

APPENDIX DATED 30 NOVEMBER 2016

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of AusGroup Limited (the “**Company**”), you should immediately forward this Appendix with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements made, reports contained or opinions expressed in this Appendix. The approval of the SGX-ST shall not be taken as an indication of the merits of the Proposed Resolutions (as defined below).



AUSGROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200413014R)

APPENDIX

TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 30 NOVEMBER 2016

IN RELATION TO:

- (1) THE PROPOSED SHARE BUY BACK MANDATE;**
- (2) THE SHAREHOLDERS’ LOANS AND THE NOVATION AND AMENDMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION;**
- (3) THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE; AND**
- (4) THE PROPOSED CHANGE OF AUDITORS FROM PRICEWATERHOUSECOOPERS LLP TO KPMG LLP.**

Independent Financial Adviser to the Directors of the Company in respect of the Shareholders’ Loans and the Novation and Amendment Agreement as an Interested Person Transaction



Provenance Capital Pte. Ltd.
(Company Registration No. 200309056E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	13 December 2016 at 10.00am
Date and time of Annual General Meeting	:	15 December 2016 at 10.00am
Place of Annual General Meeting	:	Jurong Country Club, 9 Science Centre Road, Singapore 609078

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DEFINITIONS

DEFINITIONS

In this Appendix, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

- “ACRA”** : The Accounting and Corporate Regulatory Authority of Singapore
- “Acquisitions”** : The acquisition by the Company of 100% of the issued and paid up share capital of EOLH and 90% of the issued and paid up share capital of TAPL from Ezion on 7 November 2014
- “AGM”** : Annual general meeting of the Company. Unless the context otherwise requires, “AGM” shall refer to the annual general meeting to be held on 15 December 2016
- “Appendix”** : This appendix to Shareholders dated 30 November 2016
- “Associate”** : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- “Associated Company”** : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
- “Audit Committee”** : The audit committee of the Company
- “Average Closing Price”** : The average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period
- “Board”** : The board of Directors of the Company
- “CDP”** : The Central Depository (Pte) Limited
- “CEO”** : The Chief Executive Officer of the Company

“Company”	: AusGroup Limited
“Companies Act”	: The Companies Act, Chapter 50, of Singapore, as amended or modified from time to time
“Constitution”	: The constitution of the Company, as amended, modified or supplemented from time to time
“Controlling Interest”	: The interest of the Controlling Shareholder(s)
“Controlling Shareholder”	: A person who:- <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the nominal amount of voting shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or (b) in fact exercises control over the Company
“day of the making of the offer”	: The day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase
“Director”	: A director of the Company
“EOLH”	: Ezion Offshore Logistics Hub Pte. Ltd., a subsidiary of the Company
“EOLH Loan Agreement”	: The loan agreement entered into between Ezion and EOLH on 30 June 2016 to document an arrangement made on 13 August 2010 for Ezion to advance loans to EOLH
“EPS”	: Earnings per Share
“Ezion”	: Ezion Holdings Limited
“FY” or “Financial Year”	: Financial year ended or ending on 30 June
“Group”	: The Company and its subsidiaries, collectively
“IFA”	: Provenance Capital Pte. Ltd., the independent financial adviser to the Directors in respect of the Shareholders’ Loans and the Novation and Amendment Agreement as an Interested Person Transaction
“IFA Letter”	: The letter dated 30 November 2016 from the IFA to the Directors, reproduced as Annexure A of this Appendix
“Independent Shareholders”	: Shareholders who are considered independent for the purposes of (i) the Shareholders’ Loan and the Novation and Amendment Agreement as an Interested Person Transaction; and (ii) the proposed renewal of the IPT Mandate
“Interested Person(s)”	: A Director, CEO, Substantial Shareholder or Controlling Shareholder of the Company or an Associate of any of them
“Interested Person”	: Transaction between (i) Interested Persons and (ii) the Company,

Transaction” or “IPT”	its subsidiaries (which are not listed on the SGX-ST or an approved exchange) or any Associated Companies (which are not listed on the SGX-ST or an approved exchange), provided the Group or the Group and its Interested Persons have control over the Associated Company
“IPT Mandate”	: The general mandate approved by Shareholders pursuant to Chapter 9 of the Listing Manual for the Group to enter into the Mandated Transactions with specified classes of the Company’s Interested Person(s), as more fully described in Section 4.1
“IPT Mandate Independent Directors”	: The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate, namely Mr Stuart Maxwell Kenny, Mr Chew Heng Ching, Mr Eng Chiaw Koon, Ms Ooi Chee Kar and Mr Wu Yu Liang
“KPMG”	: Messrs KPMG LLP
“Latest Practicable Date”	: 18 November 2016, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	: The Listing Manual of the SGX-ST applicable to issuers listed on the Mainboard, as amended or modified from time to time
“Loan Agreements”	: The TAPL Loan Agreement, TOPL Loan Agreement and EOLH Loan Agreement collectively
“Mainboard”	: The Mainboard of the SGX-ST
“Mandated Transactions”	: The provision of vessel services to and from the Interested Persons and the provision of general goods and services to and from Interested Persons, details of which can be found in Section 4 of Annexure B of this Appendix
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Maximum Price”	: The purchase price to be paid for a Share as determined by the Directors must not exceed: <ul style="list-style-type: none"> (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares, in either case, excluding related expenses of the purchase
“Novation and Amendment Agreement”	: The agreement to be entered into between the Company, Ezion, TAPL, TOPL and EOLH, as more fully described in Section 3.3
“Novation and Amendment Agreement Independent Directors”	: The Directors who are independent for the purposes of the entry into of the Novation and Amendment Agreement by the Company and the Proposed Novation and Amendment pursuant thereto, being Mr Stuart Maxwell Kenny, Mr Chew Heng Ching, Mr Eng Chiaw Koon, Ms Ooi Chee Kar and Mr Wu Yu Liang
“NTA”	: Net tangible asset
“NTL”	: Net tangible liability

“Ordinary Resolutions” or “Proposed Resolutions”	: The ordinary resolutions relating to (i) the Proposed Share Buy Back Mandate; (ii) the Shareholders’ Loans and the Novation and Amendment Agreement as an Interested Person Transaction; (iii) the proposed renewal of the IPT Mandate; and (iv) the Proposed Change of Auditors set out in this Appendix and in the notice of AGM
“Proposed Change of Auditors”	: The proposed change of auditors of the Company from PwC to KPMG
“Proposed Share Buy Back Mandate”	: A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in Section 2 of this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“PwC”	: Messrs PricewaterhouseCoopers LLP
“Shareholders’ Loans and the Novation and Amendment Agreement as an Interested Person Transaction”	: The Shareholders’ Loans and the proposed novation of and amendments to the Loan Agreements pursuant to the Novation and Amendment Agreement, details of which are set out in Section 3 of this Appendix
“Securities Account”	: A securities account maintained by a Depositor with CDP, but does not include a securities account maintained with a Depository Agent
“SFA”	: Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“SGXNET”	: A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Persons (other than CDP) who are for the time being registered as holders of Shares in the Register of Members maintained by the Company and Depositors who have Shares entered against their names in the Depository Register
“Share Buy Back”	: Buy back of Shares by the Company pursuant to the Proposed Share Buy Back Mandate
“Shareholders’ Loans”	: The liabilities and obligations of the loans under the Loan Agreements
“Shares”	: Ordinary shares in the capital of the Company
“Substantial Shareholder”	: A person who has an interest, directly or indirectly, in five per cent. (5%) or more of the total number of Shares
“Take-over Code”	: The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“TAPL”	: Teras Australia Pty Ltd, a subsidiary of the Company
“TAPL Loan Agreement”	: The loan agreement entered into between Ezion and TAPL on 8

March 2010 pursuant to which Ezion provided loans to TAPL upon the terms and subject to this loan agreement

“TOPL”	:	Teras Offshore Pte Ltd, a subsidiary of Ezion
“TOPL Loan Agreement”	:	The loan agreement entered into between TOPL and TAPL on 8 March 2010 pursuant to which TOPL provided loans to TAPL upon the terms and subject to the conditions of this loan agreement
“VWAP”	:	Volume weighted average price
“A\$” and “AU cents”	:	Dollars and cents, respectively, the lawful currency of Australia
“S\$” and “cents”	:	Dollars and cents, respectively, the lawful currency of the Republic of Singapore
“US\$” and “US cents”	:	Dollars and cents, respectively, the lawful currency of the United States of America
“%” or “per cent.”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term “**associate**” shall have the meaning ascribed to it in the Listing Manual.

The term “**subsidiaries**” shall have the meaning ascribed to it respectively in the Companies Act.

Any reference to a time of day in this Appendix shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Appendix to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA, the Listing Manual or such statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or such statutory modification thereof, as the case may be, unless otherwise provided.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Any discrepancies in figures included in this Appendix between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Appendix may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

AUSGROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200413014R)

Board of Directors:

Mr Stuart Maxwell Kenny (Non-Executive Board Chairman)
Mr Chew Heng Chin (Lead Independent Non-Executive Director and
Deputy Board Chairman)
Mr Eng Chiaw Koon (Managing Director)
Ms Ooi Chee Kar (Independent Non-Executive Director)
Mr Wu Yu Liang (Independent Non-Executive Director)

Registered Office:

15 Hoe Chiang Road
#12-05 Tower Fifteen
Singapore 089316

30 November 2016

To: The Shareholders of AusGroup Limited

Dear Sir/Madam,

- (1) **THE PROPOSED SHARE BUY BACK MANDATE;**
- (2) **THE SHAREHOLDERS' LOANS AND THE NOVATION AND AMENDMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION;**
- (3) **THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE; AND**
- (4) **THE PROPOSED CHANGE OF AUDITORS FROM PRICEWATERHOUSECOOPERS LLP TO KPMG LLP.**

1. INTRODUCTION

Reference is made to the Notice of AGM dated 30 November 2016, accompanying the Annual Report of the Company for the financial year ended 30 June 2016, convening the AGM which is scheduled to be held on 15 December 2016 and the Ordinary Resolutions 6, 7, 8 and 9 in relation to the following:

- (a) the Proposed Share Buy Back Mandate;
- (b) the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction;
- (c) the proposed renewal of the IPT Mandate; and
- (d) the Proposed Change of Auditors from PwC to KPMG,

(collectively, the "**Proposed Resolutions**").

This Appendix is circulated to Shareholders together with the Company's Annual Report. The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and the rationale for, the Proposed Resolutions, and to seek Shareholders' approval at the AGM for the aforementioned proposals.

