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**MERMAID MARINE
AUSTRALIA LTD**

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2008 PRELIMINARY FINAL REPORT

MMA DELIVERS ANOTHER YEAR OF STRONG GROWTH

Mermaid Marine Australia Limited (MMA) is pleased to announce a 43% increase in NPAT to \$17.9 million for the 2008 financial year, continuing the Company's record of substantial growth over the past three years.

Financial Highlights

| | FY08 | FY07 | Variance |
|------------------------------|----------------------|----------------------|-----------------|
| Revenue | \$149.4M | \$103.1M | ▲ 45% |
| EBITDA | \$39.4M | \$27.5M | ▲ 43 % |
| NPAT | \$17.9M | \$12.5M | ▲ 43% |
| EPS | 11.8c | 8.9c | ▲ 32% |
| Return on Equity | 18.5% ⁽¹⁾ | 17.1% ⁽¹⁾ | ▲ 8.2% |
| Dividend | 2 cents per share | 1 cent per share | ▲ 100% |
| Dividend Record Date | 24 September 2008 | | |
| Dividend Payment Date | 8 October 2008 | | |

(1) Weighted average

Commenting on the result, MMA Chairman Mr Tony Howarth said:

“The Board is extremely pleased that the Company's growing maturity and capability has enabled us to exceed the aggressive growth targets we set for FY08.

“While the global economy is under significantly more pressure than it was a year ago, MMA's exposure to the offshore oil and gas industry gives the Board confidence that the Company can deliver ongoing growth in shareholder returns.

“In view of this, the Board has declared a fully franked dividend of 2 cents per share, up from 1 cent per share in the previous corresponding period.

“Furthermore the Board has resolved to implement a new dividend policy. Commencing in the 2009 financial year, MMA will pay an interim and final dividend reflecting a payout ratio of between 40 and 50%.

The new dividend policy is designed to take into account the ongoing capital requirements of the Company while at the same time transferring valuable franking credits to our shareholders”.

The Company has a Dividend Reinvestment Plan (Plan) in place which allows shareholders to elect to have all or part of their dividends reinvested in additional shares in the Company. The discount of 2.5% which was announced when the Plan was introduced will remain in place for the shares issued in relation to this current dividend.

Operational Highlights

MMA experienced rapid growth in employee numbers during the year with hours worked across the organisation increasing approximately 40% in FY08 compared to FY07. Compared to FY06 the number of hours worked almost doubled.

“On this basis it is pleasing to note that the safety performance across the organization improved against all our measures,” MMA Managing Director Mr Jeffrey Weber said.

“Safety performance is one of the key operational determinants of success within the Company and within the oil and gas industry overall. Consequently MMA is continually working with our clients to provide a safe work environment,” he said.

MMA’s vessel revenue grew by 50% as a result of investment in new vessels, strong utilisation levels and a number of chartered vessels brought in over the year.

The Mermaid Discovery, Mermaid Sentinel and Mermaid Spirit were purchased during the year and the Company entered into a charter/purchase arrangement on the Crest Diamond which will see that vessel become part of the fleet in FY09.

A number of older, smaller vessels were sold during the year as part of the Company’s overall fleet renewal programme. The average age of the fleet now stands at 13 years.

The major project during the year for vessel operations was MMA’s involvement in the construction of the Woodside Angel Project. MMA was the lead marine provider for this project with up to five owned and chartered vessels involved over the construction period.

“This type of work is vital to the ongoing development of the Company and our success in this project positions us to well to take advantage of other development projects being planned,” Mr Weber said.

During the year MMA also secured a multi-vessel contract with Geokinetics resulting in the Mermaid Discovery working in Egypt and three other chartered vessels currently working in Australia.

MMA’s Dampier Supply Base also performed strongly over the year generating EBITDA of \$8.4 million up 53% from FY07. This growth was driven primarily from increased demand for wharf services. The increased demand has also enabled the Company to commit \$22 million toward the expansion of the Dampier wharf facility. Also as a result of increasing demand, a 2,250 m² new warehouse was constructed on the base with the majority of the area already committed to clients.

