

Half Year Financial Report

15 February 2008

Mermaid Marine delivers another period of growth

The Directors of Mermaid Marine Australia (MMA) are pleased to advise that the company recorded a profit before tax for the 6 months to December 2007 of \$10.7 million. This represents an increase of 25% on the previous corresponding period driven by increased earnings across all of our operating divisions. While our vessel business still dominated the overall performance we are now achieving improving returns on our supply base assets with excellent prospects for further growth.

The company is the major marine provider supporting McDermott Australia in the construction of the Woodside Angel project and has also captured a significant new longer term contract within our vessel business that will drive further growth in earnings. Our Singapore company is profitable after only a short operating period and has opened up new opportunities for international growth securing an 18 month overseas contract for our new vessel Mermaid Discovery.

The Chairman of MMA, Mr Tony Howarth said “The Board has set management aggressive growth targets and is pleased to be able to announce that these targets are being met. The fundamentals of the company are strong and the structure of our debt facilities has protected the company during the recent turmoil in the credit market. Looking forward, the oil and gas market remains buoyant and we are in an excellent position to take advantage of this”.

The Managing Director, Mr Jeff Weber commented, “The second quarter was particularly strong and we are seeing these levels of activity continuing. We therefore expect our second half to again be stronger than our first half. The company has been able to sustain consecutive periods of strong organic growth through the acquisition of new vessels and development of our supply base assets. The prospects for the organization are now as healthy as ever”.

For further information please contact:

Mr. Jeffrey Weber, Managing Director – 0418 855 275

Appendix 4D Half Year Report

1. Details of the reporting period and the previous corresponding period

Name of entity: Mermaid Marine Australia Limited
ABN: 21 083 185 693
Half year ended: 31 December 2007
Previous half year ended: 31 December 2006

2. Results for announcement to the market

	Percentage change over previous year	\$'000
2.1 Revenues from ordinary activities	Up 22%	63,220
Profit from ordinary activities after tax attributable to members	Up 19%	7,540
2.3 Net profit attributable to members	Up 19%	7,540
2.4 Dividends: A fully franked dividend of 1 cent per share (total \$1.48m) relating to the year ended 30 June 2007 was paid during the period. No dividend has been declared or paid relating to this half year period.		
2.5 Record date for determining entitlements to the dividend: N/A		
2.6 Brief explanation of any of the figures reported in 2.1 to 2.4 necessary to enable the figures to be understood: Refer to Review of Operations in attached Half Year Financial Report		

3. Net Tangible Asset Backing

	31/12/07	31/12/06
Net tangible asset backing per ordinary security	60 cents	47 cents

4. (i) Control gained over entities during the year

Name of entity:	On 15 August 2007, a new company, Mermaid Marine Asia Pte Ltd was incorporated in Singapore. Mermaid Marine Australia Ltd holds 100% of the issued capital of the new company. The principal activity of Mermaid Marine Asia Pte Ltd is the operation of crewed vessel charters.
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(ii) Loss of control of entities during the year

Name of entity:	Nil
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(iii) Contribution to the entities profit from ordinary activities.

Name of entity:	Mermaid Marine Asia Pte Ltd contributed profit before tax of \$1.1m for the 6 month period ended 31 December 2007.
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5. Dividends

A fully franked dividend of 1 cent per share (total \$1.48m) relating to the year ended 30 June 2007 was paid during the period.
No dividend has been declared or paid relating to this half year period.

6. Details of dividend reinvestments plans in operation

The Company introduced a dividend reinvestment plan on 24 August 2007. The subscription price for shares issued under the plan is the average of the daily volume weighted average sale price of the Company's shares sold on ASX

during the 5 trading days immediately after the dividend record date, less a 2.5% discount.

7. Details of associates and joint venture entities

Equity accounted associates and joint venture entities	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit	
	2007 %	2006 %	31 December 2007 \$A'000	31 December 2006 \$A'000
Mermaid Clough Pty Ltd	50	50	(18)	64
Toll Mermaid Logistics – Broome Pty Ltd	50	50	349	-

8. For Foreign entities details of which set of accounting standards is used in compiling the report (International Accounting Standards)

N/A

9. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A



MERMAID MARINE AUSTRALIA LIMITED
ABN 21 083 185 693

Financial Report for the Half Year Ended 31 December 2007

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Directors' Report

The Directors of Mermaid Marine Australia Limited (MMA) submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

The names of the directors of the Company during or since the end of the half-year are:

- Mr A J Howarth AO
- Mr J A Weber
- Mr J H Carver
- Mr M F Bradley
- Mr J A S Mews

Review of Operations

After a relatively quiet start to the first half of FY 2008, activity picked up significantly resulting in the Company delivering another period of strong earnings growth. Pretax profit for the half-year improved to \$10.7 million representing a 26% increase on the previous corresponding period. Earnings per share increased by 12% from the first half of FY2007 to 5.1 cents reflecting a higher effective tax rate.