LETTER TO SHAREHOLDERS

2. THE PROPOSED SHARE BUY BACK MANDATE

2.1 Rationale for and Benefits of the Proposed Share Buy Back Mandate

The Proposed Share Buy Back Mandate would give the Company the flexibility to undertake buy backs of the Shares at any time, subject to market conditions, during the period when the Proposed Share Buy Back Mandate is in force. A Share Buy Back at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Further, amongst others, a Share Buy Back provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. The Directors also expect that Share Buy Backs may also help mitigate against short term volatility of share price and offset the effects of short term speculation. Share Buy Backs will also allow the Directors greater control over the Company's share capital structure, dividend pay out and cash reserves.

The buy back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NTA per Share of the Company and the Group, and will only be made when the Directors believe that such buy back would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Proposed Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company.

2.2 Proposed Share Buy Back Mandate

Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by, the Companies Act and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is also a requirement that a company which wishes to purchase or acquire its own shares should obtain approval of its shareholders to do so at a general meeting. Accordingly, approval is being sought from Shareholders at the AGM for the adoption of a Proposed Share Buy Back Mandate for the purchase by the Company of its issued Shares. If approved, the Proposed Share Buy Back Mandate will take effect from the date of the AGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law or by the Articles to be held, unless prior thereto, Share Buy Backs are carried out to the full extent mandated or the Proposed Share Buy Back Mandate is revoked or varied by the Company in a general meeting.

2.3 The Terms of the Mandate

The authority and limitations placed on the Share Buy Back under the Proposed Share Buy Back Mandate are summarised below:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the AGM at which the Proposed Share Buy Back Mandate is approved (the "**Approval Date**"), unless the Company has effected

LETTER TO SHAREHOLDERS

a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company of 740,432,016 Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 74,043,201 Shares (representing approximately 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Proposed Share Buy Back Mandate.

(b) Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, from the Approval Date up to the earlier of:

- (i) the date on which the next AGM of the Company is held or required by law or the Articles to be held;
- (ii) the date on which the authority contained in the Proposed Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting; or
- (iii) the date on which the Share Buy Back is carried out to the full extent mandated.

The Proposed Share Buy Back Mandate may be renewed at each AGM or other general meeting of the Company.

(c) Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of, *inter alia*:

- (i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and Listing Manual.

The Directors may impose such terms and conditions, which are consistent with the Proposed Share Buy Back Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase of issued Shares shall be made to every person who holds issued Shares to purchase the same percentage of their issued Shares;

LETTER TO SHAREHOLDERS

- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of the offers are the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (bb) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (i) the terms and conditions of the offer;
 - (ii) the period and procedures for acceptances;
 - (iii) the reasons for the proposed Share Buy Back;
 - (iv) the consequences, if any, of Share Buy Backs by the Company that will arise under the Take-over Code or other applicable takeover rules;
 - (v) whether the Share Buy Back, if made, would have any effect on the listing of the Shares on the SGX-ST;
 - (vi) details of any Share Buy Backs (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme) made by the Company in the previous 12 months, giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
 - (vii) whether the shares purchased by the Company will be cancelled or kept as treasury shares.
- (d) Maximum purchase price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter) of the Shares; and
 - (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter) of the Shares,
- (the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

LETTER TO SHAREHOLDERS

2.4 Status of Purchased Shares under the Proposed Share Buy Back Mandate

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share in accordance with the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

The Company may decide to cancel Shares which have been purchased by the Company or hold such Shares as treasury shares, depending on whether it is in the interests of the Company to do so.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or

LETTER TO SHAREHOLDERS

- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.6 Source of Funds for Share Buy Back

In buying back Shares, the Company may only apply funds legally available for such purchase in accordance with its Constitution, and the applicable laws in Singapore. The Company may not buy Shares on the Official List of the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST. The buy back of Shares by the Company may be made out of the Company's profits or capital so long as the Company is solvent.

When Shares are purchased or acquired, and cancelled:

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**");
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits available for the distribution of cash dividends by the total amount of the Purchase Price; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits available for the distribution of cash dividends proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to fund purchases of Shares pursuant to the Proposed Share Buy Back Mandate.

The Directors do not propose to exercise the Proposed Share Buy Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

2.7 Financial Effects of the Proposed Share Buy Back Mandate

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analysis set out below are based on the audited consolidated financial statements for FY2016 and are not necessarily representative of future financial performance of the Group. Although the Proposed Share Buy Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back 10% of the issued Shares in full.

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Proposed Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. The Directors do not propose to exercise the Proposed Share Buy Back Mandate to such an extent that it

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would have a material adverse effect on the working capital requirements of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Proposed Share Buy Back Mandate will be exercised with a view to enhance the EPS and/or NTA per Share of the Group. The financial effects presented in this section of the Appendix are based on the assumptions set out below:

(a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the issued share capital of the Company comprised 740,432,016 Shares.

(b) Illustrative Financial Effects

Purely for illustrative purposes, on the basis of 740,432,016 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of approximately 10% of its issued Shares will result in the purchase of 74,043,201 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 74,043,201 Shares at the Maximum Price of S\$0.0441 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,043,201 Shares is approximately S\$3,265,305 (A\$3,080,476).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 74,043,201 Shares at the Maximum Price of S\$0.0504 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,043,201 Shares is approximately S\$3,731,777 (A\$3,520,544).

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

- (i) the Proposed Share Buy Back Mandate had been effective on 1 July 2015;
- (ii) such Share purchases are funded solely by external borrowings; and
- (iii) the funding costs of such external borrowings have been excluded for the purpose of computing the financial effects,

the financial effects on the audited consolidated financial results of the Group and the Company for FY2016, are set out below:

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<u>As at 30 June 2016</u>	Group			
	Market Purchase		Off-Market Purchase	
	Before Share Purchase A\$'000	After Share Purchase A\$'000	Before Share Purchase A\$'000	After Share Purchase A\$'000
Profit attributable to owners of the Company	(258,270)	(258,270)	(258,270)	(258,270)
Share Capital	128,040	128,040	128,040	128,040
Accumulated Losses	(161,449)	(161,449)	(161,449)	(161,449)
Translation Reserve	15,409	15,409	15,409	15,409
Other Reserve	4,232	4,232	4,232	4,232
Treasury Shares	0	(3,080)	0	(3,521)
Shareholders' Equity	(13,768)	(16,848)	(13,768)	(17,289)
Total Equity ⁽¹⁾	(14, 867)	(17,947)	(14,867)	(18,388)
Net Tangible Liability (NTL) ⁽²⁾	64,732	67,812	64,732	68,253
Current Assets	171,713	171,713	171,713	171,713
Current Liabilities	286,903	286,903	286,903	286,903
Working Capital	(115,190)	(115,190)	(115,190)	(115,190)
Total borrowings	179,150	182,230	179,150	182,671
Cash and cash equivalents	22,095	22,095	22,095	22,095
Net Debt ⁽³⁾	157,055	160,135	157,055	160,576
Number of Shares as at 30 June 2016 ('000)	740,432	740,432	740,432	740,432
Weighted average number of Shares as at 30 June 2016 ('000)	740,432	740,432	740,432	740,432
<u>Financial Ratios</u>				
NTL per Share (cents) ⁽²⁾	8.74	9.16	8.74	9.22
Gearing Ratio (times) ⁽⁴⁾	(10.56)	(8.92)	(10.56)	(8.73)
Current Ratio (times) ⁽⁵⁾	0.60	0.60	0.60	0.60
Basic EPS (cents) ⁽⁶⁾	(34.88)	(34.88)	(34.88)	(34.88)

Notes:

- (1) Total Equity equals Shareholders' Equity plus non-controlling interests.
- (2) NTL equals Total Equity less intangible assets and minority interest. NTL per Share equals NTL divided by the number of shares as at 30 June 2016.
- (3) Net Debt means total borrowings less cash and cash equivalents
- (4) Gearing Ratio equals Net Debt divided by Total Equity.
- (5) Current Ratio equals current assets divided by current liabilities.
- (6) Basic EPS equals profit attributable to owners of the company divided by the weighted average number of shares as at 30 June 2016.

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<u>As at 30 June 2016</u>	Company			
	Market Purchase		Off-Market Purchase	
	Before Share Purchase A\$'000	After Share Purchase A\$'000	Before Share Purchase A\$'000	After Share Purchase A\$'000
Share Capital	128,040	128,040	128,040	128,040
Accumulated Losses	(166,249)	(166,249)	(166,249)	(166,249)
Translation Reserve	24,615	24,615	24,615	24,615
Other Reserve	4,232	4,232	4,232	4,232
Treasury Shares	0	(3,080)	0	(3,521)
Shareholders' Equity	(9,362)	(12,442)	(9,362)	(12,883)
Total Equity ⁽¹⁾	(9,362)	(12,442)	(9,362)	(12,883)
Net Tangible Liability (NTL) ⁽²⁾	9,362	12,442	9,362	12,883
Current Assets	6,629	6,629	6,629	6,629
Current Liabilities	149,137	149,137	149,137	149,137
Working Capital	(142,508)	(142,508)	(142,508)	(142,508)
Total borrowings	136,736	139,816	136,736	140,257
Cash and cash equivalents	16	16	16	16
Net Debt ⁽³⁾	136,720	139,800	136,720	140,241
Number of Shares as at 30 June 2016 ('000)	740,432	740,432	740,432	740,432
Weighted average number of Shares as at 30 June 2016 ('000)	740,432	740,432	740,432	740,432
<u>Financial Ratios</u>				
NTL per Share (cents) ⁽²⁾	1.26	1.68	1.26	1.74
Gearing Ratio (times) ⁽⁴⁾	(14.60)	(11.24)	(14.60)	(10.89)
Current Ratio (times) ⁽⁵⁾	0.04	0.04	0.04	0.04

Notes:

- (1) Total Equity equals Shareholders' Equity plus non-controlling interests.
- (2) NTL equals Total Equity less intangible assets. NTL per Share equals NTL divided by the number of shares as at 30 June 2016.
- (3) Net Debt means total borrowings less cash and cash equivalents.
- (4) Gearing Ratio equals Net Debt divided by Total Equity.
- (5) Current Ratio equals current assets divided by current liabilities.

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The financial effects set out above are for illustrative purposes only. Although the Proposed Share Buy Back Mandate would authorise the Company to purchase up to 10% of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

2.8 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of a share buy-back by the Company or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

2.9 Listing Rules

As at the Latest Practicable Date, approximately 80.96% of the issued share capital of the Company is held in the hands of the public. Assuming that the Company repurchased the maximum of 10% of its issued share capital as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 70.96%.

The Directors will use their best efforts to ensure that the Company does not effect buy back of Shares if the buy back of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five (5) market days, on which transactions in the shares were recorded, before the day on which purchases are made, deemed to be adjusted for any corporate action that occurs after the relevant 5-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3(d) of this Appendix, conforms to this restriction.

