



The Burrup Peninsula, showing Mermaid's new base under construction, adjacent to Woodside Petroleum's facility, with LNG tanker departing in background.

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Chairman's Address

The year 2001 will mark the defining moment between the past, the present and the future for Mermaid Marine Australia Limited. The past was 1982 to 2000, a period when the Company was a successful and growing marine company, but offered no greater leverage than an ability to successfully and profitably operate a vessel fleet.

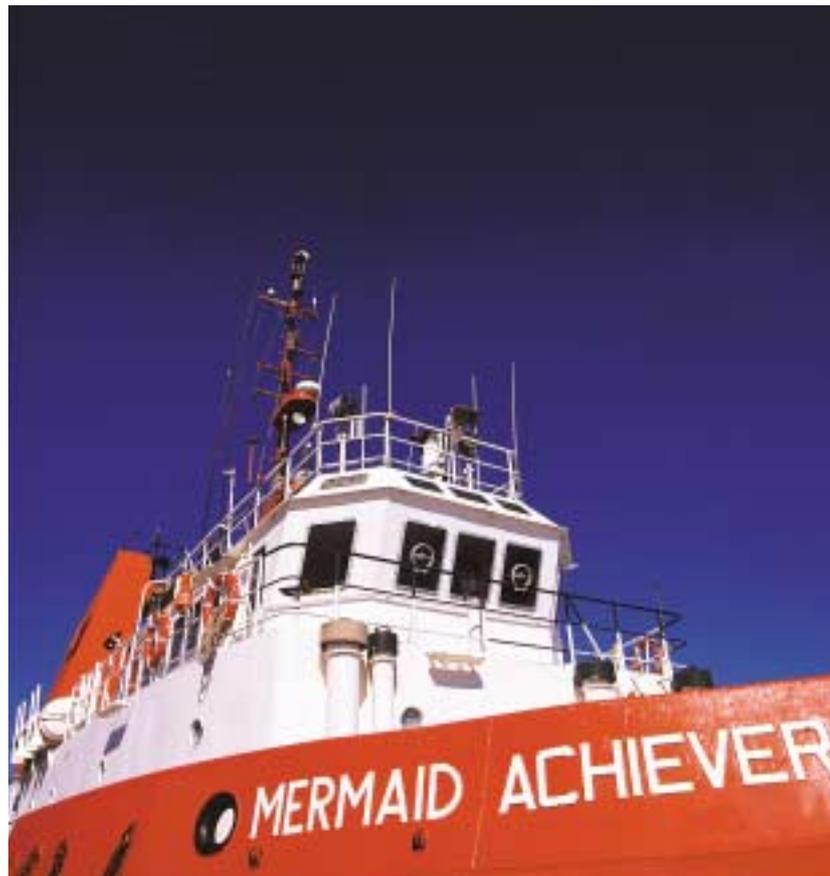
The present year saw record profitability from those vessels, but more importantly Government approvals were received to develop the Dampier Base. The future started with construction of that base in October 2000 and the arrival of heavy dredging equipment from Singapore. At that moment, a door opened to a new and exciting future for Mermaid, which during this next extremely challenging twelve months, will see the Company become a truly integrated oil and gas services company, involving a range of businesses, all mutually supportive, each holding a competitive edge in their various sectors. New skills were required to convert the opportunity to reality and in September

Dredge used during the Base Expansion Project.



2000, we attracted the talented and successful engineering manager, Mark Bradley to join our Company as Chief Executive. Upon joining, he confirmed his enthusiasm for Mermaid's future, by purchasing shares at the reigning market price to become a top four Shareholder. Within days, Mark's old employer, Clough Engineering adopted similar views and, following the man, also subscribed for shares. Richard Reid, Clough Group's Finance Director was immediately invited to join Mermaid Marine Australia's Board of directors, further cementing the close working relationship we enjoy with the Clough Group today.

Vessel earnings returned to normal over the twelve months, following the quiet times caused by the US\$11 oil price and despite bearing the burden of many Company overheads not directly related to marine operations. That situation of higher than normal fixed costs continues until construction at Dampier is complete and under the circumstances, the record result was commendable. The Company made two significant additions to the fleet during the period: the 58m Mermaid Explorer with accommodation for 50 persons, operates as a workhorse for day to day engineering support and provides hotel facilities offshore. The 65m barge, Mermaid Builder is now the largest of its type on the West coast and has commenced duty on a range of



offshore engineering tasks, related to Mermaid's new growth thrusts. In quiet construction periods, both the Explorer and Builder rejoin the general fleet for utility purposes. Numerically, the Mermaid fleet of 17 vessels is the largest operating in the North West. The division is of central importance to our Company as a valuable contributor of earnings and a building block for other new businesses, therefore vessel management has been boosted and formalised by the appointment of Mr Ted Graham as General Manager, Vessel Operations. Cost savings are now being pursued to take advantage of better accounting systems, economies of scale, access to the slipway and the easier task for maintenance staff to work on ships alongside. A number of niche opportunities have been identified for further growth and are under active consideration. Net assets have doubled,

our debt to equity ratio has halved and in May our brokers successfully placed new shares with a range of institutions to raise \$10m to fund growth and increase trading liquidity. We therefore have the balance sheet, the expertise, and strategic advantage to now handle additional activity across the expanding range of our businesses and must do so to keep faith with the opportunities now becoming available.



Aerial view of Slipway and surrounding areas under construction showing Hamersley Iron's 'Pilbara Comet' and BHP Billiton's 'Warang'.

The Dampier slipway is large by any measurement and our abilities there compare very favourably with better known facilities around Australia. The Mermaid slip is strategically positioned and can accept vessels up to 2,700 tonnes today. This will rise to 4,000 tonnes once the full inventory of cradles are constructed, the slipway will then be capable of dry docking every vessel currently operating on the North West Shelf.

Developing the hardware was a good start, but not enough, and the Company was extremely fortunate to recruit Mr Dirk Verboon as General Manager of Mermaid's Slipway. Dirk was previously General Manager of Ship Repairs at Western Australia's largest ship yard Tenix. On the 23rd of July we were ready and BHP Billiton's tug Warang was the first to be dry docked, she was up for 4 weeks for an extensive program of work. 8 days later Hamersley Iron's Pilbara Comet joined her and both left with work completed on the 18th and 12th of August respectively. The ships were almost immediately replaced by the Total Commitment. Up to 70 workers have been employed at the yard since opening, many of them residents of Karratha. Others were subcontractors who bought specialist skills from other parts of Australia and some of these people will relocate to the North West. Over time many of the special skills will be picked up by Mermaid staff, the fly in component is currently about 50% and will gradually fall, with accompanying cost savings. Our sincere thanks go to Dirk, who has established this exciting business from scratch and has a bulging order book to show for his 100% bid success rate.

The facilities now being constructed at Dampier will meet a comprehensive range of needs and are built to very demanding standards. Our Customers will generally be large oil and gas Companies, or their contractors. Safety, efficiency, reliability and

*A busy place –
with new facilities
operating and
continued
construction.*



professionalism are minimum requirements and they are being met. Adopting the decision to enter the offshore engineering industry as principal contractors was a big call for us, but with the best facilities in the North West for such work currently under construction, we accepted the responsibility to take full use of these advantages and got on with it. Improving the odds, we have our in house fleet of utility vessels, operated by skippers and crews with a reputation for getting the job done. Our CEO is highly



Shell of the first fabricated steel cell to be used in construction of the wharf.

experienced with an impressive history of success in the offshore engineering industry and to build depth, he recruited Ian Widdicombe, an engineering work machine as General Manager Projects. The skills base developing on the base is a major asset in itself. Last year the Company employed close to 30 people at Dampier, but with two pipe stringing contracts in progress and the slipway commissioned, that number will rise to 200. We recognise that the work still has to be won against stiff competition from excellent competitors, but we have enjoyed the best possible start, winning two out of two bids to date. The giant French Company Coflexip Stena awarded Mermaid the contract to supply onshore facilities for their spooling program for Woodside's Echo Yodel project and

work has commenced. Apache Energy awarded a prime contract to Mermaid to utilise our onshore facilities to prepare one 18 inch, two 8 inch pipes and an umbilical as a 2.5km long bundle, tow to location, establish the platform and connect for production. That work has also commenced and both projects are well on track. The engineering division have made an impressive start and they have our congratulations for their fine effort. Apache Energy are expected to release documents soon for a considerably larger project and as we favour a lay barge as the best means of approaching that job, an intention to joint venture has been signed with Clough Engineering, owners of the requisite equipment. The joint approach by our two companies on those tasks where joint abilities are better than each can separately offer is good for our customers, good for Mermaid and good for Clough.

The deepwater wharf has developed considerably in scope and importance since the first design was considered. We have found that most onshore and offshore programs under consideration for the Burrup Peninsular, now have relevance to either the heavy lift crane area, the roll on-roll off area, or pipe stringing line. To meet higher technical standards, wharf construction is now utilising a series of steel cells, which are being fabricated on site and placed in position on the rock basement, sheet piling will be anchored at the face and the cells filled with ballast. Point loadings will be increased and potential damage from wave erosion and cyclonic surge minimised. The costs for this part of the project have risen to almost \$30m, but based on forecast higher levels of utilisation, the return on funds invested has improved. The Company is expecting a minimum 300 vessel visits in the first year and will strive hard to attract more, actively selling the service to build traffic year by year. Negotiations have commenced with oil supply Companies to establish a significant fast fuel and oil supply business to vessels and offshore users. Similarly with water, fast delivery will make the Mermaid wharf a popular and convenient stop, which will handle all manner of supplies on a round the clock basis. The wharf

Pipe stringing for Apache Energy.



will offer the greatest crane capacity on the coast, which supplemented by the 2,000 tonne module unloading facility, deals Mermaid into consideration for all significant construction projects, on and offshore in Australia's North West.

The Burrup Peninsular is now the epicentre of all project activity in the region. Not so surprising, as 120 trillion cubic feet of gas lie off the coast, and to put that in context, Australia uses less than one trillion cubic feet per year for all purposes including exports. The rush to convert environmentally friendly natural gas to a liquefied product and a wide range of other gas to liquids or gas to chemical projects, is focussed where the gas comes ashore and where finished product can be shipped - so is Mermaid's industrial estate. Our land and subsequently buildings are offered to Companies wishing to be strategically placed close to the slipway action, offshore engineering action and onshore project action. Halliburton were long term tenants prior to development and therefore we were delighted to upgrade their facilities as the first large estate tenant and one typical of the quality we seek to attract. Once all areas are completed for subdivision and leasing, a full blooded drive will proceed to fill the estate. Interest will centre on those companies, which not only offer valuable long term rental income, but also depth and diversity to base services. We have recruited a highly capable young man, Brad Williamson as business development manager, Brad was formerly Pilbara field officer for the Department of Resources. A resident of Karratha, he has an intimate knowledge of the North West

*Roy Graham-Measor
and Chantelle Menzies
- Mermaid's HSE
Manager and Deputy.*

industrial scene, and those seeking to establish there. Brian Philp is General Manager of our Bases, his fine reputation and unmatched knowledge of supply base needs, largely arose from his many years offshore as a drilling manager. To have "been there" is the best possible training and gives comfort to those requiring supply base services, a business, which rarely offers a second chance for mistakes.

