

SIX MONTHLY REPORT TO 31st DECEMBER 2000



Dredge under tow from Singapore.

Unaudited profit before income tax for the half year rose from \$0.153m for the same period last year to \$1.89m. This was an extremely satisfactory result, as more traditional levels of work returned to offshore oil and gas areas, increasing turnover from \$8.86m to \$11.25m. The Company can also report an even better order book for the current six months, which will underpin a solid profit and cash outcome for the full year.

The period 30th June to 31st December 2000 also saw progress on Mermaid's Dampier supply base project. When completed it will stimulate rapid growth as six new base related businesses are added, each with a competitive regional advantage, each capable of contributing significant separate profits and each simultaneously creating unique competitive advantage for the others.

CONSTRUCTION All statutory approvals were received during the half, allowing a start to be made, although the final outline of the main wharf remains the subject of wave reflection studies for final approval by the Dampier Port Authority. Earthworks commenced on the 9th of October and dredging equipment was towed from Singapore, arriving in Dampier on the 15th January. The development is scheduled for completion by the end of June 2001. As a result of several significant increases in scope, the task will now be carried out as one project, rather than two consecutive phases as originally planned.

Integration of the two construction phases will lift capability to meet the accelerated activity forecast for the Northwest Shelf. Costs for the integrated project are estimated at \$22 million, covered by cash in hand, project credit lines and surplus from trading.

SLIPWAY The project provides for a slipway, which has now been redesigned for increased capability. Operators of vessels significantly larger than originally perceived have shown strong interest to use the facility. The enhanced configuration has raised vessel accommodation from 2,700 tonnes to 4,000 tonnes, it will be 100m longer, extending above the water line to facilitate additional working area and under the water to provide increased depth for larger vessels. Upon completion the slipway will be the largest of its type in Western Australia and located in the oil/gas rich province where Australia's working vessels are most heavily concentrated.

NEW EQUITY

Two new equity positions were taken in the six months, the first by Mark Bradley previously Managing Director of Clough Offshore, who took an 11% placement and became Chief Executive of Mermaid. Simultaneously Clough Engineering took a 17% position, nominating Mr Richard Reid the Clough Group's Chief Financial Officer as a director of our Company. The involvement of both Bradley and Clough is already having a marked effect on Mermaid's engineering capability and work profile.

CYCLONE MOORINGS

Agreement in principle was reached with Hamersley Iron to conclude five year contracts for cyclone protected moorings within the Mermaid breakwater. Subject to contract, the arrangement will provide regular income for Mermaid and the best safety solution for our clients.

BASE TENANTS

The Halliburton Group has signed a long term lease for premises on the base costing Mermaid a total of \$1.2m. Construction has started and completion for Halliburton's occupancy is expected by April 2001.

PIPE STRINGING FACILITY

A pipe stringing facility has been added to the scope of work to service currently approved offshore projects, which will require access almost immediately the Base is completed. The pipe stringing yard will include welding enclosures, pipe handling facilities, rollers, racks and specialised storage areas, providing a facility not otherwise available in the North west.

HEAVY LOADOUT FACILITY

A roll on roll off module facility will fill the urgent need for sea delivery of large, high wide loads up to 2000 tonnes, providing connectivity to the WA Government's new Jervoise Bay construction and load-out facility and a range of South East Asian engineering and fabrication yards.

NEW ALLIANCES

Mermaid Marine and Lampson Australia have formed an alliance. Lampson is Australia's leading heavy module transportation and crane contractor and through this alliance, Lampson will permanently station a 600 tonne crane at Mermaid's Dampier wharf and provide the base with access to Lampson's wide range of lifting and haulage gear, including 2 x 2,600 tonne capacity mobile cranes when required. This craneage will differentiate Mermaid's facility from all others adding tremendous enhancement by broadening its operability to include heavy module offloading and loadouts.

The alliance also provides for the first time on the northwest shelf, both the facility and highest level of expertise for heavy module loadouts and offloading by roll on/roll off. This service will allow regional project developers to adopt a modularisation design concept for their plants, which will in turn realise significant cost savings to these projects.

SUPPLY BASES

The Oil and Gas Supply Base in Broome opened in February 2000, has operated successfully and profitably during the period, providing services to Browse Basin explorers Inpex, Woodside and BHP Petroleum.

An office was opened on the waterfront premises of Perkins Shipping in Darwin during October. The association with Perkins provides a valuable low cost entry to The Territory during the work up phase of Timor Sea activity.

