



**MARCO POLO MARINE LTD**

Incorporated in the Republic of Singapore

(Company Registration Number: 200610073Z)

---

**UPDATE ON TERMINATION OF THE US\$214.3 MILLION RIG CONSTRUCTION CONTRACT WITH PPL SHIPYARD PTE LTD FOR THE CONSTRUCTION OF A HIGH-SPECIFICATION JACK-UP RIG**

- **Marco Polo Drilling (I) Pte. Ltd. Maintains Its Position That It Is Fully Discharged Of Its Obligations To Take Delivery Or Make Further Payment To PPL Shipyards Pte Ltd In View Of The Latter's Failure To Comply With Certain Of Its Material Contractual Obligations**
  
- **70 Cracks Found On All Three Legs Of The New Rig In First Test And More Than 180 New Cracks (Not Including Other Defects) Found In Partial Second Test**

---

The Board of Directors (the "**Board**") of Marco Polo Marine Ltd (the "**Company**") refers to the Company's announcements dated 17 November 2015 and 24 November 2015 with respect to the termination of the US\$214.3 million rig construction contract dated 26 February 2014 (as amended and supplemented) entered into between Marco Polo Drilling (I) Pte. Ltd. ("**MP Drilling**") with PPL Shipyards Pte Ltd ("**PPL**") for the construction of a high-specification jack-up rig (the "**New Rig**") based on PPL's proprietary Pacific Class 400 design (the "**Rig Construction Contract**").

Unless otherwise defined herein, capitalized terms and expressions used in this announcement shall bear the same meanings ascribed to them in the Company's announcements dated 26 February 2014, 17 November 2015 and 24 November 2015 in relation to the Rig Construction Contract. Copies of these announcements can be found at the official website of The Singapore Exchange ([www.sgx.com](http://www.sgx.com)).

On 17 November 2015, MP Drilling had issued PPL, the builder of the New Rig, a notice of termination of the Rig Construction Contract following the latter's failure to comply with certain of its material contractual obligations. In arriving at this decision to terminate the Rig Construction Contract, MP Drilling has taken into account various factors including cracks found on all three legs of the New Rig during two rounds of tests, notwithstanding repair works carried out by PPL after the first round of tests.

In view of this termination, MP Drilling had informed PPL that it would not be taking delivery of the New Rig. In addition, it is seeking, among others, a refund from PPL of the initial amount of 10% of the contract price (approximately US\$21.4 million) as well as all other payments made by MP Drilling under the Rig Construction Contract

(collectively, “**Initial Payment**”) previously made to PPL pursuant to the Rig Construction Contract together with interest.

MP Drilling disagrees with the allegations in the announcements made by Sembcorp Marine on 18 November 2015 and 25 November 2015 that, among others, MP Drilling is in alleged repudiatory breach of the Contract or that MP Drilling’s termination of the Contract is wrongful.

The second announcement by Sembcorp Marine on 25 November 2015 states that the New Rig is at “*the final phase of construction*” and does not deny the existence of defects found on all three legs of the New Rig during two rounds of tests as set out in MP Drilling’s announcements dated 17 November 2015 and 24 November 2015. MP Drilling regards the nature and number of cracks and other defects (such as porosity) found on all three legs of the New Rig at this stage of construction wholly unacceptable: -

- a. On or about 20 to 22 August 2015, a full preload test commissioned by PPL was carried out on the New Rig, followed by a full length jacking test and thereafter a 100% non-destructive testing (“**1st NDT**”) on all leg connections to spud cans. Among others, 70 cracks were found on all three legs of the New Rig, including cracks on the parent material, with a majority of the cracks detected at or near the weld joints on both the internal and external surfaces of the spud cans.
- b. Following completion of the repair works by PPL on or about 22 October 2015, retests were scheduled by PPL. However, PPL did not carry out a full length jacking test prior to a 100% non-destructive testing as per the first round of tests. Instead, PPL conducted only a full preload test on or about 29 October 2015 followed by a partial non-destructive testing on all leg connections to spud cans (save for the external spud cans below water line) (“**2nd Partial NDT**”) on or about 30 October 2015 to 5 November 2015. Even without a full length jacking test being carried out, more than 180 new cracks (not including other defects) were found on all three legs of the New Rig during the course of the 2nd Partial NDT. This does not include the condition of the external spud cans below water line, on which non-destructive testing has yet to be conducted.

MP Drilling maintains therefore that it is entitled to terminate the Contract. The consequence of termination is that MP Drilling is discharged from its obligations under the Rig Construction Contract and is under no further obligation to perform the same. This includes a discharge of its obligation to make any further payment of the contract price or any other sum under the Contract to PPL.

MP Drilling regards Sembcorp Marine's second announcement on 25 November 2015 alleging that PPL "*has elected to affirm*" the Contract and that the Contract "*is still subsisting*" to be inconsistent with the first announcement it made earlier on 18 November 2015 declaring that PPL "*will terminate the Contract*". MP Drilling views the purported election by PPL to affirm the Contract invalid and an afterthought to pursue payment of the 2nd disbursement of the contract price from MP Drilling when there is no such payment due or payable to PPL following the termination of the Contract on 17 November 2015.

MP Drilling and the Company have on 24 November 2015, through their legal counsel, already notified PPL's lawyers that there is no basis for PPL's purported affirmation of the Contract and that PPL's intended claim for payment of the 2nd disbursement of the contract price is unjustified. This position was reiterated to PPL's lawyers on 26 November 2015.

Given that PPL did not accede to MP's Drilling's demand for, among others, the refund of the Initial Payment, MP Drilling has on 24 November 2015 initiated the contractual dispute resolution process against PPL. On 26 November 2015, MP Drilling has advanced this process to the second stage, i.e., mediation. Should PPL refuse to mediate, MP Drilling will proceed to commence arbitration against PPL.

The Company has likewise initiated the dispute resolution process against PPL in view of the latter's refusal to confirm that it would not pursue, what the Company regards as an unwarranted demand, for payment of the 2nd disbursement of the contract price.

Further announcements on this matter will be made as and when appropriate.

**Shareholders and investors are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.**

**BY ORDER OF THE BOARD**

Sean Lee Yun Feng  
Chief Executive Officer

30 November 2015