

27 November 2008

The Listing Manager  
Australian Stock Exchange  
Exchange Centre  
Level 6  
20 Bridge Street  
SYDNEY NSW 200

Dear Sir/Madam

**2008 AGM: CHAIRMAN'S ADDRESS & MANAGING DIRECTOR'S REVIEW OF OPERATIONS**

Please find **attached** the Chairman's Address & Managing Director's review of operations to be presented to shareholders at today's Annual General Meeting for the Company.

By order of the Board  
**MERMAID MARINE AUSTRALIA LIMITED**



**DYLAN ROBERTS**  
Company Secretary



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## **Mermaid Marine Australia Limited 2008 Annual General Meeting**

### **CHAIRMAN'S ADDRESS**

Good morning ladies and gentlemen and welcome to Mermaid Marine Australia's 2008 Annual General Meeting. My name is Tony Howarth and I am the Chairman of the Company.

The Company Secretary advises me that we have a quorum present and I therefore have pleasure in declaring the meeting open.

Firstly I would like to introduce my fellow directors who are present here today:

- Our Managing Director – Mr Jeffrey Weber;
- Non Executive Directors – Mr Jeff Mews and Mr Mark Bradley;
- Executive Director – Mr Jim Carver; and
- and our Company Secretary – Mr Dylan Roberts.

2008 has been a year of strong activity and real progress for our Company. Our operating performance remains extremely solid, so it is somewhat disappointing that the shine has been taken off by the deterioration in the global economy and the impact this is having on not only our share price but many other fundamentally solid companies.

Our 2008 result continued the progress of previous years. The Company reported a net profit after tax of \$17.9 million, an increase of 43% on the prior year. Earnings per share of 11.8 cents represented an increase of 33%, with revenue increasing by 45% to nearly \$150 million.

Additionally, the Company paid a fully franked dividend of 2 cents, up from 1 cent in 2007 but more importantly, established a policy to increase the dividend pay-out ratio to 40-50% of earnings going forward.

It is vital in these times, however, that the Company's Board and Management continue to have realistic expectations of both the strengths and weakness of the economy in which the Company operates. We will continue to set sustainable strategies to enable us to operate and invest in our business, recognising that while the risks have changed, many opportunities are still available.

The Company has not been immune from the negative outlook on resources companies in general and mining services, in particular, which has seen our share price reduce dramatically. However, we remain confident that the 5 year plan we set last year remains sound.

Central to this strategy is for the Company to focus on its strengths as a strategic supplier of marine services to the oil and gas industry. Our strategy is underpinned by our view that our key Australian market of the North West Shelf and Browse Basin regions is set for unprecedented growth, as a number of large projects move towards Final Investment Decision over the next few years.

Certainly projects such as the Woodside Pluto project, our multi vessel contract with Geokinetics and the Agreement for Sublease with Chevron were highlights of the 2008 year. Importantly, our ratio of contracting revenue continues to grow. All this is a testament to this strategy.

While we remain confident in the view that demand for liquefied natural gas will remain strong in the long term, it is acknowledged that in the current economic environment, there will be volatility in this sector. However, there is no question that Greenfield Australian LNG Projects will be required in the longer term to meet world demand.

The projects that Mermaid are involved in are just that, long term and with major oil and gas industry participants who understand the need to continue to explore, invest and develop through the cycles.

Mermaid, with its integrated services model, remains well positioned as a strategic marine services provider to support existing projects, exploration and development of new projects.

It is important that we continue to manage our resources in the best interest of shareholders and also in a way which secures our long term strategic position.

Our balance sheet and our financial ratios could not be in better shape for the challenges and opportunities that lie ahead. Earlier this year, the Company raised some \$47 million in new capital via a Placement and Share Purchase Plan. This new capital was raised to ensure that the Company had the financial resources to invest in both the Supply Base infrastructure and vessels we needed to meet our existing commitments and, more importantly, to secure new contracts with the major oil and gas companies operating off our coast.

