



MERMAID MARINE
AUSTRALIA LTD

25 November 2010

The Listing Manager
Australian Stock Exchange
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Dear Sir/Madam

2010 AGM: CHAIRMAN'S ADDRESS & MANAGING DIRECTOR'S ADDRESS

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

Kind regards,
MERMAID MARINE AUSTRALIA LIMITED

DYLAN ROBERTS
Company Secretary

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Mermaid Marine Australia Limited

2010 Annual General Meeting

CHAIRMAN'S ADDRESS

Good morning ladies and gentlemen and welcome to Mermaid Marine Australia's 2010 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 and I am therefore pleased to declare this meeting open.

You will have received the Notice of Meeting and the items outlined will be discussed in the formal part of the meeting. Prior to that, I will present a summary of MMA's performance over the past year and how we see the path ahead.

Jeff Weber will then give a presentation on the progress of the company after which time I will return to conduct the formal proceedings.

I would like to start by introducing your Directors present here today:

Our Managing Director – Mr Jeffrey Weber

Executive Director – Mr Jim Carver

Non-Executive Director – Mr Mark Bradley

And I would like to welcome our new Non-Executive Director – Mr Andrew Edwards.

Andrew was appointed as a Director of MMA in December 2009 and brings significant experience to complement the Board. Andrew was a partner at PricewaterhouseCoopers for 24 years and

Managing Partner of the Perth office for five years. Andrew also chairs the Company's Audit and Risk Committee. Andrew's appointment as Director will be voted on later in the meeting, at which time he will give you a brief outline of his skills and experience.

I would also like to introduce our Company Secretary – Mr Dylan Roberts.

I am pleased to report that in 2010 MMA recorded another year of strong earnings growth and returns for Company Shareholders.

Despite the continuing challenges faced by the global economy, the Australian oil and gas sector remains relatively robust. This sustained growth is due in no small part to the fact that a number of major LNG projects in the North West Shelf are gaining momentum.

Lower activity levels in Asia throughout 2010 resulted in an increase in competition within the Australian vessel market. However, MMA's program of fleet expansion and supply base upgrades over the past few years, in addition to investing in our customer relationships, meant that the Company was well positioned to take advantage of increased domestic activity.

Net operating profit after tax increased by 43% on the previous year to \$37.9 million, and earnings per share increased by 41% to 20.4 cents per share. Whilst these figures were boosted by a one-off benefit from the Government's investment allowance on capital expenditure, the underlying pre-tax profit was up 25% on 2009, a commendable result in a challenging environment.

MMA has achieved a 58% compound annual growth rate in NPAT over the past five years, enabling the Company to substantially outperform both the ASX200 and the ASX Small Ordinaries indices over the same period. Total Shareholder Returns for the 2010 financial year was 43% - a standout performance in comparison with our peers.

The Company also increased its dividend to 8 cents per share for the 2010 financial year, which represents a 33% increase compared with the 2009 financial year. This translates to a 40% pay-out

ratio for shareholders, an excellent result in an environment where many companies have had to cut their dividends over the past two years.

Each of MMA's operating divisions delivered strong result for the year, with a particularly encouraging performance from our Dampier Supply Base and from the Company's recently established Singapore office which is the base for our developing international operations.

MMA's vessel business performed well achieving a 10% growth in earnings despite limited opportunities in the offshore construction spot market.

MMA was successful in maintaining strong vessel utilisation throughout the year with a portfolio of longer term contracted production support work balancing the shorter term construction support work. The longer term contracts provide higher certainty in earnings and allow MMA to balance the risk reward equation of shorter term activities. During the year, MMA secured a number of longer term contracts, which increased our overall level of contracted revenue above the company's 50% target. In addition we were able to secure a range of spot contracts that enabled us to maintain vessel utilisation at approximately 74% across the fleet and closer to 80% on our larger vessels. This is close to full utilisation and a very pleasing result in light of the competitive environment.