Additionally, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second (2nd) Market Day after the close of acceptances of the offer.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Proposed Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its Financial Year, or one (1) month immediately preceding the announcement of the Company's annual (full-year) results respectively.

2.10 Take-over Obligations

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Obligation to make a Take-over Offer

Pursuant to the Take-over Code, an increase of a Shareholder's proportionate interest in the voting rights of the Company resulting from a share buy back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**").

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (b) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (c) A company with any of its pension funds and employee share schemes;
- (d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) A financial or other professional adviser, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;
- (g) Partners; and
- (h) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions and companies controlled by any of the above.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the

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Company are set out in Appendix 2 of the Take-over Code.

Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Share Buy Back Mandate.

Having regard to the shareholdings of the Substantial Shareholders of the Company as notified to the Company at the Latest Practicable Date as set out in Section 5 of this Appendix, in the event that the Company undertakes Share Buy Backs up to the maximum number of Shares permissible under the Proposed Share Buy Back Mandate, it is not expected that the shareholdings and/or voting rights of any of the Shareholders will be increased to 30% or more, thereby triggering a requirement for any Shareholder to make a general offer to the other Shareholders under Rule 14.

To the best of the knowledge of the Directors, the Directors have confirmed that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholders are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a Share Buy Back.

The statements in this Appendix do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/ or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company.

2.11 Shares Purchased by the Company

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

2.12 Reporting Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA. Within 30 days of a purchase of Shares on the Official List of SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after

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the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

3. THE SHAREHOLDERS' LOANS AND THE NOVATION AND AMENDMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION

3.1 Introduction

On 8 March 2010, the following loan agreements were entered into between the following parties:

- (a) Ezion and TAPL entered into a loan agreement (the "**TAPL Loan Agreement**") pursuant to which Ezion provided loans to TAPL upon the terms and subject to the conditions of the TAPL Loan Agreement; and
- (b) TOPL and TAPL entered into a loan agreement (the "**TOPL Loan Agreement**") pursuant to which TOPL provided loans to TAPL upon the terms and subject to the conditions of the TOPL Loan Agreement.

On 30 June 2016, Ezion and EOLH entered into a loan agreement (the "**EOLH Loan Agreement**") to document an arrangement made on 13 August 2010 for Ezion to advance loans to EOLH. For the avoidance of doubt, the rights and obligations of Ezion and EOLH in the EOLH Loan Agreement were deemed to have taken effect on 13 August 2010.

The TAPL Loan Agreement, TOPL Loan Agreement and EOLH Loan Agreement shall collectively be referred to as "**Loan Agreements**", and each a "**Loan Agreement**".

As at the date of the Loan Agreements, TAPL, TOPL and EOLH were subsidiaries of Ezion.

On 7 November 2014, the Company acquired 100% of the issued and paid up share capital of EOLH and 90% of the issued and paid up share capital of TAPL from Ezion. The remaining 10% of TAPL is held by TAPL's 20%-owned associated company, Aboriginal Maritime Pty Ltd. Please refer to the Company's circular dated 14 October 2014 (the "**2014 Circular**") for more information on the Acquisitions.

As a result of the Acquisitions, as at the Latest Practicable Date, TAPL and EOLH are subsidiaries of the Company. As at the Latest Practicable Date, TOPL is a subsidiary of Ezion.

3.2 Salient Terms of the Loan Agreements

- 3.2.1 The terms of each of the Loan Agreements, which are materially similar save for the parties pursuant thereto, are as follows:

- (a) Term

The TAPL Loan Agreement and TOPL Loan Agreement shall be effective as of 8 March 2010 and shall continue thereafter until all indebtedness of the borrower to the lender has been performed in full and the parties terminate the relevant Loan Agreement in writing. The indebtedness shall be "performed in full" when it has either been repaid, forgiven or extinguished by other means, such as a debt to equity swap.

The EOLH Loan Agreement shall be effective as of 13 August 2010 and shall continue thereafter until all indebtedness of the borrower to the lender has been performed in full and the parties terminate the EOLH Loan Agreement in writing.

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(b) Loans

Subject to the terms and conditions of each of the Loan Agreements, the lender agrees to make loans to the borrower from time to time such amount or amounts as may be agreed upon in writing by the lender and the borrower from time to time.

(c) Interest

Each loan shall bear interest on the unpaid principal amount thereof at a rate of interest equal to 8.0% per annum, which shall be calculated from the date on which the loans are made and on the basis of a 360 day year, in each case for the actual number of days elapsed in the relevant period for which interest is payable.

(d) Repayment of Obligations

The lender shall have the right, from time to time, to demand the repayment by the borrower of any loan upon giving at least three (3) business days' notice to the borrower and the borrower shall be obliged to repay the same including such applicable interest thereon.

(e) Termination

Upon payment by the borrower of the outstanding amount, each party may terminate the Loan Agreement at any time upon at least three (3) business days' prior notice to the other.

3.3 The Novation and Amendment Agreement

In connection with the Acquisitions, the Company, Ezion, TOPL, TAPL and EOLH propose to enter into a novation and amendment agreement (the "**Novation and Amendment Agreement**") for the following:

- (a) novation of the TAPL Loan Agreement and TOPL Loan Agreement from TAPL to the Company;
- (b) novation of the EOLH Loan Agreement from EOLH to the Company;
- (c) novation of the TOPL Loan Agreement from TOPL to Ezion; and
- (d) amendment of certain terms and conditions of the Loan Agreements,

as more fully described in Section 3.4 below. Upon completion of the novation of the Loan Agreements, all outstanding loan amounts (including interest) under the Loan Agreements will be owed by the Company to Ezion.

The Company is seeking the approval of Shareholders in relation to the Shareholders' Loans and the Novation and Amendment Agreement, and upon obtaining Shareholders' approval, the Novation and Amendment Agreement shall be deemed to take effect from 1 July 2016.

3.4 Details of the Amended Loan Agreements

The salient terms of the each of the Loan Agreements, as proposed to be amended, revised and/or modified by the Novation and Amendment Agreement, are as follows:

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(a) Amendment of the interest rate

The interest rate payable under each of the Loan Agreements shall be amended from 8.0% to 5.0% per annum with effect from 1 July 2016.

As at 30 June 2016, the outstanding loan amount (including interest) owed by the Group to Ezion and its subsidiaries (the "**Ezion Group**") is US\$29.1 million (A\$39.6 million). Thus, the interest rate payable under the Loan Agreements for US\$29.1 million shall be amended from 8.0% to 5.0% per annum with effect from 1 July 2016.

(b) Amendment of the payment obligations

- (i) The existing clause relating to "Repayment of Obligations" under Article V (*Payments*) of each of the Loan Agreements shall be deleted in its entirety and replaced with the following:

"Repayment of Obligations. Lender shall have the right to demand the immediate repayment of any (or all) Indebtedness from the Borrower after 31 December 2017 ("**Repayment Deadline**"). The Borrower may, by means of written request and a minimum of 9 months' notice, seek the Lender's consent to extend the Repayment Deadline by 3 calendar months (such consent not to be unreasonably withheld) Subject to the Lender's absolute discretion and aforementioned conditions, the Borrower may seek repeated extensions to the Repayment Deadline."

Hence, the notice period that Ezion has to give to the Company to demand repayment of the Shareholders' Loans shall be amended from the minimum notice period of three (3) business days to the terms as stated above.

- (ii) The following clause relating to "Total Aggregate Indebtedness" shall be inserted to the existing Article V (*Payments*) of each of the Loan Agreements:

"Total Aggregate Indebtedness. The total aggregate Indebtedness under the Loan Agreements (as defined in the Novation and Amendment Agreement dated 30 June 2016) shall not exceed US\$45 million ("**Loan Limit**"). The Borrower shall immediately pay down any Indebtedness in excess of the Loan Limit to the Lender."

- (c) The existing Article VI (*Miscellaneous Provisions*) of each of the Loan Agreements shall be re-numbered as Article VII.

(d) Insertion of a new Article VI (*Events of Default*)

The following new Article VI (*Events of Default*) shall be inserted immediately after Article V (*Payments*) of each of the Loan Agreements:

"Subject to any valid subordination agreements between the parties, each of the following shall constitute an Event of Default under this Agreement.

Insolvency. The dissolution or termination of Borrower's existence as a going business, insolvency, appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of forfeiture proceedings, whether by judicial proceeding, self help, repossession or any other method, by any creditor of Borrower or by any governmental agency. However, this Event of Default

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shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding.

Effect Of An Event Of Default. If any Event of Default shall occur, all commitments and obligations of Lender under this Agreement will immediately terminate, and, at Lender's option, all Indebtedness will immediately become due and payable."

(the "**Proposed Novation and Amendment**").

Save as set out in this Section 3.4, all terms and conditions of the Loan Agreements shall remain unchanged and effective.

3.5 Rationale for and Benefits of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction

The proposed novation as set out in the Novation and Amendment Agreement would allow the Company to rationalise the loan documentation involved and allow a consolidated debt repayment obligation from the Company to Ezion. In addition, the proposed amendments as set out in the Novation and Amendment Agreement, would enable the Company to enjoy more favourable interest rates and repayment terms, as more fully described in Section 3.4 above.

3.6 Interested Person Transaction under Chapter 9 of the Listing Manual

3.6.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

Under Chapter 9 of the Listing Manual, an immediate announcement and subsequent shareholders' approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds 5% of the latest audited NTA value.

The following terms are defined under Chapter 9 of the Listing Manual:

- (a) the term "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (b) the term "**entity at risk**" means:
 - (i) the issuer;
 - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed group that is not listed on the SGX-ST or an interested person(s) has control over the associated company.
- (c) "**interested person**" means:
 - (i) a director, chief executive officer, or controlling shareholder of the issuer; or

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- (ii) an Associate of any such director, chief executive officer, or controlling shareholder.
- (d) **“interested person transaction”** means a transaction between an entity at risk and an interested person.
- (e) **“transaction”** includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly.

Following the Acquisition, the Shareholders’ Loans between the Group and Ezion are deemed as Interested Person Transactions. Under Chapter 9 of the Listing Manual, Shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding, 5% of the Group’s latest audited NTA. Therefore, the Company is seeking Shareholders’ approval for the Shareholders’ Loans, and in connection thereto, the restructuring of the Shareholders’ Loans to novate the loans in respect of the relevant lenders to Ezion and in respect of the relevant borrowers to the Company, wherever applicable, and to amend certain terms of the Shareholders’ Loans.

3.6.2 Details of the Interested Person

The term “Controlling Shareholder” is defined under the Listing Manual as (i) a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (subject to the SGX-ST determining that such a person is not a Controlling Shareholder), or (ii) a person who in fact exercises control over the Company.

