



MERMAID MARINE
AUSTRALIA LTD

Half Year Financial Report

15 February 2007

Mermaid Marine continues earnings growth

The Directors of Mermaid Marine Australia Ltd (MMA) are pleased to advise that the company recorded a profit before tax for the 6 months to December 2006 of \$8.5 Million as detailed in the attached half year Financial Report. This represents a substantial increase on the result for the previous corresponding period and more importantly continues to build on the excellent result the company achieved in the second half of last financial year.

MMA made a substantial investment in new vessels in FY 2006 and these acquisitions are driving growth in revenue and profitability. Revenue for the first half grew to \$51 Million, almost double that of the first half in 2005. The result reflects revenue growth across all divisions and improved margins.

In announcing the result the Chairman, Mr Tony Howarth said, "The Board is pleased to have been able to continue to grow earnings and the market in the oil and gas sector remains buoyant".

The Managing Director, Mr Jeff Weber commented, "While the result is primarily driven by our vessel business, it is pleasing to note that our supply base businesses in Dampier and Broome are starting to make a material contribution to our earnings. On the basis of our first half result and our subsequent performance we expect to comfortably exceed the forecast earnings included in our December announcement of the proposed P&O Maritime merger".

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 2006
Previous half year ended: 31 December 2005

2. Results for announcement to the market

	Percentage change over previous year	\$'000
2.1 Revenues from ordinary activities	Up 91%	51,709
2.2 Profit from ordinary activities after tax attributable to members	Up 332%	6,343
2.3 Net profit attributable to members	Up 332%	6,343
2.4 Dividends: No dividends were declared or paid during the 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 attached commentary		

3. Net Tangible Asset Backing

	31/12/06	31/12/05
Net tangible asset backing per ordinary security	47 cents	38 cents

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

Name of entity:	Nil
-----------------	-----

(ii) Loss of control of entities during the year

Name of entity:	Nil
-----------------	-----

5. Dividends

No dividends have been declared or paid for the period ended 31 December 2006.
--

6. Details of dividend reinvestments plans in operation

The Company has no dividend reinvestment plans in operation.
--

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	
	2006 %	2005 %	31 December 2006 \$A'000	31 December 2005 \$A'000
Mermaid Clough Pty Ltd	50	50	64	(92)
Toll Mermaid Logistics – Broome Pty Ltd	50	-	-	-

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 LTD

MERMAID MARINE AUSTRALIA LIMITED
ABN 21 083 185 693

Financial Report for the Half Year Ended 31 December 2006

Contents

Directors' Report	Page 3
Auditor's Independence Declaration.....	Page 7
Audit Review Report.....	Page 8
Directors' Declaration	Page 10
Condensed Consolidated Income Statement	Page 11
Condensed Consolidated Balance Sheet.....	Page 12
Condensed Consolidated Statement of Changes in Equity	Page 13
Condensed Consolidated Cash Flow Statement.....	Page 14
Notes to the Financial Statements	Page 15

Directors' Report

The Directors of Mermaid Marine Australia Limited submit herewith the financial report for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

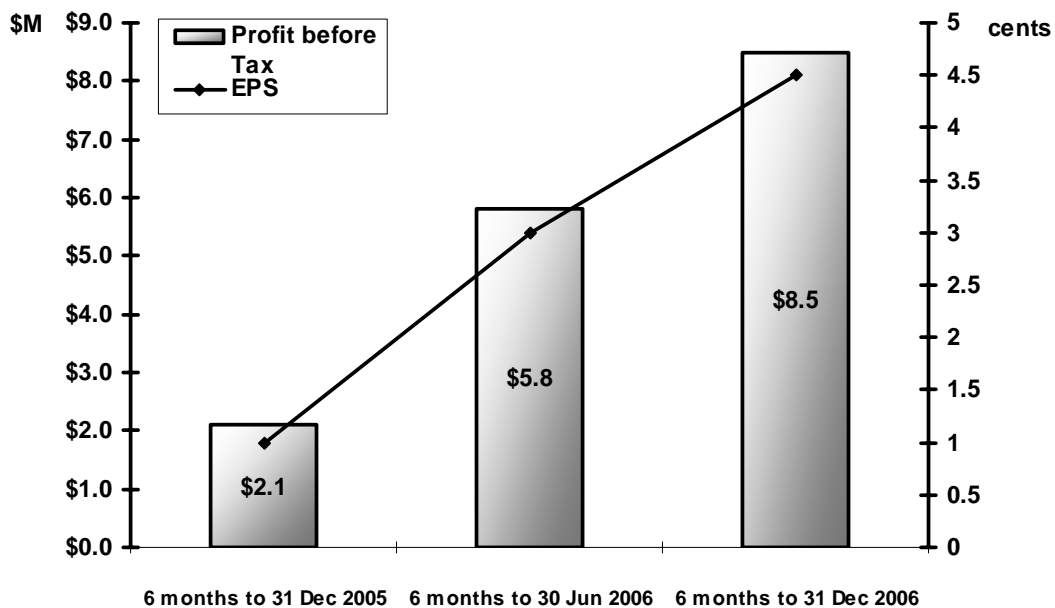
The names of the directors of the Company during or since the end of the half year are:

