



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

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

Dear Sir / Madam

Proposed Merger between Mermaid Marine Australia Limited (MMA) and P&O Maritime Services Pty Ltd

Mermaid Marine Australia Limited (**MMA**) has informed DP World (Holdings) Australia Limited (formerly P&O Australia Ltd) (**DPW Australia**) today that it does not intend to proceed with the proposed merger of their respective marine services businesses on the terms as outlined in the announcement on 21 December 2006 due to a substantial change in circumstances.

On 21 December 2006, MMA announced that it had entered into an agreement to merge MMA with P&O Maritime Services Pty Ltd ("P&OMS"), a DP World Company (**Merger**). The Merger was to be implemented by the issue of 221.9 million shares to DPW Australia in return for 100% of the shares in the P&OMS Group companies, resulting in DPW Australia holding approximately 60.4% of the enlarged fully diluted capital of MMA and making DPW Australia the majority shareholder in MMA.

Since the Merger was announced MMA's financial performance has substantially exceeded expectations. In MMA's view the out performance is such that the agreed merger ratio is no longer appropriate and it is not in the best interests of MMA's shareholders to proceed with the Merger on its current terms.

MMA had an excellent earnings performance in the first half of FY 2007 and continues to trade strongly with a number of exciting opportunities emerging. There is an unprecedented scale of potential new developments planned in the North West and Browse Basin regions and the Company is well positioned to take advantage of these opportunities.

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