Vessel Operations

Vessel revenue increased by 20% from the previous corresponding period due to increased vessel activity and also higher average crew numbers. As the fleet increases in size and capability we are finding that the projects we undertake require additional marine personnel to undertake more intense support roles. During the first half we have had up to 5 vessels working on the Woodside Angel project undertaking a range of activities including anchor handling for the pipelay barge, international towage of barges carrying equipment for the project and various other support roles. MMA is the major marine supplier to McDermotts for the Angel project and this type of work represents a critical component of our ongoing growth as new projects come on line. Two of the vessels included in the spread have been bareboat chartered into the project which, while profitable, impacts on our margins but improves our return on capital. The ability to efficiently manage chartered vessels in the Australian environment is a critical success factor in delivering a total package for our clients. The ability to schedule access to our wharf and supply base facility in Dampier also adds a unique element to our overall service offering.

During the first half MMA contracted to purchase two new vessels which were delivered in January:

- Mermaid Discovery – 5,200 BHP 57 metre AHTS (A\$20 million)
- Mermaid Spirit – 30 metre Aluminium Catamaran for shallow water project support (A\$4.0 million)

The Mermaid Discovery is currently being modified in Singapore for a client and is expected to go on charter in February 2008. The Mermaid Spirit has gone straight to work for a client on arrival in Dampier from Cairns. MMA also has a new 54 metre vessel under construction that should deliver early in the next financial year. A number of clients have already expressed an interest in taking this vessel on long term charter.

During the first half the company took advantage of an opportunity to sell the Landing Craft, Mermaid Venture, and we are currently reviewing this part of the market as new projects emerge.

Overall the Company continues to evaluate new opportunities for fleet expansion with a number of prospects currently under review. We are currently experiencing high utilisation for all of our fleet of vessels.

Supply Bases

The Dampier Supply Base continues to grow earnings with revenue up by 42% on the previous corresponding period. The majority of this revenue growth is due to increased wharf activity which in turn drives increased activity throughout the supply base. Given demand for wharf services is expected to continue to grow, MMA is currently working through design and costing of additional wharf infrastructure. The new 2000 square metre warehouse has now been through the approval process and construction is expected to commence in the third week of February with planned completion by April 2008.

As indicated in a release to the ASX in November 2007, MMA is currently in discussions with a number of new potential clients for the Dampier Supply Base and we expect to be able to advise further on this in the near future. Land to support offshore activities is at a premium in Dampier and MMA is ideally positioned to take advantage of this increasing demand.

The Broome Supply Base JV with Toll Holdings Ltd has been running for a little over 12 months and the performance of this business continues to exceed expectations with revenue expected to grow further in the second half. Shell, Woodside, Inpex, BHP, Conoco Phillips and Santos are all scheduled to undertake drilling programmes out of Broome in the second half.

We have now gained access to a new 3.3 Hectare lease area adjacent to the port and will undertake development of the area over the next 12 months. Phase 1 of the development will include new office facilities, a warehouse and 6000 square metres of bitumen laydown. The facility will then be expanded to suit activities in the region as they develop. The Broome Supply base also incorporates a 2.8 hectare pipe yard and a 3000 square metre warehouse adjacent to the wharf. The working relationship between MMA and Toll is excellent and the JV model has proven to be effective in developing this important platform for growth servicing the Browse Basin region.

Slipway revenue increased marginally by approximately 8% but operating profit improved substantially on the back of improved productivity and tighter cost control. The slipway provides a critical service to marine operators in the region through ship repair services and major vessel mobilization services. The facility provides MMA with a significant cost saving across our expanding fleet and also allows the company to schedule in work to meet our vessel demand profile. We now have a highly experienced core group of repair professionals and supplement these with contractors as demand requires. Access to short and long term accommodation in the region continues to be a major challenge for this operation and our supply base operation.

Health Safety and Environment

The safety performance of the organisation has improved compared to the previous half year period. As the company continues to grow it becomes increasing difficult to maintain the depth of experience on our vessels and supply base operations. This is a common problem across the industry and means that we need to commit more resources to our safety management systems and advisors across the organisation. As the company has developed its safety management systems over the years we have increasingly moved from historic performance indicators to a system that engages our people in a more proactive approach to safety. While we continue to monitor our performance in relation to incidents, a key part of our ongoing strategy is to move people to think about safety before an incident occurs. This takes some time to promulgate throughout an organisation, particularly one that is growing as quickly as MMA, but the initial data is

showing that it can drive improved safety performance. Over the last 6 months we have reduced our incident frequency rate and will continue to drive this improvement going forward.