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

Review of Operations

The first half of FY 2007 has seen demand for our services remain buoyant and the Company has maintained the earnings momentum from FY 2006 to record an outstanding result. All divisions of the Company generated increased revenue and earnings, resulting in a profit before tax of \$8.5 million and earnings per share of 4.5 cents.

Profit and Earnings Summary



Vessel Operations

The arrival of six new vessels in April 2006 including the Mermaid Investigator has had a major impact on the vessel division. Vessel operating revenue for the first half of FY2007 increased by 117% from the corresponding period last year to \$44.7 million.

With the increased scale and capability of the fleet we have been able to attract some highly qualified and experienced marine managers to the Company which has had significant benefits to the Company and our clients. Our new multi-role vessel, the Mermaid Investigator, is being consistently utilised by our clients to undertake a range of offshore activities including geotechnical investigation, survey operations, ROV operations and offshore maintenance programmes.

Availability of marine crews continues to be a challenge for the industry but our alliance with Integrated Group Ltd and a more consistent work programme for our vessels has enabled us to meet this challenge over the past six months.

The Company has contracted to build a new 54 metre multipurpose vessel to support the Australian survey, ROV and construction market. This vessel is expected to be delivered around March 2008 at a cost of over \$10 million and represents a commitment by the Company to continue to build and improve our fleet capability and ensure that we remain relevant in the ever evolving offshore support market.

Supply Bases

Activity improved on our Dampier and Broome supply bases during the period with combined revenue growing by 51% from the first six months of last year to \$6.8 million.

In November we finalised a joint venture agreement with Toll Holdings Ltd to provide dedicated supply base services in Broome to support the offshore drilling activities in the highly prospective Browse Basin gas province. The joint venture is now providing services to Woodside, Shell and Inpex all of whom have acreage in the region and are all committing to substantial exploration programmes over the next couple of years. The prospect of a production facility in the Browse Basin remains strong.

The new wharf extension in Dampier (completed in January 2006) is proving to be an excellent investment. The wharf is the differentiating factor of our supply base and is becoming increasingly valuable to the industry as activity increases. We have seen a significant increase in ship visits which not only improves the financial performance of the wharf facilities, but also means that there is more activity behind the wharf in the supply base area.

In addition to increased activity on the wharf, we have managed to attract a number of new clients to the supply base over the last six months. These clients typically require logistics support, laydown, and undercover storage.

Our Dampier supply base is ideally placed to attract new business and support the increasing levels of activity in the Dampier region.

2007 sees a range of new security requirements for marine facilities come into force and MMA's supply base operations are captured within this security regime. A specific security plan for the base has been developed and there are a range of activities currently being undertaken to address the requirements.

The ship repair business in Dampier continues to grow and in order to meet the highest level of safety and environmental compliance, a number of initiatives have been undertaken on the slipway facility during the first half of the financial year. In order to undertake the work there were some occasions when we could not service vessels which impacted our first half performance to some extent, however forward bookings are extremely strong.

Apart from the major ship repair demand, there are a large number of vessel mobilizations undertaken by our ship repair team. This typically involves three or four days of intense activity fastening a range of equipment on the deck of a vessel for a specific offshore project and then removing it at the end of the project. With our wharf facility, vessels and ship repair business, MMA is increasingly being asked by clients to deliver a full package to support offshore projects.

