



ACN 105 665 843

NEPTUNE MARINE TO ACQUIRE OFFSHORE OIL & GAS AND CIVIL MARINE DIVING CONTRACTOR ALLIED DIVING SERVICES

PERTH, WA

MONDAY 29 MAY 2006

- First step in establishing Neptune's end-to-end capabilities
- Broadens presence and service capabilities in Oil & Gas sector
- Expands range of sub sea services
- Adds \$3 million in revenue

Marine services company, Neptune Marine Services (ASX: NMS) today announced that it has signed a Letter of Intent to acquire Allied Diving Services, an offshore Oil & Gas and Civil Marine diving contractor based in Perth, Western Australia. The offer is subject to detailed due diligence and formal contract documentation.

The acquisition will be made by an upfront payment of \$2.125 million, consisting of cash and the issue of Neptune shares to Allied's directors, escrowed for 24 months. The final purchase price is to be subject to a 2-year earn-out period based on the business' ongoing performance and an agreed EBIT multiple. Allied's two principals will stay with the business and continue to drive its growth. The business currently has annual revenue of \$3 million and is expected to make an immediate contribution to Neptune's earnings.

Allied Diving Services was established by Peter Sare and Colin Murphy, who bring to Neptune over 50 years of experience in civil marine construction and offshore Oil & Gas diving. Allied has an established blue chip customer base and a steady stream of work in the Oil & Gas, Civil Marine and Marine Infrastructure sectors. Neptune's current diving operations will be combined with Allied's, giving it immediate growth and greater critical mass.

Neptune Marine Services' Managing Director Christian Lange said Allied Diving met the Company's acquisition criteria and recently announced **Strategy for Growth**. "We announced last month that acquisitions will form part of Neptune's future growth and this is our first step in enabling that strategy."

"We fully expect the combination of Allied and Neptune to accelerate our strategy to capture specific opportunities in the Oil & Gas, Merchant Marine and Marine Infrastructure Sectors. Furthermore, Allied's skills in the areas of inspection, repair and maintenance (IRM), particularly in the Oil & Gas sector, will help Neptune rapidly develop an end-to-end business model that offers customers an integrated suite of sub-sea services."

"A combination of Allied's and Neptune's capabilities will also provide a means to establish our presence in the Oil & Gas sector by strengthening key relationships with Allied's customer base. Importantly, these relationships will provide a channel to market for other services such as Neptune's dry welding technology, NEPSYS."

Principal of Allied Diving Services Colin Murphy said that as a result of the merger, Allied can take advantage of more significant opportunities in the Oil & Gas, Defence and marine services market.



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"We see significant growth potential for offshore inspections, maintenance and repair and customer support, in the Oil & Gas and Civil Marine and Defence sectors. The combination of Allied and Neptune provides scale that enables us to take on larger projects in these sectors, something we have previously been unable to do."

Mr Lange said Neptune is on track to complete phase 1 of its two-phase growth program within 18 months. "In Australia, Neptune is establishing a fully integrated service model encompassing project management, underwater inspection and non-destructive testing, underwater construction, maintenance and repair, and corrosion management. Allied is the first step in bringing this service model together."

The transaction is targeted to be completed by 30 July 2006 and will contribute 11 months to FY2007 earnings.

FURTHER INFORMATION:

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Neptune Marine Services project manages and delivers quality sub sea maintenance services to the Oil and Gas and Maritime industries.

Our flagship technology delivers long lasting, high quality in situ repairs to platforms, pipelines, vessels and marine infrastructure while minimising operational downtime through the only permanent, dry quality welding solution in a non-hyperbaric underwater environment.