As at the Latest Practicable Date, Ezion has a direct interest in 132,055,541 Shares, representing approximately 17.83% of the existing issued and paid-up share capital of the Company. Ezion is accordingly a Controlling Shareholder of the Company and therefore Ezion is deemed as Interested Persons of the Company. As the Shareholders’ Loans and entry into the Novation and Amendment Agreement is an interested person transaction, it is therefore subject to and conditional upon Shareholders’ approval.

Ezion, a company listed on the Mainboard, has two (2) main business divisions that specialises in the development, ownership and chartering of strategic offshore assets and the provision of offshore marine logistics and support services to the offshore oil and gas industries.

3.6.3 Materiality Thresholds under Chapter 9

Under Rule 906 of the Listing Manual, Shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

- (i) 5% of the Group’s latest audited NTA; or
- (ii) 5% of the Group’s latest audited NTA, when aggregated with other transactions entered into with the same Interested Person during the same financial year.

Pursuant to Rule 909(3) of the Listing Manual, in the case of borrowing of funds from an interested person, the value of the transaction at risk to the issuer is the interest payable on the borrowing.

Following the Acquisition, for FY2015 and FY2016, the interest payable on the Shareholders’ Loans represented less than 5% of the relevant latest audited NTA of the Group, and hence were not subject to prior Shareholders’ approval of the Company.

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Based on the latest audited financial statements of the Group for FY2016 which were released on SGXNET on 25 November 2016, the Group has a net liability value of A\$13.8 million and an NTL value of A\$64.7 million after deducting goodwill and intangible assets totalling A\$50.9 million. As a result, the Company anticipates that for FY2017, the interest payable on the Shareholders' Loans and hence, the value of the Interested Person Transaction, will exceed 5% of the latest audited NTA of the Group.

As at 30 June 2016, the total outstanding amount of the Shareholders' Loans (including accrued interest) was US\$29.1 million (or A\$39.6 million)¹. Insofar as any amount remains outstanding, the Company shall pay interest on the unpaid principal amount at a rate of 5.0% per annum, which shall be up to US\$3 million per year for up to 5 years.

As the figures above show, it is not possible to derive a meaningful comparison of the value of the transaction and the latest audited NTL of the Company. Nevertheless, the Company will be seeking Shareholders' approval for the Shareholders' Loans and the Novation and Amendment Agreement as an interested person transaction.

3.6.4 Total Value of the Interested Person Transaction

Save for the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction and any other transactions which are within the scope of the IPT Mandate, there are no other interested person transactions with Ezion or its associates for the current financial year of the Company to date. There are also no interested person transactions with other interested persons of the Company in the current financial year to date.

The value of the Interested Person Transaction in respect of the Shareholders' Loans is the interest payable on the Shareholders' Loans. As at 30 June 2016, the outstanding loan amount (including interest) owed by the Group to the Ezion Group is US\$29.1 million (A\$39.6 million).

The interest accruing on the Shareholders' Loans thus far have been capitalised as part of principal amount as they have not been paid to the Ezion Group. As such, the above outstanding Shareholders' Loans of US\$29.1 million as at 30 June 2016 include accrued interests. Such accrued interests, being capitalised as principal amount, are subject to the same applicable interest rate on the principal amount.

3.6.5 Opinion of the IFA

Provenance Capital Pte. Ltd. has been appointed as the IFA to advise the Board on whether the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

The Board of Directors of the Company are all deemed to be independent in respect of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction.

Please refer to the opinion of the IFA set out in the IFA Letter, a copy of which is reproduced in Annexure A to this Appendix. Shareholders are advised to read the IFA Letter carefully.

¹ Based on an exchange rate of US\$1: A\$1.36 on 18 November 2016, being the Latest Practicable Date.

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Overall, based on the IFA's analysis as set out in the IFA Letter, and after having considered carefully the information available, the IFA is of the view that the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

The Audit Committee shares the same view as the IFA.

4. THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

4.1 The Existing IPT Mandate

At the extraordinary general meeting of the Company held on 29 October 2014, the Independent Shareholders granted approval for certain Interested Person Transactions to be entered into between the Company, its subsidiaries and associated companies or any of them, and the Company's Interested Persons, pursuant to Chapter 9 of the Listing Manual (the "**IPT Mandate**"). The IPT Mandate was subsequently renewed at the annual general meeting of the Company on 29 October 2015.

The IPT Mandate enables the Company, its subsidiaries and associated companies or any of them which are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual to enter, in the ordinary course of business, into certain types of transactions with specified classes of the Company's Interested Persons, provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority Shareholders, and are made in accordance with the review procedures for such transactions.

4.2 Details of the IPT Mandate

Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in Annexure B to this Appendix.

4.3 Proposed Renewal of the IPT Mandate

The IPT Mandate was to take effect until the conclusion of the AGM to be held on 15 December 2016. Accordingly, the Directors propose that the IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

4.4 Audit Committee's Statement

The Audit Committee has reviewed the terms of the IPT Mandate and confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the extraordinary general meeting of the Company held on 29 October 2014 and the AGM of the Company on 29 October 2015; and
- (b) the methods or procedures for determining the transaction prices under the IPT Mandate are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the course of any of their reviews, the Audit Committee is of the view that the internal control procedures for Interested Person Transactions have become inappropriate or insufficient for whatever reasons, the Company will seek the Shareholders' approval for a

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fresh general mandate based on new internal control procedures to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. During the period prior to obtaining a fresh general mandate from the Shareholders, all Interested Person Transactions will be subject to prior review and approval by the Audit Committee.

5. THE PROPOSED CHANGE OF AUDITORS FROM PRICEWATERHOUSECOOPERS LLP TO KPMG LLP

5.1 Introduction

The Company proposes to seek Shareholders' approval at the AGM for KPMG to be appointed as the auditors of the Company, in place of the retiring auditors, PwC. PwC have served as auditors of the Company for 7 consecutive audits since the financial year ended 30 June 2010 and the Board is proposing a change of auditors as part of the Company's efforts to enhance its corporate governance.

5.2 Rationale for the Proposed Change of Auditors

The Board is of the view that it would be timely to rotate and change the external auditors with effect from the financial year ending 30 June 2017. PwC, the retiring auditors, will not be seeking re-election at the AGM to be held on 15th December 2016. The Directors wish to express their appreciation for the past services rendered by PwC.

A change of auditors would enable the Group to benefit from fresh perspectives and views of another professional firm and also further enhance the value of the audit. The Group will benefit from KPMG's breadth of experience and KPMG will be able to provide independent and objective viewpoints on the audit. Based on KPMG's audit proposal, KPMG has demonstrated that their integrated audit approach is focused on the Company's key financial reporting risks and the related impact on the financial statements. A renewal of this nature is indicative of the Company's efforts to ensure that there would be no actual or perceived issues of independence of auditors for good corporate governance. In addition, the Board is of the view that the Proposed Change of Auditors will further strengthen the corporate governance processes of the Group and have cost benefits to the Company.

KPMG's engagement team has the relevant industry experience. The team assigned to the Company's audit has been involved in the audits of offshore and marine oil and gas services and mineral, oil and gas businesses, which include the audits of companies and organisations such as Total Oil Asia-Pacific Pte. Ltd., Halliburton Singapore Pte. Ltd., Rex International Holding Limited, Alpha Energy Holdings Limited, Singapore Technologies Engineering Ltd., CSC Holdings Limited, Siemens Pte. Ltd., Sembawang Shipyard (S) Pte. Ltd. and the Land Transport Authority of Singapore. The team has extensive experience working on similar cross-border engagements across multiple locations. Key members of the team have also worked on similar assignments including BHP Billiton Marketing AG (Singapore Branch) and South32 Marketing Pte. Ltd.

The Board, having reviewed the fee proposal from KPMG, and in consultation with the Audit Committee, has accepted the Audit Committee's recommendation that the proposal from KPMG best meets the needs and requirements of the Group. Following an evaluation of several proposals, KPMG was selected for the proposed appointment of auditors, after taking into account, *inter alia*, the adequacy of the resources and experience of KPMG and the audit engagement partner assigned to the audit, KPMG's other audit engagements, the Group's audit requirements and the number and experience of supervisory and professional staff to be assigned to the audit. In addition, in comparison with the fee arrangement and terms of PwC's engagement, KPMG's fee proposal would enable the Group to reduce its audit expenses by approximately 20% based on the current scope of operations of the Company.

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The scope of audit services to be provided by KPMG will be the same as the services currently provided by PwC. The scope of work to be performed by KPMG is expected to be on addressing the key financial risks so as to enable KPMG to issue an audit opinion on the Company's financial statements. KPMG will perform the necessary audit procedures to enable it to issue an independent opinion on these sets of financial statements.

The reduction in audit expenses will not affect the quality and scope of the audit to be undertaken by KPMG. Subject to the approval by Shareholders of the Proposed Change of Auditors, (a) KPMG will be engaged to audit the accounts of the Company and its Singapore-incorporated subsidiaries; and (b) the relevant member firms of KPMG will be engaged to audit the Company's significant foreign-incorporated subsidiaries.

The appointment of KPMG would take effect upon Shareholders' approval at the AGM and KPMG will hold office until the conclusion of the next AGM.

5.3 Information on KPMG LLP

KPMG is a global network of professional firms providing audit, tax and advisory services. KPMG operates in 155 countries and have more than 155,000 people working in member firms around the world. KPMG LLP is a member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity. KPMG Singapore has 1,262 audit headcount including partners and managers as of November 2016 and is adequately resourced to take on this engagement.

KPMG Singapore audits a number of companies listed on the SGX-ST and multinational entities in similar industries to the Company's such as:

Offshore and marine oil and gas services:

- CSC Holdings Limited
- Ezion Holdings Limited
- Halliburton Singapore Pte. Ltd.
- PSA Corporation Limited
- Sembawang Shipyard (S) Pte. Ltd.
- Singapore Technologies Engineering Ltd.

Mineral, oil and gas:

- Alpha Energy Holdings Limited
- BHP Billiton Marketing AG (Singapore Branch)
- Husky Oil China Ltd.
- Lukoil Asia Pacific Pte. Ltd.
- Total Oil Asia-Pacific Pte. Ltd.
- Rex International Holding Limited
- South32 Marketing Pte. Ltd.

Mr. Jonathan Chiang is the designated audit engagement partner who will be assigned to lead the audit of the Company in KPMG. Mr. Chiang heads the Energy and Natural Resource ("ENR") practice within audit function in KPMG Singapore and brings to the Company a 20-year career dedicated to working with ENR companies across the upstream, downstream and support services industries. He also has extensive experience in specialised engineering and construction companies. In addition, Mr. Chiang is actively involved in providing advisory services to clients including listing applications, group restructuring and debt issue exercises.