In addition MMA signed an “Agreement to Sublease” with Chevron to support its Gorgon project. This agreement was the first step towards a formal sublease arrangement which is currently under negotiation.

“This is an extremely positive step for the Company and will drive continued growth in earnings from our Dampier Supply Base asset,” Mr Weber said.

The Broome Supply Base JV with Toll continues to expand with construction of a new casing yard completed during the year and construction of a new supply base area commencing adjacent to the port. The Broome Supply Base gives MMA exposure to the highly prospective Browse Basin region with clients including Shell, Woodside and Inpex undertaking drilling programmes during the year.

The Dampier Slipway had a strong year as increased numbers of vessels in the North West underpinned continued demand for ship repair services. During the year MMA upgraded the slipway cradles improving the Company's capacity to accept larger vessels. As the MMA fleet continues to grow, the strategic benefit of owning a slipway becomes increasingly significant.

"FY08 was a year of significant growth for MMA but equally importantly, the Company has established solid foundations for future growth," Mr Weber said.

"We have an exciting year in front of us as investment in fleet expansion and supply base infrastructure sets us up to take advantage of the world scale projects planned for our area of operations.

"In addition MMA will have at least four vessels operating internationally over the year representing another major growth opportunity for the future.

"Demand for our services remains strong across the board and we look forward to continuing strong earnings growth," he said.

For further information please contact:

Mr Tony Howarth, Chairman – 0419 812 838

Mr Jeffrey Weber, Managing Director – 0418 855 275

Ms Kate Kerrison, Media Contact - (02) 6746 3221

Appendix 4E Preliminary final report

1. Details of the reporting period and the previous corresponding period

| |
|---|
| Name of entity: Mermaid Marine Australia Limited |
| ABN: 21 083 185 693 |
| Financial year ended: 30 June 2008 |
| Previous financial year ended: 30 June 2007 |

2. Results for announcement to the market

| | Percentage change over previous year | \$'000 |
|--|--|---------|
| 2.1 Revenues from ordinary activities | Up 45% | 149,364 |
| 2.2 Profit from ordinary activities after tax attributable to members | Up 43% | 17,897 |
| 2.3 Net profit attributable to members | Up 43% | 17,897 |
| 2.4 Dividends: Following the end of the financial year the Directors have declared a 2 cent fully franked dividend to be paid from the retained earnings of the Company as at 30 June 2008. | | |
| 2.5 Record date: The record date for determining entitlements to the dividend will be 24 September 2008. | | |
| 2.6 An explanation of the figures reported above in 2.1 to 2.3 is set out in covering commentary accompanying this Report. | | |

3. Income Statement for the Financial Year Ended 30 June 2008

| | 2008 | 2007 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Revenue | 149,364 | 103,124 |
| Share of profits of associates and jointly controlled entities accounted for using the equity method | 431 | 639 |
| Vessel expenses | (100,626) | (65,003) |
| Supply base expenses | (11,591) | (12,349) |
| Administration expenses | (5,607) | (4,670) |
| Borrowing costs | (6,571) | (4,181) |
| Profit before income tax expense | 25,400 | 17,560 |
| Income tax expense | (7,503) | (5,047) |
| Profit for the year | 17,897 | 12,513 |
| Profit attributable to members of the parent entity | 17,897 | 12,513 |
| Basic earnings per share (cents per share) | 11.82 | 8.91 |
| Diluted earnings per share (cents per share) | 11.63 | 8.78 |

