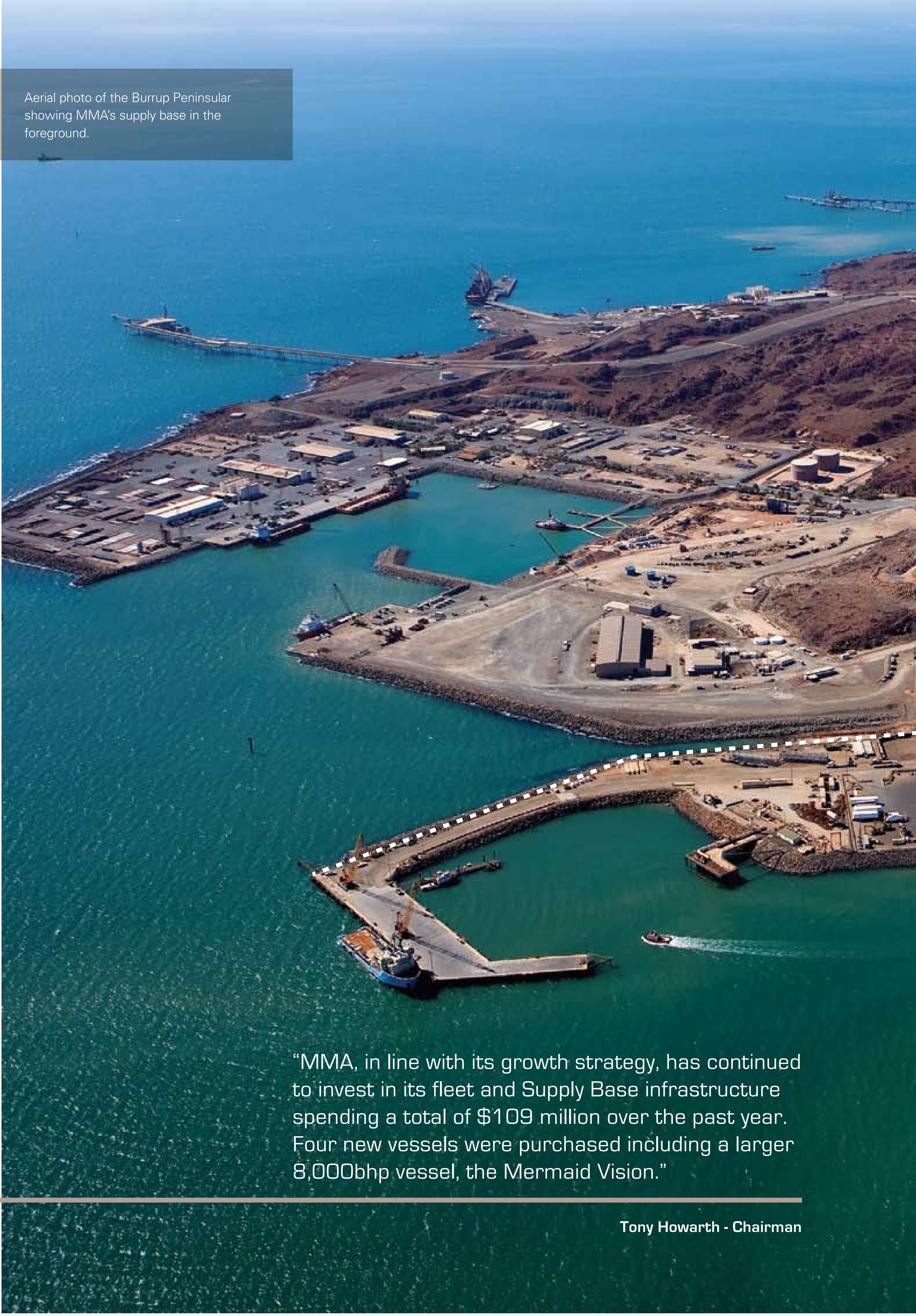
MERMAID MARINE AUSTRALIA LTD

Annual Report 2010



Aerial photo of the Burrup Peninsular showing MMA's supply base in the foreground.

"MMA, in line with its growth strategy, has continued to invest in its fleet and Supply Base infrastructure spending a total of $109 million over the past year. Four new vessels were purchased including a larger 8,000bhp vessel, the Mermaid Vision."

Tony Howarth - Chairman

ONGOING STRATEGIC EXPANSION

Key Highlights

- $37 million upgrade for Gorgon Project completed
- Main wharf development drives increased earnings
- Ongoing scope for future development and new clients

Mermaid Marine Australia Limited
ABN 21 083 185 693

Corporate Directory

Directors

Tony Howarth	Chairman
Jeffrey Weber	Managing Director
James Carver	Executive Director
Mark Bradley	Non-Executive Director
Andrew Edwards	Non-Executive Director

Company Secretary
Dylan Darbyshire-Roberts

Registered Office

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Auditors

Deloitte Touche Tohmatsu
Chartered Accountants
Level 14, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000
Tel: 61 8 9365 7000
Fax: 61 8 9365 7001

Solicitors

Blake Dawson
Level 32, Exchange Plaza
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Bankers

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Chairman's Address

I am pleased to report that 2010 was another year of strong earnings growth and returns for Mermaid Marine Australia Ltd's (MMA) shareholders.

Net profit after tax increased by 43% to $37.9 million, and Earnings per Share increased by 41% to 20.4c 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 last year, a commendable result in a challenging economic climate.

The Company has also increased its dividend to 8 cents per share for the full year, up 33% on last year. This represents a 40% payout ratio and is a pleasing result for shareholders in an environment where many companies have had to cut dividends over the past two years.

Whilst the global economy continued to face challenges, the Australian oil and gas sector remained relatively strong, particularly in the area of LNG development. Competition in the Australian market intensified due to lower activity levels in Asia. However, MMA, having invested in its fleet and supply base infrastructure as well as in its customer relationships over the past number of years was well positioned to take advantage of increased activity in the sector and delivered a strong result for the year.

MMA, in line with its growth strategy, has continued to invest in its fleet and Supply Base infrastructure spending a total of $109 million over the past year. Four new vessels were purchased including a larger 8,000bhp vessel, the Mermaid Vision. These new vessels have added substantially to the capability of MMA's fleet and place the Company in a strong position to grow this core part of the business. The Dampier Supply Base also underwent a significant upgrade to support Chevron's Gorgon Project. The Supply Base is a key asset for the Company, and the anticipated increase in offshore oil and gas activity is expected to generate earnings growth from this part of the business during FY2011.

The outlook for the oil and gas sector in Australia is buoyant. Construction and development of the $43 billion Gorgon Project is expected to ramp up in FY11. Chevron has also recently indicated that it is confident of moving ahead with its Wheatstone Project.

Activity in the Browse Basin is also progressing, with Inpex's Ichthys Project and Shell's Prelude Project currently in front end engineering and design and working towards a final investment decision. Woodside are also progressing their Browse Basin development and have recently opened offices in Broome. Broome has a long history supporting supply base operations for the oil and gas industry for over 40 years. MMA's Broome Supply Base, operated in Joint Venture with Toll, has been servicing the industry for ten years and provides a longer term strategic position in relation to future developments in the Browse Basin.

In December 2009, Mr Andrew Edwards joined the MMA Board as a Non-executive Director bringing significant experience to complement the Board. Andrew was a Partner at PricewaterhouseCoopers for 24 years and Managing Partner of the Perth office for 5 years. Andrew will also Chair the Company's Audit and Risk Committee. Mr Jeffrey Mews resigned from the Board in November 2009. Jeff had been a member of the MMA Board for over 10 years and I would like to thank him for the valuable contribution he made to the Company over that period. I would also like to thank my fellow Directors for their support, dedication and counsel during what was another challenging but exciting year for the Company.

Finally, I would like to thank the MMA management team and staff led by our Managing Director, Mr Jeff Weber. Jeff has led the Company through a period of significant organic growth and outstanding returns for MMA shareholders. The Company was recently included in the S&P/ASX200 Index. Importantly, MMA is strongly committed to managing risk and is focused on ensuring that internal systems and processes are robust as the Company continues to grow.

We look forward with enthusiasm to FY11 and expect to continue to deliver superior returns for our shareholders.

Tony Howarth

Chairman

MMA Board of Directors

Left to right: Andrew Edwards, Mark Bradley, Tony Howarth, Jeff Weber and James Carver.

The outlook for the oil and gas sector in Australia is buoyant. Construction and development of the $43 billion Gorgon Project is expected to ramp up in FY11.

Managing Director's Review of Operations

The 2010 financial year was another year of solid growth for Mermaid Marine Australia Ltd (MMA).

Net operating profit after tax (NPAT) increased by 43% on the previous year to $37.9 million. MMA has achieved a 58% compound annual growth rate in NPAT over the past five years, enabling the Company to substantially outperform both the ASX 200 and Small Ordinaries indices over the same time period. Total Shareholder Return for the year was 43% - a standout performance in comparison with our peers.

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

Financial Highlights

MMA's revenue increased by 18.6% to $194 million for the year and EBIT increased by 23.9% to $51.4 million. This reflected contributions from four new vessels added to the fleet during the year and a substantial increase in activity at the Dampier Supply Base. NPAT increased disproportionately by 43% as a result of the Federal Government's capital investment incentives, which allowed an immediate tax deduction for capital expenditure incurred during the year and a flow through to our income tax payments.

As highlighted in the Chairman's Address, MMA is pleased to announce an increase in the final dividend payment to 5 cents per share.

MMA has a strong focus on Return on Assets as a key measure of performance and driver of investment decisions. Return on Assets for the year increased to 15.1% as investment in the Dampier Supply Base over the past 18 months begins to translate into earnings growth. The Supply Base increased its Return on Assets to 22.3% in 2010 (2009: 16.5%), a very pleasing result.

MMA's balance sheet remains strong with cash at bank of $26.8 million. Gearing (Net debt to Equity) finished the year at 67% reflecting the substantial capital expenditure programme during FY10, as we continued to implement our growth strategy. A total of $109 million in capital expenditure was incurred, with $79 million invested in new vessels and a further $30m invested in expanding and upgrading the Dampier Supply Base.

The Company reached a major milestone in December 2009 when it became eligible for entry into the ASX 200, having made the ASX 300 in March of 2009. This highlights the relative growth of the organisation over the past two years.

Overall, the 2010 financial year delivered another strong financial performance for MMA and the Company remains in good shape to take advantage of future opportunities in the oil and gas market.

Revenue up 18% to $194m

Dividend up 33% to 8cps

Operating cash flow up 99% to $51m

Operational Highlights

One of the most pleasing outcomes of the 2010 financial year was the improvement in the Company's safety performance. This is a key focus area for MMA and its clients and the improvement is an endorsement of the overall safety culture nurtured by our management team and all of our employees. Effective safety management is an ongoing process and the Company has a number of new initiatives planned for FY11 to achieve our objective of continuous improvement.

Vessel Operations

The MMA vessel business performed well, in what was a relatively challenging year. Utilisation started strongly, with a number of vessels supporting Woodside Petroleum's Pluto pipeline installation. This work was completed in September 2009 and no other major offshore construction projects were scheduled for the remainder of the 2010 financial year. Despite this, MMA was able to maintain utilisation levels throughout the year. This was achieved through a number of successful longer term contract wins in the first half of the year, as well as the Company's ability to mix and match the fleet across a range of clients and services.

A key part of MMA's vessel strategy is to maintain a strong portfolio of longer-term contracted production support work to balance the short term construction support work. This mix provides higher certainty in earnings and allows MMA to balance the risk reward equation of shorter term activities. During the year, MMA secured a number of longer term contracts, which increased contracted revenue as a percentage of overall revenue to above the Company's target rate of 50%. In addition, the Chartering group was able to secure a range of spot contracts that enabled MMA to maintain vessel utilisation at approximately 74% across the fleet, with utilisation on the fleet's larger vessels running closer to 80%. The ability to secure longer term contracts with existing clients supports MMA's reputation in the market and strengthens the Company's service offering in the spot market.

Managing Director's Review of Operations

Overall the 2010 financial year delivered another strong financial performance for MMA and the Company remains in good shape to take advantage of future opportunities in the oil and gas market.

Managing Director's Review of Operations

In the first half of FY10, BHP Billiton Petroleum tendered for a vessel to support its Pyrennees FPSO development. MMA secured the contract which extends for three years with options for further extension. This contract strengthens our position as the major supplier of offtake support services in Australia - MMA now services nine of the eleven offtake support operations on the Australian coast.

In addition, a three year contract was secured for the Mermaid Searcher supporting Woodside Petroleum's North West Shelf platform operations. The vessel's primary role is safety standby duties but due to the design of the vessel, it is also able to carry out supply operations as required. This flexibility was important to the client and an endorsement of MMA's philosophy of acquiring vessels that can be used for a range of services.

As part of the Company's FY10 annual strategy review, it became clear that demand for vessels was forecast to increase in FY11. On this basis, MMA took a decision to acquire four new vessels. The business case for investing an additional $78 million in the fleet was enhanced by the Federal Government's Investment Allowance provisions and the fact that asset prices were still under pressure as a result of the Global Financial Crisis. MMA was 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. This has proven to have been a highly successful investment strategy, with a subsequent increase in asset prices, as the industry has stabilised and activity levels have begun to recover.

At the older end of the fleet, MMA has commenced retiring vessels, with the Mermaid Raider and Mermaid Eagle being sold during the year. While these vessels were still achieving good returns, from a reputational point of view, they were no longer aligned with the Company's strategy. The Mermaid Achiever is also approaching retirement and is expected to leave the fleet during the next 12 to 18 months.

On the international front it has been another interesting year. Our Ocean Bottom Cable (OBC) fleet comprised of the Mermaid Vanquish, Miclyn Glory and Swissco Sovereign, finished the contract in Angola and proceeded to Gabon for further charter. This work has now been completed and the fleet has sailed back to Singapore for redeployment to its next role in Irian Jaya. The Mermaid Discovery, which has been working in Egypt for the past 18 months, finished its role and has now redeployed to Singapore to join the OBC fleet in Irian Jaya. Over the course of the year the management team in Singapore has been strengthened with additional personnel and the development of specific international safety management

Managing Director's Review of Operations

systems and accreditation. Geokinetics is a key customer for MMA and we are working closely to ensure that we continue to drive productivity improvements that enhance the service delivery to both Geokinetics and its clients.

As the fleet increases, so too does the management challenge. Over the past 12 months the fleet management team has been restructured to drive closer links between chartering, crewing and operations. In addition, a project group has been developed to enable MMA to provide both consistency and expertise to its clients and to ensure that all new vessels that are acquired meet the stringent standards that MMA sets itself as an organisation. At the time of writing, the project group is involved in the modification of four new barges and four vessels required to cover recent contract wins.

Overall, FY10 represented a solid performance from our core vessel business, with longer term contract wins, extension of our international contracts, the addition of new vessels to our fleet and maintenance of fleet utilisation in a challenging environment. With activity expected to increase by the second quarter of FY11, the prospects for continued growth in earnings from this division are positive.

Dampier Supply Base

FY10 was a standout year for the Dampier Supply Base business. The investment made in FY09 in infrastructure upgrades, including the completion of the additional infrastructure for the Gorgon Project, translated into higher earnings.

Earnings before Interest and Tax for the business more than doubled from the prior year as activity across the base increased. Strong cashflow was generated and margins also improved, with a relatively low working capital requirement compared to the Company's vessel operations.