Mr. Chiang will be working with Mr. Robert Gambitta, who will lead key aspects of the group audit in Australia. Mr. Gambitta has been working for KPMG for over 20 years, focusing on the delivery of audit and advisory services to a range of organisations – private, stock exchange-listed and global – within the energy and natural resources and industrial markets sector. There is no change in the audit scope.

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The Audit Committee had inquired and has noted that the partner-in-charge, Mr. Jonathan Chiang, has not been subject to any Practice Monitoring Programme (PMP) review by ACRA as yet.

KPMG is registered with ACRA in Singapore under the name KPMG LLP with registration number T08LL1267L. Based on the audit tender, KPMG Singapore will perform the audit for all of the Company's Singapore-incorporated subsidiaries and significant associated companies.

5.4 Requirements under Rules 712 and 715 of the Listing Manual

The Board has taken into account the Audit Committee's recommendation and considered the following factors:

- (a) the adequacy of the resources and experience of KPMG;
- (b) the experience of the audit engagement partner assigned to the audit;
- (c) the other audit engagements of KPMG;
- (d) the size and complexity of the Group's operations;
- (e) the number and experience of supervisory and professional staff assigned to the audit of the financial statements of the Group; and
- (f) the proposed audit arrangements for the Group,

and is of the opinion that KPMG will be able to meet the audit requirements of the Group under Rules 712 and 715 of the Listing Manual.

Accordingly, the Audit Committee has recommended to the Board the appointment of KPMG in place of PwC. Accepting the Audit Committee's recommendation, the Board proposes to seek Shareholders' approval for the Proposed Change of Auditors in accordance with Rule 712(3) of the Listing Manual.

5.5 Confirmations pursuant to Rule 1203(5) of the Listing Manual

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

- (a) PwC has confirmed that it is not aware of any professional reasons why KPMG should not accept the appointment as auditors of the Company;
- (b) the Company confirms that there were no disagreements with PwC on accounting treatments within the last 12 months;
- (c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders, which has not been disclosed in this Appendix;
- (d) the specific reasons for the Proposed Change of Auditors are disclosed in Section 5.2 above, and
- (e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of KPMG.

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5.6 Audit Committee's Statement

The Audit Committee has reviewed the Proposed Change of Auditors and recommends the change of Auditors to KPMG after taking into account the suitability of KPMG and compliance with the requirements of the Listing Manual.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the direct and indirect interests of each of the Directors in the Shares of the Company are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽¹⁾
<u>Directors</u>						
Stuart Maxwell Kenny	0	0.00	8,908,896	1.20	8,908,896	1.20
Chew Heng Ching	0	0.00	0	0.00	0	0.00
Eng Chiaw Koon	0	0.00	0	0.00	0	0.00
Ooi Chee Kar	0	0.00	0	0.00	0	0.00
Wu Yu Liang	0	0.00	0	0.00	0	0.00
<u>Substantial Shareholders</u>						
Ezion Holdings Limited	132,055,541	17.83	0	0.00	132,055,541	17.83

Notes:

- (1) Based on the total issued and fully paid-up ordinary share capital of 740,432,016 Shares as at the Latest Practicable Date.
- (2) Mr Stuart Maxwell Kenny's deemed interest of 8,908,896 shares is held in the name of Emerald River Pty Ltd.

7. DIRECTORS' RECOMMENDATIONS

6.1 Directors' Recommendations for the Proposed Share Buy Back

The Directors, having considered, *inter alia*, the rationale for the Proposed Share Buy Back Mandate, are of the opinion that the Proposed Share Buy Back Mandate is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Share Buy Back Mandate.

6.2 Directors' Recommendations for the Shareholders' Loan and the Novation and Amendment Agreement as an Interested Person Transaction

The Directors, having considered, *inter alia*, the opinion of the IFA as set out in the IFA Letter and the terms, rationale and benefits of the Shareholders' Loan and the Novation and Amendment Agreement as an Interested Person Transaction, are of the opinion that the Shareholders' Loan and the Novation and Amendment Agreement as an Interested Person Transaction, are in the best interests of the Company and accordingly recommend that the Independent Shareholders vote in favour of the ordinary resolution relating to the

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Shareholders' Loan and the Novation and Amendment Agreement as an Interested Person Transaction.

6.3 Directors' Recommendations for the Proposed Renewal of the IPT Mandate

The IPT Mandate Independent Directors, having considered, *inter alia*, the terms, rationale and benefits of the IPT Mandate, are of the view that the IPT Mandate, as proposed to be renewed, is in the best interests of the Company and accordingly recommend that the Independent Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the IPT Mandate.

6.4 Directors' Recommendations for the Proposed Change of Auditors from PwC to KPMG

The Directors, having fully considered the rationale and benefit of the Proposed Change of Auditors and the suitability of KPMG, are of the view that the Proposed Change of Auditors is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the ordinary resolution relating to the Proposed Change of Auditors.

6.5 Note to Shareholders

As different Shareholders would have different investment objectives and profiles with specific investment objectives, financial situation, tax position or unique needs or constraints, the Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

8. ABSTENTION FROM VOTING

Pursuant to Rule 919 of the Listing Manual, an interested person and any of its associates must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.

Accordingly, Ezion will abstain from voting, whether by representative or proxy, on the ordinary resolutions relating to the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction and proposed renewal of the IPT Mandate. Ezion will not accept nominations as proxy or otherwise vote at the AGM in respect of the ordinary resolutions relating to the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction and proposed renewal of the IPT Mandate unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast.

9. CONSENT OF INDEPENDENT FINANCIAL ADVISER

Provenance Capital Pte. Ltd., the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Appendix with the inclusion of its name, the IFA Letter as set out in Annexure A of this Appendix, and all references thereto, in the form and context in which it appears in this Appendix.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix, and confirm after making all reasonable enquires that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information has been extracted from published or otherwise

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publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Appendix in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 during normal business hours from the date of this Appendix up to and including the time and date of the AGM:

- (a) the annual report of the Company for FY2016;
- (b) the Constitution of the Company;
- (c) the Loan Agreements; and
- (d) the Novation and Amendment Agreement.

Yours faithfully

For and on behalf of the Board of Directors of
AUSGROUP LIMITED



Stuart Maxwell Kenny
Board Chairman

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

30 November 2016

To: The Board of Directors of AusGroup Limited
(who are all deemed to be independent in respect of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction)

Mr Stuart Maxwell Kenny	(Non-Executive Chairman)
Mr Chew Heng Ching	(Lead Independent Director and Deputy Chairman)
Mr Eng Chiaw Koon	(Managing Director)
Ms Ooi Chee Kar	(Independent Director)
Mr Wu Yu Liang	(Independent Director)

Dear Sirs/Mdm,

THE SHAREHOLDERS' LOANS AND THE NOVATION AND AMENDMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the appendix to the notice of annual general meeting of the Company ("AGM") dated 30 November 2016 ("AGM Appendix"). For the purpose of this Letter, where applicable, we have used the foreign exchange rate of US\$1.00 : A\$1.36 on 18 November 2016, being the Latest Practicable Date as referred to in the AGM Appendix.

1. INTRODUCTION

1.1 AusGroup Limited ("**Company**", together with its subsidiaries, "**Group**") intends to enter into a novation and amendment agreement ("**Novation and Amendment Agreement**") between Teras Australia Pty Ltd ("**TAPL**"), Teras Offshore Pte Ltd ("**TOPL**"), Ezion Offshore Logistics Hub Pte. Ltd. ("**EOLH**") and Ezion Holdings Limited ("**EHL**") (collectively, "**Parties**") for the novation of and amendments to the following existing loan agreements:

- (i) loan agreement entered into between TAPL, as the borrower, and EHL, as the lender, on 8 March 2010 ("**TAPL Loan Agreement**");
- (ii) loan agreement entered into between TAPL, as the borrower, and TOPL, as the lender, on 8 March 2010 ("**TOPL Loan Agreement**"); and
- (iii) loan agreement entered into between EOLH, as the borrower, and EHL, as the lender, on 30 June 2016 ("**EOLH Loan Agreement**") to document an arrangement made on 13 August 2010 for EHL to advance loans to EOLH,

(collectively, "**Loan Agreements**").

The Novation and Amendment Agreement is subject to the approval of the Company's shareholders ("**Shareholders**") at the AGM. If approved by Shareholders at the AGM, the Novation and Amendment Agreement shall be deemed to take effect from 1 July 2016.

1.2 TAPL and EOLH were acquired by and became subsidiaries of the Group on 7 November 2014 and as part of the terms of the acquisition, the liabilities and obligations of the loans ("**Shareholders' Loans**") under the Loan Agreements were transferred to the Group.

TOPL is a subsidiary of EHL. EHL, a company also listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), is the controlling shareholder of the Company, holding approximately 17.8% of the issued ordinary shares of the Company ("**Shares**") as at the Latest Practicable Date.

Following the above acquisition, under Chapter 9 of the listing manual of the SGX-ST ("**Listing Manual**"), EHL and its associates are deemed as interested persons of the Company ("**Interested Persons**"), the Shareholders' Loans from EHL and TOPL to the Group are deemed as interested person transaction ("**IPT**" of "**Interested Person Transaction**") and the value of the IPT in respect of these Shareholders' Loans is the interest payable on the Shareholders' Loans.

Following the acquisition of TAPL and EOLH, for the financial years ended 30 June 2015 ("**FY2015**") and 30 June 2016 ("**FY2016**"), the interest payable on the Shareholders' Loans represented less than 5% of the relevant latest audited net tangible assets ("**NTA**") of the Group, and hence were not subject to prior Shareholders' approval.

Based on the latest audited financial statements of the Group for FY2016 which were released on the SGXNet on 25 November 2016, the Group has a negative net asset value ("**NAV**") of A\$13.8 million and a negative NTA value or net tangible liability position ("**NTL**") of A\$64.7 million after deducting goodwill and intangible assets totalling A\$50.9 million. As a result, the Company anticipates that for the financial year ending 30 June 2017 ("**FY2017**"), the interest payable on the Shareholders' Loans and, hence the value of the IPT, will exceed 5% of the latest audited NTA of the Group. The Novation and Amendment Agreement which, *inter alia*, novate the Shareholders' Loans in respect of the lenders to EHL and in respect of the borrowers to the Company, wherever applicable, and amend the terms of the Shareholders' Loans is also subject to Shareholders' approval as an IPT.

Hence, the Company is proposing for the Shareholders' Loans and the restructuring of the Shareholders' Loans, pursuant to the Novation and Amendment Agreement, as an IPT at the AGM. If approved by Shareholders at the AGM, the Novation and Amendment Agreement shall be deemed to take effect from 1 July 2016, being the commencement of the financial year of the Company ending 30 June 2017.