In the first half of the 2010 financial year MMA was awarded a contract by BHP to provide vessel support to their Pyrenees FPSO development. The contract has a firm period of three years with options for further extension. This contract is in line with our overall vessel utilisation strategy and strengthens our position as the major supplier of offtake support services in Australia. MMA now services nine of the eleven offtake support operations off the Australian coast.

We also secured a three year contract with Woodside for the Mermaid Searcher to support Woodside's North West Shelf Platform operations. The vessel's primary role is safety standby duties but it will also be required to perform supply operations as required. Our ability to manage a variety of operations from the same vessel was a key factor in securing this contract. This flexibility in our

fleet is becoming increasingly important to our clients and is an endorsement of our philosophy of acquiring vessels that can be used for a range of services.

Our 2010 annual strategic review forecast that demand for vessels in the region would increase and on that basis we purchased four new vessels during the year. The decision to engage in a program of fleet expansion was supported by the Federal Governments investment incentives and the fact that asset prices remained under pressure as a result of the Global Financial Crisis. We were able to secure good quality vessels at attractive prices and all four vessels were immediately put to work with three of them still on contract.

Our international operations based out of Singapore also fared well in 2010. Our Ocean Bottom Cable fleet comprising three vessels successfully completed contracts in Angola and Gabon for Geokinetics and have now been deployed to Irian Jaya for further work. The Mermaid Discovery completed an 18 month contract in Egypt and has now joined the rest of the fleet in Irian Jaya. The management structure within the Singapore team has been strengthened and we have developed a safety management system specific to our international operations.

An integral part of our strategy for growing the vessel business includes moving into the offshore drilling support segment. We purchased our first vessel capable of drilling support last year - the Mermaid Vision. Our intention is to purchase a second vessel in the coming year, a medium sized Platform Supply Vessel or PSV which will enter the drilling support market in the North West. The strategy to enter the segment via a PSV is consistent with our overall strategy of purchasing vessels which can be flexible and suitable for more than one job. PSV's can be utilised for exploration, construction and production support activities across our existing client portfolio. Market demand for medium sized PSVs is looking strong over the next 5 years as explorers move to deeper waters with greater transiting distances.

Expanding our international operations is also a key part of our future growth strategy. The international oil and gas market is improving and our clients continue to be awarded new work. We are currently looking at re-configuring the international fleet to add a larger vessel with multiple capabilities. We have reviewed a number of potential vessels over the past 12 months and will look to secure a suitable vessel over the coming year.

With exploration activity picking up over recent months and vessel prices beginning to stabilise, as well as the strong Australian dollar, the Board felt that the timing was right to raise funds to execute on this growth strategy.

On 25th October, we raised \$35 million by way of an institutional placement. The placement was extremely well supported and was undertaken at very small 3.7% discount to the share price at the time. Your Board also wanted to ensure that our smaller shareholders had the opportunity to participate in the capital raising so a Share Purchase Plan was offered to shareholders inviting them to subscribe for up to \$15,000 in additional shares in the Company at the placement price. The SPP closed on 17th November raising \$29.2 million and bringing the total capital raised to just under \$65 million. We were very pleased with the support shown for the capital raising by our existing shareholders and institutional investors.

The company is now in a strong position to move quickly on its growth strategy and secure the right vessels as they become available.

Our other key division, the Dampier Supply performed exceptionally well in 2010. Our investment in a program of infrastructure developments during 2009 translated into higher earnings for 2010, with earnings before interest and tax more than doubling from the previous year. The completion of additional infrastructure for the Gorgon Project was a significant factor in bolstering earnings and as the project ramps this is a trend we can expect to continue.

In March 2010 MMA signed off on the Stevedoring Contract for the Gorgon Project. Under this contract the Dampier Supply Base has become the Gorgon Project's primary mainland facility. MMA personnel are engaged in the provision of stevedoring and related services in support of the Gorgon Project, as well as quarantine preparation of cargo and the operation of vessels to escort barges in and out of the port facility.