Over the last year we have:

- Continued to acquire new vessels to place in new contracts;
- Continued to upgrade our fleet so we continue to be seen as the most reliable marine provider on the coast; and
- Continued to upgrade our Base infrastructure with the completion of a new 2,250 square metre warehouse at the Dampier Supply Base which is now fully committed and commencement of construction on the Dampier wharf expansion which will double our capacity in a vital component of our integrated service offering.

In Broome, our Joint Venture Supply Base with Toll, has completed a new casing yard and we are constructing a new 3.2Ha Supply Base facility to service the growing Browse Basin oil and gas industry.

In the current market, access to debt and equity for all companies remains tight. However, this has the potential to work in our favour in some areas. Certainly what we saw as a potential oversupply of new vessels being ordered as investors queued up to secure new vessel build slots with shipyards, has now substantially diminished. While we have had a number of chartered vessels as part of our fleet from time to time, we have always felt that the risk return was weighted in favour of the ship owner. Our view is that this may change in the future enabling us to utilize chartering on a more capital effective basis thus providing the Company with another effective capital management tool.

Likewise, we have been able to use our geographical expansion as both an opportunity and a risk management tool. Our Singapore office was established to better manage our relationships with many of our major clients who were based there and to explore opportunities in geographies adjacent to our major operations.

However, it has also provided opportunities as a result of our clients specifically requesting to use our vessels and expertise in other offshore areas where they operate. While the West Australian coast remains our major focus, this has provided the Company with profitable opportunities and increased vessel utilization.

Your Company is in good shape for the challenges ahead. We have had another record year in 2008 and our expectation of our performance for 2009 remains on track.

Our opportunity is to ensure that we continue to manage and govern Mermaid Marine sustainably through this cycle and to ensure that the Company stays focused on its strategic plan and continues to position itself for the future development opportunities which will occur.

Mermaid Marine is in the enviable position of having a customer base comprising world class oil and gas companies and is committed to delivering a high level of service to meet their requirements. This can only be achieved by having highly skilled, competent and committed employees and I would like to acknowledge the efforts of all of our employees during the past year.

In order to attract and retain high quality people and motivate them to achieve the Company's goals, the Company's remuneration policies are reviewed and benchmarked against comparable industry standards and rates. Remuneration packages are structured to provide both short term incentives by way of bonuses and long term incentives by way of share options with appropriate hurdles that reflect the performance of the individual and the Company.

Companies need good leadership in order to grow and create value for shareholders and I would like to thank our Managing Director, Jeff Weber, and his team for their achievements during the year.

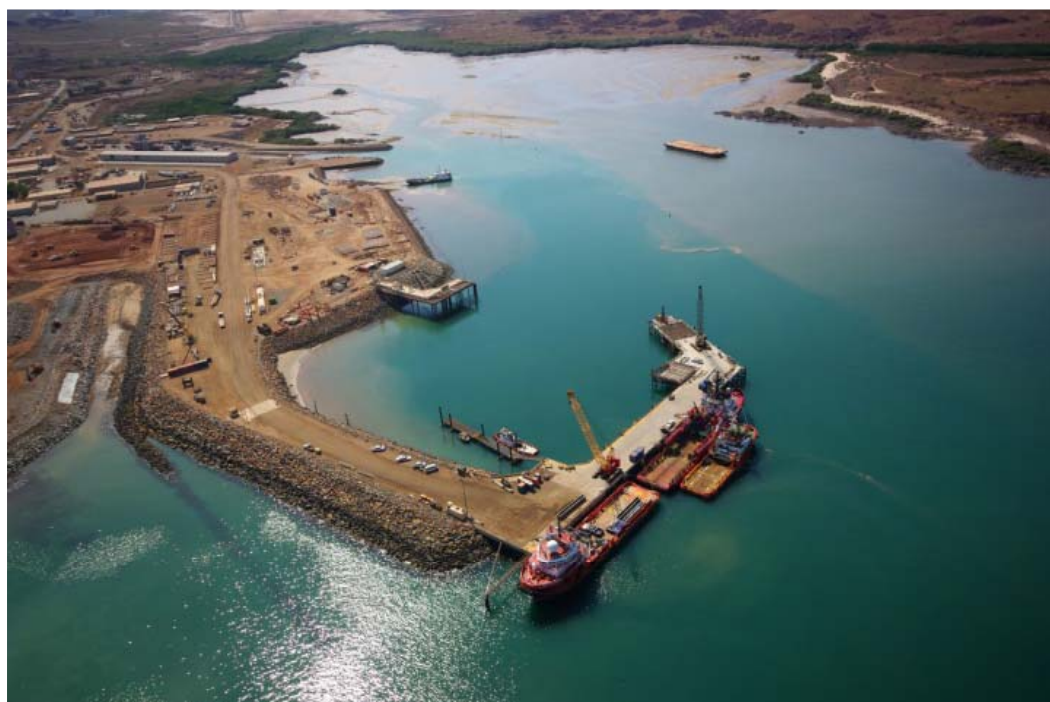
I would finally like to thank my fellow Directors for their ongoing support, guidance and contribution to the governance of the Company and to introduce to you our Managing Director, Jeff Weber.