As at 30 June 2016, the total outstanding amount of the Shareholders' Loans (including accrued interest) was US\$29.1 million (or A\$39.6 million).

- 1.3** Pursuant to Chapter 9 of the Listing Manual, the Company is also seeking the opinion of an independent financial adviser ("**IFA**") to opine on whether the Shareholders' Loans and the Novation and Amendment Agreement as an IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders ("**Independent Shareholders**").

In this regard, Provenance Capital Pte. Ltd. ("**Provenance Capital**") has been appointed as the IFA to render an opinion on the Shareholders' Loans and the Novation and Amendment Agreement.

The Company has confirmed that its Board of Directors are all deemed to be independent in respect of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction ("**Directors**"). This letter ("**Letter**") is therefore addressed to the Directors and sets out, *inter alia*, our evaluation and opinion on the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction. This Letter forms part of the AGM Appendix to Shareholders which provides, *inter alia*, details of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction and the recommendation of the Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Directors in respect of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction. We are not and were not involved or responsible, in any aspect, in the negotiations in relation to the Shareholders' Loans and/or the restructuring of the Shareholders' Loans, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Shareholders' Loans and/or the Novation and Amendment Agreement or to obtain the

approval of the Independent Shareholders for the Interested Person Transaction, and we do not, by this Letter, warrant the merits of the Shareholders' Loans and/or the Novation and Amendment Agreement other than to express an opinion on whether the Shareholders' Loans as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Shareholders' Loans or the Novation and Amendment Agreement or to compare their relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the management of the Company ("**Management**") although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and their professional advisers (where applicable) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers (where applicable) of the Company, including information contained in the AGM Appendix. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Nevertheless, we have made reasonable enquiries and judgement as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors (including those who may have delegated detailed supervision of the AGM Appendix) have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us in relation to the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, the Company and the Group stated in the AGM Appendix to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the AGM Appendix have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgement as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Shareholders' Loans, the Novation and Amendment Agreement, the Company and the Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and/or the Group at any time or as at 18 November 2016, being the Latest Practicable Date referred to in the AGM Appendix.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company and/or the Group after the restructuring of the Shareholders' Loans. Such review or comments remain the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group, and further, we did not conduct discussions with the Directors and the Management, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Novation and Amendment Agreement.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities, and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal.

Our view as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as of the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and/or the Company, we have taken into account certain factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement which may be released by the Company after the Latest Practicable Date which is relevant to the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Independent Shareholder or any specific group of Independent Shareholders. As each Independent Shareholder may have different investment objectives and profiles, we recommend that any individual Independent Shareholder or group of Independent Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the AGM Appendix (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the AGM Appendix (other than this Letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the AGM Appendix (other than this Letter).

Whilst a copy of this Letter may be reproduced in the AGM Appendix, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than at the forthcoming AGM and for the purpose of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the use of the Directors in their consideration of the Shareholders' Loans and Novation and Amendment Agreement as an Interested Person Transaction and their recommendation to the Independent Shareholders arising thereof. The recommendation made to the Independent Shareholders in relation to the Shareholders' Loans

and the Novation and Amendment Agreement as an Interested Person Transaction remain the responsibility of the Directors.

Our opinion in relation to the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction should be considered in the context of the entirety of this Letter and the AGM Appendix.

3. INFORMATION ON THE GROUP

Established in Western Australia in 1988, the Group became a multi-discipline service provider. The Company was listed on the Catalist board of the SGX-ST in 2005 and upgraded to the Mainboard of the SGX-ST in 2007. The Group offers a range of integrated service solutions to the energy, industrial and mining sectors across Australia and South East Asia. During 2015, the Group expanded into the provision of onshore and offshore marine services.

EHL is a controlling Shareholder of the Company and as at the Latest Practicable Date, EHL owns 132,055,541 Shares, representing 17.8% of the total existing issued Shares.

Based on the existing issued 740.4 million Shares and the last transacted Share price of S\$0.041 on the Latest Practicable Date, the market capitalisation of the Company is approximately S\$30.4 million.

On 7 November 2014, the Company completed the acquisition of 100% shareholding interest in EOLH and 90% in TAPL from EHL. The remaining 10% of TAPL is held by TAPL's 20%-owned associated company, Aboriginal Maritime Pty Ltd. As a result, TAPL and EOLH became subsidiaries of the Group. As part of the terms of the acquisition, the liabilities and obligations of the Shareholders' Loans under the Loan Agreements were transferred from EHL and its subsidiaries ("**EHL Group**") to the Group. Following the acquisition, these Shareholders' Loans between the Group and the EHL Group are deemed as Interested Person Transaction.

For the purpose of Chapter 9 of the Listing Manual, Shareholders' approval must be obtained for any IPT of a value equal to or greater than 5% of the Group's latest audited NTA, or when aggregated with other transactions entered into with the same Interested Person during the same financial year, the value of the IPT is equal to or more than 5% of the Group's latest audited NTA. In respect of the Shareholders' Loans, the value of the IPT is the interest payable by the Group on the Shareholders' Loans.

For FY2015 and FY2016, the interest payable on the Shareholders' Loans represented less than 5% of the relevant latest audited NTA of the Group, and hence were not subject to prior Shareholders' approval.

However, based on the latest audited financial statements of the Group for FY2016 which were released on the SGXNet on 25 November 2016, the Group has a negative NAV of A\$13.8 million and a negative NTA value or NTL of A\$64.7 million after deducting goodwill and intangible assets totalling A\$50.9 million. As a result, the Company anticipates that for FY2017, the interest payable on the Shareholders' Loans and, hence the value of the IPT, will exceed 5% of the latest audited NTA of the Group.

As at 30 June 2016, the total outstanding amount of the Shareholders' Loans (including accrued interest) was US\$29.1 million (or A\$39.6 million).

Hence, the Company is proposing for the Shareholders' Loans, and in connection thereon, also proposing the restructuring of the Shareholders' Loans to novate the Loans in respect of the lenders to EHL and in respect of the borrowers to the Company, wherever applicable, and to amend certain terms of the Shareholders' Loans, to be subject to Shareholders' approval at the AGM.

If approved by Shareholders at the AGM, the Novation and Amendment Agreement shall be deemed to take effect from 1 July 2016, being the commencement of the financial year of the Company ending 30 June 2017.

4. KEY TERMS OF THE SHAREHOLDERS' LOANS AND THE NOVATION AND AMENDMENT AGREEMENT

4.1 Existing Loan Agreements

The Group has the following existing Loan Agreements:

- (a) TAPL Loan Agreement which was entered into between TAPL, as the borrower, and EHL, as the lender, on 8 March 2010;
- (b) TOPL Loan Agreement which was entered into between TAPL, as the borrower, and TOPL, as the lender, on 8 March 2010; and
- (c) EOLH Loan Agreement which was entered into between EOLH, as the borrower, and EHL, as the lender, on 30 June 2016 to document an arrangement made on 13 August 2010 for EHL to advance the loans to EOLH. EOLH was incorporated on 13 August 2010.

The above Loan Agreements have similar key terms including the following:

- (i) Interest on the Shareholders' Loans is at the rate of 8% per annum, calculated on the basis of a 360-day year and the actual number of days on which the Shareholders' Loans are made. Interest unpaid is capitalised as the unpaid principal amount and attracts interest at the same rate;
- (ii) Repayment of the Shareholders' Loans including interest is at the demand of the lender upon giving at least three business days' notice to the borrower; and
- (iii) After the borrower has paid the outstanding amount of the Shareholders' Loans and interest, each party may terminate the Loan Agreement at any time upon at least three business days' prior notice to the other.

Further details on the Loan Agreements are set out in Section 3.2 of the AGM Appendix.

4.2 Novation and Amendment Agreement

The Group and the EHL Group intend to enter into the Novation and Amendment Agreement to effect the following which is to take effect from 1 July 2016:

- (a) assign and novate TOPL Loan Agreement from TOPL to EHL;
- (b) assign and novate TAPL Loan Agreement and TOPL Loan Agreement from TAPL to the Company;
- (c) assign and novate EOLH Loan Agreement from EOLH to the Company; and
- (d) amend certain terms and conditions of the Loan Agreements.

Except as otherwise provided, all terms and conditions of the Loan Agreements shall remain effective between the respective parties.

As at 30 June 2016, the total outstanding loan amount (including interest) owed by the Group to the EHL Group was US\$29.1 million (or A\$39.6 million).

We understand from the Company that interest accruing on the Shareholders' Loans thus far have been capitalised as part of principal amount as they have not been paid to the EHL Group.

As such, the outstanding Shareholders' Loans of US\$29.1 million as at 30 June 2016 include accrued interests. Such accrued interests, being capitalised as principal amount, are subject to the same applicable interest rate on the principal amount.

The rationale for the Novation and Amendment Agreement, in particular, the assignment and novation of the Loan Agreements is to allow for a consolidated debt repayment obligation from the Company to EHL.

The amendment to certain terms and conditions of the Shareholders' Loans is for the benefit of the Group.

4.3 Amendments to the Loan Agreements

Pursuant to the Novation and Amendment Agreement, the key amendments to the Loan Agreements which are to take effect from 1 July 2016, include, *inter alia*, the following:

- (i) the interest rate on the Shareholders' Loans to be amended from 8% per annum to 5% per annum;
- (ii) the minimum notice period of three business days that EHL ("**Lender**") has to give to the Company ("**Borrower**") to demand repayment of the Shareholders' Loans shall be replaced with the following clause:

*"Lender shall have the right to demand the immediate repayment of any (or all) Indebtedness from the Borrower after 31 December 2017 ("**Repayment Deadline**"). The Borrower may, by means of written request and a minimum of 9 months' notice, seek the Lender's consent to extend the Repayment Deadline by 3 calendar months (such consent not to be unreasonably withheld). Subject to the Lender's absolute discretion and aforementioned conditions, the Borrower may seek repeated extensions to the Repayment Deadline."*;

- (iii) the aggregate Shareholders' Loans shall not exceed US\$45 million ("**Loan Limit**"). The Company shall immediately pay down the amount in excess of the Loan Limit to EHL; and
- (iv) situations constituting an event of default including insolvency of the Company and creditor or forfeiture proceedings against the Company. If any event of default shall occur, at EHL's option, all indebtedness owing by the Company will immediately become due and payable.

Further details on the Novation and Amendment Agreement are set out in Sections 3.3 and 3.4 of the AGM Appendix.

5. EVALUATION OF THE TERMS OF THE SHAREHOLDERS' LOANS AND THE NOVATION AND AMENDMENT AGREEMENT AS AN INTERESTED PERSON TRANSACTION

In our evaluation of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for and benefits of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction;
- (b) key terms of the Shareholders' Loans, including the amended terms; and
- (c) other relevant consideration.