4. Balance Sheet as at 30 June 2008

| | 2008 | 2007 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Current Assets | | |
| Cash and cash equivalents | 56,217 | 16,926 |
| Trade and other receivables | 29,790 | 18,274 |
| Inventories | 2,124 | 1,902 |
| Other | 599 | 633 |
| Total Current Assets | 88,730 | 37,735 |
| Non-Current Assets | | |
| Investments accounted for using the equity method | 1,374 | 1,286 |
| Property, plant and equipment | 177,995 | 122,866 |
| Total Non-Current Assets | 179,369 | 124,152 |
| Total Assets | 268,099 | 161,887 |
| Current Liabilities | | |
| Trade and other payables | 18,681 | 9,005 |
| Borrowings | 36,104 | 5,485 |
| Other financial liabilities | 695 | 881 |
| Current tax payables | 3,564 | 1,564 |
| Provisions | 1,417 | 815 |
| Total Current Liabilities | 60,461 | 17,750 |
| Non-Current Liabilities | | |
| Borrowings | 54,750 | 57,481 |
| Deferred tax liabilities | 5,236 | 3,806 |
| Provisions | 345 | 277 |
| Total Non-Current Liabilities | 60,331 | 61,564 |
| Total Liabilities | 120,792 | 79,314 |
| Net Assets | 147,307 | 82,573 |
| Equity | | |
| Issued capital | 106,242 | 58,067 |
| Reserves | (60) | (201) |
| Retained earnings | 41,125 | 24,707 |
| Total Equity | 147,307 | 82,573 |

**5. Consolidated Statement of Changes in Equity for the Financial Year Ended
30 June 2008**

Financial year ended 30 June 2008

| | Ordinary Shares | Employee equity settled benefits reserve | Hedging reserve | Retained earnings | Total attributable to equity holders of the entity |
|---|--------------------|---|--------------------|----------------------|---|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2007 | 58,067 | 680 | (881) | 24,707 | 82,573 |
| Loss on cashflow hedge | - | - | (862) | - | (862) |
| Net expense recognised directly in equity | - | - | (862) | - | (862) |
| Transfer to initial carrying amount of non financial hedged item on cashflow hedge | - | - | 1,048 | - | 1,048 |
| Profit for the year | - | - | - | 17,897 | 17,897 |
| Total recognised income and expense for the year | - | - | 186 | 17,897 | 18,083 |
| Shares issued | 49,047 | - | - | - | 49,047 |
| Share issue costs | (1,338) | - | - | - | (1,338) |
| Recognition of share based payments | - | 639 | - | - | 639 |
| Transfer to share capital | - | (684) | - | - | (684) |
| Dividend payment | - | - | - | (1,479) | (1,479) |
| Related income tax | 466 | - | - | - | 466 |
| Balance at 30 June 2008 | 106,242 | 635 | (695) | 41,125 | 147,307 |

Financial year ended 30 June 2007

| | Ordinary Shares | Employee equity settled benefits reserve | Hedging reserve | Retained earnings | Total attributable to equity holders of the entity |
|---|--------------------|---|--------------------|----------------------|---|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2006 | 48,047 | 270 | (11) | 12,194 | 60,500 |
| Loss on cashflow hedge | - | - | (1,508) | - | (1,508) |
| Net expense recognised directly in equity | - | - | (1,508) | - | (1,508) |
| Transfer to initial carrying amount of non financial hedged item on cashflow hedge | - | - | 638 | - | 638 |
| Profit for the year | - | - | - | 12,513 | 12,513 |
| Total recognised income and expense | - | - | (870) | 12,513 | 11,643 |
| Shares issued | 10,020 | - | - | - | 10,020 |
| Recognition of share based payments | - | 410 | - | - | 410 |
| Balance at 30 June 2007 | 58,067 | 680 | (881) | 24,707 | 82,573 |

6. Cash Flow Statement for the Financial Year Ended 30 June 2008

| | 2008 | 2007 |
|---|----------------------|----------------------|
| | \$'000 | \$'000 |
| Cash Flows From Operating Activities | | |
| Receipts from customers | 153,198 | 115,967 |
| Payments to suppliers and employees | (114,596) | (90,489) |
| Interest received | 1,101 | 426 |
| Interest and other costs of finance paid | (6,547) | (4,153) |
| Income tax (paid)/received | (3,607) | (3,625) |
| Dividends received | 152 | - |
| Net cash provided by operating activities | <u>29,701</u> | <u>18,126</u> |
| Cash Flows From Investing Activities | | |
| Payment for property, plant and equipment | (38,668) | (24,848) |
| Proceeds from sale of property, plant and equipment | 5,047 | 2,239 |
| Investment in associate | - | (425) |
| Advance to associate | (750) | - |
| Net cash used in investing activities | <u>(34,371)</u> | <u>(23,034)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from issue of shares | 47,315 | 10,020 |
| Payment for share issue costs | (56) | - |
| Proceeds from borrowings | 22,015 | 10,474 |
| Repayment of borrowings | (24,285) | (4,687) |
| Dividends paid | (1,028) | - |
| Net cash provided by financing activities | <u>43,961</u> | <u>15,807</u> |
| Net Increase In Cash and Cash Equivalents | 39,291 | 10,899 |
| Cash and Cash Equivalents At The Beginning Of The Financial Year | 16,926 | 6,027 |
| Cash and Cash Equivalents At The End Of The Financial Year | <u>56,217</u> | <u>16,926</u> |