HSE - health, safety and environment, is probably the most familiar term in the oil industry. The Companies, which seek to be significant players, must live by it, demand it and practice to improve it. During the year in question Mermaid registered more than a full year LTI (lost



time injury) free, an amazing result, when the nature of our work is considered. Such results are no accident and since embarking on our course to major growth, the efforts of Roy Graham Measor, Base Superintendent and safety manager has played a major role. His unbending stand on these matters, has contributed much to Mermaid's emerging reputation as not only a "can do" company, but one which can also be relied upon to do the job carefully, safely and responsibly.

Labour hire is an important service, which we must develop further, if we are to offer the comprehensive "one stop shop" reputation, which will soon be within reach. Much of the offshore work falls to international groups, because large expensive pieces of equipment are required, which travel from the North Sea, to the Gulf of Mexico, North West Shelf and so on. These International operators prefer to be provided with labour rather than recruit their own and learn the intricacies of Australia's industrial systems and laws. A good start has been made and Mermaid Labour and Management's General Manager, Kevin Ponga, has accomplished much for our joint venture company in The Great Australian Bight, Bass Strait and the Timor Sea. This year will see a redoubling of our efforts to further expand this division.

To develop an oilfield operations and maintenance division, is an aim to which many aspire, but to which few are called. The aim is to be contracted to attend to the ongoing

*The 'Geco Angler'
crewed by
Mermaid Labour
& Management.*



engineering needs of oil or gas production units. The task normally falls to large engineering groups, but in this case, the smaller Mermaid will have a range of unusual advantages: Blue collar trades will be attracted to the slipway and become available for deployment to other tasks. Fabrication and project engineering areas are being developed in association with the all tides wharf. The Company has barges to take workshop activity offshore and specialist vessels with accommodation, cranaage and deck space for a comprehensive one stop onshore/offshore engineering support service. These exclusive advantages may still best be delivered in partnership with a big brother already accredited

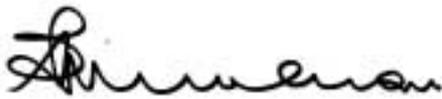


The 'Mermaid Builder' under tow, one of our offshore work barges.

in the sector, but whatever the final mix, as our capability grows, the initiative will be vigorously pursued. Similarly with integrated logistics, within months, Mermaid will have the capability to deliver every support function from the road gate, through the base, provide storage, open and covered, 24 hour vessel loading and sea transport. Today, these

many tasks which Mermaid can satisfy alone, are carried out by a range of service providers. With each contributing a single element of the chain, cost and efficiency must be compromised. Discussions have commenced with a large logistics group, which if successful could soon lead to a joint operation, representing our preferred way to offer the strongest possible competition to all comers.

It would be foolhardy to suggest that all these plans will fall conveniently into place in accord with a pre set program. Each activity must grapple with its own particular difficulties, exacerbated by the fact that we are attempting to finish a major project and bring a significant number of businesses on at the same time. All of them, the old established and the new, will be in fierce competition with every other service provider in the North West and we do not expect to win new ground without a fight, but we do have an edge. We also have some very special people, many of them from previous years, others have joined us recently, or are about to join. Whatever the result in twelve months time, I am confident that our business will have at least doubled in revenue terms and that we will have become a force in Australia's North West, unlike any seen there before. My sincere thanks to all those who have worked tirelessly to bring us to this point, the results I have reported here are a credit to you.

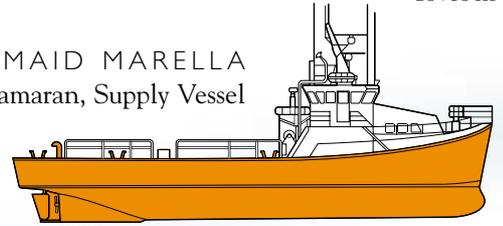


ALAN BIRCHMORE

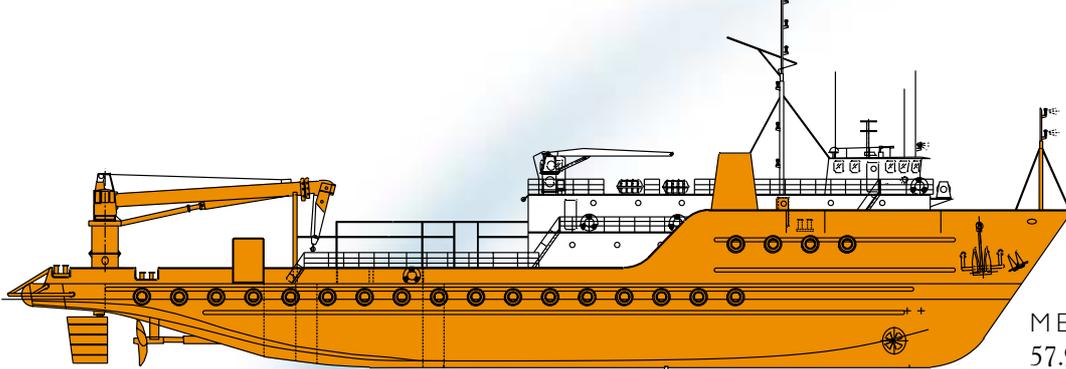
Mermaid Fleet

MERMAID PA
13.63m Utili

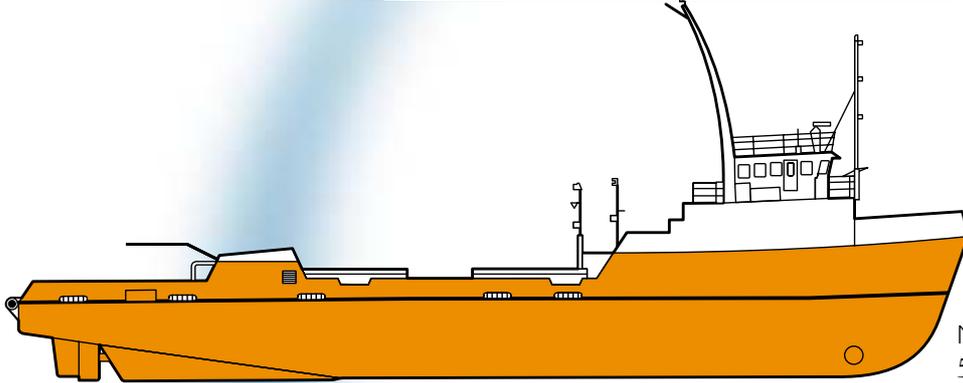
MERMAID MARELLA
24.9m Steel Catamaran, Supply Vessel



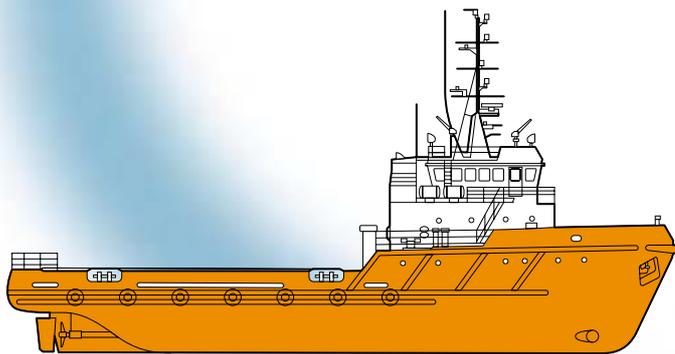
MERMAID CHIEFTAN
21.34m Tug, work boat



MERMAID EXPLORER
57.9m Survey, Utility, Standby Vessel

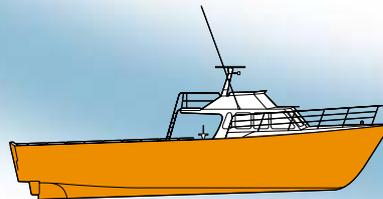


MERMAID RAIDER
50m Supply/Standby Vessel

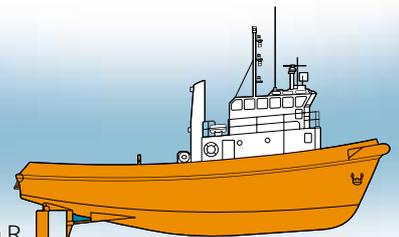


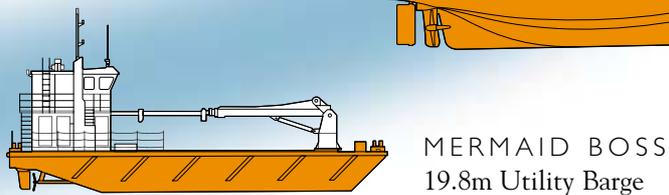
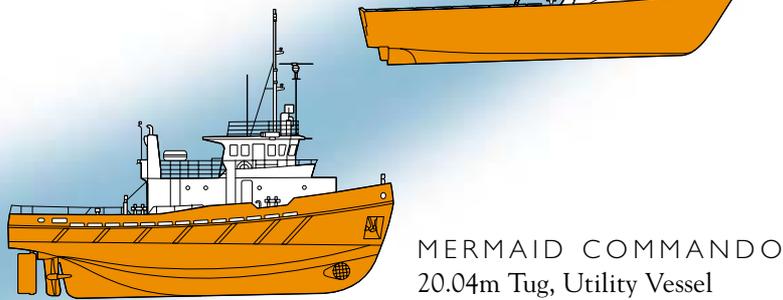
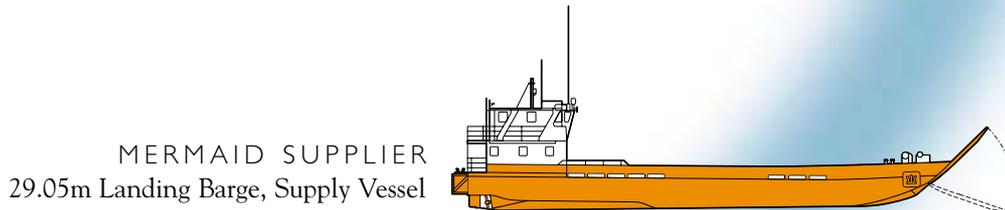
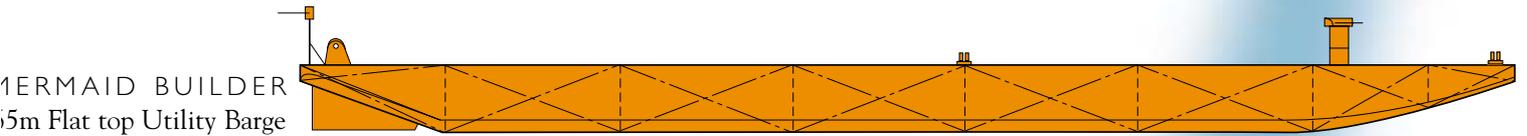
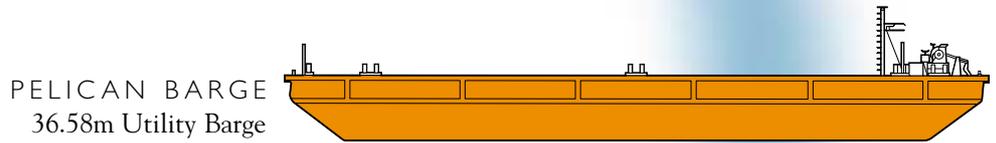
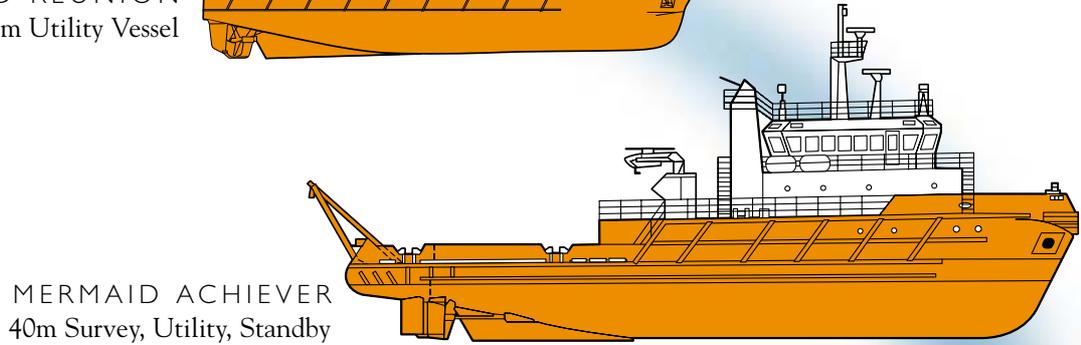
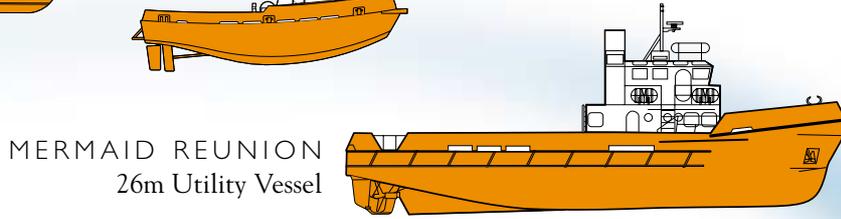
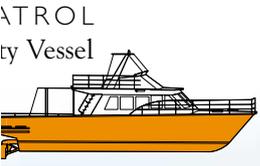
MERMAID EAGLE
35m Towing, Utility, Supply