5.1 Rationale for and benefits of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction

It is not within our terms of reference to comment or express an opinion on the merits of the Shareholders' Loans and the Novation and Amendment Agreement. Nevertheless, we have reviewed the Company's rationale for and benefits of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction as set out in Section 3.5 of the AGM Appendix.

The Company is of the view that the proposed novation as set out in the Novation and Amendment Agreement would allow them to rationalise the loan documentation involved and allow a consolidated debt repayment obligation from the Company to EHL. In addition, the proposed amendments, as set out in the Novation and Amendment Agreement, would enable the Company to enjoy more favourable interest rates and repayment terms.

5.2 Key terms of the Shareholders' Loans, including the amended terms

For the purpose of our evaluation, we have also assessed the key terms of the Shareholders' Loans, including the amended terms, to determine if they are on normal commercial terms and not prejudicial to the interests of the Independent Shareholders.

5.2.1 Interest rate on the Shareholders' Loans

Prior to the Novation and Amendment Agreement, the interest on the Shareholders' Loans is at the rate of 8% per annum, on a 360-day year basis and on the actual number of days of the outstanding loan amount. Pursuant to the Novation and Amendment Agreement, such interest rate has been revised downwards for the benefit of the Group to 5% per annum.

We understand from the Company that the Group has not been paying interest due on the Shareholders' Loans but instead have been accruing such interest and capitalising them as part of the principal amount, due to the deeds of subordination entered into with the financial institution as further detailed in Section 5.3 below.

The Group is presently facing some financial strain, having breached some financial covenants under its banking facilities and borrowings. The Company had, on 29 August 2016, disclosed in its unaudited results announcements of the Group for the financial year ended 30 June 2016 that, *inter alia*, it acknowledges a material uncertainty over its ability to meet its funding requirements and to refinance or repay its debt facilities as and when they fall due, although it has reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future.

The auditors of the Company had issued a disclaimer of opinion on the financial statements of the Group for FY2016 as they had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Given the above, the Group is likely to face difficulties in obtaining unsecured loans on terms similar or better than the Shareholders' Loans.

The Shareholders' Loans are a legacy resulting from the acquisition of TAPL and EOLH.

We note that the revised interest rate of the Shareholders' Loans at 5% per annum is similar to or close to the prime lending rate quoted by the local banks in Singapore, namely, OCBC Bank and UOB Bank. As at 31 October 2016, the average prime lending rate published by the Monetary Authority of Singapore for Singapore dollars denominated loans quoted by the 10 leading banks and finance companies in Singapore is 5.35% per annum.

The prime lending rate is the interest rate that commercial banks charge their most credit-worthy customers. Given the Group's current financial situation, it will be difficult for the Group to obtain unsecured financing at the prime lending rate.

As a further illustration, we note that the Group has outstanding unsecured notes drawn under its Multicurrency Debt Issuance Programme. These notes bear interest at a fixed rate of 7.45% per annum due 20 October 2016. On 5 October 2016, the Company obtained approval from the noteholders to, *inter alia*, extend the maturity date for a further 2 years and amend the interest rate to 7.95% for the first year of extension and to 8.45% for the second year of extension. In addition, upon the redemption of the notes, a make-whole premium will be payable such that the total interest amount paid is equivalent to 9.45% per annum for the extension period.

Hence, following from the above, the interest rate of 5% per annum on the Shareholders' Loans is therefore not on commercial terms but instead is on favourable terms to the Group and beneficial to the Group.

5.2.2 Repayment terms

Under the existing repayment terms, the lender has the right from time to time, to demand the repayment by the borrower of any loan upon giving at least three business days' notice to the borrower and the borrower shall be obliged to repay the same including such applicable interest thereon.

Typically, shareholders' loans are interest-free, with no fixed term of repayment but are repayable upon demand, and hence are classified as current liabilities in the statement of financial position of the borrower.

Pursuant to the Novation and Amendment Agreement, the first due date for the repayment of the Shareholders' Loans (together with any accrued interest) is 31 December 2017. The Company may, by giving EHL a minimum notice period of nine months, seek an extension of the repayment date by three calendar months. Subject to, *inter alia*, EHL's absolute discretion, the Company may seek repeated extensions to the above repayment dates.

The above proposed amended repayment term is beneficial to the Group as it will have at least nine months' advanced notice to seek refinancing options in the event that EHL decides not to extend the repayment date.

In addition, in accordance with the accounting policy of the Group, the proposed amended repayment term, subject to EHL consenting to the extension application by the Company, will allow the Company to classify the Shareholders' Loans as non-current liabilities in its statement of financial position of the Group.

5.2.3 Loan Limit

Under the terms of the existing Loan Agreements, there is no cap on the amount of Shareholders' Loans extended to the Group.

As at 30 June 2016, the aggregate outstanding Shareholders' Loan amount (including interest accrued) was US\$29.1 million (or A\$39.6 million).

To provide better clarity to the Group and the EHL Group, the Novation and Amendment Agreement makes provision for an additional clause in the Loan Agreements to cap the total Shareholders' Loans to US\$45 million as the Loan Limit. The Company will be required to immediately pay down any indebtedness in excess of the Loan Limit to EHL.

As the Loan Limit is substantially higher than the outstanding Shareholders' Loan amount as at 30 June 2016, this will give the Group some allowance before the Loan Limit is reached.

5.2.4 Event of default

In the existing Loan Agreements, there is no provision for the triggering of any event of default which will result in the Shareholders' Loans being immediately due and payable.

Under the Novation and Amendment Agreement, a new clause has been included which provides for situations which will constitute as events of default including insolvency of the borrower and creditor or forfeiture proceedings against the borrower. If any event of default shall occur, all commitments and obligations of the lender under the Loan Agreements will immediately terminate and, at the lender's option, all indebtedness will immediately become due and payable.

Such provision of events of default is common in most commercial loan agreements.

5.3 Other relevant consideration

Subordination of the Shareholders' Loans

The Group has obtained banking facilities from a financial institution in Singapore. As a condition of the granting of the banking facilities, both EHL and the Group has agreed to subordinate the Shareholders' Loans to the financial institution. Pursuant to the deeds of subordination, *inter alia*,

- (a) Unless with the consent of the financial institution, the Group shall not pay interest on the Shareholders' Loans (although interest may accrue thereon);
- (b) Such Shareholders' Loans shall remain unsecured;
- (c) In the event of winding up, the Shareholders' Loans shall not be repayable or repaid or exchanged in whole or in part without the prior written consent of the financial institution; and
- (d) In the event of winding up, the lender shall not demand from the borrower repayment of the Shareholders' Loans or take steps to recover or enforce repayment of the same or any part thereof in any way.

In view of the above deeds of subordination, so long as the banking facilities are still persisting, the Company has confirmed that repayment under the events of default as provided for in the Novation and Amendment Agreement will be subject to the terms of the deeds of subordination.

6. OUR OPINION

In arriving at our opinion in respect of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for and benefits of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction;
- (b) key terms of the Shareholders' Loans, including the amended terms; and
- (c) other relevant consideration.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management and does not reflect any projections of future financial performance of the Company and/or the Group after the Novation and Amendment Agreement becomes effective. In addition, our opinion is based on the economic

and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction.

This Letter is addressed to the Directors for their benefit and for the purpose of their consideration of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction. The recommendation to be made by them to the Independent Shareholders shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the AGM Appendix, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purpose of the AGM, and for the purpose of the Shareholders' Loans and the Novation and Amendment Agreement as an Interested Person Transaction, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

ANNEXURE B – INTERESTED PERSON TRANSACTIONS MANDATE

1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the Listing Manual applies to transactions which an “entity at risk” proposes to enter into with a counterparty who is an “interested person” of the “entity at risk”. Under Chapter 9 of the Listing Manual, Shareholders’ approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Rule 905 of the Listing Manual, a listed company must make an immediate announcement of any such transaction where:

- (a) the value of such transaction is equal to or exceeds 3% of the group’s latest audited NTA; or
- (b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same “interested person” in the same financial year, equals to or exceeds 3% of the group’s latest audited NTA.

Pursuant to Rule 906 of the Listing Manual, shareholders’ approval (in addition to an immediate announcement) is required for any such transaction where:

- (a) the value of such transaction is equal to or exceeds 5% of the group’s latest audited NTA; or
- (b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same “interested person” in the same financial year, equals to or exceeds 5% of the group’s latest audited net tangible assets. Such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

“Interested person transactions” below S\$100,000 each are to be excluded.

- 1.2 Chapter 9 of the Listing Manual allows a listed company to obtain a general mandate from its shareholders for recurrent “interested person transactions” which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

- 1.3 As defined in the Listing Manual:

(a) an “entity at risk” means:

- (i) the issuer;
- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) has control over the associated company;

(b) an “interested person” means:

- (i) a director, chief executive officer or controlling shareholder of the listed company; or
- (ii) an associate of such director, chief executive officer or controlling shareholder.

ANNEXURE B – INTERESTED PERSON TRANSACTIONS MANDATE

(c) an “associate” means:

- (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - (aa) an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent);
 - (bb) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

(d) an “interested person transaction” means a transaction between an entity at risk and an interested person; and

(e) an “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles of Chapter 9.

2. Scope of the IPT Mandate

The IPT Mandate will cover a wide range of transactions arising in the normal course of business operations of the Company, its subsidiaries that are not listed on SGX-ST or an approved exchange, and its associated companies that are not listed on SGX-ST or an approved exchange, provided that the Group, or the Group and its interested person(s), has control over the associated company.

The IPT Mandate will not cover any transaction with an interested person (i) which has a value below S\$100,000 as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such transactions; or (ii) that is equal to or exceeds S\$100,000 in value, but qualifies as an excepted transaction for the purposes of Chapter 9 of the Listing Manual and is thus exempted from the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual.

Transactions with interested persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual and/or any applicable law. Transactions conducted under the IPT Mandate are not separately subject to Rules 905 and 906 of Chapter 9 of the Listing Manual pertaining to threshold and aggregation requirements.

3. Classes of Interested Persons

The IPT Mandate will apply to transactions falling within the categories described in section 4 below which are carried out with Ezion and its subsidiaries (the “Interested Persons”).

