



MERMAID MARINE
AUSTRALIA LTD

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5 December 2007

Kerrie Papamihail
Assistant Manager, Issuers (Perth)
ASX Ltd
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Kerrie

Re: Share Price and Volume Query

I refer to your letter received yesterday, 4th December 2007, noting a change in the price of the Company's securities from \$1.95 on 30 November 2007 to an intra day high of \$2.20 on 3 December 2007 and an increase in the volume of trading in the securities over this period and provide the following information in response to the questions outlined in your letter:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Response: No, the Company is not aware of any such information.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Response: Not applicable.

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

Response:

At the Company's recent AGM on 22 November, the Chairman advised that the Company is on track to continue its growth in the first half of the 2008 financial year and post earnings in excess of those achieved in the previous half year period.

In addition, the Managing Director in his address to the meeting confirmed that the Company is experiencing increased demand for its vessels and services at its Dampier Supply Base and is in ongoing discussions with potential new clients.

Discussions are progressing with one of these parties in relation to a possible long term lease within the Company's Dampier Supply Base. The Company considers these discussions to be at an early stage, incomplete and still confidential in nature. The Company is therefore not in a position to make an announcement to the market but will do so if and when the negotiations are completed.

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Response: Yes, the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

If you have any queries in relation to the above or require any further information please do not hesitate to contact me.

By order of the Board
MERMAID MARINE AUSTRALIA LIMITED



PETER RAYNOR
Company Secretary