



OVERVIEW



The group operating revenue for the half year totalled \$27.6 million, which was 158% higher than the \$10.7 million recorded in the same period last year and profit after tax of \$266,883 represented a decrease of \$1.146 million or 81% on the previous corresponding period. Earnings per share for the half year was 0.35 cents, an 88% decrease on earnings per share of 2.96 cents last year. A total of \$16.5 million was spent on the Dampier Base Expansion, plant and equipment.

The decreased profits arose principally from agreed settlement on variations in connection with the Simpson offshore pipelay contract. The Company's earnings were further adversely affected by increased overheads associated with the establishment and growth of its new business units and one-off restructuring costs.

Vessel Operations

Vessel earnings were on budget for the half despite having the largest vessel – Mermaid Explorer - out of the water for the majority of the time. The Mermaid Explorer underwent a major refit where completely new engines and gearboxes were fitted. Apart from the Explorer, the larger vessels of the fleet had above budget utilisation whereas the smaller boats were below.

Dampier Base Expansion

The dredging work, slipway construction and pipestringing facilities, representing 95% of the project, were completed in the half year. The remaining work includes the wharf construction, some final earthworks and installation of services. The wharf should be completed in April 2002 and a phase II extension later in the year.

Costs remain on track with latest forecasts at around \$29m, however, completion of the wharf is behind schedule. The schedule was adversely affected by competing requirements of resources and access for execution of the Echo/Yodel and Simpson projects at the base.

Slipway

The slipway had a successful start up, its turnover for the half was around \$4m. Although showing a profit for the half, the slipway's efficiency was affected by typical start-up issues. The slipway had also to contend with the competitive issues involved with breaking into the market and winning its market share. Nine (9) third party vessels and six (6) Mermaid vessels were slipped during the half.

Pipestringing

The technical execution of pipestringing involved with the Echo/Yodel and Griffin projects was a success. The

company had contractual and lease disputes with Coflexip on these projects, which resulted in court actions and both sides incurring some expensive legal costs. These disputes, however, did not affect the execution of the projects, which fully complied with all technical criteria. The projects did not result in the profits that had originally been planned. The late completion of the wharf had some knock on costs and consequences for the projects.

The pipestringing involved in the Simpson project was also executed in the half. This again was achieved with technical success. As demonstrated by the execution of three pipestringing projects on the Dampier Base in the half, the Company believes that the Dampier Base has proved its role and market position in these types of projects.

Labour and Management

The most significant event for the half was the winning of the Allseas Marine and Construction labour contract for the Duke pipeline project across Bass Strait. On the back of this contract, Allseas were successful in being awarded two more Bass Strait pipelay contracts (Esso Bream pipeline and OMV Patricia Baleen pipeline) with Mermaid Labour and Management supplying the labour again. The start-up and early commencement of these operations went well and are expected to continue well into the second half of the year.

Offshore Engineering Construction

Mermaid Marine won its first offshore installation contract as prime contractor – the Simpson pipeline installation contract. The project was bid and awarded as an \$8m contract, but once awarded, the project changed rapidly in scope and size to almost double. It was a fast track project, being awarded in July with pipestringing being performed in August and pipeline installation at site in September.

Mermaid is proud of its technical performance of the project. It was a huge achievement to successfully complete

such a fast track project with such massive changes of scope within the tight time constraints and still reach the client's targeted first oil date.

Mermaid will, however, post a loss against this project. Although the client was very happy with Mermaid's performance they adopted a very rigid contractual stance with respect to the changes that occurred during the project. Rather than becoming involved in lengthy dispute with a highly valued client, Mermaid has decided to accept the settlement offer.

Mermaid / Clough JV

Mermaid and Clough have formed a Joint Venture to participate in the shallow water construction market on the West coast of Australia. The joint approach will limit risk and overhead to both win and execute shallow water construction work our region. The JV owns the Shallow water pipelay barge "Clough Challenge"; it has access to the Mermaid Pipestringing facilities in Dampier and the joint resources of both companies.

Supply Bases

The Mermaid Broome Supply Base supported drilling programs for both Santos and BHPB in the half and provide support for some other marine clients. The Broome operation remains a small but profitable operation and supports strategic positioning for the company. Mermaid has taken some further leased water front acreage in Broome and will establish a small boat slipway operation to complement its supply base operations there.

The Mermaid Dampier Supply Base has had a very busy period with the start up and operations of the slipway, continuing wharf construction, three pipestringing projects and the normal supply base activities as well. The tenancy side of the business will, logically progress once the Base offers wharf operations.

PROFIT & LOSS STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2001

	Consolidated 31/12/01 \$,000	Consolidated 30/06/01 \$,000
Revenue from Ordinary activities	27,623	10,701
Share of net profits of associate accounted for using the equity method	187	
Vessel expenses	(9,079)	(5,229)
Supply base expenses	(4,181)	(854)
Project Expenses	(11,894)	-
Administrative expenses	(1,507)	(2,105)
Borrowing costs	(777)	(589)
Profit (Loss) From Ordinary Activities Before Income Tax Expense	372	1,883
Income tax expense (benefit) relating to ordinary activities	105	470
Profit (Loss) From Ordinary Activities After Related Income Tax Expense	267	1,413
Net Profit (Loss)	267	1,413
Net Profit (Loss) Attributable to Members of the Parent Entity	267	1,413
Total Changes in Equity Other than those Resulting from Transactions with Owners	267	1,413

BALANCE SHEET
AS AT 31 DECEMBER 2001

	Consolidated 31/12/01 \$,000	Consolidated 30/06/01 \$,000
<i>Current Assets</i>		
Cash	10,455	10,940
Receivables	12,049	8,785
Inventories	320	484
Other	1,268	633
Total Current Assets	24,092	20,842
<i>Non Current Assets</i>		
Property, Plant & Equipment	61,122	46,324
Deferred tax assets	298	226
Other (Investments)	439	252
Total Non Current Assets	61,859	46,802
Total Assets	85,951	67,644
<i>Current Liabilities</i>		
Accounts Payable	11,073	10,595
Borrowings	1,808	1,711
Provisions	948	2,133
Current Tax Liabilities	423	513
Other	2,860	-
Total Current Liabilities	17,112	14,952
<i>Non Current Liabilities</i>		
Borrowings	30,320	20,520
Provisions	110	77
Deferred Tax Liabilities	1,496	1,268
Total Non-Current Liabilities	31,926	21,865
Total Liabilities	49,038	36,817
Net Assets	36,913	30,827
<i>Equity</i>		
Share Capital	29,702	23,884
Reserves	3,764	3,764
Retained Profits	3,447	3,179
Total Equity	36,913	30,827



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