MERMAID ARROW
19.95m Crew Boat



MERMAID WARRIOR
19.52m Steel Tug, Work Boat





Corporate Governance Statement

The Directors are responsible for the Corporate Governance practices of Mermaid Marine Australia Limited (hereinafter referred to as ‘the Company’ or ‘Mermaid’). This statement sets out the main Corporate Governance practices that were in operation during the Financial Year.

BOARD OF DIRECTORS

The Board carries out its responsibilities in accordance with the following:

- The Board will comprise at least four directors;
- The Board will be made up of at least one quarter of non-executive directors;
- The directors must between them possess a broad range of skills, qualifications and experience;
- The Board will meet on a regular basis; and
- All available information in connection with items to be discussed at a meeting of the Board will be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- Establishing Mermaid’s goals and developing strategic plans to achieve them;
- The review and adoption of annual budgets and cashflow forecasts for the financial performance of Mermaid and monitoring the results on an ongoing basis;
- Identifying business risks and implementing actions to manage those risks;
- Developing an effective management and corporate system to ensure safety, quality, measure progress and exercise control;
- Ensuring the employment and further development of efficient and qualified staff for the growth of the Company’s business consistent with industry leadership;
- Identifying and developing strategic relationships for growth and access to specialist expertise; and
- Develop clear and accurate annual and half-yearly financial reports for Mermaid shareholders.

INDEPENDENT PROFESSIONAL ADVICE

Subject to the Chairman's prior approval (not to be unreasonably withheld), directors, at Mermaid's expense, may obtain independent professional advice on issues arising in the course of their duties.

COMPOSITION OF THE BOARD

No formal nomination committee or procedures have been adopted for the identification, appointment and review of Board membership, but an informal assessment process facilitated by the Chairman operates in consultation with Mermaid's professional advisors.

In relation to Board membership, Mermaid is committed to:

- It's Board comprising directors with a blend of skills, experience and attributes appropriate to its business and stage of development; and
- The principle criterion for the appointment of new directors being their ability to add value to Mermaid's business through their professionalism, integrity and experience.

REMUNERATION ARRANGEMENTS

The remuneration of executive directors will be decided by the Board without the affected executive director participating in that decision making process.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, Corporations Act 2001 and the ASX Listing Rules.

The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the value to Mermaid of the contributions by non-executive directors.

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of Mermaid.



AUDIT COMMITTEE

The Board has a separately constituted audit committee. The current members of the audit committee are:

- A G Birchmore
- J A S Mews
- A J Howarth

IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience enables accurate identification of the principal risks which may affect the Company's business and are therefore recurring items for deliberation at Board meetings.

ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of the highest ethical standards to underpin Mermaid's operations and corporate practices.

Your directors submit their Annual Financial Report for the Financial Year ended 30 June 2001. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The directors in office during or since the end of the Financial Year are:

ALAN GORDON BIRCHMORE

Chairman - Appointed 12 August 1998

Alan Birchmore has occupied senior management and board appointments in Australia, England, Mainland Europe and the United States of America, with direct responsibility over a range of financial, industrial and mining operations associated with the Bond Group. Chief Executive of the New York listed Bond International Gold, he was responsible for a worldwide workforce of 6,000 employees, in Canada, the United States and South America, in Australia, the Company developed the Superpit at Kalgoorlie and successfully ran that as Australia's largest gold mining operation in joint venture with Homestake of the US. He also sat on the Argyle joint venture as one of the three principles during the period it developed the world's largest diamond mine. In 1990, as a major shareholder, he became Chairman of St Barbara Mines Ltd. Once listed and during the time of his stewardship the Company became highly profitable, registering market capitalisation growth from \$12 million to over \$440 million, he retired from the Board of St. Barbara in 1997. In recent years he has chaired enquiries in the agricultural sector, addressing National Competition policy and is a fellow of the Australian Institute of Company Directors.



MARK FRANCIS BRADLEY

Director and Chief Executive Officer - Appointed 22 September 2000

A civil engineer with a track record of senior offshore engineering management, Mark joined the J. Ray McDermott Company in 1977 for service in Bass Strait on Esso's Tuna/Mackerel project. During the following 14 years, of technically challenging work, Mark held senior positions with the Company in Indonesia, Singapore, Malaysia, Dubai and Saudi Arabia. Still with McDermott, but returning to Australia, he then worked on new projects in Bass Strait and finally the Woodside North Rankin A and Goodwyn A platforms on the North West Shelf in Western Australia. In 1991, Mark joined Clough Offshore as project manager of a number of North West Shelf projects, followed by duties in Thailand, China and Indonesia.



By 1993, he was operations/project manager for BHP's Griffin project and by 1994 became Managing Director of Clough Offshore. A highly talented manager, Mark then presided over the five fold growth of Clough Offshore, which was to make the Western Australian company one of the best equipped, professional and competitive groups in the offshore contracting business. In 1997, he joined the Board of Clough Engineering as an Executive Director, retiring to become a shareholder and CEO of Mermaid in 2000.



JAMES HENRY CARVER

Non-Executive Director - Appointed 29 June 1998

Captain James Carver is a Ships Master with over 30 years direct experience in the marine industry. He was Woodside Petroleum's first ships master, carrying out marine operations in the LNG development. Captain Carver was involved in exploration, construction and production of most oil and gas projects on the North West Shelf. He has in-depth knowledge of the industry, its needs and its future. Establishing the company in 1982, Jim pursued a "can do" attitude at sea and on shore. Under his direction the fleet grew from 1 to 15 vessels and the Base at Dampier secured for the present expansion and exiting future.



DERRICE-ANN DILLON

Executive Director - Corporate

Derrice took a leading role in the listing of Mermaid Marine in 1999 and headed up the Company's accounting, systems and administration. She was appointed as National Representative for the offshore Maritime Industry on the Seacare Authority by the Minister for Workplace Relations and was a hard working and diligent Director during her time with the Company. Derrice has expressed her wish to retire from the Board and will not offer herself for re-election. She goes with our very best wishes and thanks for a job well done.

ANTHONY JOHN HOWARTH

Non-Executive Director - Appointed 5 July 2001

Tony Howarth is the Chief Executive Officer of Challenge Bank. He has worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He is also Chairman of AlintaGas Limited, a Board Member of St John of God Health Care Governing Board and President of the Chamber of Commerce and Industry of Western Australia. He is a member of a number of community organisations including the Prime Minister's Community Business partnership and the Major Performing Arts Board Australia Council.



JEFFREY ARTHUR SYDNEY MEWS

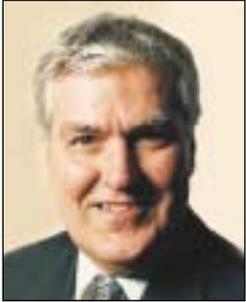
Non-Executive Director - Appointed 12 August 1998

Jeff Mews is a Fellow of the Institute of Chartered Accountants in Australia, Associate of the Australian Society of Certified Practising Accountants, Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia.



In 1998 Jeff retired from the partnership of PricewaterhouseCoopers after over 22 years as a partner in the taxation consulting division. Jeff has had extensive experience in the oil, gas and mining industries and has been directly involved, at a senior level, with most major resource projects in Western Australia since the 1970s. He is a past Chairman of the Western Australian Division of the Taxation Institute of Australia.

Jeff currently serves as a Member of the Salaries and Allowances Tribunal for the State of Western Australia and is a Founding Governor of the Malcolm Sargent Cancer Fund for Children in Western Australia.



RICHARD MALCOLM REID

Non-Executive Director - Appointed 22 September 2000

Richard Reid is a Fellow of the Institute of Chartered Accountants. After extensive experience in senior auditing positions in London, Belgium and Perth he joined the Clough Group in 1980. Since 1983 he has been the Finance Director of the main operating company. He is a Director of Clough Limited, the listed parent company, and a Director of a number of the Group's subsidiaries, joint ventures and associates.

Richard has been intimately involved in all the Clough Group's major projects and acquisitions over the past twenty years and the successful listing of both parent company Clough Limited on the Australian Stock Exchange in 1998 and its subsidiary PT Petrosea Tbk on the Jakarta Stock Exchange in 1990. He has significant Australian and overseas experience in Engineering and Construction; Property and other Investments in both Finance and Management

CHRISTOPHER GLEN SUTHERLAND

Alternate Non-Executive Director -Appointed 29 September 2000

Christopher Sutherland is a Fellow of the Institute of Engineers and has extensive experience in offshore and subsea engineering and construction businesses. Previously Managing Director of a major subsea remote system company. Chris is currently the General Manager Asia of Clough Offshore Ltd.

PRINCIPAL ACTIVITIES

Mermaid's principal activities during the course of the Financial Year were:

- Operating crewed vessel charters;
- Vessel manning, management and logistics;
- Operating supply base facilities; and
- Equipment hire.

Major additions to the above activities will commence during the current year as the Dampier project is progressively commissioned. Details are to be found in the 'Chairman's address' and 'operations review' of this report, (together the "Chairman's and operations reviews").

DIVIDEND

In respect of the financial year ended 30 June 2001, the directors recommend the payment of a final dividend of 2.0 cents per share franked to 100 per cent at 30 per cent corporate income tax rate to the holders of fully paid ordinary shares on 9 October 2001.