Capital expenditure on the upgrade work to support the Gorgon Project amounted to $37 million. This included new offices, additional barge and vessel loading infrastructure, quarantine facilities and an upgraded laydown area for cargo being transferred to Barrow Island. The timeframe to deliver the upgrade was aggressive and to have completed the work under budget was a positive outcome for MMA's clients. Over the past three years there have been a number of major upgrades to the Supply Base infrastructure and MMA's ability to bring these projects in on time and on budget is a good reflection on the strength of the management team. As the Gorgon construction profile increases, cargo volumes through the dedicated areas are expected to increase.

MMA signed off on the Stevedoring Contract with KJVG in March 2010, which covers the provision of personnel to quarantine cargo and load and discharge vessels, as well as vessels to escort barges in and out of the port facility. In order to service this contract, MMA has undertaken a substantial recruitment programme during the last 18 months, with numbers on the base increasing by approximately 20%. The team working in the Gorgon dedicated areas have achieved a high level of safety, productivity and quarantine compliance in the short time it has been operating. MMA's outstanding operational and safety performance has been recognised by its clients in recent months at a directorate level.

The main wharf facility was upgraded in FY09 and has continued to enjoy strong support from the oil and gas operators. Utilisation has remained consistent over the past year, averaging 15,200 tonnes of cargo per month and 168 vessels per month. The operation is currently carried out with two gangs and two 250 tonne crawler cranes on a single shift. The flexibility and capability provided by two large cranes ensures that vessels can be stevedored safely and efficiently with a fast turnaround. The facility and associated approvals allow for up to three shifts per day should demand require, providing latent capacity on our wharf facility to meet future growth.

Over the course of FY11, MMA will be working to secure additional clients on the base and plans to continue with the upgrade programme. Demand for land and services on the base remains strong and MMA is confident of continuing to increase utilisation levels.

The Dampier Supply Base has had a highly successful year and is one of MMA's key assets. Beyond the direct earnings generated, it 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.

Dampier Slipway

In FY10, the Dampier Slipway has been reported separately under the new segment reporting guidelines. While the business is not highly material from an earnings perspective, it has a high strategic value to the MMA business.

MMA could not achieve the utilisation and service levels that its customers have come to expect without the ability to maintain vessels locally in North West WA. The closest alternative slipway is at least five days steaming and in pure cash costs, without factoring in opportunity costs, access to the Dampier Slipway saved MMA approximately $2 million in FY10. Furthermore, our control over the timing of dockings is critical to matching maintenance time to the contract periods and maximising the time the vessels are on hire.

Managing Director's Review of Operations

In addition to providing statutory docking services to MMA's fleet and third party operators, a range of specific expertise is engaged within the slipway team to provide ongoing support for the fleet. This covers disciplines such as electrical and electronic, airconditioning, hydraulics and communications. MMA's ability to respond to issues quickly and efficiently in a region that has limited external support is one of the key competitive advantages of the Company's vessel operations.

A number of significant developments occurred at the slipway during FY10, including the docking of the first naval vessel. The HMAS Melville was docked at the slipway during the year with successful maintenance work carried out. Positive feedback was received from the Royal Australian Navy and it has certainly opened up opportunities for future work. In addition, the slipway has now been set up to undertake maintenance of flow hoses. These are the floating hoses used to connect the FPSOs in the field to the offtake tankers and require regular inspection and upgrade work to maintain their integrity. Prior to the establishment of MMA's slipway facility, there was no efficient and environmentally robust method to undertake this work in the region. It is another example of how MMA can provide valuable services to the oil and gas industry.

Utilisation of the slipway increased in the second half of the year compared to the first half, resulting in a much stronger second half financial performance. Expectations are for ongoing high utilisation due to the number of vessels expected in the region over the next few years and this will translate into ongoing improvement in performance.

Broome Supply Base – Toll Mermaid Joint Venture

Drilling activity in the Browse Basin decreased during FY10 which resulted in lower earnings. However, the Broome Supply Base maintained its position as the premier supply base service provider in the region and produced a solid financial result.

The Broome Supply Base's clients include Shell, Santos, Conoco Phillips and Apache, all of whom undertook drilling campaigns in the Browse Basin region.

Inpex has announced the commencement of FEED for its Icthys project. This project is expected to have an initial capacity to produce more than eight million tonnes of LNG per annum, approximately 1.6 million tonnes of LPG and 100,000 barrels of condensate per day at peak. This is a significant project which will require substantial support during the construction phase.

Similarly, Shell has an attractive prospect in the Prelude field and has entered the FEED phase of the project, with a Floating LNG development as its preferred option. Woodside, which has already undertaken substantial exploration drilling in the region, is also considering a new development utilising the recently announced Kimberley Hub at James Price Point. Any one of these projects has the potential to drive substantial growth in the Broome Supply Base operations.

MMA continues to see the Broome Supply Base as a longer term strategic position in relation to these future developments.

Health Safety Environment and Security

As outlined earlier in the review, one of the key operational achievements of the organisation during FY10 has been the substantial improvement in the overall safety performance. Ensuring that people remain healthy and return home safely after work is an ongoing challenge in any organisation; it is a challenge that never abates. Until there are zero injuries in the workplace, there remains room for improvement.

MMA, as a service provider to major oil companies and offshore contractors, is in the enviable position in that it not only receives support from its clients in improving safety but is also able to learn and participate in health and safety initiatives that clients undertake on a regular basis. This clearly works both ways.

Having developed a robust suite of policies and procedures, ensured that all staff have appropriate personal protective equipment, and invested in modern vessels and materials handling equipment, MMA's next step is to work directly with our people to instil safety leadership as a fundamental culture within the organisation. Once again, MMA has the advantage of being able to learn from the experience of our clients. During FY11, the Company is planning a range of training initiatives around the concept of behavioural based safety. This is very much a journey, but from what has been evident over the last six months as this process commenced, it is a journey worth taking. To achieve this, the HSEQ management team has been increased, both on the ground and at a senior management level.

A key part of the improvement process is ongoing audits of our operations from various stakeholders, including clients and regulatory authorities, as well as internal audits undertaken by specifically trained personnel within the organisation. In FY10, 86 audits were carried out on the organisation made up of the

Managing Director's Review of Operations

Excellence in HSEQ outcomes is fundamental to the success of the organisation and remains a key focus for the Board and Senior Management Team.

Managing Director's Review of Operations

following; 32 internal, 23 regulatory/statutory and a significant increase in client audits, which leapt from 16 to 31.

In addition to managing safety outcomes across the organisation, the HSEQ team is responsible for ensuring that the Company meets or exceeds its environmental compliance requirements. The Dampier Supply Base is covered by a State Ministerial Environmental Compliance Framework. Over the past years, the upgrade work on the supply base and slipway has dramatically improved the environmental management of the site and the Company is now in a position where it comfortably exceeds the requirements under Ministerial conditions. Similarly, as the fleet renewal programme continues, the standard of environmental performance in relation to emissions, waste management, antifouling systems and fuel oil management has improved substantially.

Excellence in HSEQ outcomes is fundamental to the success of the organisation and remains a key focus for the Board and Senior Management Team.

People

A number of factors contribute to the overall success of an organisation. Some of these factors are short term and others play out over a longer time period. However, in my view the most critical longer term strategic advantage is achieved by having the best possible people. Over the past five years, MMA has experienced strong growth and as a result, has been able to attract high calibre personnel across the organisation.

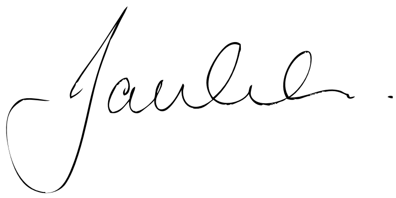
However, as the Company continues to grow, the strength of the management team becomes more critical. Going forward, there will continue to be a high level of focus on training and development. The Human Resources management team has been strengthened with the addition of another high level General Manager to ensure that the organisation develops in line with its growth profile. Our ongoing expansion has also meant we have outgrown our old offices and have recently moved into new premises in Fremantle.

The Senior Management team has been stable over a number of years and this continuity has been a major contribution to the success of the organisation. I would like to take this opportunity to recognise the contribution of the Senior Management Team and in particular the efforts of the CFO, Peter Raynor and the COO, David Ross. Ultimately though, a company is the sum of all the people who work within it and I would like to thank all staff for their dedication and support over the last 12 months.

I would also like to thank the Board of Directors for their ongoing support and guidance. MMA has a relatively small Board which has a clear strategy and clear guidelines for management. This enables the organisation to be responsive and move quickly to take advantage of opportunities as they arise.

MMA would not have enjoyed the success it has without the support of its clients and suppliers. We are fortunate to have clients that continue to grow their respective businesses and in particular, are highly focussed and supportive of the health, safety and environmental performance of the industry as a whole.

The Company delivered on expectations in 2010 and has generated consistent and strong growth over the past five years. Over the period since FY06, the Company has achieved a 52% compound annual growth rate in pre-tax profit. The oil and gas market remains resilient and we are confident that the investments made over the past years will continue to drive ongoing growth in earnings.



Jeff Weber

Managing Director

Corporate Governance Statement

The Board of Directors of Mermaid Marine Australia Limited (the Company) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Australian Stock Exchange Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) released on 2 August 2007 ("ASX Principles"). Where recommendations have not been followed, the Company must identify the recommendations which have not been followed and give reasons for not following them. The Company's corporate governance practices for the year ended 30 June 2010 are outlined in this Corporate Governance Statement. The following table lists each of the ASX Principles and the Company's assessment of its compliance with the ASX Principles:

Principle 1: Lay solid foundations for management and oversight	**Comply**
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2 Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3 Companies should provide the information indicated in the *Guide to reporting on Principle 1.*	✓

Principle 2: Structure the board to add value	**Comply**
2.1 A majority of the board should be independent directors.	✓
2.2 The chair should be an independent director.	✓
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4 The board should establish a nomination committee.	✓
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6 Companies should provide the information indicated in the *Guide to reporting on Principle 2.*	✓

Principle 3: Promote ethical and responsible decision-making	**Comply**
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	✓
3.1.1 the practices necessary to maintain confidence in the company's integrity;	✓
3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and	✓
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3 Companies should provide the information indicated in the *Guide to reporting on Principle 3.*	✓

Principle 4: Safeguard integrity in financial reporting	**Comply**
4.1 The board should establish an audit committee.	✓
4.2 The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	✓
4.3 The audit committee should have a formal charter.	✓
4.4 Companies should provide the information indicated in the *Guide to reporting on Principle 4.*	✓

Principle 5: Make timely and balanced disclosure	Comply
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2 Companies should provide the information indicated in the *Guide to reporting on Principle 5*.	✓

Principle 6: Respect the rights of shareholders	Comply
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
6.2 Companies should provide the information indicated in the *Guide to reporting on Principle 6*.	✓

Principle 7: Recognise and manage risk	Comply
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4 Companies should provide the information indicated in the *Guide to reporting on Principle 7*.	✓

Principle 8: Remuneration fairly and responsibly	Comply
8.1 The board should establish a remuneration committee.	✓
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.3 Companies should provide the information indicated in the *Guide to reporting on Principle 8*.	✓

For further information on the corporate governance policies adopted by the Company, refer to the 'Corporate Governance' and 'Company Policies' section under the "Company" tab on the Company's website: www.mma.com.au

Corporate Governance Statement

The Board and Board Structure

Details of the functions and responsibilities of the Board, Chairman and matters delegated to senior executives are set out in sections 1 to 3 of the Board Charter (a copy of which can be found under the Corporate Governance section of the Company's website). The roles and responsibilities of the Company's Board and senior executives are consistent with those set out in ASX Principle 1.

Details of the performance review process for senior executives are set out in the Remuneration Report, which forms part of the Directors' Report in this Annual Report. A performance evaluation for senior executives has taken place in the relevant reporting period in accordance with the process set out in the Remuneration Report.

Board Structure

The Board is currently comprised of 5 directors, with:

- Three non-executive directors, including the Chairman; and
- Two executive directors.

A description of the skills, experience and expertise relevant to the position of director held by each director in office at the date of this annual report is included in the Directors' Report.

Board Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the Company to be independent.

As defined by the Corporate Governance Council, directors of the Company are considered to be independent when they are non-executive directors who are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

The Board assesses the independence of directors upon their appointment and regularly reviews and assesses the independence of non-executive directors.

Of the five current Board members, the following three directors are considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the Recommendations and other facts, information and circumstances that the Board considers relevant):

Mr A Howarth
Chairman, Non-Executive Director
Mr M Bradley
Non-Executive Director
Mr A Edwards
Non-Executive Director

The Board has considered the independence of Mr Bradley who has previously been employed in an executive capacity by the Company. The Board considers Mr Bradley to be independent as:

- there has been a period of at least three years since ceasing such employment; and
- there has been a period of at least 8 years since Mr Bradley was employed in an executive capacity – which the Board considers is sufficient for Mr Bradley to be independent.

Of the five current Board members, the following two directors are not considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the Recommendations and other facts, information and circumstances that the Board considers relevant):

Mr J Weber
Managing Director
Mr J Carver
Executive Director

Therefore, the majority of the Board are considered to be independent. Further, the chairperson of the Company is an independent director.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice (if necessary) at the Company's expense.

The period of office held by each director in office at the date of this report is as follows:

Mr J Carver	12 years
Mr M Bradley	10 years
Mr A Howarth	9 years
Mr J Weber	8 years
Mr A Edwards	<1 year

The Board considers that the length of time that Mr Carver and Mr Bradley have been on the Board does not have an adverse impact on each director's ability to bring an independent judgment to bear in decision-making. The Board considers that having some directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience.

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. Its role is to make recommendations to the Board about:

- the necessary and desirable competencies of directors;
- effective induction programmes for new directors;
- review of Board succession plans;
- developing, implementing and regularly re-assessing a process for the evaluation of the performance of the Board, its committees and directors;
- the selection, appointment and re-election of directors;
- the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives;
- senior executives remuneration and incentives;
- superannuation arrangements; and
- the remuneration framework for directors.

The objective of the Company's remuneration policy is to enhance both corporate and individual performance by taking into account all factors which it deems necessary to ensure that members of the executive management of the Company are motivated to pursue the long term growth and success of the Company within an appropriate control framework and to ensure there is a clear relationship between senior executive performance, Company performance and remuneration.

The specific responsibilities of the Nomination and Remuneration Committee are set out in the committee's Charter which is to be found at Appendix C of the Board Charter and are consistent with the requirements of the ASX Principles.

The Nomination and Remuneration Committee comprised the following members throughout the year:

Mr M Bradley (Chairman)
Independent, Non-Executive Director
Mr A Howarth
Independent, Non-Executive Director
Mr J Carver
Executive Director

Details of:

- the remuneration and all monetary and non-monetary components for each of the five highest-paid (non-director) executives during the year and for each of the directors during the year; and
- the difference in the structure of remuneration of non-executive directors from that of executive directors and senior executives and the relationship between remuneration and Company performance

are set out in the Directors' Report.

The Board exercises its discretion to pay bonuses, options and other incentive payments, commensurate with the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Corporate Governance Statement

Performance Evaluation

A performance evaluation for the Board, its committees and directors has taken place during the reporting period in accordance with section 12 and Appendix J of the Board Charter. This evaluation was carried out by the Nomination and Remuneration Committee and involved a review of the performance of the Board, its committees and each director against measurable and qualitative benchmarks as determined by the Board having regard to accepted, sound corporate governance standards.