The main wharf was upgraded in 2009 and has continued to enjoy strong support from oil and gas operators. Wharf utilisation remained consistent over the year with an average of 15,000 tonnes of cargo and approximately 179 vessels per month.

Over the course of 2011 we plan to continue the program of infrastructure development and upgrade work commenced in 2009. With demand for land and services remaining strong, we are confident of continuing to increase utilisation levels.

The Dampier Supply Base is one of MMA's key assets. Beyond the direct earnings generated it also allows the Company to provide an integrated service to clients and support their offshore supply chain requirements at a higher level than could be achieved by simply providing vessel services.

The slipway at Dampier is an important element in ensuring we are able to provide an integrated service to our clients. The slipway represents a key component of our service capability and enables MMA to achieve high utilisation and service levels across the vessel business. Whilst it is not highly material from an earnings perspective the cost savings from being able to service MMA vessels locally is significant in addition to generating revenue from third party operators.

Reduced drilling activity in the Browse Basin meant that earnings our Broome Supply Base Joint Venture were lower than in 2009. However, the Broome Supply Base maintained its position as the premier supply base service provider in the region and produced a solid result in relation to our competitors.

Activity in the Browse Basin region is expected to increase with several projects progressing during 2010. Inpex announced the commencement of Front End Engineering and Design for its Ichthys Project and a Final Investment Decision is scheduled for the 4th quarter of 2011. This is a significant project which will require substantial support during the construction phase.

Shell's Prelude Project has also entered the FEED stage and its preference for a floating LNG plant was given approval by the federal Environment Minister in November of this year.

Woodside is also considering a new development using the recently announced Kimberly Hub at James Price Point.

Any one of these projects has the potential to drive substantial growth in the Broome Supply Base operations and MMA continues to see the Broome Supply base as a longer term strategic asset in relation to such future developments.

One of the key operational achievements of the organisation during 2010 has been the substantial improvement in our overall safety performance. Ensuring that people return home safely after work is an ongoing challenge and MMA dedicates substantial resources to ensuring the organisation is continually improving in this area.

Overall, your company has delivered strong returns in 2010 and has generated consistent and strong growth over the past five years. The company achieved a major milestone in December 2009 when it became eligible for entry into the ASX 200, having made the ASX 300 in March 2009. This highlights the relative growth of the organisation over the past two years.

The outlook for the Australian oil and gas sector is strengthening as we enter a new financial year. Construction and development of the \$43 billion Gorgon Project is expected to ramp up in 2011. Projects that look to reach production by 2016 include; Shell's Prelude FLNG Project, Chevron's Wheatstone project, Woodside's Sunrise project, Inpex's Ichthys project and the Bonaparte FLNG project owned by GDF Suez and Santos Ltd. The construction phases of these projects represent

significant opportunities for our marine and land based assets, while the increase in activity in the Browse Basin promises to enhance the performance of the Broome Supply Base.

MMA has a clear strategy, a committed board, a strong and stable executive team and a capable and dynamic workforce and this has enabled the Company to capitalise on opportunities and generate strong earnings growth and returns for shareholders.

I would like to take this opportunity to thank your Board members who have provided great support during the year. I would also like to acknowledge the contribution from the Managing Director, Jeff Weber, the Senior Executive Team and all the staff of the Company who have worked hard to achieve the successes we have seen over the last year. I look forward to 2011 and I am confident that the Company can continue to deliver strong returns for you its shareholders.