REVIEW OF OPERATIONS

A review of operations for the Financial Year and the results of those operations are set out in the Chairman's address and operations reviews.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Chairman's address and operations reviews set out the matters which have had a significant effect on the state of affairs of Mermaid. Other than those matters there were no significant changes in the state of affairs of Mermaid during the Financial Year.



SUBSEQUENT EVENTS

On 13 July 2001, Mermaid Marine Australia Limited and Apache Energy Limited entered into a contract to undertake offshore engineering works in the Carnavon Basin as a prime contractor. The contract is worth \$8m in revenue to Mermaid Marine Australia Limited.

On 26 July 2001, Mermaid Marine Australia Limited entered into a Memorandum of Understanding with Clough Engineering Ltd with the intent to joint venture a tender for the Bambra field pipeline and platform installation works.

On 5 August 2001, the Company granted 150,000 Director Options to Mr A J Howarth upon joining the Board of Directors of the Company.

On 13 August 2001 the Company, as part of its financing arrangements with the National Australia Bank, relating to the Dampier Supply Base Expansion, agreed to lodge \$6.5 million on Term Deposit under Letter of Set-off.

The financial effect of each of the above events has not been reflected in these financial statements.

There have not been any other matters or circumstances, other than those referred to in the Chairman's and Operations Reviews and/or in the financial statements and notes attached thereto, that have arisen since the end of the Financial Year that have significantly affected, or may significantly affect Mermaid's operations, the results of those operations or its state of affairs in future financial years.

FUTURE DEVELOPMENTS

The Chairman's and Operations Reviews give indications, in general terms, of likely developments in Mermaid's operations in future financial years and the expected results of those operations.

ENVIRONMENTAL REGULATION

The Environmental Management System relating to the development of the Company's Dampier Supply Base has been approved and audited by the Department of Environmental Protection.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

During the Financial Year, Mermaid paid a premium for a contract insuring all of the directors of the Company, the company secretaries and all executive officers of Mermaid against any liability incurred by such director, secretary or executive officer during the course of their duties as such director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The policy does not allocate an identifiable part of the premium to specific directors or officers. Accordingly, the premium paid has not been apportioned to directors' remuneration.

The company has not otherwise during or since the end of the Financial Year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the Financial Year and the number of meetings attended by each director whilst they were a director of the Company. During the Financial Year, 17 board meetings were held. The only board committee, the audit committee, met once during the Financial Year.

Directors	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
A G Birchmore	17	17	1	1
M F Bradley	12	10	–	–
J H Carver	17	13	–	–
D A Dillon	17	14	–	–
J A S Mews	17	13	1	1
R M Reid	12	8	–	–
C G Sutherland (Alternate)	12	4	–	–
A J Howarth	–	–	–	–

DIRECTORS' SHAREHOLDINGS

As at the date of this report, directors' interests in shares and options of the Company are as follows:

Directors	Shares Direct	Shares Indirect	Share Options Direct	Share Options Indirect
A G Birchmore	24,000	13,623,300	546,000	204,000
M F Bradley	6,666,666	–	500,000	–
J H Carver	13,631,300	–	500,000	20,000
D A Dillon	–	615,000	500,000	–
J A S Mews	–	1,500,000	200,000	–
R M Reid	–	–	200,000	–
A J Howarth	–	–	150,000	–

DIRECTORS' AND EXECUTIVE REMUNERATION

The Board reviews the remuneration packages of all directors and executive officers on an annual basis. Remuneration packages may contain as key elements:

- Salary;
- Benefits - including the provision of motor vehicle and superannuation; and
- Incentive Schemes - including share options.

The table immediately below sets out the total remuneration of directors of the Company for the financial year. No options have been issued to directors pursuant to the Employee Option Plan.

Name	Office	Salary \$	Benefits	Options	Total \$
			(i) \$	Granted (ii) \$	
A G Birchmore	Chairman	128,076	10,306	5,000	143,382
M F Bradley*	Chief Executive Officer	178,850	14,308	5,000	198,158
J H Carver	Non-Executive Director	114,914	10,520	5,000	130,434
D A Dillon	Executive Director	172,806	16,474	5,000	194,280
J A S Mews	Non-Executive Director	30,230	2,418	2,000	34,648
R M Reid	Non-Executive Director	22,500	1,800	2,000	26,300

* Executive Director employed part way through the financial year.

- (i) 'Benefits' includes superannuation, provision of motor vehicles and related fringe benefits tax
- (ii) Options Granted - includes the Directors' Options as disclosed in note 24 to the financial statements. The valuation is based on the Black-Scholes model calculated which assumes a willing buyer and a willing seller in an active market. It should be noted that these options are not quoted and not transferable.

The table immediately below sets out the total remuneration received by the Five (5) highest remunerated executive officers of Mermaid during the financial year. These Five (5) are the only executive officers who meet the disclosure criteria.

Name	Office	Salary \$	Other (i) \$	Options Granted (ii) \$	Total \$
R Graham-Measor	Quality Control & Safety Manager	80,784	86,206	600	167,590
L Churchill	Engineering Manager	113,012	19,526	1,000	133,538
I Widdicombe*	General Manager - Projects	113,960	9,116	1,500	124,576
H Somic	Marketing Manager	111,461	8,916	800	121,177
B Gore*	General Manager - Corporate	103,846	8,307	1,000	113,153

* Executive officers employed part way through the financial year.

- (i) 'Other' includes superannuation, provision of motor vehicles and related fringe benefits tax.
- (ii) Options Granted - includes the executive and employee share plan as disclosed in note 24 to the financial statements. The valuation is based on the Black-Scholes model calculated which assumes a willing buyer and a willing seller in an active market. It should be noted that these options are not quoted and not transferable.

SHARE OPTIONS

As at the date of this report the Company had a total of 9,792,405 unissued shares under option as follows:

November 2001 Options.

As at the date of this report there are outstanding 5,769,905 options to acquire 5,769,905 ordinary shares in the Company at an issue price of 75 cents per ordinary share. Each of these options expires on 30 November 2001.

On 14 November 2000 shareholders at the Annual General Meeting of the Company, approved the invitation for each holder of November 2000 Options to subscribe for one November 2001 Option for each November 2000 Option held on its expiry at an issue price of 1 cent each.

There is no inherent right arising from these options to participate in any new issue of shares in the Company which may be offered to shareholders from time to time prior to the exercise of the options. The Company will ensure however, that during the exercise period, for the purpose of determining entitlement to any new issue, the relevant record date will be at least 12 business days after the new issue is exercised, so as to give the holder of options an opportunity to exercise their options prior to the relevant record date of any new issue.

Director and Executive Share Options

During and since the end of the financial year an aggregate of 3,140,000 share options were granted to the following directors and executives of the Company:

Directors and Executive	Number of Options Granted	Issuing Entity	Number of Ordinary Shares Under Option
Directors			
A G Birchmore	500,000	Mermaid Marine Australia Limited	500,000
M F Bradley	500,000	Mermaid Marine Australia Limited	500,000
J H Carver	500,000	Mermaid Marine Australia Limited	500,000
D A Dillon	500,000	Mermaid Marine Australia Limited	500,000
J A S Mews	200,000	Mermaid Marine Australia Limited	200,000
R M Reid	200,000	Mermaid Marine Australia Limited	200,000
A J Howarth	150,000	Mermaid Marine Australia Limited	150,000

Executives

I Widdicombe	150,000	Mermaid Marine Australia Limited	150,000
B Gore	100,000	Mermaid Marine Australia Limited	100,000
D Verboon	100,000	Mermaid Marine Australia Limited	100,000
L Churchill	100,000	Mermaid Marine Australia Limited	100,000
H Somic	80,000	Mermaid Marine Australia Limited	80,000
R Graham-Measor	60,000	Mermaid Marine Australia Limited	60,000

Executive Share Options

In accordance with the provisions of the Company's Employee Share Option Incentive Plan (the "Employee Option Plan"), as at the date of this report executives are entitled to purchase an aggregate of 570,000 shares in the Company.

The 570,000 shares under option pursuant to the Employee Option Plan, may be purchased within 12 months of 24 November 2001 at an issue price of 58 cents per share or within 12 months of 24 November 2001 at an issue price of 69 cents per share. ("**November 2002 Executive Officer Options**")

During the financial year, an aggregate of 240,000 November 2002 Executive Officer Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue 240,000 ordinary shares of the Company of 58 cents per ordinary share.

Employee Share Options

During the financial year the balance of the June 2001 Employee Options granted on 18 June 1999 expired. An aggregate of 217,500 options were exercised at 60 and 70 cents respectively.

In accordance with the provisions of the Company's Employee Share Option Incentive Plan (the "Employee Option Plan"), as at the date of this report employees are entitled to purchase an aggregate of 902,500 ordinary shares in the Company.

Of the 902,500 shares under option pursuant to the Employee Option Plan, half (451,250) may be purchased within 12 months of 24 November 2000 at an issue price of 58 cents per share and half (451,250) may be purchased within 12 months of 24 November 2001 at an issue price of 69 cents per share. ("**November 2002 Employee Options**")

During the financial year, an aggregate of 217,500 June 2001 Employee Options and 17,500 November 2002 Employee Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of:

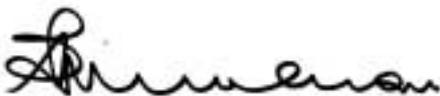
- 17,500 ordinary shares of the Company at an issue price of 58 cents per ordinary share;
- 132,500 ordinary shares of the Company at an issue price of 60 cents per ordinary share;
- 85,000 ordinary shares of the Company at an issue price of 70 cents per ordinary share;

Holders of options over unissued shares in the Company do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

Further details of the Employee Option Plan are disclosed in Note 24 to the financial statements.

Signed in accordance with a resolution of directors made pursuant to S.298(2) of the Corporations Act 2001.

On behalf of the Directors



Alan Birchmore
Chairman

Fremantle, 30 August 2001

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Statement of Financial Performance

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
Revenue from ordinary activities		27,063,355	15,349,774	1,675,310	190,559
Share of net profits of associate accounted for using the equity method		11,740	–	–	–
Vessel expenses		(13,996,737)	(8,389,664)	–	–
Supply base expenses		(2,278,278)	(1,889,884)	–	–
Administrative expenses		(4,875,861)	(4,264,349)	(2,753)	–
Borrowing costs		(1,385,895)	(1,089,368)	(29,285)	–
Profit (Loss) From Ordinary Activities Before Income Tax Expense	2,3	4,538,324	(283,491)	1,643,272	190,559
Income tax expense (benefit) relating to ordinary activities	4	1,026,863	(75,534)	48,712	–
Profit (Loss) From Ordinary Activities After Related Income Tax Expense		3,511,461	(207,957)	1,594,560	190,559
Net Profit (Loss)		3,511,461	(207,957)	1,594,560	190,559
Net Profit (Loss) Attributable to Members of the Parent Entity		3,511,461	(207,957)	1,594,560	190,559
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners.	20	3,511,461	(207,957)	1,594,560	190,559
Earnings Per Share					
- Basic (cents per share)	26	6.42	(0.62)		
- Diluted (cents per share)	26	5.82	(0.21)		

Notes to the financial statements are included in pages 33 to 64.