Details of the number of meetings of the Nomination and Remuneration Committee held during the year and the attendance at those meetings is set out in the Directors' Report.

Audit & Risk Committee

The Board has established an Audit & Risk Committee which operates under a formal charter approved by the Board (a copy of which is set out under Appendix B of the Board Charter). It is the Board's responsibility to regularly review and approve the Company's risk management and oversight policies (including a review of the effectiveness of the implementation of that system) to satisfy itself that management has developed and implemented a sound system of risk management and internal control. Whilst retaining ultimate responsibility, the Board has delegated its responsibility for risk oversight, risk management and internal control to the Audit & Risk Committee. This includes monitoring the integrity of the financial statements of the Company, reviewing external reporting procedures, reviewing the performance of the Company's external audit function to ensure that independence is maintained, assessing the propriety of all related-party transactions, monitoring, assessing and making recommendations to the Board in relation to the Company's business policies and procedures, internal control systems, compliance with applicable laws and regulations, the Company's risk management framework and the effectiveness of the Company's management of its material business risks.

The Audit & Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit & Risk Committee during the year were:

Mr A Edwards (Chairman) (appointed 18 December 2009)
Independent, Non-Executive Director
Mr A Howarth
Independent, Non-Executive Director
Mr M Bradley
Independent, Non-Executive Director
Mr J Mews (resigned 24 November 2009)
Independent, Non-Executive Director

Details of the qualifications of each of the above members of the Audit & Risk Committee, the number of meetings of the Audit & Risk Committee held during the year and the attendance at those meetings is set out in the Directors' Report.

The Chair of the Audit & Risk Committee is an independent, non-executive director who is not chair of the Board.

The Board has considered that the nature of the non-audit services provided by the external auditor, Deloitte Touche Tohmatsu, during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the auditor's independence has not been compromised.

Policies, Declarations and Assurances

Details of the Company's:

- Director's Code of Conduct and Corporate Code of Conduct are set out in section 7 and Appendix D and G of the Board Charter respectively;
- Share Trading Policy is set out in section 8 and Appendix E of the Board Charter;
- Communications Policy and Disclosure Policy are set out in sections 9, 10, 11 and Appendix F of the Board Charter;
- Risk Management Policy (Summary) is set out in section 13 and Appendix H of the Board Charter and under the Company Policies section of the Company's website;
- Procedures for the selection, appointment and rotation of the external auditor are set out in Appendix I of the Board Charter; and
- Procedures for the evaluation of the Board and its Committees are set out in section 12 and Appendix J of the Board Charter.

In line with ASX Recommendation 7.2, management has reported to the Board that the Company's material business risks are being effectively managed in line with the risk management and internal control systems designed and implemented by management and approved by the Board.

In line with ASX Recommendation 7.3, the Board has received the written assurances from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks (see subsection (c) of the Directors' Declaration in this Annual Report).

Directors' Report

The directors of Mermaid Marine Australia Limited (Company) submit herewith the annual financial report of the Company for the financial year ended 30 June 2010.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors: The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Anthony John Howarth AO

Chairman Appointed 5 July 2001

Tony was appointed as Chairman of the Company on 1 August 2006. Tony is also currently a non-executive director of AWB Limited and Wesfarmers Limited. Tony worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has previously held the positions of Managing Director of Challenge Bank Limited, CEO of Hartleys Limited, Chairman of Alinta Limited, Deputy Chairman of the Bank of Queensland Limited and Chairman of Home Building Society Limited. Tony is also Chairman of St John of God Health Care Inc. He is also Adjunct Professor (Financial Management) at the University of Western Australia Business School. Tony is also involved in a number of community and business organisations including the Senate of the University of Western Australia, Chairman of the Committee for Perth Limited, a member of the Rio Tinto WA Future Fund and the University of Western Australia Business School Advisory Board and a director of the Australian Chamber of Commerce and Industry, the Chamber of Commerce and Industry of Western Australia (Inc) and West Australian Rugby Union Inc. Tony is a member of the Company's Nomination and Remuneration Committee and the Audit & Risk Committee.

Mr Jeffrey Andrew Weber

Managing Director Appointed 31 December 2002

Jeff began his career as a marine engineer with BHP Transport. He went on to complete a degree in this field in 1993 and in 1994 graduated with a Master's in Engineering and Technology Management from the University of Queensland. During his 19 years with BHP, Jeff gained comprehensive project management experience and helped develop new business for BHP Transport in Australia and south-east Asia. He also managed a major initiative with BHP's steel division, reviewing its logistics arrangements and developing processes to improve services and reduce costs. In 1998, Jeff joined Riverside Marine in Queensland and helped expand its operations Australia-wide. This included forming a joint venture company with Wijsmuller International Towage BV, RiverWijs and negotiating with Woodside Petroleum to take over that Company's harbour towage operation in Dampier, Western Australia. As Managing Director of Mermaid Marine, Jeff is responsible for the financial and operational performance of all of the Company's business lines.

Directors' Report

Mr Mark Francis Bradley

Non-Executive Director Appointed 22 September 2000

A civil engineer with a track record in senior off-shore engineering management, Mark joined the J Ray McDermott company in 1977 for service on Esso's Tuna/Mackerel project in Bass Strait. During the 14 years of technically challenging work that followed, Mark held senior positions with the company in Indonesia, Singapore, Malaysia, Dubai and Saudi Arabia. Still with McDermott, but returning to Australia, he then worked on new projects in Bass Strait and, finally, the Woodside North Rankin A and Goodwyn A platforms on the North-West Shelf in Western Australia. In 1991, Mark joined Clough Offshore as project manager of a number of North-West Shelf projects. Duties in Thailand, China and Indonesia followed, and by 1993 he was operations/project manager for BHP's Griffin project. In 1994, Mark became managing director of Clough Offshore. A highly talented manager, he then presided over that company's fivefold growth, which was to make it one of the most well-equipped, professional and competitive groups in the off-shore contracting business. In 1997, Mark joined the Board of Clough Engineering as an executive director, retiring and becoming a shareholder and director of Mermaid Marine in 2000. Mark is the Chairman of the Company's Nomination and Remuneration Committee and a member of the Audit & Risk Committee.

Mr James Henry Carver

Executive Director Appointed 29 June 1998

Captain James Carver is a Ships' Master with over 30 years' direct experience in the marine industry. As Woodside Petroleum's first Ships' Master, he carried out marine operations in LNG development. Captain Carver, who has been involved in exploration, construction and production for most of the oil and gas projects on the North-West Shelf, has an in-depth knowledge of the industry, its needs and its future. He established Mermaid Marine in 1982 and pursued a 'can do' attitude at sea and ashore. Under his direction, the fleet grew from one to 15 vessels and the base at Dampier was secured for its present expansion. Captain Carver is a member of the Company's Nomination and Remuneration Committee.

Directors' Report

Mr Hugh Andrew Jon Edwards

Non-Executive Director Appointed 18 December 2009

Andrew is a former Managing Partner of the Perth office of PricewaterhouseCoopers (PwC), a former national Vice President of the Securities Institute of Australia (now the Financial Services Institute of Australasia) and a former President of the Western Australian division of that Institute. He is a Fellow of the Institute of Chartered Accountants in Australia and has served as State Chairman of the local Education Committee of the Institute and was a former member of its National Education Committee. Andrew currently serves as a Non-Executive Director of Nido Petroleum Limited and its subsidiaries (appointed 11 December 2009) and is a board member of Activ Foundation Inc (appointed 27 October 2008), and Sungrid Limited (an unlisted company, appointed 30 April 2010). Andrew graduated from the University of Western Australia with a Bachelor of Commerce degree and is the Chairman of the Company's Audit & Risk Committee.

Mr Jeffrey Arthur Sydney Mews

Non-Executive Director Resigned 24 November 2009

A Fellow of the Institute of Chartered Accountants in Australia, Jeff is also an Associate of the Australian Society of Certified Practising Accountants, a Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. Jeff spent more than 22 years as a partner in the taxation consulting division of PricewaterhouseCoopers before retiring from the partnership. His experience in the oil, gas and mining industries is extensive and he has been directly involved, at a senior level, with most major resource projects in Western Australia since the 1970's. Jeff is currently a director of Arafura Pearls Holdings Ltd. As well as being a past Chairman of the Western Australian division of the Taxation Institute of Australia, Jeff was a Member of the Salaries and Allowances Tribunal for the State of Western Australia for 14 years and was a Founding Governor of the Malcolm Sargent Cancer Fund for Children (now Redkite) in Western Australia. Jeff was the Chairman of the Company's Audit & Risk Committee until his resignation.

The above named directors held office during the whole of the financial year, except for:

- Mr J Mews: Resigned 24 November 2009; and
- Mr A Edwards: Appointed 18 December 2009.

Directorships of Other Listed Companies

Directorships of other listed companies held by the directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr A Howarth	AWB Ltd	Since March 2005
Mr A Howarth	Wesfarmers Ltd	Since July 2007
Mr A Howarth	Bank of Queensland Ltd	December 2007 - July 2010
Mr A Howarth	Home Building Society Ltd	June 2003 – December 2007
Mr J Mews	Arafura Pearls Holdings Ltd	Since 2001
Mr A Edwards	Nido Petroleum Ltd	Since December 2009

Directors' Shareholdings

The following table sets out each director's relevant interest in shares and options of the Company as at the date of this report, except for:

- Mr J Mews which shows his relevant interest in shares of the Company as at the date of his resignation.

Name	Fully paid ordinary shares direct	Fully paid ordinary shares indirect	Share options direct
Mr A Howarth	414,510	435,833	-
Mr J Weber	557,153	920,000	3,735,980
Mr M Bradley	3,073,819	-	-
Mr J Carver	40,000	3,544,068	-
Mr A Edwards	-	-	-
Mr J Mews	392,153	357,153	-

The directors do not have any interests in shares or options of any related body corporate of the Company.

Directors' Report

Share Options Granted to Directors and Senior Management

During and since the end of the financial year an aggregate of 3,521,091 share options were granted to the following directors and five highest remunerated officers of the Company as part of their remuneration:

Name	Number of options granted	Issuing entity	Number of ordinary shares under option
Mr J Weber	1,488,356	Mermaid Marine Australia	1,488,356
Mr D Ross	691,866	Mermaid Marine Australia	691,866
Mr P Raynor	691,866	Mermaid Marine Australia	691,866
Mr E Graham	223,253	Mermaid Marine Australia	223,253
Ms T Vivian	223,253	Mermaid Marine Australia	223,253
Mr D Lofthouse	202,497	Mermaid Marine Australia	202,497

Company Secretary
Mr Dylan Darbyshire-Roberts

Appointed 19 August 2008

Mr Dylan Darbyshire-Roberts held the position of company secretary of Mermaid Marine Australia Limited at the end of the financial year. He joined the Company in May 2007 in the role of Commercial Manager. Previously, he was a senior associate with the law firm DLA Phillips Fox where he practised in the areas of insurance, corporate and marine law. After obtaining a Bachelor of Commerce degree (1995) and a LLB degree (1997) at the University of Natal (PMB), Dylan qualified as a solicitor in South Africa, New South Wales and Western Australia. Dylan has worked in a legal capacity in all of these jurisdictions as well as the UK over the past 10 years. Dylan is an Associate of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Principal Activities

The consolidated entity's principal activities during the course of the financial year were:

- Operating crewed vessel charters; and
- Operating supply base and marine support facilities.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

Review of Operations

A review of, and information about the operations of the consolidated entity for the financial year and the results of those operations are set out in the Chairman's Address and the Managing Director's Review of Operations in this Annual Report.

Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than those referred to in the financial statements or the notes thereto.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

The Chairman's Address and the Managing Director's Review of Operations give an indication, in general terms, of likely developments in the Company's operations in future financial years, and the expected results of those operations.

Environmental Regulations

The consolidated entity continues to conduct its operations within the parameters of the Department of Environmental and Conservation Licence and Ministerial requirements. There were no breaches of licence conditions for the year ended 30 June 2010.

Dividends

In respect of the financial year ended 30 June 2009, as detailed in the Directors' Report for that financial year, a final dividend of four (4) cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 7 October 2009.

In respect of the financial year ended 30 June 2010, an interim dividend of three (3) cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 29 March 2010.

In respect of the financial year ended 30 June 2010, the directors have declared a final dividend of five (5) cents per share franked to 100% at 30% corporate income tax rate to be paid on 28 September 2010 to the holders of fully paid ordinary shares in the Company on the record date of 8 September 2010.

Shares Under Option and Issued on Exercise of Options

Details of unissued shares under option or rights at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of options $	Expiry date of options
Mermaid Marine Australia Ltd	535,000	Ordinary	0.48(a)	19 May 2011
Mermaid Marine Australia Ltd	970,040	Ordinary	1.83(b)	11 October 2012
Mermaid Marine Australia Ltd	2,326,424	Ordinary	1.83(c)	11 October 2012
Mermaid Marine Australia Ltd	369,349	Ordinary	1.83(c)	24 January 2013
Mermaid Marine Australia Ltd	1,385,432	Ordinary	1.60(d)	23 September 2013
Mermaid Marine Australia Ltd	1,277,584	Ordinary	1.60(d)	23 September 2013
Mermaid Marine Australia Ltd	441,930	Ordinary	0.00(e)	18 September 2014
Mermaid Marine Australia Ltd	3,112,049	Ordinary	3.05(f)	18 September 2014
Mermaid Marine Australia Ltd	1,488,356	Ordinary	3.05(f)	18 September 2014

Directors' Report

(a) These share options can only be exercised during their exercise period subject to the share price of the Company being equal to or greater than 70 cents as detailed in note 24.

(b) These share options vest on 11 October 2010 and can only be exercised during their exercise period subject to the share price of the Company achieving certain levels as detailed in note 24.

(c) 15% of these share options vest 36 months after their issue date. The remaining 85% of these share options can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 24.

(d) These share options vest on 23 September 2011 and can only be exercised during their exercise period subject to the share price of the Company achieving certain levels as detailed in note 24.

(e) These share options vest on 18 September 2012 and can only be exercised during their exercise period subject to the share price of the Company achieving certain levels as detailed in note 24.

(f) These share options vest on 18 September 2012 and can only be exercised during their exercise period subject to the share price of the Company achieving certain levels as detailed in note 24.

Holders of options over unissued shares in the Company do not have the right, by virtue of the option, to participate in any share issue of the Company.

Details of shares issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares $	Amount unpaid on shares $
Mermaid Marine Australia Ltd	600,000	Ordinary	0.40	Nil
Mermaid Marine Australia Ltd	600,000	Ordinary	0.40	Nil
Mermaid Marine Australia Ltd	875,000	Ordinary	0.48	Nil
Mermaid Marine Australia Ltd	100,000	Ordinary	0.62	Nil

Insurance and Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. The relevant contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, ten (10) Board Meetings, four (4) Audit & Risk Committee meetings and two (2) Nomination and Remuneration committee meetings were held.