Health Safety and Environment

Protecting the health and safety of our employees and protecting the environment in which we operate are fundamental to the success of the Company. We have almost doubled the number of our offshore personnel since April 2006 when we entered into the agreement with Integrated Group to manage our crewing requirements. This has created an enormous challenge for our operations teams in getting our safety message and systems understanding across such a large group of people in a short period of time. During this time we have been able to maintain the safety performance on our vessels and improve it in some areas which is an excellent result.

MMA has rolled out a new integrated management system across the fleet and is in the process of doing the same for the other operations. We expect this to be completed by June 2007.

Proposed Merger with P&O Maritime Services Pty Ltd

On 21 December 2006, the Company announced that it had entered into an agreement to merge with P&O Maritime Services Pty Ltd (**Merger**). The Merger is subject to approval by MMA's shareholders at a general meeting, which is expected to be held in April 2007. DP World, the current owner of P&O Maritime Services, will become a 60.4% (approximately) shareholder of MMA upon the Merger being completed. The fairness and reasonableness of the Merger is currently being reviewed by an independent expert appointed by MMA whose report will be provided to shareholders in advance of that meeting.

Outlook

The level of activity in the North West Shelf and Browse Basin regions is expected to continue to grow. Demand for the Company's services has remained strong and the outlook for the second half of the 2007 financial year is positive.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 7.

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 2007

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

12 February 2007

Dear Board Members

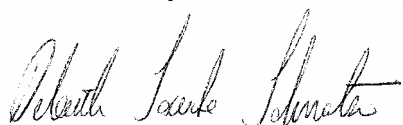
Mermaid Marine Australia Limited

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 2006, 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 Jones
Partner
Chartered Accountants

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mermaid Marine Australia Limited, which comprises the balance sheet as at 31 December 2006, 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 10 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 designing, implementing 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Mermaid Marine Australia Limited's financial position as at 31 December 2006 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.

Deloitte.

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. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mermaid Marine Australia Limited on 12 February 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

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 2006 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 2007

Directors' Declaration

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the disclosing entity 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

A handwritten signature in black ink, appearing to read 'Tony Howarth', written in a cursive style.

TONY HOWARTH
Chairman

Perth, 14 February 2007

Condensed consolidated income statement for the half year ended 31 December 2006

	Consolidated Half Year Ended 31 Dec 2006 \$'000	Consolidated Half Year Ended 31 Dec 2005 \$'000
Revenue	51,500	26,755
Other income	209	321
Share of profits / (losses) of associates and jointly controlled entities accounted for using the equity method	64	(92)
Vessel expenses	(33,431)	(16,868)
Supply base expenses	(5,519)	(4,173)
Engineering & labour hire expenses	-	(1,350)
Administration expenses	(2,231)	(1,324)
Finance costs	(2,076)	(1,172)
Profit Before Income Tax Expense	8,516	2,097
Income tax expense	(2,173)	(628)
Profit for the Period	6,343	1,469
Profit Attributable to Members of the Parent Entity	6,343	1,469
Earnings Per Share:		
Basic (cents per share)	4.53	1.05
Diluted (cents per share)	4.49	1.05

Notes to the financial statements are included on pages 15 and 16.

Condensed consolidated balance sheet as at 31 December 2006

	Consolidated 31 Dec 2006 \$'000	Consolidated 30 June 2006 \$'000
Current Assets		
Cash and cash equivalents	2,754	6,027
Trade and other receivables	25,314	20,550
Inventories	1,383	1,942
Other	933	624
Total Current Assets	30,384	29,143
Non-Current Assets		
Investments accounted for using the equity method	707	219
Property, plant and equipment	112,667	107,015
Total Non-Current Assets	113,374	107,234
Total Assets	143,758	136,377
Current Liabilities		
Trade and other payables	12,795	14,586
Borrowings	4,339	4,401
Other Financial Liabilities	180	11
Provisions	828	789
Current tax payables	1,788	1,623
Total Current Liabilities	19,930	21,410
Non-Current Liabilities		
Borrowings	55,123	51,967
Provisions	214	178
Deferred tax liabilities	1,997	2,322
Total Non-Current Liabilities	57,334	54,467
Total Liabilities	77,264	75,877
Net Assets	66,494	60,500
Equity		
Issued Capital	47,738	48,047
Reserves	219	259
Retained earnings	18,537	12,194
Total Equity	66,494	60,500

Notes to the financial statements are included on pages 15 and 16.