Statement of Financial Position

AS AT 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
Current Assets					
Cash assets		10,939,577	3,004,977	10,511,043	2,342,400
Receivables	6	8,544,930	3,145,023	–	–
Inventories	7	483,881	508,851	–	–
Other financial assets	8	240,441	11,184	1,500,000	76,382
Current tax assets	9	–	273,866	–	–
Other	10	632,934	163,077	–	–
Total Current Assets		20,841,763	7,106,978	12,011,043	2,418,782
Non-Current Assets					
Investments accounted for using the equity method	11	251,740	–	–	–
Other financial assets	8	–	–	14,263,647	6,626,587
Property, plant & equipment	12	46,324,114	24,434,964	–	–
Deferred tax assets	9	225,938	664,722	–	–
Total Non-Current Assets		46,801,792	25,099,686	14,263,647	6,626,587
Total Assets		67,643,555	32,206,664	26,274,690	9,045,369
Current Liabilities					
Payables	14	10,594,879	2,363,506	522,500	–
Interest-bearing liabilities	15	1,711,219	1,185,305	–	–
Provisions	16	2,133,196	371,518	1,506,648	–
Current tax liabilities	17	512,757	–	48,712	–
Total Current Liabilities		14,952,051	3,920,329	2,077,860	–
Non-Current Liabilities					
Interest-bearing liabilities	15	20,520,369	12,718,592	–	–
Provisions	16	77,343	222,758	–	–
Deferred tax liabilities	17	1,266,609	1,586,164	–	–
Total Non-Current Liabilities		21,864,321	14,527,514	–	–
Total Liabilities		36,816,372	18,447,843	2,077,860	–
Net Assets		30,827,183	13,758,821	24,196,830	9,045,369
Equity					
Contributed equity	18	23,883,549	8,820,000	23,883,549	8,820,000
Reserves	19	3,763,956	3,763,956	–	–
Retained profits	20	3,179,678	1,174,865	313,281	225,369
Total Equity		30,827,183	13,758,821	24,196,830	9,045,369

Notes to the Financial Statements are included in pages 33 to 64.

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Receipts from customers		25,043,763	16,077,952	2,240	–
Interest received		209,982	210,840	173,068	185,959
Payments to suppliers and employees		(21,111,359)	(12,871,266)	(2,753)	(162,376)
Income tax paid		(381,554)	(710,661)	–	–
Income tax received		273,864	120,708	–	64,716
Interest and other costs of finance paid		(1,315,290)	(1,165,742)	(29,285)	–
Net Cash Provided By Operating Activities	21(a)	2,719,406	1,661,831	143,270	88,299
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(18,243,791)	(3,345,578)	–	–
Proceeds from sale of property, plant and equipment		14,500	225,000	–	–
Amounts advanced to related parties		(229,256)	–	(7,320,677)	(2,601,184)
Net Cash Provided By / (Used In) Investing Activities		(18,458,547)	(3,120,578)	(7,320,677)	(2,601,184)
Cash Flows from Financing Activities					
Proceeds on refinancing of vessel		–	500,000	–	–
Hire purchase principal payments		(1,446,358)	(1,151,665)	–	–
Repayment of loans – other persons		–	5,590	–	–
Dividends paid		–	(537,500)	–	(537,500)
Proceeds from borrowings		9,774,049	–	–	–
Proceeds from issue of shares		15,346,050	–	15,346,050	–
Net Cash Provided By / (Used In) Financing Activities		23,673,741	(1,183,575)	15,346,050	(537,500)
Net Increase/(Decrease) in Cash Held		7,934,600	(2,642,322)	8,168,643	(3,050,385)
Cash at the Beginning of the Financial Year		3,004,977	5,647,299	2,342,400	5,392,785
Cash at the End of the Financial Year	21(b)	10,939,577	3,004,977	10,511,043	2,342,400

Notes to the Financial Statements are included in pages 33 to 64.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(d) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to buildings under construction and land held for resale are capitalised as part of the cost of those assets.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

(e) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(f) Comparative Amounts

The economic entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosure" and AASB 1040 "Statement of Financial Position" for the first time in the preparation of this financial report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the company or economic entity as reported in the prior year financial report.

(g) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The following rates are used in the calculation of depreciation;

- Leasehold buildings and improvements 2.38% prime costs
- Vessels 4% diminishing value
- Vessel Refits 10% diminishing value
- Plant and equipment 4-40% prime costs
- Motor vehicles 22.5% diminishing value

(h) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

(i) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been used.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(k) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing difference, which occur when items are included or allowed for income tax purposes in a period different to that for accounting is shown at current taxation rate in provision for deferred income tax and future income tax benefit, as applicable.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

(l) Interest-Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowings.

(m) Inventory

Inventory is valued at the lower of cost and net realisable value.

(n) Investments

Investments in controlled entities are recorded at the lower of cost and recoverable amount. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments are recorded at the lower of cost and recoverable amount.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(o) Leased Assets

Hire purchase leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments

A hire purchase lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised hire purchase leased assets are depreciated on a reducing balance basis.

Hire purchase lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(p) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 32 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

(q) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis.

(r) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(s) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Contribution of Assets

Revenue arising from the contribution of assets is recognised when the economic entity gains control of the contribution or the right to receive the contribution.

Liabilities Forgiven

The gross amount of a liability forgiven by a credit provider is recognised as revenue.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

(t) Changes in Accounting Policies

In accordance with Accounting Standard AASB 1041 "Revaluation of Non-Current Assets", on 1 July 2000 the economic entity changed its policy of accounting for leasehold buildings and improvements. In accordance with the new standard, the economic entity has reverted to the cost basis of measurement. The directors have deemed the carrying amount of the leasehold buildings and improvements as at 1 July 2000 to be cost for financial reporting purposes.

Accordingly, the change in accounting policy does not affect the carrying amount of leasehold buildings and improvements recorded in the Financial Statements. However, the balance of the asset revaluation reserve recorded in the Financial Statements as at 1 July 2000 relating to the previous revaluation of leasehold buildings and improvements, amounting to \$3,763,956, is no longer available to absorb any future writedown of leasehold buildings and improvements and has been transferred to a General Reserve.

(u) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in the Statement of Financial Performance in the period in which they arise except that:

- i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- ii. exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

(v) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 10 years.

(w) Project Development Costs

Project development costs are recognised as an expense when incurred, except to the extent that such costs, in relation to the project, are expected, beyond any reasonable doubt, to be recoverable.

Any deferred project development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial operation of the project.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
2. PROFIT (LOSS) FROM ORDINARY ACTIVITIES					
Profit (Loss) from ordinary activities before income tax includes the following items of revenue and expense:					
Operating Revenue					
Rendering of services		26,343,626	14,522,968	–	–
Rental Revenue		495,247	390,966	–	–
Net foreign exchange gain		–	–	2,242	–
Interest - other entities		209,982	210,840	173,068	190,559
Equity share of associates' profits		11,740	–	–	–
Dividends from wholly owned controlled entities		–	–	1,500,000	–
		27,060,595	15,124,774	1,675,310	190,559
Non Operating Revenue					
Proceeds from sale of assets:					
Property, plant and equipment		14,500	225,000	–	–
		14,500	225,000	–	–
Expenses					
Depreciation of non-current assets:					
Leasehold buildings and improvements		202,818	202,300	–	–
Vessels		324,501	382,217	–	–
Vessels - hire purchase		444,434	233,908	–	–
Plant and equipment		487,319	207,824	–	–
Plant and equipment - hire purchase		57,141	52,065	–	–
Net bad and doubtful debts arising from:					
Other entities		3,500	13,136	–	–
Borrowing costs:					
Interest expense - other entities		757,560	574,479	29,285	–
Finance charges - lease finance charges		628,335	514,889	–	–
Operating leases - rental expenses		179,203	88,447	–	–
Net transfers to provisions:					
Employee Entitlements		953,853	1,630,357	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
3. SALES OF ASSETS					
Sales of assets in the ordinary course of business have given rise to the following profits and losses					
Net Profits					
Property, plant and equipment		14,500	20,280	–	–
4. INCOME TAX					
The prima facie income tax expense (benefit) on pre-tax accounting profit (loss) reconciles to the income tax expense (benefit) in the financial statements as follows:					
Profit (loss) from Ordinary Activities		4,538,324	(283,491)	1,643,272	190,559
Income tax expense (benefit) calculated at 34% (2000: 36%) of operating (loss) profit		1,543,030	(102,057)	558,712	68,601
Permanent differences:					
Revaluation depreciation		86,415	85,538	–	–
Entertainment		7,427	5,404	–	–
Legal		5,122	4,707	–	–
Other items		6,947	6,745	–	–
Tax losses transferred from a controlled entity for no consideration		–	–	–	(68,601)
Future income tax benefit not previously recognised now brought to account		(20,850)	–	–	–
Provision for deferred income tax no longer required		(458,480)	–	–	–
Equity share of associates profit		(3,992)	–	–	–
Rebateable dividend		–	–	(510,000)	–
		1,165,619	337	48,712	–
Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 36% to 34% (effective 1 July 2000) and 30% (effective 1 July 2001)		(138,756)	(104,812)	–	–
		1,026,863	(104,475)	48,712	–
(Over)/under provision of income tax in previous year		–	28,941	–	–
Income tax expense (benefit) attributable to operating profit		1,026,863	(75,534)	48,712	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

5. DIVIDENDS PROVIDED FOR OR PAID

	2001		2000	
	Cents per Share	Total \$	Cents per Share	Total \$
Fully Paid Ordinary Shares				
Final dividend - franked to 30% (2000: 34%).	2.00	1,506,648	2.00	1,506,648

	Consolidated		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Adjusted franking account balance	6,557,809	5,814,354	2,305,235	2,111,192

6. RECEIVABLES

CURRENT

Trade receivables	6,716,067	2,716,209	-	-
Provision for doubtful debts	(3,500)	-	-	-
Other receivables	1,019,099	428,814	-	-
Goods and services tax (GST) recoverable	813,264	-	-	-
	8,544,930	3,145,023	-	-

7. INVENTORIES

Consumables – at cost	483,881	508,851	-	-
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8. OTHER FINANCIAL ASSETS

CURRENT

Loans – related parties	240,441	11,184	-	76,382
Non trade receivables from wholly-owned controlled entities	-	-	1,500,000	-
	240,441	11,184	1,500,000	76,382

NON CURRENT

Loans - wholly-owned controlled entities	-	-	11,579,036	4,181,976
Shares in associate entity	-	-	240,000	-
Shares in controlled entities	-	-	2,444,611	2,444,611
	-	-	14,263,647	6,626,587

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
9. TAX ASSETS					
CURRENT					
Income tax receivable		–	273,866	–	–
NON CURRENT					
Future income tax benefit					
Timing differences		225,938	207,611	–	–
Tax losses – revenue		–	457,111	–	–
		225,938	664,722	–	–
10. OTHER CURRENT ASSETS					
Deferred project development costs		128,144	–	–	–
Prepayments		504,790	163,077	–	–
		632,934	163,077	–	–

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2001	2000	2001	2000
		%	%	\$	\$
Associates					
Mermaid Labour & Management Pty Ltd	Labour supply and industrial relations management	50%	0%	251,740	–
				251,740	–