Name	Board of Directors		Audit & Risk Committee		Nomination & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr A Howarth	10	10	4	4	2	2
Mr J Weber	10	10	n/a	n/a	n/a	n/a
Mr M Bradley	10	10	4	4	2	2
Mr J Carver	10	8	n/a	n/a	2	2
Mr J Mews (resigned 24 November 2009)	4	4	2	2	n/a	n/a
Mr A Edwards (appointed 18 December 2009)	5	5	2	2	n/a	n/a

Proceedings on Behalf of the Company

No persons applied for leave under s.237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of the Company during the financial year.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditors independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 36 of this Annual Report.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Mermaid Marine Australia Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and Senior Management Details;
- Remuneration Policy;
- Non-Executive Directors' Fees;
- Senior Executive Remuneration;
- Relationship between Remuneration Policy and Company Performance;
- Remuneration of Directors and Senior Management;
- Bonus and share based payments granted as compensation for the current financial year;
- Key Terms of Employment Contracts.

Director and Senior Management Details

The directors of Mermaid Marine Australia Limited during and since the end of the financial year were:

Mr A Howarth (Chairman) (Non-Executive Director)

Mr J Weber (Managing Director)

Mr J Carver (Executive Director)

Mr M Bradley (Non-Executive Director)

Mr J Mews (Non-Executive Director) – Resigned 24 November 2009

Mr A Edwards (Non-Executive Director) – Appointed 18 December 2009

The term "senior management" is used in this Remuneration Report to refer to the following persons. Except as noted, the following senior management of Mermaid Marine Australia Limited held their current position for the whole of the financial year and since the end of the financial year:

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr E Graham (General Manager – Corporate Development)

Mr S Lee (General Manager – Dampier Supply Base)

Mr D Verboon (General Manager - Slipway)

Ms T Vivian (General Manager – Human Resources)

Mr J Rogers (General Manager - HSEQ)

Mr D Lofthouse (General Manager – Business Development) – Appointed 24 July 2009

Remuneration Policy

The Nomination and Remuneration committee reviews the remuneration packages of all directors and executives on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, and are adjusted by a performance factor to reflect changes in the performance of the Company and the consolidated entity.

Non Executive Directors' Fees

Non executive directors' fees are determined within an aggregate directors' fee pool which is periodically recommended for approval by shareholders. The maximum fees payable to non-executive directors are currently $550,000 per annum in aggregate (approved by shareholders on 27 November 2008).

Fees paid to non-executive directors are set at levels which reflect both the responsibilities of, and time commitments required from each non-executive director to discharge his duties. Non-executive directors' fees are reviewed annually by the Board to ensure they are appropriate for the duties performed, including Board committee duties, and are in line with the market. Other than statutory superannuation, directors are not entitled to retirement allowances.

Senior Executive Remuneration

Senior executive remuneration comprises both a fixed component and an at-risk component, which is designed to remunerate senior executives for increasing shareholder value and for achieving financial targets and business strategies. It is also designed to attract and retain high calibre executives. The remuneration of senior executives has three components:

- Fixed annual remuneration comprising base salary and superannuation;
- Short-term incentive (STI) – an annual "at-risk" cash component designed to reward performance against key performance indicators (KPIs). These KPIs are designed to measure the achievement of strategic, financial and operating objectives of the Group. The maximum STI opportunity varies according to the role;
- Long-term incentive (LTI) – the Company grants options or rights over its ordinary shares under the LTI.

Relationship between the Remuneration Policy and Company Performance

The salary and fees and non-monetary components are reviewed and determined annually by the Nomination and Remuneration Committee.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board by having regard to the overall performance of the Company and consolidated entity and the performance of the individual during the period.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2010:

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Revenue	194,434	163,881	149,364	103,124	71,096
Net profit before tax	41,826	33,555	25,400	17,560	12,229
Net profit after tax	37,889	26,524	17,897	12,513	9,208
Share price at start of the year	$1.83	$1.55	$1.90	$0.60	$0.35
Share price at end of the year	$2.54	$1.83	$1.55	$1.90	$0.60
Interim dividend	3cps	2cps	Nil	Nil	Nil
Final dividend	5cps	4cps	2cps	1cps	Nil
Basic earnings per share	20.4cps	14.50cps	11.82cps	8.91cps	6.60cps
Diluted earnings per share	20.0cps	14.36cps	11.63cps	8.78cps	6.60cps

Remuneration of Directors and Senior Management

The following tables disclose the remuneration of the directors and senior management of the consolidated entity for the financial year to which the report relates and to the previous financial year:

2010	Short term employee benefits			Post employment benefits	Share based payment	Total
	Salary & fees	Bonus	Non-monetary*	Superannuation	Options & rights	
	$	$	$	$	$	$
Directors						
Mr A Howarth	140,000	-	-	12,600	-	152,600
Mr J Weber	710,000	325,237	-	25,000	225,912	1,286,149
Mr M Bradley	80,000	-	-	7,200	-	87,200
Mr J Carver	200,000	-	-	-	-	200,000
Mr J Mews	38,076	-	-	3,188	-	41,264
Mr A Edwards	46,038	-	-	4,143	-	50,181
Senior Management						
Mr D Ross	385,000	130,687	-	25,000	131,511	672,198
Mr P Raynor	385,000	130,687	-	25,000	131,511	672,198
Mr E Graham	170,500	44,100	-	50,000	45,120	309,720
Mr S Lee	157,500	23,625	110,033	16,470	15,808	323,436
Mr D Verboon	179,945	23,062	122,972	16,269	15,102	357,350
Mr D Lofthouse	185,539	40,000	-	14,461	32,308	272,308
Mr J Rogers	165,538	36,000	-	14,461	16,940	232,939
Ms T Vivian	206,038	44,100	-	14,461	43,578	308,177
Total	**3,049,174**	**797,498**	**233,005**	**228,253**	**657,790**	**4,965,720**

Remuneration of Directors and Senior Management (continued)

2009	Short term employee benefits			Post employment benefits	Share based payment	Total
	Salary & fees	Bonus	Non-monetary*	Superannuation	Options & rights	
	$	$	$	$	$	$
Directors						
Mr A Howarth	129,538	-	-	11,658	-	141,196
Mr J Weber	650,000	262,762	-	49,456	124,434	1,086,652
Mr M Bradley	66,923	-	-	6,023	-	72,946
Mr J Carver	170,001	-	-	-	-	170,001
Mr J Mews	76,923	-	-	6,923	-	83,846
Senior Management						
Mr D Ross	345,688	106,640	-	29,312	62,632	544,272
Mr P Raynor	344,037	106,640	-	30,963	62,632	544,272
Mr E Graham	192,661	31,500	-	17,339	21,953	263,453
Mr S Lee	150,000	25,500	124,675	15,579	5,926	321,680
Mr D Verboon	132,962	20,250	35,638	12,211	6,209	207,270
Mr J Rogers	41,462	7,000	-	3,732	-	52,194
Ms T Vivian	194,142	35,831	-	17,474	20,412	267,859
Total	**2,494,337**	**596,123**	**160,313**	**200,670**	**304,198**	**3,755,641**

** Non-monetary benefits comprise provision of housing, motor vehicle and travel.*

No Director or Senior Management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonus and share-based payments granted as compensation for the current financial year

Bonuses

Key senior management personnel were granted cash bonuses for the 2010 and 2009 financial years as noted above. The respective amounts were subject to a number of specified key performance targets being achieved. These performance targets relate to the following areas of the business:

- Financial;
- Business Growth;
- Business Improvement; and
- Employees' health/safety and attraction/retention of staff.

The bonuses were granted on 30 June each year.

The remuneration package of the managing director, Mr J Weber, included a cash bonus component of up to 45% of the base salary, non-monetary benefit and superannuation for the 2010 financial year (2009: 38%).

The remuneration packages of the other key management personnel for the 2010 financial year include a cash bonus component of up to 32% (2009: 28%) of the base salary, non-monetary benefit and superannuation.

All of the key performance indicators for measurement of eligibility for short-term incentives were met during the year resulting in 100% of possible amounts being paid.

Employee share options and rights plans

The Company operates share option and rights schemes for executives and senior management and other employees. Each share option or right converts into one ordinary share of Mermaid Marine Australia Limited on exercise. No amounts are paid or payable by the recipient on receipt of the options or rights. The options or rights carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the financial year, the following share option and rights schemes were in existence:

Series	Number issued	Grant Date	Expiry Date	Exercised Price $	Fair Value at grant date $	Vesting Date
(1) 15 Nov 2005 (a)	600,000	15 Nov 2005	15 Nov 2009	0.40	0.13	Date of issue
(2) 7 Dec 2005 (a)	600,000	7 Dec 2005	7 Dec 2009	0.40	0.18	Date of issue
(3) 19 May 2006 (b)	2,115,000	19 May 2006	19 May 2011	0.48	0.21	24 mths after date of issue
(4) 25 Aug 2006 (b)	205,000	25 Aug 2006	25 Aug 2011	0.62	0.28	24 mths after date of issue
(5) 21 Nov 2006 (c)	520,000	21 Nov 2006	24 Sept 2008	0.00	0.70	26 August 2008
(6) 22 Nov 2007 (d)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39	11 October 2010
(7) 23 Oct 2007 (e)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45	36 mths after date of issue
(8) 24 Jan 2008 (e)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45	36 mths after date of issue
(9) 23 Sept 2008 (f)	1,385,432	23 Sept 2008	23 Sept 2013	1.60	0.26	36 mths after date of issue
(10) 27 Nov 2008 (g)	1,277,584	27 Nov 2008	23 Sept 2013	1.60	0.08	23 September 2011
(11) 22 Sept 2009 (h)	475,705	22 Sept 2009	18 Sept 2014	0.00	1.43	36 mths after date of issue
(12) 22 Sept 2009 (i)	3,112,049	22 Sept 2009	18 Sept 2014	3.05	0.46	36 mths after date of issue
(13) 1 Dec 2009 (j)	1,488,356	1 Dec 2009	18 Sept 2014	3.05	0.47	18 September 2012

Directors' Report

a) In accordance with the terms of the Managing Director and Senior Executive Share Option Plans, the options granted on 15 November 2005 and 7 December 2005 vested upon their issue.

b) The options issued on 19 May 2006 and 25 August 2006 vested 24 months after their issue date. The options issued on the 19 May 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 70 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options. The options issued on 25 August 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 80 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options.

c) In accordance with the terms of the Managing Director Incentive Share Plan, 520,000 shares may be issued by the board to the Managing Director during the period commencing 26 August 2008 and expiring 30 days thereafter subject to the following performance hurdles:

(i) Fifty percent of the shares may be issued if the weighted volume average share price (WVASP) of the Company's shares which are traded on the ASX exceeds 80 cents for a period of at least 10 successive trading days during the two year period commencing on 23 August 2006 and ending on 25 August 2008.

(ii) The remaining 50% of the shares may be issued if the weighted volume average share price (WVASP) of the Company's shares which are traded on the ASX exceeds $1.00 for a period of at least 10 successive trading days during the two year period commencing on 23 August 2006 and ending on 25 August 2008

These shares were issued on 23 September 2008.

d) In accordance with the terms of the Managing Director's Share Option Plan – October 2007, 970,040 share options vest on 11 October 2010 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 11 October 2007 and ending on 11 October 2010 and a maximum period of five years commencing on 11 October 2007 and ending on 11 October 2012.

e) 15% of the options issued on 23 October 2007 and 24 January 2008 vest 36 months after their issue date. The remaining 85% may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years from issue date and a maximum period of five years from issue date.

f) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vest on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

g) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vest on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

h) In accordance with the terms of the Mermaid Marine Share Option Plan (amended September 2009), the share options issued to employees vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

i) In accordance with the terms of the Senior Executive Share Option Plan (amended September 2009), 3,112,049 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

j) In accordance with the terms of the Managing Director's Share Option Plan - 2009, 1,488,356 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

The following grants of share based payment compensation to directors and senior management relate to the current financial year:

Name	Option Series	During the financial year				
		Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Mr D Ross	(12) Issued 22 Sept 2009	691,866	-	-	-	19.6%
Mr P Raynor	(12) Issued 22 Sept 2009	691,866	-	-	-	19.6%
Mr E Graham	(12) Issued 22 Sept 2009	223,253	-	-	-	14.6%
Ms T Vivian	(12) Issued 22 Sept 2009	223,253	-	-	-	14.1%
Mr J Rogers	(12) Issued 22 Sept 2009	182,248	-	-	-	7.3%
Mr D Lofthouse	(12) Issued 22 Sept 2009	202,497	-	-	-	11.9%
Mr S Lee	(12) Issued 22 Sept 2009	106,311	-	-	-	4.9%
Mr D Verboon	(12) Issued 22 Sept 2009	95,680	-	-	-	4.2%
Mr J Weber	(13) Issued 1 Dec 2009	1,488,356	-	-	-	17.6%

During the financial year, the following directors and senior management exercised options and rights that were granted to them as part of their compensation. Each option converts into one ordinary share of Mermaid Marine Australia Limited.

Name	Number of options and rights exercised	Number of ordinary shares of Mermaid Marine Australia Ltd	Amount paid	Amount paid
			$	$
Mr J Weber	600,000	600,000	240,000	Nil
Mr D Ross	300,000	300,000	120,000	Nil
Mr P Raynor	300,000	300,000	120,000	Nil
Mr D Verboon	100,000	100,000	48,000	Nil

Directors' Report

The following table summarises the value of options granted, exercised or lapsed to directors and senior management during the financial year.

Name	Value of options granted at grant date	Value of options/rights exercised at exercise date	Value of options lapsed at lapse date
	$	$	$
Mr J Weber	486,335	1,710,000	-
Mr D Ross	246,444	855,000	-
Mr P Raynor	246,444	855,000	-
Mr E Graham	79,523	-	-
Ms T Vivian	79,523	-	-
Mr D Lofthouse	72,130	-	-
Mr J Rogers	64,917	-	-
Mr S Lee	37,868	-	-
Mr D Verboon	34,081	285,000	-

The Board has adopted a Share Trading Policy that, among other things, prohibits executives from entering into transactions that limit the economic risk of participating in unvested employee entitlements. The policy also requires executives proposing to enter into arrangements that limit the economic risk of a vested holding in the Company's securities to first obtain approval from the Chairman of the Board (or, in the case of the Chairman, prior approval of the Chairman of the Audit & Risk Committee) and subsequently provide details of the dealing within five business days of the dealing taking place. Any breach of the Share Trading Policy is taken very seriously by the Company and is subject to disciplinary action, including possible termination of a person's employment or appointment.

Key Terms of Employment Contracts

The executives and senior management are all employed by the Company under an employment contract, none of which are of fixed-term duration.

All contracts with senior executives may be terminated by either party giving the required notice and subject to termination payments as detailed below:

Jeff Weber – Managing Director

- The Company and the employee are required to provide six months notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

David Ross – Chief Operating Officer

- The Company and the employee are required to provide six months notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

Peter Raynor – Chief Financial Officer

- The Company and the employee are required to provide six months notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

Edward Graham – General Manager Corporate Development

- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Shaun Lee – General Manager Dampier Supply Base

- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Dirk Verboon – General Manager Slipway (Dampier)

- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Jeff Rogers – General Manager HSEQ

- The Company and employee are required to provide 6 weeks notice of termination.
- No termination benefits are payable.

Treena Vivian – General Manager Human Resources

- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

David Lofthouse – General Manager Business Development

- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Tony Howarth

Chairman

Fremantle, 14 September 2010

Audit Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors
Mermaid Marine Australia Limited
Endeavour Shed
1 Mews Road
Fremantle WA, 6160

14 September 2010

Dear Board Members

Mermaid Marine Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mermaid Marine Australia Limited.