MMA has also made a major commitment to the environmental performance on our vessels and supply base operations. Protection of the environment is a key licence to operate for the organisation and we have in place a continuous improvement process to identify key risk areas and implement procedures to deal with these.

Outlook

The first half pre-tax result was a 26% improvement on the previous corresponding period and a 19% improvement on the second half of FY2007. The company is currently experiencing high levels of demand for all of our services and as such we expect that the second half of FY 2008 will continue our growth performance with higher earnings than the first half. The Company is in a strong position with excellent growth prospects as major projects in the North West Shelf move into development phase.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 6.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



TONY HOWARTH AO
Chairman

Perth, 14 February 2008

The Board of Directors
Mermaid Marine Australia Limited
20 Mews Road
Fremantle
WA 6160

14 February 2008

Dear Board Members


Mermaid Marine Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mermaid Marine Australia Limited.

As lead audit partner for the review of the financial statements of Mermaid Marine Australia Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Keith F Jones
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Mermaid Marine Australia Limited

We have reviewed the accompanying half-year financial report of Mermaid Marine Australia Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mermaid Marine Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mermaid Marine Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Keith F Jones

Partner

Chartered Accountants

Perth, 14 February 2008

Directors' Declaration

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



TONY HOWARTH AO
Chairman

Perth, 14 February 2008

Condensed consolidated income statement for the half year ended 31 December 2007

	Consolidated Half Year Ended 31 Dec 2007 \$'000	Consolidated Half Year Ended 31 Dec 2006 \$'000
Revenue	62,702	51,500
Other income	518	209
Share of profits of associates and jointly controlled entities accounted for using the equity method	331	64
Vessel expenses	(41,760)	(33,431)
Supply base expenses	(5,839)	(5,519)
Administration expenses	(2,363)	(2,231)
Finance costs	(2,855)	(2,076)
Profit before tax	10,734	8,516
Income tax expense	(3,194)	(2,173)
Profit for the Period	7,540	6,343
Profit Attributable to Equity holders of the Parent	7,540	6,343
Earnings Per Share:		
Basic (cents per share)	5.09	4.53
Diluted (cents per share)	5.01	4.49

Notes to the condensed consolidated financial statements are included on pages 14 to 16.

Condensed consolidated balance sheet as at 31 December 2007

	Consolidated 31 Dec 2007 \$'000	Consolidated 30 June 2007 \$'000
Current Assets		
Cash and cash equivalents	18,119	16,926
Trade and other receivables	24,514	18,274
Inventories	1,765	1,902
Other	984	633
Total Current Assets	45,382	37,735
Non-Current Assets		
Investments accounted for using the equity method	1,616	1,286
Property, plant and equipment	130,694	122,866
Total Non-Current Assets	132,310	124,152
Total Assets	177,692	161,887
Current Liabilities		
Trade and other payables	13,469	9,005
Borrowings	6,161	5,485
Other financial liabilities	627	881
Provisions	876	815
Current tax payables	1,132	1,564
Total Current Liabilities	22,265	17,750
Non-Current Liabilities		
Borrowings	60,758	57,481
Provisions	302	277
Deferred tax liabilities	4,748	3,806
Total Non-Current Liabilities	65,808	61,564
Total Liabilities	88,073	79,314
Net Assets	89,619	82,573
Equity		
Issued Capital	58,550	58,067
Reserves	301	(201)
Retained earnings	30,768	24,707
Total Equity	89,619	82,573

Notes to the condensed consolidated financial statements are included on pages 14 to 16.

**Condensed consolidated statement of changes in equity
for the half year ended 31 December 2007**

Half year ended 31 December 2007

	Ordinary Shares	Employee equity settled benefits reserve	Hedging Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	58,067	680	(881)	24,707	82,573
Loss on cash flow hedge	-	-	(469)	-	(469)
Net expense recognised directly in equity	-	-	(469)	-	(469)
Transfer to initial carrying amount of non financial hedged item on cash flow hedge	-	-	723	-	723
Profit for the period	-	-	-	7,540	7,540
Total recognised income and expense	-	-	254	7,540	7,794
Recognition of share based payments	-	248	-	-	248
Issue of shares	483	-	-	-	483
Dividends Paid	-	-	-	(1,479)	(1,479)
Balance at 31 December 2007	58,550	928	(627)	30,768	89,619