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# 2008 Annual General Meeting

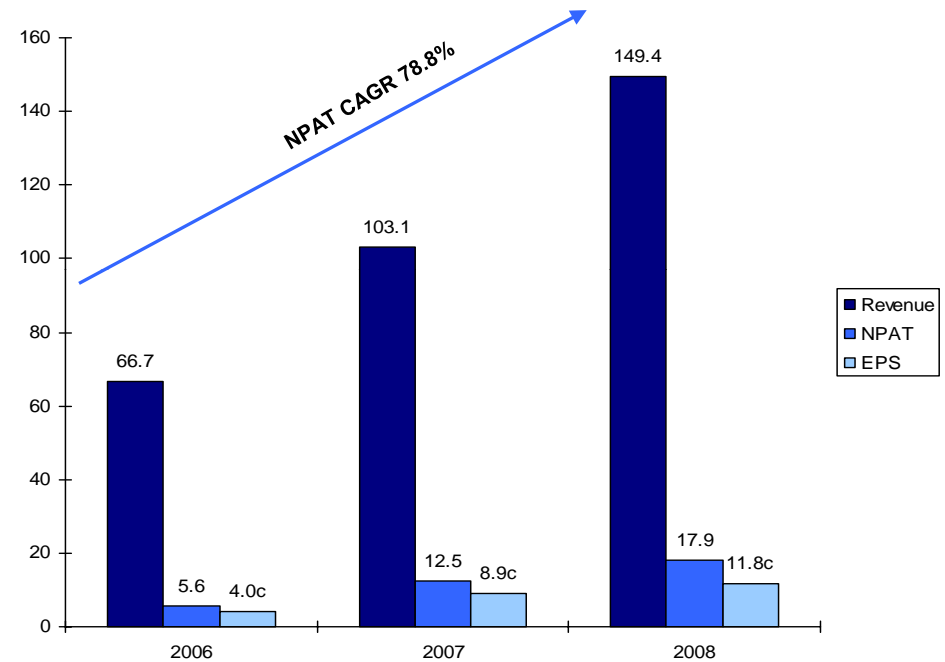
## *Managing Director's Address*



*Jeffrey Weber*

## Financial Year 2008 – *platform for growth ...*

- Revenue \$149.4 million up 45%
- NPAT \$17.9 million up 43%
- EPS 11.8 cps up 33%
- Net Operating Cashflow \$29.7 million up 61%
- Capital expenditure \$72.7 million
- Hours worked increased by 40%
- Safety : 70% improvement in key “All Injury” measure
- Gearing 23.5%



# Vessel Division - *core business continues to perform strongly...*

## Financial Highlights FY2008

- Revenue \$130 million up 49% on PCP
- ROA 24 % - including direct O/H but excluding corporate O/H
- EBITDA margin 27.1%
- 80% of EBIT generated by vessel business
- Vessel Utilisation 74%

## Operational Update FY2009

- Mermaid Searcher Delivering December
- Geokinetics vessels in Angola & contract extended
- Potential new AHTS – Jan/Feb 2009
- YTD Vessel utilisation 80%