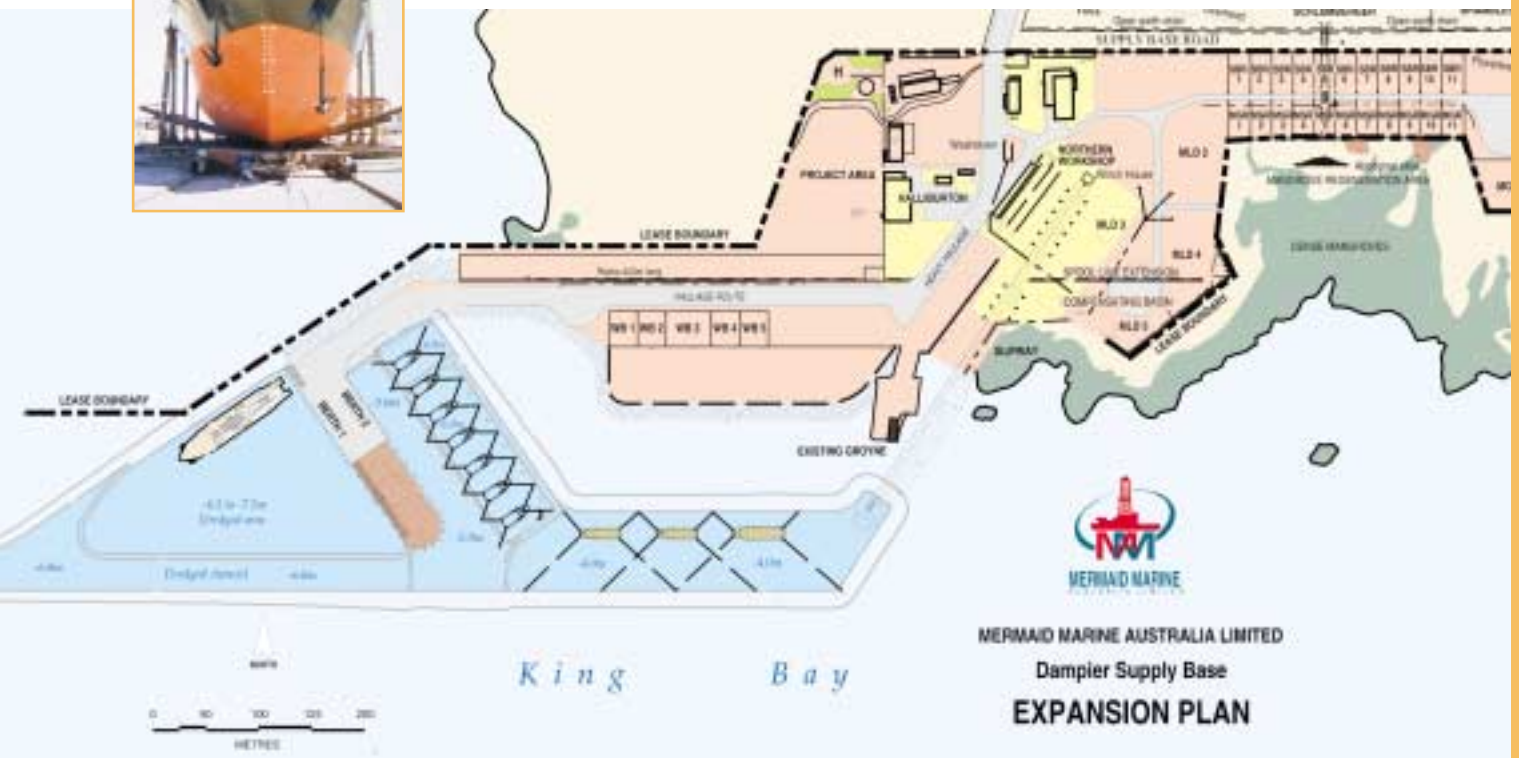


VESSEL OPERATIONS

The majority of earnings during the period arose from vessel operations and to build on that, two additional vessels were acquired; the 58 metre Mermaid Explorer, a large utility vessel with accommodation for 50 persons, plus a 70 metre flat top barge, the Mermaid Builder, which was acquired in Singapore to transport the Dampier project dredge. The barge has been held for subsequent work in Australian waters where it becomes the largest on the West Coast.