**Condensed consolidated statement of changes in equity
for the half year ended 31 December 2006**

Half year ended 31 December 2006

	Ordinary Shares \$'000	Employee equity settled benefits reserve \$'000	Hedging Reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the entity \$'000
Balance at 1 July 2006	48,047	270	(11)	12,194	60,500
Loss on cash flow hedge	-	-	(605)	-	(605)
Net income / (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

Half year ended 31 December 2005

	Ordinary Shares \$'000	Employee equity settled benefits reserve \$'000	Retained earnings \$'000	Total attributable to equity holders of the entity \$'000
Balance at 1 July 2005	47,755	193	2,986	50,934
Profit for the period	-	-	1,469	1,469
Total recognised income and expense for the period	-	-	1,469	1,469
Issue of shares	-	6	-	6
Balance at 31 December 2005	47,755	199	4,455	52,409

Notes to the financial statements are included on pages 15 and 16.

**Condensed consolidated cash flow statement
 for the half year ended 31 December 2006**

	Consolidated Half Year Ended 31/12/06 \$'000	Consolidated Half Year Ended 31/12/05 \$'000
Cash Flows from Operating Activities		
Receipts from customers	55,401	24,593
Payments to suppliers and employees	(47,314)	(24,066)
Interest and bill discounts received	68	298
Income tax paid	(2,334)	(384)
Interest and other costs of finance paid	(2,076)	(1,172)
Net Cash provided by/(used in) Operating Activities	3,745	(731)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(10,826)	(14,387)
Proceeds from sale of property, plant and equipment	962	95
Net Cash Used in Investing Activities	(9,864)	(14,292)
Cash Flows from Financing Activities		
Proceeds from issues of equity securities	32	-
Payment for share issue costs	(252)	-
Proceeds from borrowings	5,320	9,012
Repayment of borrowings	(2,254)	(1,783)
Net Cash Provided by Financing Activities	2,846	7,229
Net (Decrease) in Cash and Cash Equivalents	(3,273)	(7,794)
Cash and Cash Equivalents at the beginning of the Half Year	6,027	13,984
Cash and Cash Equivalents at the End of the Half Year	2,754	6,190

Notes to the financial statements are included on pages 15 and 16.

Notes to the condensed consolidated financial statements for the half year ended 31 December 2006

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 2006 annual financial report for the financial year ended 30 June 2006.

2. Issued Capital

	Consolidated 31/12/06 \$'000	Consolidated 30/6/06 \$'000
Balance at beginning of period	48,047	47,755
Issue of shares under option plan	32	292
Share issue costs/merger costs	(341)	-
Balance at end of period	<u>47,738</u>	<u>48,047</u>

On 21 December 2006 the board of Mermaid Marine Australia Ltd (MMA) entered into an agreement to merge MMA with P&O Maritime Services Pty Ltd ("P&OMS"), a DP World Company, to create Australia's leading diversified marine services company.

The proposed merger will be implemented by MMA issuing 221.9 million shares to DP World in return for 100% of the shares in P&OMS, P&O Maritime Services (PNG) Limited and P&O Polar Australia Pty Limited, subject to the approval of MMA shareholders. DP World is currently the beneficial owner of the three companies and the proposed merger will result in DP World holding approximately 60.4% of the enlarged fully diluted share capital of MMA making it the majority shareholder.

MMA has incurred costs in the period to 31 December 2006 in performing due diligence on this transaction and these costs have been offset against the issued capital.

**Notes to the condensed consolidated financial statements
 for the half year ended 31 December 2006 (continued)**

3. Segment Information

	Vessels		Supply Base		Engineering & Labour Hire		Total	
	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2005 \$'000	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2005 \$'000	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2005 \$'000	Half Year ended 31 Dec 2006 \$'000	Half Year ended 31 Dec 2005 \$'000
Segment Revenues								
Sales to outside customers	44,679	20,682	6,821	4,509	-	1,564	51,500	26,755
Inter-segment revenue	50	-	2,850	1,462	-	-	2,900	1,462
Total	44,729	20,682	9,671	5,971	-	1,564	54,400	28,217
Eliminations							(2,900)	(1,462)
Total consolidated revenue							51,500	26,755
Segment Results								
Segment result	11,248	3,813	1,302	336	-	123	12,550	4,272
Eliminations							(257)	16
Total							12,293	4,288
Unallocated							(3,777)	(2,191)
Profit before income tax expense							8,516	2,097
Income tax expense							(2,173)	(628)
Profit for the Period							6,343	1,469