As lead audit partner for the audit of the financial statements of Mermaid Marine Australia Limited for the period ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants

Audit Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Mermaid Marine Australia Limited

We have audited the accompanying financial report of Mermaid Marine Australia Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 39 to 87.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Report

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditors Opinion

In our opinion:

(a) the financial report of Mermaid Marine Australia Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 35 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors Opinion

In our opinion, the Remuneration Report of Mermaid Marine Australia Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants
Perth, 14 September 2010

Directors' Declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 31 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the Corporations Act 2001.

On behalf of the directors

Tony Howarth

Chairman

Fremantle, 14 September 2010


MERMAID SENTINEL

2010 Financials

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Revenue	4(a)	194,434	163,881
Other gains and (losses)	4(b)	(645)	500
Share of profits of associates accounted for using the equity method	10	1,127	2,217
Vessel expenses		(112,656)	(99,516)
Supply base expenses		(18,665)	(10,000)
Slipway expenses		(4,438)	(8,034)
Administration expenses		(7,717)	(7,516)
Finance costs	4(c)	(9,614)	(7,977)
Profit before tax		41,826	33,555
Income tax expense	5	(3,937)	(7,031)
PROFIT FOR THE YEAR		**37,889**	**26,524**
Other Comprehensive Income			
Exchange differences on translation of foreign operations	19	(2,419)	(392)
Loss on cashflow hedges	19	(729)	(1,023)
Transfer of cashflow hedge gain to profit and loss	19	-	127
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	19	1,972	348
Income tax relating to components of other comprehensive income	19	(373)	373
Other comprehensive income for the year, net of tax		(1,549)	(567)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**36,340**	**25,957**
Profit attributable to owners of the Company		37,889	26,524
Total comprehensive income attributable to owners of the Company		36,340	25,957
Earnings per share			
- Basic (cents per share)	26	20.40	14.50
- Diluted (cents per share)	26	20.00	14.36

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position for the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Current Assets			
Cash and cash equivalents	21(a)	26,789	38,383
Trade and other receivables	7	42,820	39,418
Inventories	8	2,192	1,560
Current tax assets	5(c)	2,256	-
Other	9	1,078	1,891
Total Current Assets		**75,135**	**81,252**
Non-Current Assets			
Investments accounted for using the equity method	10	4,719	3,591
Other financial assets	11	750	1,300
Property, plant and equipment	12	303,643	211,963
Total Non-Current Assets		**309,112**	**216,854**
Total Assets		**384,247**	**298,106**
Current Liabilities			
Trade and other payables	14	16,245	19,625
Borrowings	15	26,876	13,272
Other financial liabilities	16	-	1,243
Provisions	17	2,187	1,779
Current tax liabilities	5(c)	-	818
Total Current Liabilities		**45,308**	**36,737**
Non-Current Liabilities			
Borrowings	15	131,358	84,895
Provisions	17	684	493
Deferred tax liabilities	5(d)	9,844	7,742
Total Non-Current Liabilities		**141,886**	**93,130**
Total Liabilities		**187,194**	**129,867**
Net Assets		**197,053**	**168,239**
Equity			
Issued capital	18	112,954	108,489
Reserves	19	(1,135)	(592)
Retained earnings	20	85,234	60,342
Total Equity		**197,053**	**168,239**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2010

	Ordinary shares	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2008	**106,242**	**635**	**(695)**	**-**	**41,125**	**147,307**
Profit or loss for the year	-	-	-	-	26,524	26,524
Other comprehensive income for the year	-	-	(175)	(392)	-	(567)
Total comprehensive income for the year	**-**	**-**	**(175)**	**(392)**	**26,524**	**25,957**
Payment of dividends	-	-	-	-	(7,307)	(7,307)
Issue of shares under dividend reinvestment plan (note 18)	1,670	-	-	-	-	1,670
Issue of shares under employee option plans (note 18)	153	-	-	-	-	153
Share issue costs	(34)	-	-	-	-	(34)
Recognition of share based payments	-	493	-	-	-	493
Transfer to share capital	458	(458)	-	-	-	-
Balance at 30 June 2009	**108,489**	**670**	**(870)**	**(392)**	**60,342**	**168,239**
Profit or loss for the year	-	-	-	-	37,889	37,889
Other comprehensive income for the year	-	-	870	(2,419)	-	(1,549)
Total comprehensive income for the year	**-**	**-**	**870**	**(2,419)**	**37,889**	**36,340**
Payment of dividends	-	-	-	-	(12,997)	(12,997)
Issue of shares under dividend reinvestment plan (note 18)	3,695	-	-	-	-	3,695
Issue of shares under employee option plans (note 18)	770	-	-	-	-	770
Recognition of share based payments	-	1,006	-	-	-	1,006
Balance at 30 June 2010	**112,954**	**1,676**	**-**	**(2,811)**	**85,234**	**197,053**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from Operating Activities			
Receipts from customers		206,946	164,612
Interest received		661	2,040
Payments to suppliers and employees		(141,131)	(125,739)
Income tax paid		(5,179)	(6,909)
Interest and other costs of finance paid		(9,614)	(7,965)
Net cash provided by Operating Activities	21(c)	**51,683**	**26,039**
Cash flows from Investing Activities			
Payments for property, plant and equipment		(97,065)	(51,742)
Proceeds from sale of property, plant and equipment		364	7,523
Amounts received from/(advanced to) associate		550	(550)
Net cash used in Investing Activities		(96,151)	(44,769)
Cash flows from Financing Activities			
Proceeds from issue of shares		770	153
Payment for share issue costs		-	(22)
Proceeds from borrowings		61,269	43,206
Repayment of borrowings		(19,689)	(36,665)
Dividends paid		(9,308)	(5,638)
Net cash provided by Financing Activities		33,042	1,034
Net decrease in cash and cash equivalents		(11,426)	(17,696)
Cash and cash equivalents at the beginning of the financial year		38,383	56,217
Effects of exchange rate changes on the balance of the cash held in foreign currencies		(168)	(138)
Cash and cash equivalents at the end of the financial year	21(a)	**26,789**	**38,383**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Year Ended 30 June 2010

1. Adoption of New and Revised Accounting Standards

1.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 1.2 below.

Standards affecting presentation and disclosure	
AASB 101 'Presentation of Financial Statement' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 'Operating Segments'	AASB 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

1.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions and clarify the accounting treatment for cancellations
AASB 123 'Borrowing Costs' (as revised in 2007) and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on the financials as it has always been the Group's policy to capitalise borrowing costs incurred on qualifying assets.
AASB 3 'Business Combinations (2008)' and AASB 127 'Consolidated and Separate Financial Statements (2008)'	The amendments alter the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for.
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or potion, and hedging with options.
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	The amendments have led to a number of changes in the detail of the Group's accounting policies, some of which are changes in terminology, and some of which are substantive but have had no material impact on the amounts reported.
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	The amendments have led to a number of changes in the detail of the Group's accounting policies, some of which are changes in terminology, and some of which are substantive but have had no material impact on the amounts reported.

1. Adoption of New and Revised Accounting Standards (continued)

1.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2010	30 June 2011
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions'	1 January 2010	30 June 2011
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	1 February 2010	30 June 2011
AASB 124 'Related Party Disclosures (Revised December 2009)', AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards Arising from AASB 9'	1 January 2013	30 June 2014
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	30 June 2011
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the Group has early adopted most of the amendments in AASB 2009-5 (refer note 1.2).	1 January 2010	30 June 2011

2. Significant Accounting Policies

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 14 September 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2. Significant Accounting Policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b. Interests in joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as joint controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment in the value of the individual investments.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

c. Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian Dollars ($), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (note 2(o)).
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised through other comprehensive income and recognised in equity.

On the disposal of the foreign operation (ie a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

2. Significant Accounting Policies (continued)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined progressively at contractual rates as service hours are delivered and direct expenses incurred.

Rental income

Rental income from operating leases is recognised in accordance with the Group's accounting policy outlined in note 2(e).

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

e. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(f).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

g. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

2. Significant Accounting Policies (continued)

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

h. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instrument at grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity settled share base payments that were granted after 7 November 2002 and vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

i. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income or consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant Accounting Policies (continued)

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for business combination.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

k. Property, plant and equipment

Leasehold buildings and improvements, plant and equipment and equipment under finance lease are stated at cost less, where applicable, accumulated depreciation and impairment losses. Construction in progress is stated at cost. Cost includes expenditure that is directly attributed to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives using either diminishing value basis or straight line basis. Leasehold buildings and improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

The following rates are used in the calculation of depreciation:

Leasehold buildings and improvements	2.38% - 5% straight line
Vessels	4% straight line / 4% diminishing value
Vessel refits	20% straight line / 10% diminishing value
Plant and equipment	4% - 40% straight line

l. Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

m. Financial assets

Financial assets are classified into the following specified category; loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. Significant Accounting Policies (continued)

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indictors of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

n. Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 2(d).

2. Significant Accounting Policies (continued)

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

o. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 33 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship. The Group has designated the derivatives as the hedge of the foreign exchange risk of a firm commitment (cash flow hedge).

Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Note 33 contains details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income / income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

2. Significant Accounting Policies (continued)

p. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

q. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The gross amount of GST recoverable from, and payable to, the taxation authority are included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as investing and operating cash flows respectively.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

3.1.1 Useful lives of property, plant and equipment

As described in note 2k, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the directors have determined that there was no adjustment required to the Group's property, plant and equipment's useful lives.

3.1.2 Impairment of tangible assets

As a result of the adoption of the AASB8 'Operating Segments', the Group identified a new reportable segment being "Slipway".

Determining whether the slipway is impaired, requires an estimation of the value in use of the cash-generating unit. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the slipway cash-generating unit and a suitable discount rate in order to calculate present value.

Based on calculations carried out, the directors have determined that there was no impairment required for the slipway cash-generating unit.

4. Profit from Operations

	2010 $'000	2009 $'000
a) Revenue from continuing operations consisted of the following items:		
Rendering of services	180,487	156,685
Rental revenue	13,286	5,156
Interest – other entities	661	2,040
	194,434	**163,881**
b) Other gains and (losses)		
Net foreign exchange gain/(loss)	(149)	1,042
Gain/(loss)on disposal of:		
Property, plant and equipment	(645)	500
c) Finance costs		
Interest expense – other entities	6,735	1,946
Finance charges – lease finance charges	3,323	6,382
Total interest expenses	10,058	8,328
Less: amounts included in the cost of qualifying assets	(444)	(351)
	9,614	**7,977**
d) Profit for the year		
Profit for the year before income tax has been arrived at after charging the following:		
i) Depreciation		
Depreciation of non-current assets:		
Leasehold buildings and improvements	2,755	1,421
Vessels	6,394	4,664
Vessels – hire purchase	3,687	2,974
Plant and equipment	1,000	414
Plant and equipment – hire purchase	587	358
	14,423	**9,831**
ii) Impairment losses		
Impairment loss recognised on trade receivables	210	240
Reversal of impairment losses recognised on trade receivables	(276)	-
iii) Employee benefits		
Post employment benefits:		
Defined contribution plans	3,162	2,779
Share-based payments:		
Equity-settled share-based payments	1,006	493
Other employee benefits	76,896	61,755
	81,064	**65,027**

5. Income Taxes

	2010 $'000	2009 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	2,162	4,276
Deferred tax expense relating to origination and reversal of temporary differences	1,729	2,879
Adjustment recognised in the current year in relation to the current tax of prior years	46	(124)
Total tax expense	**3,937**	**7,031**
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	41,826	33,555
Income tax expense calculated at 30%	12,548	10,066
Effect of revenue that is exempt from taxation	(2,627)	(3,101)
Effect of expenses that are not deductible in determining taxable profit	334	270
Effect of tax deductible items not included in accounting profit	-	(28)
Effect of investment allowance	(6,364)	(50)
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	(2)
	3,891	7,155
Adjustment recognised in the current year in relation to the current tax of prior years	46	(124)
	3,937	**7,031**

During the financial year the Group operated in both Australia and Singapore and as a result the Group was subject to taxes in both Australia and Singapore. The tax rate used in the above reconciliation for operations in Australia on taxable profits under Australian tax law is the corporate tax rate of 30%. The tax rate payable by Singaporean corporate entities under Singaporean tax law is 17%. The effective tax rate for the year of 9.4% has been impacted by the income tax deduction allowable to the Group during the current reporting period from the Federal Government's investment allowance on eligible capital expenditure incurred by the Group.

The effective tax rate for the year, excluding the impact of the investment allowance, is 24.6%.

	2010 $'000	2009 $'000
(b) Income tax recognised directly in other comprehensive income		
Deferred Tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of financial instruments treated as cash flow hedges	(373)	373
	(373)	**373**

5. Income Taxes (continued)

	2010 $'000	2009 $'000
(c) Current tax assets and liabilities		
Current tax assets:		
Tax refund receivable	2,289	-
	2,289	-
Current tax liabilities:		
Income tax payable	(33)	(818)
	(33)	(818)
	2,256	**(818)**
d) Deferred tax balances		
Deferred tax assets	3,424	1,883
	3,424	1,883
Deferred tax liabilities	(13,268)	(9,625)
	(13,268)	(9,625)
	(9,844)	**(7,742)**

A deferred tax asset totalling $2.2 million relating to unused tax losses has been recognised. The utilisation of this is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The Group expects to derive sufficient profits to utilise these losses.

Notes to the Financial Statements for the Year Ended 30 June 2010

5. Income Taxes (continued)

Deferred tax assets/(liabilities) arise from the following:

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
	$'000	$'000	$'000	$'000
2010				
Gross deferred tax liabilities:				
Property, plant and equipment	(8,714)	(3,886)	-	(12,600)
Inventory	(408)	(171)	-	(579)
Receivables	(459)	414	-	(45)
Other	(44)	-	-	(44)
	(9,625)	(3,643)	-	(13,268)
Gross deferred tax assets:				
Provisions	1,146	(205)	-	941
Share issue costs	349	(129)	-	220
Revaluation of financial instruments	373	-	(373)	-
Unused tax losses	-	2,176	-	2,176
Other	15	72	-	87
	1,883	1,914	(373)	3,424
	(7,742)	**(1,729)**	**(373)**	**(9,844)**
2009				
Gross deferred tax liabilities:				
Property, plant and equipment	(5,952)	(2,762)	-	(8,714)
Inventory	(606)	198	-	(408)
Receivables	(135)	(324)	-	(459)
Other	(3)	(41)	-	(44)
	(6,696)	(2,929)	-	(9,625)
Gross deferred tax assets:				
Provisions	972	174	-	1,146
Share issue costs	472	(123)	-	349
Revaluation of financial instruments	-	-	373	373
Other	16	(1)	-	15
	1,460	50	373	1,883
	(5,236)	**(2,879)**	**373**	**(7,742)**

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Mermaid Marine Australia Ltd. The members of the tax-consolidated group are identified at note 31.

5. Income Taxes (continued)

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Mermaid Marine Australia Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

6. Dividends Provided for or Paid

	2010 $'000	2009 $'000
Adjusted franking account balance	12,914	13,600
Impact on franking account balance of dividends not recognised	(4,004)	(3,150)

	2010		2009	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Interim dividend:				
Fully franked at a 30% tax rate	3	5,583	2	3,662
Final dividend:				
Fully franked at a 30% tax rate	4	7,413	2	3,645
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	5	9,342	4	7,350

On 17 August 2010, the directors declared a fully franked final dividend of five cents per share in respect of the financial year ended 30 June 2010 to the holders of fully paid ordinary shares, to be paid on 28 September 2010. The dividend will be paid to all shareholders on the register of members on 8 September 2010. This dividend has not been included as a liability in these financial statements.