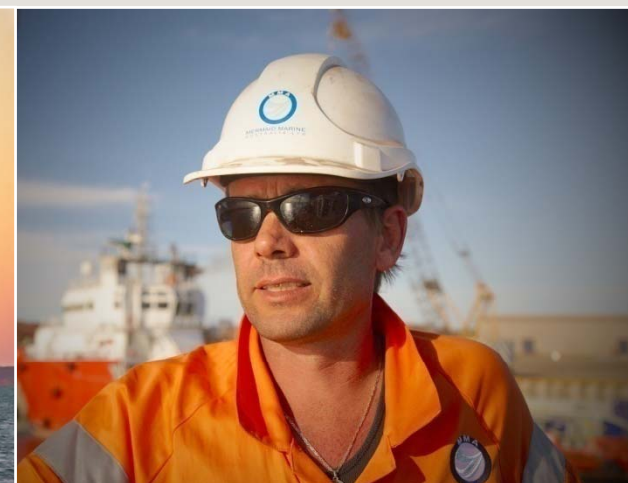


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2010 Annual General Meeting

Managing Director's Address

Jeffrey Weber



Introduction

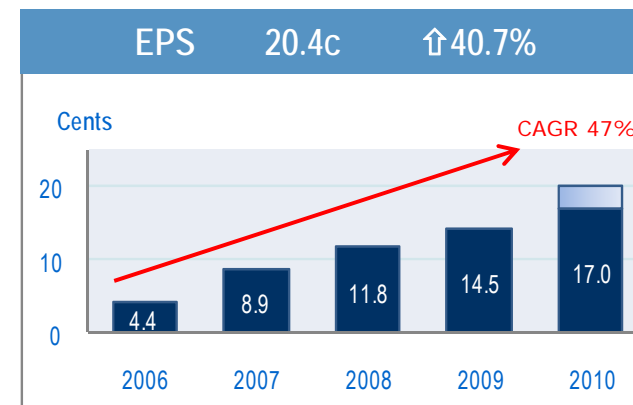
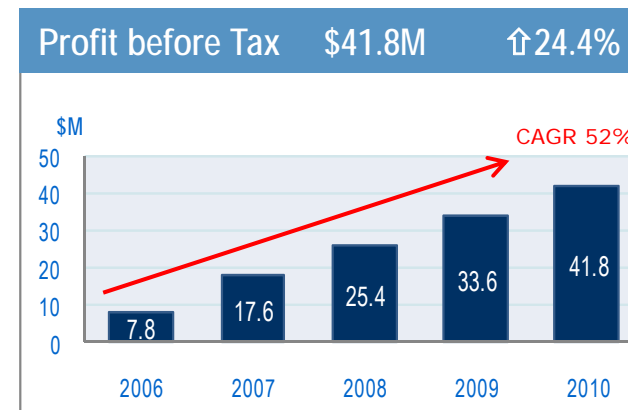


- ❑ Company continued record of strong earnings growth during 2010
- ❑ Worst of the GFC behind us but ongoing issues in the global economy
- ❑ The Australian oil and gas market solid but challenging
- ❑ FY2011 will be positively impacted by the Gorgon Project
- ❑ Recent capital raising opens up new opportunities for growth
- ❑ MMA looks forward to continuing to deliver growth in earnings

2010 Highlights ... another year of solid growth



- ❑ Revenue \$194.4 million, ↑18.6%
- ❑ Pre-tax profit \$41.8 million, ↑24.4%
- ❑ Net profit after tax \$37.9 million, ↑43.0%*
- ❑ Earnings per share of 20.4c, ↑40.7%*
- ❑ Final Dividend 5c per share; full year 8c per share ↑33.3%
- ❑ Operating Cashflow \$51.7 million ↑98.8%
- ❑ Cash at bank \$26.8 million
- ❑ Capex \$109 million
- ❑ Good safety performance across the organisation - 59% improvement in TRCF



* Includes one off impact of Federal Government Investment Incentives – Normalised NPAT \$31.5m; Normalised EPS 17.0c

Vessel Operations ... solid performance in a challenging year



▪ Financial highlights FY2010

- Revenue \$150.1 million, ↑ 12.4%
- EBITDA \$47.5 million, ↑ 14.2%
- ROA – 18.7%
- Vessel utilisation 74%
- Capex \$79 million – 4 new vessels

▪ Operational update YTD FY2011

- \$120 million of new work secured
- 3 tugs and 5 barges on charter
- 1 tug and barge purchased – \$7 million
- YTD utilisation – 78%