7. Dividends

The Directors have declared a 2 cent fully franked dividend to be paid from the retained earnings of the Company as at 30 June 2008.

The record date for determining entitlement to the dividend will be 24 September 2008.

The payment date of the dividend will be 8 October 2008.

On 19 October 2007 the Company paid a fully franked dividend of 1 cent per share in respect of the 2007 financial year.

8. Details of dividend reinvestments plans in operation

The Company has in place a dividend reinvestment plan (DRP) which shareholders can elect to participate in.

The subscription price for shares issued under the DRP will be the average of the daily volume weighted average sale price of the Company's shares sold on the ASX during the 5 trading days immediately after the record date for the dividend less a 2.5% discount.

Full details of the terms and conditions of the DRP are available on the Company's web site at www.mma.com.au or via the Company's share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au/easyupdates/mrm

Elections to participate in the DRP for the dividend to be paid on 8 October must be received by the Company's share registry, Computershare Investor services Pty Ltd, by the record date of 24 September 2008.

9. Movements in Retained Earnings

| | 2008 \$'000 | 2007 \$'000 |
|--|------------------------|------------------------|
| Retained earnings at the beginning of the financial year | 24,707 | 12,194 |
| Net profit attributable to members | 17,897 | 12,513 |
| Dividend payment | (1,479) | - |
| Retained earnings at the end of financial year | 41,125 | 24,707 |

10. Net Tangible Asset Backing

| | 2008 | 2007 |
|--|----------|----------|
| Net tangible asset backing per ordinary security | 81 cents | 56 cents |

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

| | |
|-----------------|--|
| Name of entity: | On 15 August 2007, a new company, Mermaid Marine Asia Pte Ltd was incorporated in Singapore. Mermaid Marine Australia Ltd holds 100% of the issued capital of the new company. The principal activity of Mermaid Marine Asia Pte Ltd is the operation of crewed vessel charters. |
|-----------------|--|

(ii) Loss of control of entities during the year

| | |
|-----------------|-----|
| Name of entity: | N/A |
|-----------------|-----|

12. Details of associates and joint venture entities

| Equity accounted associates and joint venture entities | Percentage of ownership interest held at end of year or date of disposal | | Contribution to net profit | |
|--|--|--------|----------------------------|-------------|
| | 2008 % | 2007 % | 2008 \$'000 | 2007 \$'000 |
| Mermaid Clough Pty Ltd | - | 50 | (18) | 142 |
| Toll Mermaid Logistics – Broome Pty Ltd | 50 | 50 | 448 | 497 |

13. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

| |
|-----|
| Nil |
|-----|

14. For Foreign entities details of which set of accounting standards is used in compiling the report (International Accounting Standards)

| |
|-----|
| N/A |
|-----|

15. Commentary on the results for the period

15.1 Earnings per share (EPS)

| | 2008 | 2007 |
|-------------|-------------|-------------|
| Basic EPS | 11.82 cents | 8.91 cents |
| Diluted EPS | 11.63 cents | 8.78 cents |

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2008 \$'000 | 2007 \$'000 |
|--|------------------------|------------------------|
| Net Profit | 17,897 | 12,513 |
| Earnings used in calculation of basic and diluted earnings per share | 17,897 | 12,513 |

| | | |
|---|---------|---------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 151,361 | 140,395 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 153,896 | 142,484 |