- (i) The 50% equity interest in Mermaid Labour & Management Pty Ltd was acquired on 1 July 2000 for \$240,000 by issue for shares.
- (ii) Pursuant to a shareholder agreement the company has the right to cast 50% of the votes at shareholder meetings.
- (iii) The reporting date of Mermaid Labour & Management Pty Ltd is 30 June 2001.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Consolidated	
	2001	2000
	\$	\$
Movement in Investments in Associate		
Equity accounted amount of investment at the beginning of the financial year	–	–
Acquisition of interests in associates	240,000	–
Share of profit from ordinary activities before income tax expense	30,151	–
Share of income tax expense related to ordinary activities	(18,411)	–
Equity accounted amount of investment at the end of the financial year	<u>251,740</u>	–
Summarised Financial Position of Associates		
Current assets		
Cash	627,998	–
Non-current assets		
Plant and equipment	3,206	–
Other	15,932	–
Current liabilities		
Payables	(538,830)	–
Tax liabilities	(36,822)	–
		–
Net Assets	<u>71,484</u>	–
Net Profit	<u>71,480</u>	–
Share of Reserves Attributable to Associates		
Retained profits		
at the beginning of the financial year	–	–
at the end of the financial year	<u>11,740</u>	–

Contingent Liabilities and Capital Commitments

The economic entity's share of the contingent liabilities, capital commitments and other expenditure commitments of the associate entity are nil.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

12. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Capital works		Leasehold		Vessels -		Plant and		TOTAL	
	in progress - leasehold	buildings and improvements	buildings and improvements	hire purchase	hire purchase	Equipment - at cost	Equipment - hire purchase	- at cost	- at cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross Carrying Amount										
Balance at 30 June 2000	1,485,886	8,500,000	7,748,302	6,184,865	2,621,336	347,785	26,888,174			
Additions	15,867,130	-	334,927	6,127,991	1,075,315	-	23,405,363			
Disposals	-	-	-	-	(32,802)	-	(32,802)			
Balance at 30 June 2001	17,353,016	8,500,000	8,083,229	12,312,856	3,663,849	347,785	50,260,735			
Accumulated Depreciation										
Balance at 30 June 2000	(373)	(302,619)	(625,559)	(580,619)	(816,726)	(127,314)	(2,453,210)			
Disposals	-	-	-	-	32,802	-	32,802			
Depreciation expense	-	(202,818)	(324,501)	(444,434)	(487,319)	(57,141)	(1,516,213)			
Balance at 30 June 2001	(373)	(505,437)	(950,060)	(1,025,053)	(1,271,243)	(184,455)	(3,936,621)			
Net Book Value										
As at 30 June 2000	1,485,513	8,197,381	7,122,743	5,604,246	1,804,610	220,471	24,434,964			
As at 30 June 2001	17,352,643	7,994,563	7,133,169	11,287,803	2,392,606	163,330	46,324,114			

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 of the Financial Statements

Leasehold Buildings and Improvements now carried at cost were valued during 1998 using an independent valuer which assessed the value at \$8.5 million.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

13. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in notes 15 to the financial statements, effectively all non-current assets of the economic entity have been pledged as security, except future income tax benefits.

The economic entity does not hold title to the equipment under finance lease pledged as security.

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
14. CURRENT PAYABLES					
GST Payable		533,688	–	–	–
Trade payables		6,679,833	1,844,206	–	–
Other payables and accruals		3,381,358	519,300	522,500	–
		10,594,879	2,363,506	522,500	–

15. INTEREST – BEARING LIABILITIES

CURRENT

Hire purchase liability					
– secured (i)	23(b)	1,711,219	1,185,305	–	–

NON CURRENT

Hire purchase liability					
– secured (i)	23(b)	8,734,689	6,218,592	–	–
Bank loan – secured (ii)		11,785,682	6,500,000	–	–
		20,520,371	12,718,592	–	–

- (i) The hire purchase liability is secured by a charge over the respective assets.
- (ii) The bank loan is secured by mortgage debentures over the assets and undertakings of certain controlled entities, registered ships mortgages over the vessels of certain controlled entities and a registered mortgage by way of sub-demise of the King Bay Base Lease.

16. PROVISIONS

CURRENT PROVISIONS

Dividends		1,506,648	–	1,506,648	–
Provision for Workers' Compensation		15,050	–	–	–
Employee entitlements (i)		611,498	371,518	–	–
		2,133,196	371,518	1,506,648	–

NON CURRENT PROVISIONS

Employee entitlements (i)		77,743	222,758	–	–
		77,743	222,758	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
(i) Employee Entitlements					
The aggregate employee entitlements liability recognised and included in the financial statements is as follows:					
Provision for Employee entitlements:					
Current		611,498	371,518	–	–
Non-current		77,343	222,758	–	–
		<u>688,841</u>	<u>594,276</u>	<u>–</u>	<u>–</u>
		Consolidated		Company	
		2001	2000	2001	2000
		No.	No.	No.	No.
Number of employees at end of financial year		131	113	–	–
		Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
17. TAX LIABILITIES					
CURRENT TAX LIABILITIES					
Income tax payable		512,757	–	48,712	–
DEFERRED TAX LIABILITIES					
Provision for deferred income tax		1,266,609	1,586,164	–	–
18. CONTRIBUTED EQUITY					
Contributed Equity					
75,227,380 fully paid ordinary shares (2000: 43,000,000)		23,825,850	8,820,000	23,825,850	8,820,000
Option premium on options		57,699	–	57,699	–
		<u>23,883,549</u>	<u>8,820,000</u>	<u>23,883,549</u>	<u>8,820,000</u>
		2001		2000	
		No.	\$	No.	\$
Fully Paid Ordinary Share Capital					
Balance at beginning of financial year		43,000,000	8,820,000	43,000,000	8,820,000
Issue of shares under executive and employee share option plan (note 24)		475,000	288,350	–	–
Issue of shares		31,752,380	14,717,500	–	–
Balance at end of financial year		<u>75,227,380</u>	<u>23,825,850</u>	<u>43,000,000</u>	<u>8,820,000</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Capital Issued during the Financial Year

During the financial year the Company issued 30,952,380 ordinary shares, each fully paid.

During the financial year the Company issued 800,000 ordinary shares, each fully paid, to acquire a 50% interest in Mermaid Labour & Management Pty Ltd.

During the financial year the Company issued 475,000 ordinary shares, each fully paid, in accordance with the provisions of the Employee Share Option Plan.

Share Options

Refer to Note 24 for details of the Employee Share Option Incentive Plan.

Option Premium

Balance at the beginning of financial year

Issue of Options

Balance at the end of financial year

–	–	–	–
57,699	–	57,699	–
57,699	–	57,699	–

19. RESERVES

(a) Reserves Comprise

Asset revaluation reserve

General reserve

–	3,763,956	–	–
3,763,956	–	–	–
3,763,956	3,763,956	–	–

(b) Movements in Reserves

Asset revaluation reserve

Balance at the beginning of financial year

Transfer to General reserve

Balance at the end of financial year

General reserve

Balance at the beginning of financial year

Transfer from Asset revaluation reserve

Balance at the end of financial year

3,763,956	3,763,956	–	–
(3,763,956)	–	–	–
–	3,763,956	–	–
–	–	–	–
3,763,956	–	–	–
3,763,956	–	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
20. RETAINED PROFITS					
Balance at beginning of financial year		1,174,865	1,382,822	225,369	34,810
Net Profit (loss)		3,511,461	(207,957)	1,594,560	190,559
Dividends provided for or paid		(1,506,648)	–	(1,506,648)	–
Balance at end of financial year		3,179,678	1,174,865	313,281	225,369

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Profit (loss) from Ordinary Activities After related income tax to net cash flows from operating activities

Profit (loss) from ordinary activities after related income tax		3,511,461	(207,957)	1,594,560	190,559
Depreciation of non current assets		1,516,213	1,078,314	–	–
Provision for employee entitlements		94,564	(247,618)	–	–
(Profit)/Loss on sale of property, plant and equipment		(14,500)	(20,280)	–	–
Write back of loan		–	(93,581)	–	–
Dividend receivable from controlled entity		–	–	(1,500,000)	–
Share of associates' profit		(11,740)	–	–	–
Increase / (Decrease) Provision for income tax		786,623	(718,533)	48,711	(3,885)
(Increase) / Decrease Future income tax benefit		438,784	(346,520)	–	–
Increase / (Decrease) Provision for deferred tax		(319,555)	455,312	–	–
Changes in net assets and liabilities					
<i>(Increase)/Decrease in assets:</i>					
Current receivables		(3,996,358)	1,361,086	–	–
Other receivables		(869,860)	(197,069)	–	–
Prepayments		(341,713)	10,752	–	–
Deferred project development costs		(128,144)	–	–	–
Current Inventories		24,968	(161,355)	–	–
<i>Increase/(Decrease) in liabilities:</i>					
Provisions		15,050	–	–	–
Trade payables		2,013,613	749,280	–	(98,375)
Net cash flows from operating activities		2,719,406	1,661,831	143,271	88,299

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
(b) Reconciliation of cash					
Cash balance comprises:					
Cash at bank		10,939,577	3,004,977	10,511,043	2,342,400

(c) Non-Cash Financing and Investing Activities

During the financial year, the economic entity acquired an investment in an associate entity for \$240,000 by the issue of shares. This acquisition is not reflected in the statement of cash flows.

(d) Financing facilities

During the financial year, the economic entity procured a commercial bill facility totalling \$14.4m. The facility relates to the Dampier Supply Base Expansion.

Secured loan facilities with various Maturing dates through to 2004 and which may be extended by mutual agreement:

- Amount used		11,785,682	6,500,000	-	-
- Amount unused		9,114,318	-	-	-
		20,900,000	6,500,000	-	-

22. EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

Plant and Equipment

Not longer than 1 year		12,700,000	-	-	-
Longer than 1 year and not longer than 5 years.		2,450,000	-	-	-
		15,150,000	-	-	-

(b) Lease Commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 23 to the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
23. LEASES					
(a) Hire Purchase Contracts					
Not later than 1 year		2,380,438	1,676,437	–	–
Later than 1 year and not later than 5 years		5,917,422	7,050,689	–	–
Later than 5 years		3,760,689	–	–	–
Minimum future payments		12,058,549	8,727,126	–	–
Less future finance charges		(1,612,641)	(1,323,229)	–	–
Hire purchase liability		10,445,908	7,403,897	–	–
Included in the financial statements as:					
Current interest bearing liability – current (note 15)		1,711,219	1,185,305	–	–
Current interest bearing liability – non current (note 15)		8,734,689	6,218,592	–	–
		10,445,908	7,403,897	–	–
(b) Operating Leases					
Not later than 1 year		247,300	171,733	–	–
Later than 1 year and not later than 5 years		513,262	518,085	–	–
Later than 5 years		596,093	640,247	–	–
Aggregate lease expenditure contracted for at balance date		1,356,655	1,330,065	–	–
Aggregate operating lease commitments comprise:					
Office rental commitments		485,114	442,705	–	–
Supply base rental commitments		816,868	861,022	–	–
Other		54,673	26,338	–	–
		1,356,655	1,330,065	–	–

Corporate Office Premises

During September 1999 the Company relocated its Corporate Office from Quarry Street, Fremantle to its current premises at Mews Road, Fremantle. Office rental commitments contains the rental payable under the balance of the lease for the Company's Quarry Street premises which have been sublet for the balance of the term of the lease at a rental equal to the rental payable by the Company under the Sub Lease of \$25,375. The Quarry Street lease expires on 12 May 2002.