International business



- Mermaid Vigilance successfully converted for cable laying
- Mermaid Vigilance, Mermaid Vanquish and Mermaid Discovery all working in Irian Jaya
- Client has ongoing work in Mexico and Australia
- Successfully consolidated international operating capability
 - International Document of Compliance
 - International approved Safety Management System
 - Attracting and retaining high quality crews



Dampier Supply Base ... investment now delivering



■ Financial highlights

- Revenue \$40.9 million, ↑ 86.8%
- EBITDA \$23.4 million, ↑ 103.5%
- ROA – 22.3%
- Completed Gorgon Upgrade - \$37 m

■ Operational update - YTD FY2011

- Now receiving full rental returns after completion of upgrade
- Activity levels continue to grow
- Further upgrade work ~ \$4 million
- In advanced negotiations in relation to upgraded area
- Currently running ahead of budget



Dampier Supply Base and adjacent facilities



Dampier Slipway Operations ... a strategic asset



■ Financial highlights

- Improved earnings and margins
- Productivity improvements

■ Operational highlights

- Docked 35 vessels
- MMA remains major client
- Improved infrastructure
- Docked first Navy vessel
- Undertook “Flow Hose” maintenance
- Increasing Oil & Gas Exposure
- Strengthened management capability and retained key staff



Broome Supply Base ... future growth



- Supported Exploration activities for:
 - Shell
 - Santos
 - Conoco Phillips
 - Apache
- Progress towards Production Facilities
 - Shell Prelude FLNG Project – entered FEED; Sales agreements announced; Environmental approval granted Nov 2010
 - Woodside Browse – Broome Office Established
 - Inpex Ichthys – FID Q4 2011
- Well positioned for future growth in activity in the Browse Basin



Image of Shell's Floating LNG facility, courtesy of Shell

Successful capital raising ...



Non-underwritten institutional placement (completed 25 October 2010) and Share Purchase Plan (completed 17 November 2010)

Capital Raising Details	
Amount	\$64.2 million (\$35m placement; \$29.2m Share Purchase Plan)
Pricing	\$2.61 per share 3.7% discount to last closing price prior to placement 5.1% discount to last closing price prior to SPP close
Shares to be issued	24.6 million shares
Purpose	To fund growth opportunities in the oil and gas vessel support market in Australia and internationally

Capital raising very well supported by institutional investors and current shareholders of MMA

...positions MMA to take advantage of growth opportunities



- **Exploration activity picking up** - timing right to pursue MMA's strategy of expanding its drilling and construction support fleet via entry into the medium sized Platform Supply Vessel (PSV) market
- **Emerging international opportunities** – opportunity to enhance capability, efficiency and flexibility of international fleet
- **Vessel market beginning to strengthen** - sale and purchase market stabilised over last 6 months; new build activity beginning to increase with recent orders placed
- **Strong AU\$** - good time to purchase vessels
- **Gearing reduced** to 25.7%⁽¹⁾

(1) – Pro-forma 30 June 2010 basis, based on gross proceeds of \$64.2 million

Trading update



Solid first quarter. 1H2011 Profit before Tax expected to be up 25% on PCP

Vessels

- Strong first quarter performance
- Awarded 3 Year - \$80m Gorgon fuel transport contract (Sep-10)
- Awarded Gorgon Cargo & Water transport contracts (Jul-10)
- Mobilising chartered tugs and barges to meet contractual requirements
- Active on Apache Devils Creek Project
- Currently tendering longer term vessel contracts
- Offshore construction support activity increasing in second quarter

Supply Base

- First quarter running ahead of budget
- Continues to perform strongly with increased volume of cargo moved
- Gorgon related activity is robust with increased barge movements
- Production and exploration drilling activities firm into the future
- In advanced negotiations with oil major for supply base services

MMA is well positioned to continue to deliver growth in earnings

Contacts

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