15.2 Returns to shareholders (including distributions and buy backs)

| |
|-----|
| N/A |
|-----|

15.3 Significant features of operating performance

| |
|---|
| Details on the operating performance of the Company during the financial year are included in the covering commentary accompanying this Report. |
|---|

15.4 Segment Information

| | Vessels | | Supply Base | | Total | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2008 \$ '000 | 2007 \$ '000 | 2008 \$ '000 | 2007 \$ '000 | 2008 \$ '000 | 2007 \$ '000 |
| <u>Segment Revenues</u> | | | | | | |
| Sales to outside customers | 130,264 | 86,741 | 18,275 | 15,914 | 148,539 | 102,655 |
| Inter-segment revenue | 125 | 77 | 5,199 | 6,265 | 5,324 | 6,342 |
| Total | 130,389 | 86,818 | 23,474 | 22,179 | 153,863 | 108,997 |
| Eliminations | | | | | (5,324) | (6,342) |
| Unallocated | | | | | 825 | 469 |
| Total consolidated revenue | | | | | 149,364 | 103,124 |
| Inter-segment services are provided for amounts equal to competitive market prices charged to external customers for similar services | | | | | | |
| <u>Segment Results</u> | | | | | | |
| Segment result | 29,641 | 21,738 | 6,801 | 4,078 | 36,442 | 25,816 |
| Eliminations | | | | | (118) | (514) |
| Total | | | | | 36,324 | 25,302 |
| Unallocated | | | | | (10,924) | (7,742) |
| Profit before income tax expense | | | | | 25,400 | 17,560 |
| Income tax expense | | | | | (7,503) | (5,047) |
| Profit for the period | | | | | 17,897 | 12,513 |
| <u>Segment assets and liabilities</u> | | | | | | |
| Segment Assets | | | | | | |
| Unallocated assets | 155,719 | 100,376 | 53,736 | 42,864 | 209,455 | 143,240 |
| Consolidated | | | | | 58,644 | 18,647 |
| | | | | | 268,099 | 161,887 |
| Liabilities | | | | | | |
| Segment Liabilities | 21,986 | 8,596 | 2,390 | 1,401 | 24,376 | 9,997 |
| Unallocated liabilities | | | | | 96,416 | 69,317 |
| Consolidated | | | | | 120,792 | 79,314 |

Segment Information (cont)

| | Vessels | | Supply Base | | Unallocated | | Total | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2008 \$ '000 | 2007 \$ '000 | 2008 \$ '000 | 2007 \$ '000 | 2008 \$ '000 | 2007 \$ '000 | 2008 \$ '000 | 2007 \$ '000 |
| <u>Other segment Information</u> | | | | | | | | |
| Carrying value of equity accounted investments included in segment assets | - | - | - | - | 1,374 | 1,286 | 1,374 | 1,286 |
| Share of net profit/(loss) of associates accounted for under the equity method | - | - | - | - | 431 | 639 | 431 | 639 |
| Acquisition of segment assets | 59,077 | 20,385 | 13,042 | 2,435 | 598 | 72 | 72,717 | 22,892 |
| Depreciation and amortisation of segment assets | 5,681 | 4,021 | 1,581 | 1,464 | 173 | 248 | 7,435 | 5,733 |
| Proceeds from sale of property plant and equipment | 4,789 | 1,155 | 37 | 1,084 | 221 | - | 5,047 | 2,239 |

Geographical segments

The consolidated entity conducted its business mainly within Australia during financial year end 2008.

For management purposes, the consolidated entity is organised into two major operating divisions – Vessels and Supply Base. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal services of each of the divisions are as follows:

- **Vessels** Operating crewed vessel charters, vessel manning, management and logistics;
- **Supply Base** Operating supply base facilities and slipway operations

15.5 Report on trends in performance

Refer to details included in the covering commentary to this Report.

15.6 Any other factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.

Refer to details included in the covering commentary to this Report.

16. This report is based on accounts to which the following applies.

The accounts are in the process of being audited.

17. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

18. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A

19. Contingent Liabilities

N/A