The Mews Road premises is committed under a 5 year plus 5 year option arrangement commencing 1 May 1999 with an annual rental of \$163,754 per annum.

Supply Base

Supply base rental commitments represents the lease of the King Bay Supply Base for a term of 21 years commencing 1 January 1999 with an option to renew the term for a further period of 21 years.

During the year the Lessee obtained the necessary approvals required under the Lease for certain development of works ("Development Works"). The Company is required to perform the Development Works within 3 years. The Development Works planned include breakwater, dredged basin, cyclone moorings, slipway, quay wall and industrial buildings.

If the Development Works are not completed within the prescribed period, the Lessor has the right (unless it is satisfied that the non completion was due principally to matters beyond the Company's control) to vary the Lease by retaking 2.3 hectares at the western extremity of the site.

The approved use of the site is for the purpose of conducting a multi purpose marine service facility and supply base including but not limited to open and covered laydown and storage, warehousing, production and storage of drilling mud and other drilling supplies, operating and maintaining vessels and floating plant together with associated docking, maintenance and engineering works. Any other uses require the prior written consent of the Lessor.

Restrictions apply to the assignment or subletting of the site (or any part) without prior consent of the Lessor, although that consent cannot unreasonably be withheld (subject to "usual" prudential requirements common to leases in Western Australia).

24. SHARE OPTION INCENTIVE PLAN

A Share Option Incentive Plan has been established where directors, executives and employees of the consolidated entity with appropriate seniority and length of service have been issued with options over ordinary shares of Mermaid Marine Australia Limited.

The options cannot be transferred and are not quoted on the ASX.

Director Options

On 14 November 2000 shareholders at the Annual General Meeting of the Company approved the issue of 2,400,000 Director Options on the terms set out in Appendix 2 of the Explanatory Memorandum that was incorporated in and comprised part of the Notice of Annual General Meeting and not pursuant to the Employee Option Plan.

Executive Share Options

In accordance with the provisions of the Company's Employee Share Option Incentive Plan (the "Employee Option Plan"), as at 30 June 2001 executives are entitled to purchase an aggregate of 670,000 shares in the Company.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

The 670,000 shares under option pursuant to the Employee Option Plan, may be purchased within 12 months of 24 November 2001 at an issue price of 58 cents per share or within 12 months of 24 November 2001 at an issue price of 69 cents per share. ("**November 2002 Executive Officer Options**")

During the financial year, an aggregate of 240,000 November 2002 Executive Officer Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue 240,000 ordinary shares of the Company at 58 cents per ordinary share.

Employee Share Options

During the financial year the balance of the June 2001 Employee Options granted on 18 June 1999 expired. An aggregate of 217,500 options were exercised at 60 cents and 70 cents respectively.

In accordance with the provisions of the Company's Employee Share Option Incentive Plan (the "Employee Option Plan"), as at 30 June 2001 employees are entitled to purchase an aggregate of 902,500 ordinary shares in the Company.

Of the 902,500 shares under option pursuant to the Employee Share Option Incentive Plan, half (451,250) may be purchased within 12 months of 24 November 2000 at an issue price of 58 cents per share and half (451,250) may be purchased within 12 months of 24 November 2001 at an issue price of 69 cents per share. ("**November 2002 Employee Options**")

During the financial year, an aggregate of 217,500 June 2001 Employee Options and 17,500 November 2002 Employee Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of:

- 17,500 ordinary shares of the Company at an issue price of 58 cents per ordinary share;
- 132,500 ordinary shares of the Company at an issue price of 60 cents per ordinary share;
- 85,000 ordinary shares of the Company at an issue price of 70 cents per ordinary share;

Holders of options over unissued shares in the Company do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The market value of Mermaid Marine Australia Limited's ordinary shares at 30 June 2001 was 77 cents.

25. SUBSEQUENT EVENTS

On 13 July 2001, Mermaid Marine Australia Limited and Apache Energy Limited entered into a contract to undertake offshore engineering works in the Carnavon Basin as a prime contractor. The contract is worth \$8m in revenue to the Company.

On 26 July 2001, Mermaid Marine Australia Limited entered into a Memorandum of Understanding with Clough Engineering Ltd with the intent to joint venture the Bambra field pipeline and platform installation works.

On 5 August 2001, the Company granted 150,000 Director Options to Mr A J Howarth upon joining the Board of Directors of the Company.

On 13 August 2001 the Company, as part of its financing arrangements with the National Australia Bank relating to the Dampier Supply Base Expansion, agreed to lodge \$6.5 million on Term Deposit under Letter of Set-off.

The financial effect of each of the above events has not been reflected in these financial statements.

26. EARNINGS PER SHARE

	2001	2000
	Cents per Share	Cents per Share
Basic earnings per share	6.42	(0.62)
Diluted earnings per share	5.82	(0.21)
	2001	2000
	No.	No.
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	54,750,919	43,000,000

27. REMUNERATION OF DIRECTORS

The directors of Mermaid Marine Australia Limited during the year were:

- A G Birchmore
- M F Bradley (appointed 22 September 2000)
- J H Carver
- D A Dillon
- J A S Mews
- R M Reid (appointed 22 September 2000)
- C G Sutherland (appointed 29 September 2000)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

Note	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party.	727,202	548,242		

The aggregate of Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Mermaid Marine Australia Limited, directly or indirectly, by the company or by any related party.

727,202 548,242

The number of directors of Mermaid Marine Australia Limited whose income (including superannuation contributions) falls within the following bands:

	Company	
	2001 No.	2000 No.
\$ 0 - \$ 9,999	1	-
\$ 20,000 - \$ 29,999	1	-
\$ 30,000 - \$ 39,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	1	1
\$160,000 - \$169,999	-	1
\$190,000 - \$199,999	2	-
\$200,000 - \$209,999	-	1

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
28. REMUNERATION OF EXECUTIVES				
Aggregate remuneration received or due and receivable by executive officers of the economic entity working mainly in Australia whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.				
	660,034	652,863		
Aggregate remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any related party, whether as an executive officer or otherwise.			660,034	652,863

The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

	Consolidated		Company	
	2001	2000	2001	2000
	No.	No.	No.	No.
\$110,000 - \$119,999	1	-	1	-
\$120,000 - \$129,999	2	1	2	1
\$130,000 - \$139,999	1	-	1	-
\$160,000 - \$169,999	1	2	1	2
\$200,000 - \$209,999	-	1	-	1
	2001	2000	2001	2000
	\$	\$	\$	\$

29. AUDITORS' REMUNERATION

(a) Auditor of the Parent Entity				
Auditing the financial report	45,000	44,000	-	-
Other services	66,915	41,586	-	836
	111,915	85,586	-	836

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

30. RELATED PARTY TRANSACTIONS

The directors of Mermaid Marine Australia Limited during the financial year were:

A G Birchmore

M F Bradley (appointed 22 September 2000)

J H Carver

D A Dillon

J A S Mews

R M Reid (appointed 22 September 2000)

C G Sutherland (alternate non-executive director) (appointed 29 September 2000)

Interest in the shares of the Company held by directors and their director related entities as at 30 June 2001.

	Mermaid Marine Australia Limited			
	Ordinary Shares		Options over Ordinary Shares	
	2001	2000	2001	2000
A G Birchmore	13,647,300	13,695,300	750,000	382,000
M F Bradley	6,666,666	–	500,000	–
J H Carver	13,631,300	13,631,300	520,000	20,000
D A Dillon	1,350,000	1,520,000	510,000	10,000
J A S Mews	1,500,000	1,500,000	200,000	–
R M Reid	–	–	200,000	–
C G Sutherland	–	–	–	–

The following related party transactions occurred during the financial year:

Transactions with directors and director related entities

(a) Directors Fees

- (i) During the year, a total of \$102,932 for directors fees were paid to J P Birchmore, a related entity of A G Birchmore. This is reflected in full in note 27 – Remuneration of Directors.
- (ii) During the year a total of \$26,300 for directors fees were paid to Clough Engineering Limited, a related entity of R M Reid. This is reflected in full in note 27 – Remuneration of Directors.

(b) Fremantle Premises

- (i) The Achiever Partnership, a related entity of A G Birchmore, J H Carver, D A Dillon and J A S Mews, and the Company entered into a formal lease agreement for the lease to the entity of its registered office at 20 Mews Road, Fremantle. The lease agreement contains all other usual contractual provisions that would be expected to be found in a commercial lease of like nature.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

- (ii) The term of the lease is 5 years with a 5 year option of renewal in favour of the Company commencing 1 May 1999.
 - (iii) The Company is responsible for all fitting out, maintenance (except capital works items), rates, taxes, insurance, and other usual variable outgoings.
 - (iv) During the year the offices underwent substantial refurbishment at a cost of \$195,379.
 - (v) During the year a review of the annual rental was undertaken by an independent qualified valuer taking into account the fair open market rental value for the premises on the terms of the lease entered into. The annual rental was adjusted to \$163,754 per annum plus outgoings. Rental is subject to market reviews every 2¹/₂ years during the term, although the rental may not decrease.
 - (vi) Rental and outgoings paid during the financial year amounted to \$164,640.
- (c) Unsecured loans of \$50,000 were provided to Slimdrill Pty Ltd, a related entity to J H Carver during the period ended 30 June 1999. The balance of loans outstanding at 30 June 2000 of \$11,184 was paid during the financial year ended 30 June 2001. Interest was charged during the period at a rate of 6.7%.
- (d) During the year, Business Analysts – Australia, an entity of which J H Carver is a director and shareholder, provided consultancy services to the Company upon negotiated commercial terms. Total payments up to 30 June 2001 amounted to \$83,196. This is reflected in full in Note 27 – Remuneration of Directors.

Transactions with other related parties

- (a) Mermaid Labour & Management Pty Ltd

Pursuant to Shareholders Agreement dated 15 June 2000 loans of \$240,440 were provided to Mermaid Labour & Management Pty Ltd (MLM) during the period ended 30 June 2001. The loans are provided on a reimbursement basis and are to be repaid as a priority call by MLM.

Transactions within wholly owned group

The wholly owned group includes:

- the ultimate parent entity in the wholly-owned group; and
- wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Mermaid Marine Australia Limited.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

Details of dividend revenue derived by the economic entity from entities in the wholly-owned group are disclosed in Note 2 to the Financial Statements.

Amounts received from and payables to entities in the wholly-owned group are disclosed in note 8 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly-owned group were the provision of services at commercial rates.

Mermaid Marine Australia Limited is the ultimate Australian parent entity.

31. SEGMENT REPORTING

The economic entity operates predominantly within Australia and in one industry segment, being the hire and sale of marine related plant and equipment, buildings and land to companies operating in the oil and gas industry.

32. CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest 2001 %	Ownership Interest 2000 %
Parent Entity			
Mermaid Marine Australia Limited	Australia		
Controlled Entities			
Mermaid Marine Group Pty Ltd *	Australia	100	100
Mermaid Marine Vessel Operations Pty Ltd *	Australia	100	100
Mermaid Marine Pty Ltd *	Australia	100	100
Mermaid Marine Offshore Pty Ltd *	Australia	100	100
Mermaid Marine Charters Pty Ltd *	Australia	100	100
Mermaid Supply Base Pty Ltd *	Australia	100	100
Dampier Stevedoring Pty Ltd	Australia	100	100
Mermaid Manning and Management Pty Ltd	Australia	100	100

* Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of the financial report. As a condition of the Class Order, Mermaid Marine Australia Limited and the controlled entities entered into a Deed of Cross Guarantee on 24 June 1999.