Half year ended 31 December 2006

	Ordinary Shares	Employee equity settled benefits reserve	Hedging Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2006	48,047	270	(11)	12,194	60,500
Loss on cash flow hedge	-	-	(605)	-	(605)
Net expense recognised directly in equity	-	-	(605)	-	(605)
Transfer to initial carrying amount of non financial hedged item on cash flow hedge	-	-	436	-	436
Profit for the period	-	-	-	6,343	6,343
Total recognised income and expense	-	-	(169)	6,343	6,174
Recognition of share based payments	-	129	-	-	129
Issue of shares under option plan	32	-	-	-	32
Share issue costs	(341)	-	-	-	(341)
Balance at 31 December 2006	47,738	399	(180)	18,537	66,494

Notes to the condensed consolidated financial statements are included on pages 14 to 16.

**Condensed consolidated cash flow statement
 for the half year ended 31 December 2007**

	Consolidated Half Year Ended 31 Dec 2007 \$'000	Consolidated Half Year Ended 31 Dec 2006 \$'000
Cash Flows from Operating Activities		
Receipts from customers	62,651	55,401
Payments to suppliers and employees	(47,811)	(47,314)
Interest received	485	68
Income tax paid	(2,684)	(2,334)
Interest and other costs of finance paid	(2,829)	(2,076)
Net Cash provided by Operating Activities	9,812	3,745
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(8,259)	(10,826)
Proceeds from sale of property, plant and equipment	3,328	962
Net Cash Used in Investing Activities	(4,931)	(9,864)
Cash Flows from Financing Activities		
Proceeds from issues of equity securities	32	32
Payment for share issue costs	-	(252)
Proceeds from borrowings	2,889	5,320
Repayment of borrowings	(5,581)	(2,254)
Dividends Paid	(1,028)	-
Net Cash (Used in) / Provided by Financing Activities	(3,688)	2,846
Net Increase / (Decrease) in Cash and Cash Equivalents	1,193	(3,273)
Cash and Cash Equivalents at the beginning of the Half Year	16,926	6,027
Cash and Cash Equivalents at the End of the Half Year	18,119	2,754

Notes to the condensed consolidated financial statements are included on pages 14 to 16.

Notes to the condensed consolidated financial statements for the half year ended 31 December 2007

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2007 annual financial report for the financial year ended 30 June 2007.

**Notes to the condensed consolidated financial statements
 for the half year ended 31 December 2007 (continued)**

2. Segment Information

The following is an analysis of the revenue and results for the period, analysed by business segment, the groups primary basis of segmentation.

	Vessels		Supply Base		Total	
	Half Year ended 31 Dec 2007 \$'000	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2007 \$'000	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2007 \$'000	Half Year ended 31 Dec 2006 \$'000
Segment Revenues						
Sales to outside customers	53,630	44,679	9,072	6,821	62,702	51,500
Inter-segment revenue	239	50	2,117	2,850	2,356	2,900
Total	53,869	44,729	11,189	9,671	65,058	54,400
Eliminations					(2,356)	(2,900)
Total consolidated revenue					62,702	51,500
Segment Results						
Segment result	11,870	11,248	3,130	1,302	15,000	12,550
Eliminations					103	(257)
Total					15,103	12,293
Unallocated					(4,369)	(3,777)
Profit before income tax expense					10,734	8,516
Income tax expense					(3,194)	(2,173)
Profit for the Period					7,540	6,343

**Notes to the condensed consolidated financial statements
 for the half year ended 31 December 2007 (continued)**

3. Dividends

During the period, Mermaid Marine Australia Limited made the following dividend payments:

Fully Paid ordinary shares	Half-year ended 31 Dec 2007		Half-year ended 31 Dec 2006	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	1	1,497	-	-

On 24 August 2007, the directors declared a fully franked interim dividend of 1 cent per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2007, which was paid to shareholders on 19 October 2007.

4. Incorporation of a subsidiary

On 15 August 2007, a new company, Mermaid Marine Asia Pte Ltd, was incorporated in Singapore. Mermaid Marine Australia Ltd holds 100% of the issued capital of the new company. The principal activity of Mermaid Marine Asia Pte Ltd is the operation of crewed vessel charters.

For the period from the date of incorporation to 31 December 2007, Mermaid Marine Asia Pte Ltd contributed profit before tax of \$1.1 million.

5. Subsequent Events

During January the group took delivery of two additional vessels which were under contract at 31 December 2007. These were

- Mermaid Discovery – 5,200 BHP 57 metre AHTS (A\$20 million, of which \$1.8 million had been paid at 31 December 2007.)
- Mermaid Spirit – 30 metre Aluminium Catamaran for shallow water project support (A\$4.0 million, of which \$0.4 million had been paid at 31 December 2007.)