4. Categories of Interested Person Transactions

The types of transactions with the Interested Persons specified in section 3 above to which the IPT Mandate applies (“Interested Person Transactions”) are broadly categorised as follows:

ANNEXURE B – INTERESTED PERSON TRANSACTIONS MANDATE

(a) Provision of vessel services to and from the Interested Persons

- (i) provision of technical management services by the Interested Persons to the Group pertaining to technical consultants and personnel for the supervision of the maintenance and upkeep of vessels;
- (ii) the provision of ship management services by and to companies in which the Interested Persons have an interest;
- (iii) arrangement of the supply of towing gears, stores, spares and other shipping supplies to and from the Interested Persons;
- (iv) chartering of vessels to and from the Interested Persons;
- (v) the Interested Persons acting as shipbroker for the Group; and
- (vi) the Group acting as shipbroker for the Interested Persons,

(b) Provision of general goods and services to and from Interested Persons

- (i) the provision of management services by and to companies in which the Interested Persons have an interest;
- (ii) the provision of accommodation services by and to companies in which the Interested Persons have an interest;
- (iii) the entering into of trading transactions with trading companies in which the Interested Persons have an interest;
- (iv) the leasing of premises to or from companies in which the Interested Persons have an interest;
- (v) the provision of storage and trading facilities by and to companies in which the Interested Persons have an interest;
- (vi) the provision of products and materials by and to companies in which the Interested Persons have an interest; and
- (vii) the supply of plant and equipment which is of a revenue nature by and to companies in which the Interested Persons have an interest.

5. Rationale for and Benefits of the IPT Mandate

The Group is in the business of providing fabrication, construction and integrated services to build, maintain and upgrade oil and gas, mineral resource and infrastructure development projects. As part of the Group's objective to deliver a satisfactory return to Shareholders, the Group has expanded into the business of the provision of onshore and off-shore marine services, including but not limited to marine logistics and related support services in Australia.

It is envisaged that in the ordinary course of their businesses, transactions between the Group and the Company's interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the Group to the Company's interested persons or the obtaining of goods and services from them.

In view of the time-sensitive and recurrent nature of commercial transactions, the Company is proposing the renewal of the IPT Mandate, pursuant to Chapter 9 of the Listing Manual, to enable the

ANNEXURE B – INTERESTED PERSON TRANSACTIONS MANDATE

Company, its subsidiaries and associated companies which are considered to be “entities at risk” to enter into the ordinary course of business into certain types of transactions with specified classes of the Company’s “interested persons”, provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority Shareholders, and are made in accordance with the review procedures for such transactions. The renewal of the IPT Mandate will:

- (a) facilitate entry into the mandated transactions with the specified classes of interested persons in the ordinary course of the Group’s businesses;
- (b) eliminate the need for the Company to announce or to announce and convene separate general meetings, on each occasion, pursuant to the financial limits imposed under Chapter 9 of the Listing Manual, to seek Shareholders’ approval as and when such transactions with the interested persons arise, thereby:
 - (i) reducing substantially the administrative time, inconvenience and costs associated with the convening of such meetings; and
 - (ii) enabling the Group to maintain its overall competitiveness and not be placed at a disadvantage to other parties that do not require shareholders’ approval to be obtained for entering into such transactions.

6. Review Procedures for the Interested Person Transactions under the IPT Mandate

To ensure that the Interested Person Transactions described in section 4 of this Annexure B are conducted at arm’s length and on normal commercial terms consistent with the Group’s usual business practices and on terms which are either not more favourable than the usual commercial terms extended to unrelated third parties or not less favourable than the usual commercial terms offered by unrelated third parties, the Company has adopted the following procedures for the review and approval of Interested Person Transactions under the IPT Mandate:

- (a) Provision of general goods and services to and from the Interested Persons, including the Interested Person Transactions described in section 4 of this Annexure B

Any Interested Person Transactions will not be entered into unless the Group’s purchase price of any products and/ or services from the Interested Persons is based on their usual selling price of the relevant or comparable products and/or services. The purchase price will be no less favourable than that offered to unrelated third party customers after taking into consideration various factors including inter alia, the customers’ credit standing, volume of transactions, delivery requirements, tenure of business relationship and potential for future repeat business. The Group will obtain from the Interested Persons the necessary evidence to satisfy itself that the basis set out herein has been adhered to by the Interested Persons in the Group’s purchases from them. In addition, the Group will obtain quotations, where available, from at least two (2) unrelated third party suppliers and/or service providers (“**Third-party Quotations**”) (where possible or available) for similar quantities and/or quality of goods or services, prior to the entry into the contract or transaction with the Interested Person, as basis for comparison to determine whether the price and terms offered are fair and reasonable and are on normal commercial terms.

The Group will not accept a quote from the Interested Persons which is not as competitive as a Third-party Quotation after taking into account the factors referred to above.

Where it is not possible to compare against the terms of other transactions with unrelated third parties given that the products and/or services may be purchased only from an Interested Person, or to obtain quotations from at least two (2) unrelated third party suppliers and/or service providers (where possible or available), the Group’s pricing for such products and/or services to be purchased from the Interested Persons will be determined by the CEO or the CFO, financial controller or equivalent of the relevant company in the Group, who has no interest in the Interested Person Transactions, in

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accordance with the Group's usual business practices and policies. In determining the transaction price payable to the Interested Persons for such products, factors such as, but not limited to, quantity, requirements and specifications will be taken into account.

In the case of the leasing of premises, comparison of rates shall be made taking into account prevailing market rental rates for other properties within the vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

- (b) (i) Chartering of vessels to and from the Interested Persons; (ii) the Interested Persons acting as shipbroker for the Group; and (iii) the Group acting as shipbroker for the Interested Persons

If there is any new charter, revision of charter rates charged to or by (as the case may be) or any renewal of chartering agreements between the Group and the Interested Persons, the senior finance officer of the relevant company in the Group will review the charter rates, the revision of charter rates, or the revised terms upon which the charter agreements are to be entered/renewed (as the case may be) to ensure that they are on normal commercial terms. This will be done by comparing the charter rates against those granted to or granted by at least two (2) unrelated third parties (where possible or available).

In the event that such comparative charter rates cannot be obtained (for instance, if there are no unrelated third parties), or quotations from at least two (2) unrelated third party suppliers and/or service providers cannot be obtained, the CEO or the CFO, financial controller or equivalent of the relevant company in the Group, who has no interest in the Interested Person Transactions, will determine whether the price and terms offered by the Interested Person are fair and reasonable. The terms of the charter will be in accordance with applicable industry norms, prevailing rates and at rates no less favourable than those charged by the Interested Person to an unrelated third party or from an unrelated third party to the Interested Person. In determining this, factors such as, but not limited to requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

For the shipbrokering of vessels for the Interested Persons by the Group and having the Interested Persons act as the shipbroker for the Group (as the case may be), the senior finance officer of the relevant company in the Group will review the brokerage fees that are due to and due from the Interested Persons (as the case may be) to ensure that they are on normal commercial terms. This will be done by comparing such relevant brokerage fees against those granted to or granted by at least two (2) unrelated third parties (where possible or available).

In the event that such comparative brokerage rates cannot be obtained (for instance, if there are no unrelated third parties), the CEO or the CFO, financial controller or equivalent of the relevant company in the Group, who has no interest in the Interested Person Transactions, will determine whether the price and terms offered by the Interested Person are fair and reasonable. The terms of the brokerage will be in accordance with applicable industry norms, prevailing rates and at rates no less favourable than those charged by the Interested Person to an unrelated third party or from an unrelated third party to the Interested Person (as the case may be). In determining this, factors such as, but not limited to condition of the vessel, size of the transaction, specifications and strategic purposes of the transaction will be taken into account.

- (c) The Company will monitor all Interested Person Transactions and categorise them as follows:
- (i) reducing substantially the administrative time, inconvenience and costs associated A Category 1 Interested Person Transaction is one where the value thereof is in excess of 5% of the latest audited consolidated NTA of the Company; and
 - (ii) A Category 2 Interested Person Transaction is one where the value thereof is below or equal to 5% of the latest audited consolidated NTA of the Company.

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All Category 1 Interested Person Transaction must be approved by the Company's Audit Committee prior to entry whereas Category 2 Interested Person Transaction need no such approval but these transactions with a value equivalent to or greater than S\$100,000 shall be reviewed, at a minimum, on a half-yearly basis by the Audit Committee. In addition to and without prejudice to the above, where the aggregate value of all Category 2 Interested Person Transaction with the same Interested Person (as defined in Rule 908 of the Listing Manual) in the current financial year is equal to or exceeds three percent (3%) of the latest audited NTA of the Group, the latest and all future Category 2 Interested Person Transaction with that same Interested Person (so defined) will be approved by the Audit Committee prior to the Group's entry into such transactions.

If any member of the Audit Committee has an interest in any Interested Person Transaction or is a nominee for the time being of an Interested Person, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction.

The Company shall prepare the relevant information to assist the Audit Committee in its review.

- (d) The Company will keep a register to record all Interested Person Transactions, which register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis. The annual internal audit plan shall incorporate a review of all transactions entered into pursuant to the IPT Mandate.
- (e) The annual audit by the auditors of the Company shall incorporate a review of Interested Person Transactions entered into pursuant to the IPT Mandate recorded in the register.
- (f) The Audit Committee shall, if it deems necessary, require the appointment of auditors or any independent professional to review all matters relating to the Interested Person Transactions entered into pursuant to the IPT Mandate recorded in the register.
- (g) The Audit Committee will review the internal audit reports (including the register) on the Interested Person Transactions on at least a half-yearly basis to ascertain if the above internal control procedures have been complied with. If during the course of any of their reviews, the Audit Committee is of the view that the internal control procedures for Interested Person Transactions have become inappropriate or insufficient for whatever reasons, the Company will seek the Shareholders' approval for a fresh general mandate based on new internal control procedures to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. During the period prior to obtaining a fresh general mandate from the Shareholders, all Interested Person Transactions will be subject to prior review and approval by the Audit Committee.
- (h) Disclosure will be made in the Company's annual report of the aggregate value of transactions conducted pursuant to the IPT Mandate or otherwise, during the financial year under review, and in the annual reports for the subsequent financial years during which the IPT Mandate is renewed and remains in force.
- (i) The Company shall announce the aggregate value of transactions conducted pursuant to the IPT Mandate for the financial periods on which the Company is required to report pursuant to Rule 705 of the Listing Manual.
- (j) The Board will also ensure that all disclosure, approval and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In the event that a member of the Board or a member of the Audit Committee (where applicable) is interested in any Interested Person Transactions he/she will abstain from reviewing that particular transaction to ensure that the Interested Person Transaction will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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7. Expiry and Subsequent Renewal of the IPT Mandate

If approved by the Shareholders at the AGM, the IPT Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the next AGM or the date by which the next AGM is required by law to be held, unless revoked or varied by the Company in a general meeting.

8. Disclosure of Interested Person Transactions Pursuant to the IPT Mandate

The Company will announce each of the aggregate values of transactions conducted with Interested Persons pursuant to each of the IPT Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure has been made in the Company's annual report for the financial year ended 30 June 2016 ("FY2016") of each of the aggregate values of the transactions conducted with Interested Persons pursuant to the IPT Mandate during FY2016, and will be made in our Company's annual reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.