7. Trade and Other Receivables

	2010 $'000	2009 $'000
Trade receivables	35,628	35,535
Allowance for doubtful debts	(47)	(276)
Other receivables	6,316	3,016
Goods and services tax recoverable	923	1,143
	42,820	**39,418**

7. Trade and Other Receivables (continued)

The average credit period on rendering of services is 30 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Group has provided for certain receivables over 150 days because historical experience is such that receivables that are past due beyond 150 days are generally not recoverable. Trade receivables between 120 days and 150 days are provided for based on estimated irrecoverable amounts from the rendering of services, determined by reference to past default experience.

Of the trade receivables balance at the end of the year, $6.3 million (30 June 2009: $5.5 million) is due from the Group's largest customer and $8.2 million (30 June 2009: $5.8 million) from the Group's second largest customer.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired

	2010 $'000	2009 $'000
31-60 days	3,784	3,184
61-90 days	3,293	2,467
91-120 days	242	2,619
121-150 days	89	359
Over 150 days	29	153
Total	**7,437**	**8,782**

Movement in the allowance for doubtful debts

Balance at the beginning of the year	276	96
Impairment losses recognised on receivables	210	246
Amounts written off as uncollectible	(163)	(66)
Amounts recovered during the year	(276)	-
Balance at the end of the year	**47**	**276**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

8. Inventories

	2010 $'000	2009 $'000
Fuel – at cost	1,931	1,360
Work in progress	261	200
	2,192	**1,560**

9. Other Current Assets

	2010 $'000	2009 $'000
Prepayments	**1,078**	**1,891**

10. Investments Accounted For Using The Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2010 %	2009 %	2010 $'000	2009 $'000
Associates						
Toll Mermaid Logistics Broome Pty Ltd	Supply base services in Broome for the offshore oil and gas industry.	Australia	50	50	4,719	3,591
Total					4,719	3,591

Pursuant to a shareholder agreement the Company has the right to cast 50% of the votes at TMLB shareholder meetings.

Summarised financial information in respect to the Group's associates is set out below:

	2010 $'000	2009 $'000
Financial position:		
Total assets	13,226	12,471
Total liabilities	(3,788)	(5,289)
Net assets	9,438	7,182
Group's share of associates' net assets	4,719	3,591
Financial performance:		
Total revenue	16,482	22,221
Total profit for the year	3,233	6,336
Group's share of associates' profit before tax	1,616	3,168
Group's share of associates' income tax expense	(489)	(951)
Group's share of associates' profit	1,127	2,217

Contingent liabilities and capital commitments

The Group's share of the contingent liabilities, capital commitments and other expenditure commitments of the associate entities are nil (2009: nil).

11. Other Financial Assets Non Current

	2010 $'000	2009 $'000
Loans and receivables		
Loans to associate	**750**	**1,300**

The Group has provided a jointly controlled entity with a loan at rates comparable to the average commercial rate of interest.

Notes to the Financial Statements for the Year Ended 30 June 2010

12. Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost	Vessels at cost	Vessels – Hire Purchase at cost	Plant and Equipment at cost	Plant and Equipment – Hire Purchase at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:						
Balance at 1 July 2008	48,265	9,118	127,641	9,413	5,157	199,594
Additions	26,824	8,348	6,753	1,258	897	44,080
Disposals	-	(11,046)	-	(50)	-	(11,096)
Transfers	1,376	63,701	(62,908)	(2,169)	-	-
Net currency exchange differences	-	6,737	173	17	-	6,927
Balance at 1 July 2009	76,465	76,858	71,659	8,469	6,054	239,505
Additions	24,037	76,394	1,609	4,575	2,783	109,398
Disposals	-	(2,306)	-	(145)	(51)	(2,502)
Transfers	-	12,782	(12,782)	-	-	-
Net currency exchange differences	-	(2,158)	(109)	(1)	-	(2,268)
Balance at 30 June 2010	**100,502**	**161,570**	**60,377**	**12,898**	**8,786**	**344,133**
Accumulated depreciation:						
Balance at 1 July 2008	(6,381)	(2,568)	(9,084)	(3,183)	(580)	(21,796)
Disposals	-	4,045	-	8	-	4,053
Transfers	-	(4,755)	4,755	-	-	-
Depreciation expense	(1,421)	(4,664)	(2,974)	(414)	(358)	(9,831)
Depreciation capitalised in assets	(33)	-	-	-	-	(33)
Net currency exchange differences	-	71	-	(6)	-	65
Balance at 1 July 2009	(7,835)	(7,871)	(7,303)	(3,595)	(938)	(27,542)
Disposals	-	1,421	(21)	69	22	1,491
Transfers	-	(4,659)	4,659	-	-	-
Depreciation expense	(2,755)	(6,394)	(3,687)	(1,000)	(587)	(14,423)
Depreciation capitalised in assets	-	-	-	-	(7)	(7)
Net currency exchange differences	-	(106)	97	-	-	(9)
Balance at 30 June 2010	**(10,590)**	**(17,609)**	**(6,255)**	**(4,526)**	**(1,510)**	**(40,490)**
Net book value:						
As at 30 June 2009	68,630	68,987	64,356	4,874	5,116	211,963
As at 30 June 2010	89,912	143,961	54,122	8,372	7,276	303,643

13. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 15 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

14. Current Trade and Other Payables

The average credit period on purchases of all goods is 30 days. The Group monitors payments to ensure that all payables are paid within the credit time frame.

	2010 $'000	2009 $'000
Trade payables	2,355	5,695
Other payables and accruals	12,346	12,328
Goods and services tax payable	1,544	1,602
	16,245	**19,625**

15. Borrowings

Secured – at amortised cost		
Current		
Hire purchase liability (i)	11,260	5,441
Bank loan (ii)	15,616	7,831
	26,876	**13,272**
Non Current		
Hire purchase liability (i)	29,079	37,627
Bank loan (ii)	102,279	47,268
	131,358	**84,895**

Summary of borrowing arrangements:

(i) Secured by hire purchase assets, the borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 10 years. The current weighted average effective interest rate on the hire purchase liabilities is 7.82% (2009: 7.78%) - refer note 23.

(ii) The bank loan is secured by mortgage debentures over the assets and undertakings of certain controlled entities, registered ships mortgages over the vessels of certain controlled entities and a registered mortgage by way of sub-demise of the Dampier Supply Base lease. The borrowings are variable interest rate debt with repayment periods not exceeding 10 years. The current weighted average effective interest rate on the bank loans is 7.25% (2009: 5.09%) – refer note 23.

16. Other Financial Liabilities

	2010 $'000	2009 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	**-**	**1,243**

Notes to the Financial Statements for the Year Ended 30 June 2010

17. Provisions

	2010 $'000	2009 $'000
Current		
Employee benefits	2,187	1,779
Non current		
Employee benefits	684	493

The current provision represents annual leave entitlements accrued and the non current provision represents vested long service leave entitlements accrued.

18. Issued Capital

	2010 $'000	2009 $'000
186,844,825 fully paid ordinary shares (2009: 183,701,113)	**112,954**	**108,489**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Company			
	2010 No.'000	2010 $'000	2009 No.'000	2009 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	183,701	108,489	181,668	106,242
Issue of shares under share option incentive plan (note 24)	1,735	770	839	153
Issue of shares under share purchase plan	-	-	-	(34)
Issue of shares under dividend reinvestment plan	1,408	3,695	1,194	1,670
Transfer from employee equity-settled benefits reserve (note 19)	-	-	-	458
Balance at end of financial year	**186,844**	**112,954**	**183,701**	**108,489**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options

As at 30 June 2010, executives and employees held options over 12,416,799 ordinary shares (2009: 9,224,893) in aggregate. Refer to note 24 for details of these options.

Share options granted under the employee share option plans carry no right to dividends and no voting rights.

19. Reserves

	2010 $'000	2009 $'000
Employee equity-settled benefits	1,676	670
Cash flow hedging	-	(870)
Foreign currency translation	(2,811)	(392)
	(1,135)	**(592)**

Employee equity-settled benefits reserve		
Balance at beginning of financial year	670	635
Share-based payment	1,006	493
Transfer to share capital	-	(458)
Balance at end of financial year	**1,676**	**670**

The employee equity-settled benefits reserve arises on the grant of share options and rights to executives and employees under the Company's share option and rights plans. Amounts are transferred out of the reserve and into issued capital when the options vest. Further information about share based payments to employees is included in note 24.

	2010 $'000	2009 $'000
Hedging reserve		
Balance at beginning of financial year	(870)	(695)
Loss on cashflow hedges	(729)	(1,023)
Transfer of cashflow hedge gain to profit and loss	-	127
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	1,972	348
Income tax related to losses recognised in equity	(373)	373
Balance at end of financial year	**-**	**(870)**

The hedging reserve represents hedging gains or losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non financial hedged item, consistent with the applicable accounting policy.

	2010 $'000	2009 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(392)	-
Translation of foreign operations	(2,419)	(392)
Balance at end of financial year	**(2,811)**	**(392)**

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

20. Retained Earnings

	2010 $'000	2009 $'000
Balance at beginning of financial year	60,342	41,125
Net profit attributable to members of the Company	37,889	26,524
Dividend provided for or paid (note 6)	(12,997)	(7,307)
Balance at end of financial year	**85,234**	**60,342**

21. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2010 $'000	2009 $'000
Cash and cash equivalents	26,789	38,383

(b) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of $18.5 million which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement over the term of the finance facilities via repayments.

In addition, the Company issued shares to the value of $3.7 million under the Dividend Reinvestment Plan.

(c) Reconciliation of profit for the year to net cash flows from operating activities

	2010 $'000	2009 $'000
Profit for the year	37,889	26,524
Depreciation of non current assets	14,423	9,831
(Gain)/Loss on disposal of property, plant and equipment	645	(500)
Allowance for doubtful debts	47	181
Bad debts	163	60
Reversal of impairment losses on trade receivables	(276)	-
Equity-settled share-based payment	1,006	493
Decrease in current tax liability	(3,074)	(2,746)
Share of associates' profit	(1,127)	(2,217)
Increase in deferred tax liabilities	2,102	2,506
Change in net assets and liabilities:		
Current trade and other receivables	(3,487)	(11,478)
Prepayments	813	(1,292)
Inventories	(632)	564
Provisions	599	510
Investments	-	(50)
Trade and other payables	2,592	3,653
Net cash flows from operating activities	**51,683**	**26,039**

21. Notes to the Statement of Cash Flows (continued)

(d) Financing facilities

	2010 $'000	2009 $'000
Secured loan facilities with various maturing dates through to 2020 and which may be extended by mutual agreement:		
- Amount used	117,895	55,099
- Amount unused	3,573	25,000
	121,468	**80,099**
Secured bank overdraft:		
- Amount used	-	-
- Amount unused	4,000	4,000
	4,000	**4,000**

22. Commitments for Expenditure

(a) Lease commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 23 to the financial statements.

(b) Capital expenditure commitments

	2010 $'000	2009 $'000
Plant and Equipment		
Not longer than 1 year	**1,087**	**54,780**

23. Leases

Finance leases relate to vessels and equipment with lease terms of up to 10 years. The Group has options to purchase the equipment for a nominated amount at the conclusion of the lease agreements.

(a) Hire purchase contracts (accounted for as finance leases)

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not later than 1 year	14,096	8,662	11,260	5,441
Later than 1 year and not later than 5 years	32,509	40,244	28,695	34,492
Later than 5 years	404	3,348	384	3,135
Minimum future payments	47,009	52,254	40,339	43,068
Less future finance charges	(6,670)	(9,186)	-	-
Present value of minimum lease payments	**40,339**	**43,068**	**40,339**	**43,068**
Included in the financial statements as:				
Borrowing - current - note 15			11,260	5,441
Borrowing - non current -note 15			29,079	37,627
			40,339	**43,068**

23. Leases (continued)

(b) Operating Leases

	2010 $'000	2009 $'000
Payments recognised as an expense		
Minimum lease payment	1,974	525
Non-cancellable operating leases committed		
Not later than 1 year	2,336	742
Later than 1 year and not later than 5 years	4,888	1,247
Later than 5 years	1,463	737
Aggregate lease expenditure contracted for at balance date	**8,687**	**2,726**
Aggregate operating lease commitments comprise:		
Office rental commitments (i)	3,593	707
Supply base rental commitments (ii)	2,582	1,944
Other (iii)	2,512	75
	8,687	**2,726**

(i) Office Rental Commitments:

The lease at the Group's premises at 20 Mews Road, Fremantle was terminated on 31 August 2010. Lease commitments on the premises as at 30 June 2010 were $63 thousand.

The Group entered into a lease for new office premises at 1 Mews Road, Fremantle commencing on 5 August 2010. The Group is committed under a 5 year arrangement with a 5 year option term commencing 5 August 2015. The current rental amount of $663 thousand per annum is subject to an annual 3.5% increase for the first four years of the lease and a market review on the fifth anniversary of the lease. Lease commitments on the premises as at 30 June 2010 (under an Agreement to Lease Contract) were $3.3 million.

(ii) Supply Base Rental Commitments:

Supply base rental commitments represent the lease of the Dampier supply base for a term of 21 years commencing 1 January 1999 with an option to renew the term for a further period of 21 years.

The approved use of the site is for the purpose of conducting a multi purpose marine service facility and supply base including but not limited to open and covered laydown and storage, warehousing, production and storage of drilling mud and other drilling supplies, operating and maintaining vessels and floating plant together with associated docking, maintenance and engineering works. Any other uses require the prior written consent of the Lessor.

Restrictions apply to the assignment or subletting of the site (or any part) without prior consent of the Lessor, although that consent cannot unreasonably be withheld (subject to "usual" prudential requirements common to leases in Western Australia).

(iii) Other Lease Commitments:

The Group has leases over a number of commercial and residential properties and various items of machinery and equipment. These leases are all on commercial terms for periods between 1 and 5 years.

24. Share-based Payments

24.1 Share option and rights incentive plans

The Group has established the Managing Director, Senior Executive and Employee Share Option Incentive Plans and the Managing Director Share Incentive Plan whereby executives and employees of the Group have been issued with options and rights over ordinary shares of Mermaid Marine Australia Limited.

24. Share-based Payments (continued)

Upon exercise, each share option or right, converts into one ordinary share of Mermaid Marine Australia Ltd. No amounts are paid or are payable by the recipient on receipt of the options or rights. The options or rights carry no rights to dividends and no voting rights. Holders of options or rights do not have the right, by virtue of the option or right, to participate in any share issue of the Company. The options may be exercised at any time from their vesting date to the date of their expiry.

The options or rights are not quoted on the ASX.