START UP OF COMPLETED BASE

Start up of new Base operations will roughly coincide with the commencement of the 1/7/01 to 30/6/02 financial year, providing earnings growth of at least 50% during that period. Due to the strategic advantage the Company is steadily winning in the North west, growth is forecast to continue at a significant rate. The Company operates in a sector where major Companies with the highest standards dominate. Recognising that, growth is essential to supply their needs with the best equipment and expertise possible. The Company plan to lift annual revenue to \$100m by 2005 is achievable and will be vigorously pursued.

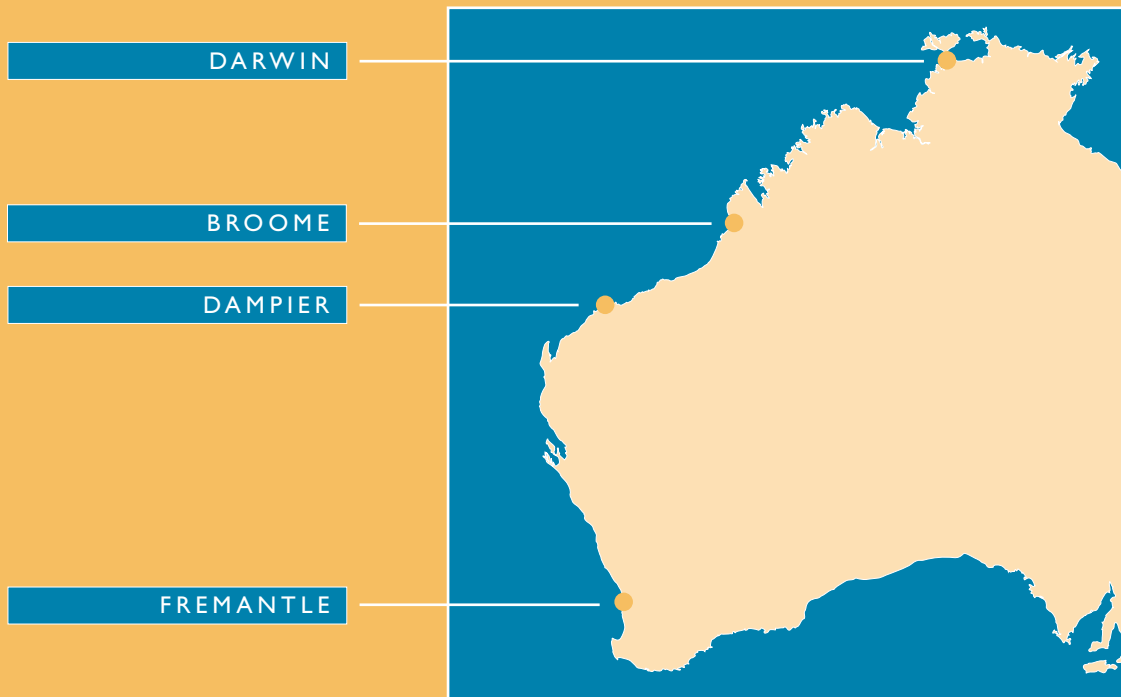


PROFIT AND LOSS STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED 31/12/00 \$
Operating revenue	11,183,171
Operating profit before income tax	1,894,084

BALANCE SHEET
AS AT 31 DECEMBER 2000

	CONSOLIDATED 31/12/00 \$	CONSOLIDATED 30/06/00 \$
Current Assets		
Cash	6,149,037	3,004,977
Receivables	6,092,683	3,430,073
Inventories	483,617	508,851
Other	292,115	163,077
Total Current Assets	13,017,452	7,106,978
Non Current Assets		
Property, plant and equipment	26,439,417	24,434,964
Other	241,488	664,722
Total Non Current Assets	26,680,905	25,099,686
Total Assets	39,698,357	32,206,664
Current Liabilities		
Accounts Payable	3,569,069	2,363,506
Borrowings	1,156,558	1,185,305
Provisions	365,921	371,518
Total Current Liabilities	5,091,548	3,920,329
Non Current Liabilities		
Borrowings	12,298,158	12,718,592
Provisions	1,598,820	1,808,922
Total Non Current Liabilities	13,896,978	14,527,514
Total Liabilities	18,988,526	18,447,843
Net Assets	20,709,831	13,758,821
Equity		
Share Capital	13,877,699	8,820,000
Reserves	3,763,957	3,763,956
Retained Profits	3,068,175	1,174,865
Total Equity	20,709,831	13,758,821



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