# Supply Base & Slipway – *tracking continued earnings and margin growth....*

## Financial Highlights FY2008

- Revenue \$23.5 million up 6%
- ROA 14.3% - including direct O/H but excluding corporate O/H
- EBITDA Margin 35.7%
- EBITDA Growth 53%

## Operational Update FY2009

- 2250 sqm Warehouse – all space contracted
- \$22 million wharf extension – will deliver on time and on budget
- Dampier Supply Base earnings will grow in 2009
- Slipway demand strong
- Supply Base area in Broome under development – exploration activity remains healthy





## *Balance Sheet strengthened with capital raising...*

- Raised \$47 million in May to fund future infrastructure development and asset purchases
- Current Gearing 34%
- Current Interest Cover 5 times
- Current Cash at Bank \$41 million
- Operating cash flow remains strong – income producing asset base
- Debt facility secured to cover 2009 capital expenditure programme
- Average cost of debt 7.9% with new debt facility at lower cost
- Investments in FY2009 will be EPS accretive in FY2010



## *Strategy – long term shareholder value.....*

- Currently into the second year of our five year plan
- Tracking ahead of strategy at the end of the first year
- Strategy is Australia centric but enhanced by International exposure
- Growth driven by demand in North West Shelf and Browse Basin regions
- Fundamental exposure to long term LNG developments
- Strategy covers Exploration, Development and Production support



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## *Committed projects to drive ongoing demand...*

- **Committed Projects:**
  - Woodside - Pluto LNG – \$12bn
  - Apache – Devils Creek Domestic Gas - \$800m
  - Apache - Van Gogh FPSO development (NWS) - \$400m
  - ENI Blacktip development (Bonaparte Gulf) - \$500m
  - BHPB – Pyrenees FPSO development - \$2bn
  - Woodside - North Rankin 2 (NWS) - \$5b
  - Esso – Kipper Gas Field (Bass Strait) - \$1b
  - Esso – Turrum Gas Field - \$1.4b
- **Longer term:**
  - Chevron Gorgon Project
  - Chevron - Wheatstone development (NWS)
  - Apache - Julimar domestic gas development (NWS)
  - Inpex - Ichthys (Browse Basin)
  - Woodside – Scott Reef (Browse Basin)
  - Shell – Prelude (Browse Basin)
  - Woodside - Sunrise (Timor Sea, JPDA)



## *International Business – contract extensions ...*

- International strategy focused around clients rather than geographies
- Geokinetics Contract extended to April 2010 on 3 vessels in Angola
- Mermaid Discovery contracted to August 2009 with options to extend
- Balances vessel demand across the financial year
- \$US income
- Strong EBITDA margins
- Client seismic areas extended with healthy forward book



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## *Gorgon Update*

- Progressing full terms of Sublease agreement
- Expected Term of 5 Years with 5 Year option
- Scope of work established
- Moving into detailed design and contractor selection phase
- Fund development through existing cash reserves and debt facilities
- Phased construction by MMA over 12 month period
- Opportunity to continue development of our unique supply base infrastructure in Dampier to support our multi-user strategy





*Mermaid Marine Supply Base, Slipway & Wharf*



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## *Trading Update*

- First half trading in line with expectations
- Forecast first half 2009 earnings to exceed first half 2008 earnings by greater than 40%
- Full year earnings remain in line with company expectations
- Expect continuing earnings growth in FY2010
  - Committed projects
  - Gorgon Supply Base development
  - Wharf extension and ongoing demand for supply base services
  - Strong market position with our vessels in Australia
  - Extended contracts for International vessels
  - Unique integrated service offer



## *Summary*

- We have built a strong team of professionals over the last 5 years
- We have a young and highly capable fleet of vessels
- We have unique infrastructure in the key North West Shelf and Browse Basin regions
- We have the financial strength to take advantage of opportunities
- We either contract directly to Multinational O&G companies or to contractors servicing these O&G companies
- The long term fundamentals of the Oil and Gas industry remain strong
- We are predominantly exposed to the development of LNG facilities with long term demand matched to long term sales contracts





## *Company Contacts*

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