Series	Number Issued	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
				$	$
(1) Issued 15 November 2005 (a)	600,000	15 Nov 2005	15 Nov 2009	0.40	0.13
(2) Issued 7 December 2005 (a)	600,000	7 Dec 2005	7 Dec 2009	0.40	0.18
(3) Issued 19 May 2006 (b)	2,115,000	19 May 2006	19 May 2011	0.48	0.21
(4) Issued 25 August 2006 (b)	205,000	25 Aug 2006	25 Aug 2011	0.62	0.28
(5) Issued 21 November 2006 (c)	520,000	21 Nov 2006	24 Sept 2008	0.00	0.70
(6) Issued 22 November 2007 (d)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39
(7) Issued 23 October 2007 (e)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45
(8) Issued 24 January 2008 (e)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45
(9) Issued 23 September 2008 (f)	1,385,432	23 Sept 2008	23 Sept 2013	1.60	0.26
(10) Issued 27 November 2008 (g)	1,277,584	27 Nov 2008	23 Sept 2013	1.60	0.08
(11) Issued 22 September 2009 (h)	475,705	22 Sept 2009	18 Sept 2014	0.00	1.43
(12) Issued 22 September 2009 (i)	3,112,049	22 Sept 2009	18 Sept 2014	3.05	0.46
(13) Issued 1 December 2009 (i)	1,488,356	1 Dec 2009	18 Sept 2014	3.05	0.47

(a) In accordance with the terms of the Managing Director and Senior Executive Share Option Plans, the options granted on 15 November 2005 and 7 December 2005 vested upon their issue. At year end all options have been exercised.

(b) The options issued on 19 May 2006 and 25 August 2006 vested 24 months after their issue date. The options issued on the 19 May 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 70 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options. The options issued on 25 August 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 80 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options. At year end all options issued on 25 August 2006 have been exercised.

(c) In accordance with the terms of the Managing Director Incentive Share Plan, 520,000 shares may be issued by the Board to the Managing Director during the period commencing 26 August 2008 and expiring 30 days thereafter subject to the following performance hurdles:

(i) Fifty percent of the shares may be issued if the weighted volume average share price (WVASP) of the Company's shares which are traded on the ASX exceeds 80 cents for a period of at least 10 successive trading days during the two year period commencing on 23 August 2006 and ending on 25 August 2008.

(ii)The remaining 50% of the shares may be issued if the weighted volume average share price (WVASP) of the Company's shares which are traded on the ASX exceeds $1.00 for a period of at least 10 successive trading days during the two year period commencing on 23 August 2006 and ending on 25 August 2008.

These shares were issued on 23 September 2008.

(d) In accordance with the terms of the Managing Director's Share Option Plan – October 2007, 970,040 share options vest on 11 October 2010 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 11 October 2007 and ending on 11 October 2010 and a maximum period of five years commencing on 11 October 2007 and ending on 11 October 2012.

24. Share-based Payments (continued)

(e) Fifteen percent of the options issued on 23 October 2007 and 24 January 2008 vest 36 months after their issue date. The remaining 85% may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years from issue date and a maximum period of five years from issue date.

(f) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vest on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

(g) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vest on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

(h) The 475,705 options issued on 18 September 2009 vest on 18 September 2012. They may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

(i) In accordance with the terms of the Senior Executive Share Option Plans, 3,112,049 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

(j) In accordance with the terms of the Managing Director's Share Option Plan – 2009, 1,488,356 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

24.2 Fair value of share options granted in the year

The weighted average fair value of the share options granted during the year was $0.55 (2009: $0.17). The options were priced using a binomial option pricing model. Where relevant, the fair value of the options has been adjusted for any market related vesting conditions.

Inputs into the model	Series (11)	Series (12)	Series (13)	Series (9)	Series (10)
	2010			2009	
Grant date share price	$2.92	$2.92	$2.93	$1.55	$0.99
Exercise price	$0.00	$3.05	$3.05	$1.60	$1.60
Expected volatility	38%	38%	38%	34%	34%
Option life	5 years	5 years	5 years	5 years	5 years
Dividend yield	2.33%	2.33%	2.39%	1.29%	2.02%
Risk free rate	5.09%	5.09%	5.08%	5.62%	4.05%

24. Share-based Payments (continued)

24.3 Movement in share options granted during the period

The following reconciles the outstanding share options and rights granted under the Managing Director, Senior Executives and Employee Share Option and Rights Plans at the beginning and end of the financial year:

Employee Share Option Plans	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
	2010		2009	
Balance at the beginning of the financial year	9,224,893	1.36	6,881,077	1.22
Granted during the financial year	5,076,110	2.76	2,663,016	1.60
Exercised during the financial year	(1,735,000)	0.43	(319,200)	0.48
Forfeited during the financial year	(149,204)	1.83	-	-
Balance at the end of the financial year	12,416,799	2.06	9,224,893	1.36
Exercisable at end of the financial year	975,000	0.48	2,710,000	0.45

24.4 Share options exercised during the year

The following share options were exercised during the financial year:

2010 - Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date
(1) Issued 15 November 2005	600,000	09/09/09	$2.85
(2) Issued 7 December 2005	600,000	09/09/09	$2.85
(3) Issued 19 May 2006	435,000	Various	$2.84
(4) Issued 25 August 2006	100,000	09/09/09	$2.85

2009 - Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date
(3) Issued 19 May 2006	319,200	Various	$1.37

24.5 Share options outstanding at the end of the year

The following share options and rights were outstanding at the end of the financial year:

2010 - Options - Series	Number	Exercise price $	Expiry Date
(3) Issued 19 May 2006	975,000	0.48	19 May 2011
(6) Issued 22 November 2007	970,040	1.83	11 October 2012
(7) Issued 23 October 2007	2,341,675	1.83	11 October 2012
(8) Issued 24 January 2008	390,958	1.83	24 January 2013
(9) Issued 23 September 2008	1,385,432	1.60	23 September 2013
(10) Issued 27 November 2008	1,277,584	1.60	23 September 2013
(11) Issued 22 September 2009	475,705	0.00	18 September 2014
(12) Issued 22 September 2009	3,112,049	3.05	18 September 2014
(13) Issued 1 December 2009	1,488,356	3.05	18 September 2014
Total	**12,416,799**		

24. Share-based Payments (continued)

2009 - Options - Series	Number	Exercise price $	Expiry Date
(1) Issued 15 November 2005	600,000	0.40	15 November 2009
(2) Issued 7 December 2005	600,000	0.40	7 December 2009
(3) Issued 19 May 2006	1,410,000	0.48	19 May 2011
(4) Issued 25 August 2006	100,000	0.62	25 August 2011
(6) Issued 22 November 2007	970,040	1.83	11 October 2012
(7) Issued 23 October 2007	2,412,644	1.83	11 October 2012
(8) Issued 24 January 2008	469,193	1.83	24 January 2013
(9) Issued 23 September 2008	1,385,432	1.60	23 September 2013
(10) Issued 27 November 2008	1,277,584	1.60	23 September 2013
Total	**9,224,893**		

25. Subsequent Events

There has not been any matter or circumstance that occurred subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

26. Earnings Per Share

	2010 Cents per Share	2009 Cents per Share
Basic earnings per share	20.40	14.50
Diluted earnings per share	20.00	14.36

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $'000	2009 $'000
Net Profit	37,889	26,524

	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	185,737	182,888

Diluted Earnings per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2010 $'000	2009 $'000
Net Profit	37,889	26,524

26. Earnings Per Share (continued)

	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	185,737	182,888
Shares deemed to be issued for no consideration in respect of employee options	3,755	1,809
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	189,492	184,697

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.

	2010 No.'000	2009 No.'000
Employee options	4,600	6,196
Employee options – lapsed	-	319
	4,600	6,515

27. Key Management Personnel Compensation

The directors and other key management personnel of the Group during the year were:

Mr A Howarth (Chairman / Non-Executive Director)

Mr J Weber (Managing Director)

Mr M Bradley (Non-Executive Director)

Mr J Carver (Executive Director)

Mr A Edwards (Non-Executive Director) appointed 18 December 2009

Mr J Mews (Non-Executive Director) resigned 24 November 2009

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr E Graham (General Manager – Corporate Development)

Mr S Lee (Supply Base Manager - Dampier)

Mr D Verboon (Slipway Manager)

Ms T Vivian (General Manager – Human Resources)

Mr J Rogers (General Manager - HSEQ)

Mr D Lofthouse (General Manager – Business Development)

Key management personnel compensation policy

The remuneration committee reviews the remuneration packages of all key management personnel on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Group.

27. Key Management Personnel Compensation (continued)

Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out below:

	2010 $'000	2009 $'000
Short term employee benefits	4,079,677	3,250,773
Post-employment benefits	228,253	200,670
Share based payments	657,790	304,198
	4,965,720	**3,755,641**

Note: All key management personnel are employed by Mermaid Marine Vessel Operations Pty Ltd, a wholly owned subsidiary of Mermaid Marine Australia Ltd.

28. Remuneration of Auditors

	2010 $'000	2009 $'000
Auditor of the Parent Entity		
Audit or review of the financial report	251,320	247,551
Taxation services	256,547	296,244
	507,867	**543,795**
Other Auditor		
Audit of subsidiary financial report	8,375	6,935
Taxation services	24,848	13,836
	33,223	**20,771**

The auditor of Mermaid Marine Australia Ltd is Deloitte Touche Tohmatsu.

29. Related Party Transactions

The immediate parent and ultimate controlling party of the Group is Mermaid Marine Australia Ltd.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

29.1 Loans to related parties

	2010 $'000	2009 $'000
Loan to associate entity	750	1,300

The parent entity has provided a loan at rates comparable to the average commercial rate of interest.

The loan is unsecured and repayable on demand.

29. Related Party Transactions (continued)

29.2 Other related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 31 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 10 to the financial statements.

Equity interests in other related parties

There are no equity interests in other related parties.

(b) Transaction with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 27.

Key management personnel equity holdings

Fully paid ordinary shares of Mermaid Marine Australia Ltd:

2010	Balance at 1 July 2009	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2010	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr A Howarth	828,142	-	-	22,201	850,343	-
Mr J Weber	1,077,153	-	600,000	(200,000)	1,477,153	-
Mr M Bradley	3,073,819	-	-	-	3,073,819	-
Mr J Carver	6,562,217	-	-	(2,178,149)	4,384,068	-
Mr A Edwards	-	-	-	-	-	-
Mr J Mews*	749,306	-	-	-	749,306	-
Mr D Ross	57,153	-	300,000	-	357,153	-
Mr P Raynor	587,417	-	300,000	410	887,827	-
Mr E Graham	267,154	-	-	(11,090)	256,064	-
Mr S Lee	97,153	-	-	-	97,153	-
Mr D Verboon	137,408	-	100,000	-	237,408	-
Mr J Rogers	-	-	-	-	-	-
Ms T Vivian	27,000	-	-	(17,000)	10,000	-
Mr D Lofthouse	-	-	-	5,390	5,390	-

**Mr J Mews resigned as a director on 24 November 2009. This table reflects movements in his equity holdings of the Company up until this date.*

29. Related Party Transactions (continued)

2009	Balance at 1 July 2008	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2009	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr A Howarth	804,479	-	-	23,663	828,142	-
Mr J Weber	557,153	-	520,000	-	1,077,153	-
Mr M Bradley	3,073,819	-	-	-	3,073,819	-
Mr J Carver	7,070,000	-	-	(507,783)	6,562,217	-
Mr J Mews	749,306	-	-	-	749,306	-
Mr D Ross	57,153	-	-	-	57,153	-
Mr P Raynor	441,141	-	-	146,276	587,417	-
Mr T Graham	352,981	-	-	(85,827)	267,154	-
Mr S Lee	100,153	-	-	(3,000)	97,153	-
Mr D Verboon	137,408	-	-	-	137,408	-
Mr J Rogers	-	-	-	-	-	-
Ms T Vivian	-	-	100,000	(73,000)	27,000	-

Share options of Mermaid Marine Australia Ltd:

2010	Balance at 1 July 2009	Granted as com-pensation	Exercised	Net other change	Balance at 30 June 2010	Balance vested at 30 June 2010	Vested but not exercis-able	Vested & exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	2,847,624	1,488,356	(600,000)	-	3,735,980	-	-	-	-
Mr D Ross	1,414,204	691,866	(300,000)	-	1,806,070	200,000	-	200,000	-
Mr P Raynor	1,414,204	691,866	(300,000)	-	1,806,070	200,000	-	200,000	-
Mr T Graham	426,845	223,253	-	-	650,098	100,000	-	100,000	-
Mr S Lee	165,190	106,311	-	-	271,501	100,000	-	100,000	-
Mr D Verboon	168,295	95,680	(100,000)	-	163,975	-	-	-	-
Mr J Rogers	-	182,248	-	-	182,248	-	-	-	-
Ms T Vivian	309,886	223,253	-	-	533,139	-	-	-	-
Mr D Lofthouse	154,347	202,497	-	-	356,844	-	-	-	-

2009	Balance at 1 July 2008	Granted as com-pensation	Exercised	Lapsed	Balance at 30 June 2009	Balance vested at 30 June 2009	Vested but not exercis-able	Vested & exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	1,570,040	1,277,584	-	-	2,847,624	600,000	-	600,000	200,000
Mr D Ross	895,704	518,500	-	-	1,414,204	500,000	-	500,000	100,000
Mr P Raynor	895,704	518,500	-	-	1,414,204	500,000	-	500,000	100,000
Mr T Graham	252,629	174,216	-	-	426,845	100,000	-	100,000	-
Mr S Lee	165,190	-	-	-	165,190	100,000	-	100,000	-
Mr D Verboon	168,295	-	-	-	168,295	100,000	-	100,000	-
Mr J Rogers	-	-	-	-	-	-	-	-	-
Ms T Vivian	235,670	174,216	(100,000)	-	309,886	-	-	-	-

29. Related Party Transactions (continued)

All share options and share rights issued to the executives during the financial year were made in accordance with the terms of the respective share option plans.

During the financial year 1,300,000 share options (2009:100,000) were exercised by key management personnel at a weighted average exercise price of 41 cents per option for 1,300,000 ordinary shares in Mermaid Marine Australia Ltd (2009: 100,000). No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the share-based payment arrangements during the 2010 and 2009 financial years are contained in note 24 to the financial statements.

Other transactions with key management personnel of the Group

1. Fremantle Premises

The Achiever Partnership, a related entity of Mr J Mews, and the Group entered into a formal lease agreement for the lease to the entity of its registered office at 20 Mews Road, Fremantle. The lease agreement contained all other usual contractual provisions that would be expected to be found in a commercial lease of like nature.

The lease arrangement was for 1 year with a three year term option commencing 1 September 2009. The Group provided a notice of termination, effective 31 August 2010.

The Group was responsible for all fitting out, maintenance (except capital works items), rates, taxes, insurance, and other usual variable outgoings.

The rent payable during the year ended 30 June 2010 was $345,590 (2009: $245,570) plus outgoings. The rent was subject to market reviews annually during the term. Rent and outgoings paid during the financial year amounted to $389,320 (2009: $324,639).

2. Consultancy Services

During the year, Sawtell Pty Ltd, an entity of which Mr J Carver is a director and shareholder, provided consultancy services to the Group upon negotiated commercial terms. Consultancy services paid during the financial year amounted to $200,000 (2009: $170,001), based upon an agreed market day rate.

(c) Transactions with other related parties

Other transactions that occurred during the financial year between entities in the wholly owned group were the provision of services at commercial rates.

30. Segment Information

30.1 Adoption of AASB 8 'Operating Segments'

The Group has adopted AASB 8 'Operating Segments' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performance . In contrast, the predecessor Standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

30.2 Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed based on the two major operating divisions (Vessels and Supply Base). However, when reporting to the Board for the purposes of resource allocation and assessment of performance, the Slipway division is reported separately from the Supply Base division. The Group's reportable segments under AASB 8 are therefore as follows:

- Vessel Operations
- Supply Base
- Slipway

30. Segment Information (continued)

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of AASB 8.

