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RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Mermaid Maritime Public Company Limited ("Mermaid" or the "Company" and together with its subsidiaries, collectively the "Group") wishes to announce the following responses to the queries raised by the Securities Investors Association (Singapore) as follows:

Q1*. As mentioned in the Business overview, due to the challenging outlook across the oil and gas industry, the Group has adopted a two-pronged strategy, namely a short-term/tactical approach of "Strengthening our Core" and a longer term vision of "Positioning for Growth" (page 51 of the Annual Report).*

To strengthen the core, management had:

(a) secured a key inspection, repair and maintenance ("IRM") contract extension;
(b) rationalised non-performing assets across our subsea services segments;
(c) qualified as a decommissioning service provider;
(d) expanded into the offshore wind cable installation market; and
(e) consolidated and improved cost efficiency in 2019.

The Company has stated that the priorities for 2020 would be to focus on the core business of IRM, prudently explore expansion of subsea service capabilities where market condition permits and increase the geographic footprint into new territories (page 4).

Given the outbreak of the pandemic and the oil price war between Russia and Saudi Arabia, crude oil prices have fallen below $30/barrel and various forecasts of Brent for 2020 ranged from US$20-30 per barrel.

(i) Does management need to significantly change its short-term plans in view of the severe deterioration of market conditions in the first quarter of 2020?

<u>Response:</u>

Prior to the severe deterioration of market conditions in the first quarter of 2020, the oil and gas sector had already been facing a challenging environment along the road to recovery from the last oil price plunge of 2014-2016. That downturn had proven to be longer than expected and consolidation or exit of market players had been a continuing feature of the developing landscape. The sector was also preparing to adapt to preferential environmental requirements from regulators and from potential customers to reduce or prevent pollution emissions which would affect business operations and asset configuration going forward.

The recovery prospects for the sector have now been negatively impacted by the novel coronavirus ("COVID-19") pandemic and recent crude oil price movements. According to Rystad, this "perfect storm" has resulted in offshore recovery being set back by at least two years.

In the short-term, immediate responses were made by the Group to decelerate its 2020 expansion plans into the North Sea and West Africa regions, minimize the hire of third-party vessel charters and implement measures to adapt the workforce to drive cost down and better integrate operations management to suit the tighter and more volatile market environment while continuing to meet contractual commitments to customers.

In relation to occupational health and safety, the Group has also implemented a detailed Epidemic Action Plan taking into account various factors including changing conditions, adaption to suit customer requirements, potential quarantines and/or isolations, crew change requirements and individual country lockdowns.

Senior management remain in regular contact with the workforce and the Group continues to implement measures to ensure minimal work disruption and maximum safety for all concerned.

(ii) In the subsea engineering segment, what headway has the Group made with its customers with regard to its "innovative solutions"?

Response:

The Group has developed in-house subsea installation engineering capabilities in the Middle East designed to provide potential customers in the North Sea the option of a qualified outsourcing solution that is both cost effective and that meets all required competencies.

The Group is has also initiated projects in an effort to expand its global engineering capabilities through advanced robotics for potential use in the provision of subsea inspection, repair and maintenance services.

***Q2**. For FY2018 and FY2019, the Group reported negative EBITDA of US$(12.3) million and US$(1.5) million respectively. Net losses amounted to US$(51.5) million over the two years. While revenue for the year was US$105.9 million, the Group's cost of rendering of services was higher at US$109.1 million. Coupled with US$23.7 million in administrative costs and US$3.4 million in* *finance costs, the Group reported a loss of US$(24.2) million in 2019. In 2018, revenue was US$98.2 million while total expenses were $132.6 million. Net loss for 2018 was US$(27.3) million. The Group has slipped from a net cash position to a net gearing position of 3.5% as at 31 December 2019.*

(i) Has the Group responded sufficiently to manage its cost and to right-size its operations in view of the "new norm" in the industry?

<u>Response:</u>

The Company refers to its previous announcement on 26 April 2020 titled "Update on Mermaid's Business and Operations in View of Covid-19 and crude oil price movements".

