



MERMAID MARINE
AUSTRALIA LTD

Eagle Jetty, 20 Mews Road

FREMANTLE WA 6160

T (+61) 8 9431 7431 F (+61) 8 9431 7432

E corporate@mermaidmarine.com.au

W www.mermaidmarine.com.au

ABN 21 083 185 693

11 December 2006

The Listing Manager
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

RE: MERGER DISCUSSIONS

Mermaid Marine Australia Ltd (Mermaid Marine) confirms that it is in discussions with an unlisted third party regarding a possible merger. At this stage, discussions are incomplete and no binding agreement has been entered into. Any merger would be subject to a number of conditions, including the approval of Mermaid Marine shareholders at a general meeting.

Although the merger mechanism has not yet been finalised, the discussions currently contemplate that Mermaid Marine will issue new shares to the third party in exchange for the third party's business.

Following any merger as presently proposed, Mermaid Marine would remain listed on the ASX and continue to operate in its core business. The third party would become the majority shareholder of Mermaid Marine and have board representation.

The Mermaid Marine board considers that a suitable merger proposal could have significant attractions for Mermaid Marine shareholders and is reviewing the opportunity carefully. A further announcement will be made as soon as an agreement is entered into or if the current discussions cease and the proposal does not proceed. The current timetable is to complete negotiations and if possible issue a more detailed announcement prior to Christmas.

By order of the Board
MERMAID MARINE AUSTRALIA LIMITED

PETER RAYNOR
Company Secretary

DAMPIER SUPPLY BASE

PO Box 822, KARRATHA WA 6714

Mermaid Road, DAMPIER WA 6713

T (+61) 8 9183 6600 F (+61) 8 9183 6660

BROOME SUPPLY BASE

PO Box 3401, BROOME WA 6725

1 Port Drive, BROOME WA 6725

T (+61) 8 9192 2200 F (+61) 8 9192 2281