30.3 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Revenue from external customers		Inter-segment Revenue		Total Segment Revenue	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Segment Revenues						
Vessels	149,901	133,371	177	255	150,078	133,626
Supply Base	38,743	19,890	2,178	1,990	40,921	21,880
Slipway	5,385	8,440	7,746	6,572	13,131	15,012
Total	194,029	161,701	10,101	8,817	204,130	170,518
Eliminations					(10,101)	(8,817)
Unallocated					405	2,180
Total consolidated revenue					**194,434**	**163,881**

Inter-segment services are provided for amounts equal to competitive market prices charged to external customers for similar services.

	2010 $'000	2009 $'000
Segment Profit		
Vessels	29,189	26,530
Supply Base	18,554	9,286
Slipway	987	243
Eliminations	(60)	144
Total for continuing operations	48,670	36,203
Investment Revenue	661	2,040
Other gains and (losses)	(645)	500
Unallocated Foreign Currency Gain / (Loss)	(256)	140
Central administration costs	(7,717)	(7,516)
Share of profit of associates	1,127	2,217
Unallocated finance costs	(14)	(29)
Profit before income tax	**41,826**	**33,555**

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment revenue, other gains and losses, unallocated foreign currency gains and losses, central administration costs, share of profits of associates, unallocated finance costs and income tax expense. In prior years, segment results excluded finance costs, however, upon adoption of AASB 8 in the current period, finance costs have been included in the segment results. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

30. Segment Information (continued)

30.4 Segment assets

	2010 $'000	2009 $'000
Vessels	231,383	167,753
Supply Base	105,723	74,439
Slipway	10,298	11,763
Unallocated	36,843	44,151
Total	**384,247**	**298,106**

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investments in associates, tax assets and central administration assets.

30.5 Other segment information

	Depreciation and amortisation		Finance Costs		Additions to non-current assets		Carrying value of equity accounted investments	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Vessels	10,256	7,716	8,056	7,325	77,895	15,065	-	-
Supply Base	3,341	1,601	1,524	604	28,827	26,963	-	-
Slipway	481	361	20	19	728	1,710	-	-
Unallocated	345	153	14	29	1,948	342	4,719	3,591
Total	**14,423**	**9,831**	**9,614**	**7,977**	**109,398**	**44,080**	**4,719**	**3591**

30.6 Geographical information

The Group operates in two principal geographical areas – Australia (country of domicile) and Singapore.

The Group's revenue from continuing operations from external customers and information about its non-current assets (excluding financial instruments) by geographical base are detailed below.

	Revenue From External Customers		Non-current Assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	166,245	134,078	242,759	168,304
Singapore	27,784	27,623	60,884	43,659
Total	**194,029**	**161,701**	**303,643**	**211,963**

30.7 Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $59.1M (2009: $27.2M) which arose from sales to the Group's largest customer. Included in revenues arising from vessel services are revenues of approximately $27.7M (2009: $34.0M) which arose from sales to the Group's second largest customer.

Notes to the Financial Statements for the Year Ended 30 June 2010

31. Subsidiaries

	Note	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %
Parent Entity				
Mermaid Marine Australia Limited	(i)	Australia		
Subsidiaries				
Mermaid Marine Group Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Vessel Operations Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Offshore Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Charters Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Supply Base Pty Ltd	(ii) (iii)	Australia	100	100
Dampier Stevedoring Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Manning and Management Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Labour and Management Pty Ltd		Australia	99	99
Mermaid Marine Asia Singapore Pte Ltd		Singapore	100	100

(i) Mermaid Marine Australia Limited is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Law requirements for preparation, audit and lodgement of the financial report. As a condition of the Class Order, Mermaid Marine Australia Limited and the controlled entities entered into a Deed of Cross Guarantee on 24 June 1999.

The consolidated income statement and balance sheet of the entities which are party to the deed of cross guarantee are set out below:

	2010 $'000	2009 $'000
INCOME STATEMENT		
Revenue	168,636	133,200
Dividend revenue	3,000	-
Other gains and losses	(645)	500
Share of net profits of associate accounted for using the equity method	1,127	2,217
Vessel expenses	(98,458)	(78,162)
Supply base expenses	(18,665)	(10,000)
Slipway expenses	(4,438)	(8,034)
Administrative expenses	(7,716)	(7,516)
Finance costs	(9,614)	(7,977)
Profit before income tax expense	33,227	24,228
Income tax (expense)/benefit	(5,639)	(6,737)
Profit for the year	**27,588**	**17,491**

31. Subsidiaries (continued)

	2010 $'000	2009 $'000
BALANCE SHEET		
Current Assets		
Cash and cash equivalents	19,321	35,504
Trade and other receivables	33,531	32,770
Inventories	2,192	1,560
Current tax assets	1,037	-
Other	2,289	661
Total Current Assets	**58,370**	**70,495**
Non-Current Assets		
Investments accounted for using the equity method	4,719	3,591
Other financial assets	93,337	49,814
Property, plant and equipment	206,842	168,178
Total Non-Current Assets	**304,898**	**221,583**
Total Assets	**363,268**	**292,078**
Current Liabilities		
Trade and other payables	14,278	16,056
Borrowings	26,876	13,272
Other financial liabilities	-	1,243
Provisions	2,161	1,770
Current tax payables	-	348
Total Current Liabilities	**43,315**	**32,689**
Non-Current Liabilities		
Trade and other payables	1,251	10,548
Borrowings	131,358	84,895
Deferred tax liabilities	684	7,454
Provisions	10,774	493
Total Non-Current Liabilities	**144,067**	**103,390**
Total Liabilities	**187,382**	**136,079**
Net Assets	**175,886**	**155,999**
Equity		
Issued capital	113,167	108,882
Reserves	577	(432)
Retained earnings	62,142	47,549
Total Equity	**175,886**	**155,999**
Retained earnings		
Retained earnings at beginning of the financial year	47,549	37,365
Net profit	27,588	17,491
Dividend provided for or paid	(12,995)	(7,307)
Retained earnings at end of the financial year	**62,142**	**47,549**

32. Parent Company Information

Mermaid Marine Australia Limited is the parent company of the consolidated group. The following information is provided for the Company:

	2010 $'000	2009 $'000
Financial Position		
Assets		
Current assets	19,486	30,903
Non-current assets	232,822	187,137
Total assets	**252,308**	**218,040**
Liabilities		
Current liabilities	7,176	2,904
Non-current liabilities	63,813	29,421
Total liabilities	**70,989**	**32,325**
Net Assets	**181,319**	**185,715**
Equity		
Issued capital	112,968	108,489
Retained earnings	66,675	76,556
Reserves:		
Employee equity-settled benefits	1,676	670
Total Equity	**181,319**	**185,715**
Financial Performance		
Profit for the year	3,116	79,333
Other comprehensive income	-	-
Total comprehensive income	**3,116**	**79,333**

33. Financial Instruments

33.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of net debt (borrowings as detailed in note 15 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 18,19 and 20).

The Group is not subject to any externally imposed capital requirements.

The Group uses its gearing ratio to manage its capital. The ratio is monitored on a monthly basis by the Board and management and is measured as net debt to equity. Based on recommendations of management and the Board, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the issue of new borrowing facilities or repayment of existing facilities.

33. Financial Instruments (continued)

33.1.1 Gearing Ratio

The gearing ratio at the end of the reporting period was as follows:

	2010 $'000	2009 $'000
Debt (i)	158,234	98,167
Cash and cash equivalents	(26,789)	(38,383)
Net debt	131,445	59,784
Equity (ii)	197,053	168,239
Net debt to equity ratio	67%	36%

(i) Debt is defined as long and short-term borrowings, as detailed in note 15.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

33.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases of recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

33.3 Categories of financial instruments

	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents	26,789	38,383
Loans and receivables	43,570	40,718
Financial liabilities		
Derivative instrument in designated hedge accounting relationship	-	1,243
Amortised cost	174,479	117,792

33.4 Financial risk management objectives

Management monitors and manages the financial risks of the Group on an ongoing basis. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using, where considered appropriate, derivative financial instruments to hedge these risk exposures. The use of financial derivatives is limited to the hedging of specific identified risks as directed by the board of directors. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risk.

33.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a number of foreign exchange forward contracts to hedge the foreign currency risk arising on the purchase of vessels denominated by USD contracts.

The Group manages its exposure to interest rate risk by maintaining an appropriate mix of fixed and floating rate borrowings and variation in maturity dates.

At a Group level, market risks are managed through sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

33. Financial Instruments (continued)

33.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
US dollars	569	1,662	13,308	8,787
Singapore dollars	166	225	80	430

33.6.1 Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD) and Singapore dollar (SGD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. The 10% sensitivity represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	USD impact		Singapore dollar impact	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit or loss	(31)	(204)	7	(16)
Other equity	(1,127)	(595)	-	-

The Group's sensitivity to foreign currency has increased at the end of the current period mainly due to increased outstanding foreign currency denominated monetary items.

33.6.2 Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to cover specific foreign currency payments required under vessel purchase contracts and the purchase of a crane denominated in USD. These contracts expired during the year and as at reporting date, there were no outstanding forward foreign currency contracts.

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

Outstanding Contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2010 $'000	2009 $'000	2010 FC'000	2009 FC'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Buy US Dollars								
Less than 3 months	-	0.780	-	28,140	-	36,058	-	(1,223)
3 to 6 months	-	-	-	-	-	-	-	-
Buy Japanese Yen								
Less than 3 months	-	76.90	-	119,717	-	1,557	-	(20)
Total							**-**	**(1,243)**

33. Financial Instruments (continued)

As at reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to anticipated future transactions is nil (2009:$1,243,000).

33.7 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

33.7.1 Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher / lower and all other variables were held constant, the impact on the net profit of the Group would be as follows:

- Net profit would decrease / increase by $1,179,000 (2009: decrease / increase by $316,000). This is mainly attributable to the Group's exposure to interest rates on its variable borrowings.

The Group's sensitivity to interest rates has increased during the current period due to the increased debt levels on variable rate borrowings.

33.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. The Group's exposures to its counterparties are continuously monitored by management.

Trade receivables consist of a large number of customers spread across oil and gas exploration, production and related service industries and diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Apart from the largest and second largest customers (refer note 7) the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

33.9 Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and managing credit terms with customers and suppliers. Note 21(d) sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

33.9.1 Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non- derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from current interest rates at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The tables (on the next page) include the weighted average effective interest rate and a reconciliation to the carrying amount in the statement of financial position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.

33. Financial Instruments (continued)

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2010							
Non interest bearing	-	16,245	-	-			16,245
Finance lease liability	7.82	654	1,295	12,147	32,832	81	47,009
Variable interest rate instruments	7.25	668	5,390	17,644	117,976	1,152	142,830
		17,567	6,685	29,791	150,808	1,233	206,084
30 JUNE 2009							
Non interest bearing	-	19,625	-	-	-	-	19,625
Finance lease liability	7.78	711	1,187	6,764	40,243	3,348	52,253
Variable interest rate instruments	5.09	682	2,185	8,405	50,620	1,071	62,963
		21,018	3,372	15,169	90,863	4,419	134,841

The following table details the Group's expected maturity for its non derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2010							
Non interest bearing	-	32,774	6,088	3,958	-	-	42,820
Variable interest rate instruments	3.78	26,870	-	-	750	-	27,620
		59,664	6,088	3,958	750	-	70,440
30 JUNE 2009							
Non interest bearing	-	26,698	4,766	7,954	-	-	39,418
Variable interest rate instruments	2.60	39,329	-	550	750	-	40,629
		66,027	4,766	8,504	750	-	80,047

33. Financial Instruments (continued)

The Group has access to financing facilities as described in note 21(d), of which $7.6 million were unused at the end of the reporting period (2009:$29 million). The Group expects to meet its other obligations from operating cash flows.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the derivative instruments that settle on a net basis.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000
30 JUNE 2010					
Net settled:					
-Foreign exchange contracts	-	-	-	-	-
30 JUNE 2009					
Net settled:					
-Foreign exchange contracts	24,357	13,258	-	-	-

33.10 Fair value of financial instruments

33.10.1 Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

33.10.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

As all derivative instruments had expired by the financial year end, there were no financial instruments at fair value at 30 June 2010.

Additional Stock Exchange Information for the Year Ended 30 June 2010

As at 9 September 2010

Ordinary Share Capital

187,284,825 fully paid ordinary shares are held by 7,514 individual shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders	Number of Shares	% of Issued Capital
Acorn Capital Limited	11,586,500	6.23
Invesco Australia Limited	9,476,445	5.07
Eley Griffiths Group Pty Limited	9,376,222	5.02

Distribution of Holders of Ordinary Shares (as at 31 August 2010)

Size of Holding	Number of ordinary shareholders
1 to 1,000	2,053
1,001 to 5,000	2,946
5,001 to 10,000	1,052
10,001 to 100,000	1,301
100,001 and over	109
Total	**7,461**

Twenty Largest Shareholders (as at 9 September 2010)	Number of Shares	% of Issued Capital
National Nominees Limited	30,912,389	16.51
J P Morgan Nominees Australia Limited	21,606,269	11.54
HSBC Custody Nominees (Aust) Limited	16,094,728	8.59
Cogent Nominees Pty Ltd	9,293,057	4.96
Citicorp Nominees Pty Ltd	6,220,394	3.32
Argo Investments Limited	5,550,000	2.96
ANZ Nominees Limited <Cash Income A/C>	4,437,466	2.37
Sawtell Pty Ltd <Jim Carvers A/C>	3,544,068	1.89
Evelin Investments Pty Ltd	3,500,000	1.87
Mr Mark Francis Bradley	3,073,819	1.64
UBS Nominees Pty Ltd	1,815,712	0.97
The Australian National University	1,500,000	0.80
Akir Pty Ltd	1,252,918	0.67
Mirrabooka Investments Pty Ltd	1,250,000	0.67
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	1,118,739	0.60
Mr John Paterson	1,000,000	0.53
ANZ Nominees Limited <Income Reinvest Plan A/C>	965,146	0.52
Ms JA Weber & Mr JA Weber <JAWS Family A/C>	920,000	0.49
Mrs Marina Katy Carver	800,000	0.43
UBS Wealth Management Australia Nominees Pty Ltd	786,896	0.42
Total	**115,641,601**	**61.75**

Additional Stock Exchange Information for the Year Ended 30 June 2010

Unmarketable Parcels (as at 31 August 2010)

The number of holders holding less than a marketable parcel of the Company's shares is as follows:

Minimum Parcel Size	Number of ordinary shareholders	Units
203	669	34,585

Voting Rights

All ordinary shares carry one vote per share without restriction.

Unquoted Options

11,906,162 unlisted options are held by 75 individual option holders.

Shareholder Enquiries

Shareholders can obtain information about their shareholding by contacting the Company's share registry:

Computershare Investor Services Pty Ltd

GPO Box 2975EE

Melbourne

Victoria 3000 Australia

Enquiries:

(within Australia) 1300 850 505

(outside Australia) 61 3 9415 4000

Facsimile: 61 3 9473 2500

web.queries@computershare.com.au

www.computershare.com.au

Change of Address

Shareholders should notify the share registry in writing immediately there is a change to their registered address.

Stock Exchange Listing

Shares in Mermaid Marine Australia Limited are listed on the Australian Stock Exchange.

Publications

The Annual Report is the main source of information for shareholders.

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