In addition to that announcement, the Group continues to manage its cost and to right-size its operations in view of the "new norm" in the industry. A phased assessment and implementation plan remain as work-in-progress with the objective to improve cost efficiencies in its supply chain and to rationalize personnel requirements to meet current business operations. To date, the rationalization of personnel has been completed in one business unit.

(ii) Would the board consider it opportune to carry out a strategic review so as to re-formulate its strategies given that the prospects of the sector do not appear to be brighter in the near future?

<u>Response:</u>

In the past several months following the severe deterioration of market conditions, the Group has given priority to immediate actions to consolidate, stabilize and rationalize its business and operations, to mitigate against the impact arising from Covid-19 and the crude oil price movement, and to improve the competitiveness of its bids in order to secure additional customer contracts still available during this time.

The Board has recognized the need for the Group to re-validate its strategy taking into relevant consideration new challenges in the market and has directed the Group's management to perform a strategic review to reformulate its strategies taking into relevant consideration new challenges in the market.

Q3. *As shown in the Sustainability report, the Company carried out its material assessment to identify material topics which are then mapped onto the appropriate Sustainable Development Goals ("SDGs"). Based on the materiality matrix (page 75), the High exposure/High materiality SDGs are SDG 3 (Good*

Health and Well-being), SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action) and SDG 14 (Life Below Water).

Specifically, under SDG 3 (Good Health and Well-being), the Group reported a Total Recordable Injury Rate ("TRIR") of 0.92 in FY2019, an increase from 0.51 in FY2018. There were also 8 reported events of "Near Miss Cases". The table of Health and Safety Key Performance Indicators can be found on page 82 (reproduced below):

EXHIBIT 10: HEALTH AND SAFETY KEY PEFORMANCE INDICATORS

OSHA Indicator	2019	2018	2017
Total Recordable Injury Rate	0.92 (10 cases x 200,000/ 2,185,326 man-hours)	0.51 (6 cases x 200,000/ 2,368,292 man-hours)	1.29 (13 cases x 200,000/ 2,004,403 man-hours)
Total Fatality Rate	0	0	0
Near Miss Cases	8 cases	10 cases	8 cases
Vehicle Incident Rate	0	0	0

(Source: Company Annual Report)

(i) What are management's pro-active plans to further improve the health and safety culture of the Group to bring down the injury and near-miss rates?

Response:

The Group has initiated an additional safety awareness campaign which includes increased safety site visitation, safety awareness poster campaigning, various presentations (in relation to the visitations) and revisions to the ongoing Zero Incident Program as part of the Group's behavior-based safety system.

The Group currently has the lowest year-to-date reportable incident count over the past three years attributable to the above measures and maintains the objective to achieving the goal of zero reportable incidents.

The Group is also currently communication with DNV-GL in relation to the required ISO/OHSAS 18001 (occupational health and safety accreditation) 'change over' to the mandatory ISO 45001.

The elements of the ISO 45001:2018 standard changes are most significant in the areas of context, leadership and worker participation, planning and operations. Similar to ISO/OHSAS 18001, ISO 45001 focuses on identifying and controlling risks rather than hazards and also requires organizations to consider how suppliers and contractors are managing their risks.

In addition to conducting health and safety assessments periodically, the Group plans to further improve its health and safety culture by both increasing its health and safety training man-hours and evaluating the effectiveness of that training.

The Group also plans to give special additional focus on incident investigation procedures by determining any factors that may cause or contribute to the occurrence of incidents, identify the need for additional corrective action, opportunities for preventive action, continual improvement, and communication of the results of such findings and recommendations to relevant stakeholders.

In addition, under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

(ii) Would the board/management be setting appropriate targets (using suitable performance indicators) for the Group's SDGs?

Response:

The Group has set phased targets on ESG focus areas anchored to the year 2025. This target setting, which is specifically mapped to the Group's SDGs, remain as work-in-progress and updates thereof would be announced in subsequent Sustainability Reports.

Please be informed accordingly.

Vincent Siaw
Executive Vice President & Chief Operating Officer
Corporate Business Ventures
30 June 2020