The consolidated statement of financial performance and statement of financial position of entities which are party to the deed of cross guarantee are:

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	2001 \$'000	2000 \$'000
Revenue from ordinary activities	27,063,355	15,349,774
Share of net profits of associate accounted for using the equity method	11,740	–
Vessel expenses	(13,996,737)	(8,389,664)
Supply base expenses	(2,278,278)	(1,889,884)
Administrative expenses	(4,872,523)	(4,264,349)
Borrowing costs	(1,385,895)	(1,089,368)
Profit (Loss) From Ordinary Activities Before Income Tax Expense	4,541,662	(283,491)
Income tax expense (benefit) relating to ordinary activities	1,028,417	(75,534)
Profit (Loss) From Ordinary Activities After Related Income Tax Expense	3,513,245	(207,957)
Net Profit (Loss)	3,513,245	(207,957)
Net Profit (Loss) Attributable to Members of the Parent Entity	3,513,245	(207,957)
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners.	3,513,245	(207,957)
Current Assets		
Cash assets	10,939,575	3,004,977
Receivables	8,544,930	3,145,023
Inventories	483,883	508,851
Other financial assets	240,441	11,184
Current tax assets	–	273,866
Other	632,934	163,077
Total Current Assets	20,841,763	7,106,978
Non-Current Assets		
Investments accounted for using the equity method	251,740	–
Other financial assets	1,029,888	–
Property, plant and equipment	46,324,114	24,434,964
Deferred tax assets	225,938	664,722
Total Non-Current Assets	47,831,680	25,099,686
Total Assets	68,673,443	32,206,664

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	2001 \$'000	2000 \$'000
Current Liabilities		
Payables	10,594,879	2,363,506
Interest-bearing liabilities	1,711,219	1,185,305
Current tax liabilities	516,365	–
Provisions	2,133,196	371,518
Total Current Liabilities	<u>14,955,659</u>	<u>3,920,329</u>
Non-Current Liabilities		
Payables	1,138,475	–
Interest-bearing liabilities	20,520,369	12,718,592
Deferred tax liabilities	1,266,609	1,586,164
Provisions	77,342	222,758
Total Non-Current Liabilities	<u>23,002,795</u>	<u>14,527,514</u>
Total Liabilities	<u>37,958,454</u>	<u>18,447,843</u>
Net Assets	<u>30,714,989</u>	<u>13,758,821</u>
Equity		
Contributed equity	23,883,549	8,820,000
Reserves	3,763,956	3,763,956
Retained profits	3,067,484	1,174,865
Total Equity	<u>30,714,989</u>	<u>13,758,821</u>

33. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Trade receivables, Other receivables	6	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
Loans – related parties	8	Amounts receivable from related parties are carried at nominal amounts due. Interest (when charged) is taken up as income on an accrual basis.	Details of the terms and conditions are set out in note 30.
Shares in controlled entities and associates	8	Investments are recorded at the lower of cost and recoverable amount.	

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(ii) Financial Liabilities			
Trade payables	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade payables are normally settled by terms ranging from 7 to 30 days.
Other payables and accruals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Other payables and accruals are normally settled by terms ranging from 7 to 30 days.
Hire purchase liability	15	The hire purchase liability is accounted for in accordance with AASB 1008.	At balance date, the consolidated entity had hire purchase agreements with an average lease term of 4 years at an average discount rate of 8.12%. The security over the respective assets under the hire purchase agreements is disclosed in note 15.
Bank loan – secured	15	The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The bank loans have maturity dates of 30 June 2004. Interest is charged at the bank's floating rate. Details of the security over the bank loans is set out in note 15.
(iii) Contributed Equity			
Ordinary shares	18	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares on issue at balance date are set out in note 18.

There are no unrecognised financial instruments.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

33. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2001 are as follows:

Financial Instruments	Floating Interest Rate \$	Fixed interest rate maturing in:			Non Interest Bearing \$	Total carrying amount as per Statement of Financial Position	Weighted average interest rate
		1 year or less \$	Over 1 to 5 years \$	Over 5 years \$			
(i) Financial Assets							
Cash	10,939,577	-	-	-	-	10,939,577	5.0%
Trade receivables	-	-	-	-	6,712,567	6,712,567	n/a
Other receivables	-	-	-	-	1,019,099	1,019,099	n/a
Loans – related parties	-	-	-	-	240,441	240,441	n/a
Total Financial Assets	10,939,577	-	-	-	7,972,107	18,911,684	
(ii) Financial Liabilities							
Trade payables	-	-	-	-	6,679,833	6,679,833	n/a
Other payables and accruals	-	-	-	-	3,381,358	3,381,358	n/a
Hire purchase liability	-	1,711,219	8,734,689	-	-	10,445,908	8.12
Bank loan – secured	11,785,682	-	-	-	-	11,785,682	5.61
Employee Entitlements	-	-	-	-	688,841	688,841	n/a
Total Financial Liabilities	11,785,682	1,711,219	8,734,689	-	10,750,032	32,981,622	

n/a : not applicable for non-interest bearing financial instruments

33. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk (continued)

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2000 are as follows:

Financial Instruments	Floating Interest Rate \$	Fixed interest rate maturing in:			Non Interest Bearing \$	Total carrying amount as per Statement of Financial Position	Weighted average interest rate
		1 year or less \$	Over 1 to 5 years \$	Over 5 years \$			
(i) Financial Assets							
Cash	3,004,977	-	-	-	-	3,004,977	4.8%
Trade receivables	-	-	-	-	2,716,209	2,716,209	n/a
Other receivables	-	-	-	-	428,814	428,814	n/a
Loans – related parties	-	11,184	-	-	-	11,184	6.7
Total Financial Assets	3,004,977	11,184	-	-	3,145,023	6,161,184	
(ii) Financial Liabilities							
Trade payables	-	-	-	-	1,844,206	1,844,206	n/a
Other payables and accruals	-	-	-	-	519,300	519,300	n/a
Hire purchase liability	-	1,185,305	6,218,592	-	-	7,403,897	8.57%
Bank loan – secured	6,500,000	-	-	-	-	6,500,000	7.30%
Employee Entitlements	-	-	-	-	594,276	594,276	n/a
Total Financial Liabilities	6,500,000	1,185,305	6,218,592	-	2,957,782	16,861,679	

n/a : not applicable for non-interest bearing financial instruments

Directors' Declaration

The directors declare that:

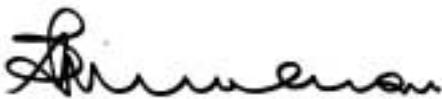
- a) The attached financial statements and notes thereto comply with Accounting Standards;
- b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) 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.

At the date of this declaration the company is within the class of companies affected by the ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 32, will as a group be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors



Alan Birchmore
Chairman

Fremantle, 30 August 2001

Additional Stock Exchange Information

AS AT 30 AUGUST 2001

Ordinary Share Capital

- 75,332,380 fully paid ordinary shares are held by 1,208 individual shareholders. All issued ordinary shares carry one vote per share.

Options

- 5,769,905 options are held by 249 individual option holders. Options do not carry a right to vote.

SUBSTANTIAL SHAREHOLDERS

	Number of Shares	% of Issued Capital
James Henry Carver	13,631,300	18.09
Delmark Investments Pty Ltd	13,615,300	18.07
Clough Engineering Ltd	10,000,000	13.27
Mark Bradley	6,666,666	8.85
National Nominees Limited	3,827,740	5.08

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Size of Holding	Number of ordinary shareholders	Number of option holders
1 to 1,000	84	–
1,001 to 5,000	421	182
5,001 to 10,000	337	14
10,001 to 100,000	332	40
100,001 and over	34	13
Total	1,208	249

TWENTY LARGEST SHAREHOLDERS

	Number of Shares	% of Issued Capital
James Henry Carver	13,631,300	18.09
Delmark Investments Pty Ltd	13,615,300	18.07
Clough Engineering Limited	10,000,000	13.27
Mr Mark Bradley	6,666,666	8.85
National Nominees Limited	3,827,740	5.08
Chase Manhattan Nominees	3,146,313	4.18
JAS & BLM Mews	1,500,000	1.99
Permanent Trustee Australia	1,162,205	1.54
Invia Custodian Pty Ltd	1,114,286	1.48
Commonwealth Custodial	1,000,000	1.33
Citicorp Nominees Pty Ltd	798,000	1.06
Richpride Pty Ltd	615,000	0.82
Benom Pty Ltd	300,000	0.40
Decmar Pty Ltd	300,000	0.40
Victoria Park Investments	285,636	0.38
Perpetual Trustees Consolidated Ltd	272,400	0.36
Nepean Quarries Pty Ltd	250,750	0.33
Ashkirk Pty Ltd	244,971	0.33
Tower Trust Ltd	212,975	0.28
Fairfax & Roberts	200,000	0.27
Total	59,134,542	78.51

TWENTY LARGEST OPTION HOLDERS

	Number of Options	% of Options on Issue
National Nominees Limited	1,250,000	21.66
Strategic Value Pty Ltd	274,145	4.75
Mr Frank & Jean Faulkner	250,000	4.33
Mrs Kathleed Joan Colwell	218,200	3.78
Mr Justin Birchmore	200,000	3.47
Mr Gregory Clifford Wood	200,000	3.47
Mr Christopher William	191,000	3.31
Goffacan Pty Ltd	150,000	2.60
Mr Arthur Warren Gleeson	133,000	2.31
Barrios Pty Ltd	110,000	1.91
Beaulin Pty Ltd	110,000	1.91
Ms Judith Anne Barrett-Lennard	108,320	1.88
Mr Mark Nicholls	102,000	1.77
Mr John Stanley Buckley	100,000	1.73
Mr Mark Peter John Avery	100,000	1.73
Chriswall Holdings Pty Ltd	100,000	1.73
Deaken Pty Ltd	80,000	1.39
Mrs Fanciosa Cabanilla	72,000	1.25
Mr M.D. Cheesman & Ms K.L. Colwell	66,500	1.15
Mr Jim O'Sullivan	53,500	0.93
Total	3,868,665	67.05

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. The options do not carry any voting rights.

SHAREHOLDER ENQUIRIES

Shareholders can obtain information about their shareholding by contacting the Company's share registry:

Computershare Investor Services Prty Ltd

Level 2

45 St Georges Terrace

Perth, Western Australia 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

CHANGE OF ADDRESS

Shareholders should notify the share registry in writing immediately there is a change to their registered address.

STOCK EXCHANGE LISTING

Shares in Mermaid Marine Australia Limited are listed on the Australian Stock Exchange.

PUBLICATIONS

The Annual Report is the main source of information for shareholders.

Independent Audit Report

TO THE MEMBERS OF MERMAID MARINE AUSTRALIA LIMITED

Scope

We have audited the financial report of Mermaid Marine Australia Limited for the financial year ended 30 June 2001 as set out on pages 30 to 65. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Mermaid Marine Australia Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



DELOITTE TOUCHE TOHMATSU



K F JONES

Partner

Chartered Accountants

Perth

30 August 2001

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).