBITDA[4] of $18.0m in FY17. A realistic approach is required to solve the Company's balance sheet challenges.
- **'Fire sale' of vessels and sale of strategic assets** – MMA is selling vessels at distressed prices, in a protracted downturn with grossly oversupplied vessel sales markets to repay lenders. It has also sold a strategic asset – Dampier Supply Base & Slipway – again to repay debtholders. This erodes value and optionality for all stakeholders.
- **Oil/OSV market** – General consensus is that oil price recovery is not on the horizon yet. Halom expects gross oversupply of OSVs and rigs could take several years to balance out.

[1] MMA investor presentation, 25/02/2014.

[2] Source: Bloomberg, IRESS. Market capitalisation $951m on 28/02/2013 and $69m on 11/09/2017.

[3] MMA FY17 financial report p4.

[4] From continuing operations.

- **Serious liquidity risks** – MMA's liquidity position appears challenged. Earnings are insufficient to pay interest and capex. MMA is burning cash at a $22m per-annum run-rate (see below). This compares to $18.8m of non-escrowed cash[5]. Unless decisive action is taken, MMA may simply run out of money and face an insolvency scenario, where shareholders may receive nothing.

| *(Estimates based on public information)* | **A$m** |
|---|---|
| EBITDA (FY17)[4] | $18.0 |
| Interest[6] | ($24.6) |
| Capex (estimated as 50% of FY17 level) | ($15.6) |
| **Estimated operating cash flow** | **($22.2)** |

- **Lack of strategic direction** – MMA has no strategic vision or clear plan to derive sustainable returns through present cycle. Current leadership has failed to adapt to evolving market conditions, like shifting more of the business towards a production-and-maintenance phase of the O&G industry. Halom believes that, after 15 years, fresh management expertise is required.

- **Unsustainable cost structure** – MMA's cost containment efforts have been inadequate. EBITDA margin has fallen to 8.1%[5]. A further focus on operational efficiency is required.

Previously, we have attempted to address these matters with MMA's leadership and do not consider corrective action has been taken.

### New directors proposed

In light of these issues, we have lost faith in the Chairman and CEO. We are proposing two new directors be appointed to MMA's Board to drive change (the **Proposed Directors**):

- **Jeffrey Mews** – Jeff was non-executive director of MMA from its IPO in 1999 until November 2009. Jeff, previously a tax consulting partner of PricewaterhouseCoopers (1976-1998), was formerly a member of the WA Salaries and Allowances Tribunal. He is a Fellow of the Institute of Chartered Accountants and Taxation Institute of Australia.

- **Haridass Ajaib** – Haridass is director of SGX-listed and Temasek-linked Sembcorp Industries Limited and Sembcorp Marine Limited, amongst others. He is a prominent admiralty, general/marine insurance and commercial lawyer, practicing as an admitted Advocate/Solicitor in Singapore since 1976 and an English Bar member. Haridass is an accredited arbitrator and mediator. He was recognised by *Chambers Global – The World's Leading Lawyers* as a preeminent shipping and dispute resolution litigator. He was a magistrate of the State Courts of Singapore and currently sits as Referee of the Small Claims Tribunal.

### Renewed strategic vision

The Proposed Directors, once appointed and working constructively with their fellow directors, would seek to:

- **Appoint a new CEO** after conducting a comprehensive search to identify the right person.

- **Conduct a holistic strategic and operational review** to formulate a realistic plan to protect stakeholder value in MMA, reposition the business to be sustainable through-the-cycle and ultimately restore earnings/cashflow generation.

- **Properly address MMA's leverage problems** without resorting to solely 'fire sales' of assets.

[5] MMA investor presentation, 28/08/2017.

[6] 7.6% on $324m debt. FY17 financial report p21.

**Halom is ideally positioned to drive the turnaround**

Halom, MMA's largest shareholder, is backed by Michael Kum. Mr Kum has over three decades' experience in the OSV market, having co-founded Offshore Equipment Pte Ltd in 1976 to charter OSVs to the O&G industry in the Middle East (including Egypt), India, Australia and South-East Asia. Mr Kum also co-founded Miclyn Express Offshore, which was listed on the ASX in 2010.

MMA needs to chart a new course to ride through current market conditions. It requires imminent change.

Herewith, we implore our fellow shareholders to support our resolutions.

Sincerely,

Michael Kum

Halom