



**MERMAID MARINE
AUSTRALIA LTD**

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17 May 2006

Mr Vickrem Naicker
Adviser, Issuers
Australian Stock Exchange Ltd
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Sir

Re: Share Price Query

I refer to your letter received earlier today noting a change in the price of the Company's securities from \$0.41 on 10 May 2006 to \$0.49 today and an increase in the volume of trading in the securities over this period and provide the following information in response to the questions outlined in your letter:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Response: No, the Company is not aware of any such information.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Response: Not applicable.

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

Response: On 1 May 2006 the Company released to the ASX a copy of an Interim Report to Shareholders which was subsequently mailed to shareholders. In this report the Company provided information on a number of significant achievements that had been completed during the year including the settlement of the previously announced transaction with Integrated Group Ltd (IGL) whereby the Company acquired 5 vessels from IGL for a total of \$23.8 million and sold its manning business to IGL for a total of \$4.4 million.

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In the report the Company made reference to its first half operating profit and advised that demand for the Company's services continues to be strong in the second half and that the \$4.4 million received from the sale of the Company's manning business, combined with the profit from the Company's operating activities, will produce a record profit for the Company this year.

In addition the Company advised that looking forward to the 2007 financial year, it expects to maintain a higher level of earnings with a full year's contribution from the additional vessels purchased during the current year.

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Response: Yes, the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

If you have any queries in relation to the above or require any further information please do not hesitate to contact me.

By order of the Board
MERMAID MARINE AUSTRALIA LIMITED



PETER RAYNOR
Company Secretary

**ASX**

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Peter Raynor
Company Secretary
Mermaid Marine Australia Limited
Eagle Jetty
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6160

By Facsimile: (08) 9431 7432

Dear Peter

Mermaid Marine Australia Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from \$0.41 on 10 May 2006 to \$0.49 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00pm WST, today.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Vickrem Naicker

Adviser, Issuers

Direct Line: (08) 9224 0032