MERMAID MARINE AUSTRALIA LIMITED A.C.N. 083 185 693

CORPORATE DIRECTORY

Directors

Alan Birchmore, Chairman

Mark Bradley, Director, CEO

James Carver, Executive Director

Derrice Dillon, Executive Director

Jeff Mews, Non-Executive Director

Richard Reid, Non-Executive Director

Company Secretary

Brendan Gore

Neil Roberts

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TABLE OF CONTENTS

Chairman's Report	4
Operations' Review	7
Corporate Governance	24
Directors' Report	26
Profit and Loss Statement	35
Balance Sheet	36
Statement of Cash Flows	37
Notes to the Financial Statements	38
Directors' Declaration	62
Additional Stock Exchange Information	63
Auditor's Report	65





IT'S LOGICAL

Mermaid Marine Australia Limited's future is now inextricably linked to the oil and gas industry. Oil continues to be the main attraction to explorers because of its lower infrastructure costs, early cash flow and easier marketing, but it is gas, which is emerging as the premier fuel.

Gas is clean, portable, in massive supply and the environmental answer to so many of today's atmospheric problems. Together with its sister product, condensate it is also the dominant feedstock for the petrochemical industry. In Australia . . . gas has a very, very great future.

From all sources, our country consumes or exports a modest total of approximately **one trillion cubic feet** of gas each year. Gas is found in a number of places around Australia, but over 90% of national reserves are found offshore of northwestern Australia, where current estimates of gas in place comfortably exceed 100 trillion cubic feet.

These reserves were effectively found as a co-product in the search for oil, yet on today's economics, only one trillion cubic feet of gas with the appropriate production infrastructure in place is estimated to be worth \$A5 billion dollars.

Therefore it may be simplistic, but true, that the undiscounted value of the gas in Australia's northwest, is so far worth a staggering \$500 billion dollars and rising.

Despite these mind bending numbers, existing production taps far less than **half of 1%** of this huge resource each year, a resource which increases almost by accident, from exceedingly modest levels of exploration for oil.

We at Mermaid recognise that these are solid and compelling reasons to focus our attention unwaveringly on this industry, within this region. To build the company's seagoing assets and strategically blessed shore bases at Dampier, Broome and Darwin with all speed. To lift our professional expertise and productive capability to meet what we have assessed to be an amazing and highly exclusive opportunity.





CHAIRMAN'S REPORT

Mermaid Marine made great progress during the year to 30th June 2000, even though trading reflected low levels of activity in the North West. Prospects over recent months have rapidly improved, with a great deal of large project work in prospect. The Prospectus concept of building our business within the triangle of oil and gas reserves found between Timor, Exmouth and Darwin, is proven and has become even more relevant.

Rich in gas, the region is rapidly becoming Australia's powerhouse and the focus of new resource processing industries. In a statement made in only August this year, the Shell Oil Company identified gas as that Company's premier future fuel, due to its high environmental qualifications and portability. The Federal Government, also recognising the environmental advantages of gas, has identified that liquified natural gas in particular, as a greenhouse solution rather than a problem and has effectively exempted the gas industry from Kyoto protocol restraints.

Woodside Petroleum has announced the signing of Memorandums of understanding for substantial gas contracts to a range of companies planning to establish their production in the Pilbara. At the time of writing this report, firm Letters of Intent were also foreshadowed for substantial increases in LNG production, specifically to Japan and prospects are high for further export sales to China, Singapore and India.

Providing marine support for such expansion has been our principle source of earnings, but Mermaid will enjoy a larger and more diversified income stream once development of the Base at Dampier is completed. The project, demonstrated in more detail later in this report, will revolutionise our Company and drive significant changes in the way offshore producers are serviced in the North West of Australia.

Coinciding with a start of Base construction, we were successful in attracting Mr Mark Bradley, formerly Managing Director of Clough Offshore, to join us as Mermaid's Chief Executive. As reported by the Age newspaper, our new Chief Executive has put his money where his mouth is, offering a personal investment of \$2 million for equity in our company. Mark has had an extremely successful career with McDermotts and Clough Offshore. He will now drive the development of a much stronger engineering capability at Mermaid, through which, whether in joint venture or alone, we intend to be more closely involved as direct participants in North West Shelf work.

Immediately following Mark Bradley's decision, his old employer, Clough Engineering, also expressed a desire to become a shareholder, subscribing \$3 million for new equity. The influence that the direct involvement of Mark Bradley and Clough Engineering will have in our company's future should not be underestimated. At this time when we welcome Mark as a Director and shareholder, we are also pleased to announce the appointment of Mr Richard Reid, finance



CHAIRMAN'S REPORT

Director of the Clough Group and a highly experienced and talented executive. Richard has appointed an alternate director, Mr Chris Sutherland, a senior Clough Executive, with engineering qualifications and associated business skills to assist him.

Captain Jim Carver, Mermaid's founder continues to play a significant role in Mermaid's operations, paying particular attention to our business at sea. Under 20 years of Jim's leadership, Mermaid developed an enviable reputation as a "can do" company, and in our drive for new engineering expertise and professionalism, we have no intention of allowing that attitude to be lost.

Last year we identified Broome as our next strategic position. No oil and gas work had been supported out of Broome for seventeen years and with the valuable cooperation and assistance of the Broome Port Authority, we secured Inpex, the large Japanese resource company as our first client. The base was then established early this year.

A new focus has developed in the Browse Basin and it is pleasing to report that after only seven months operation, our Base is profitable, housing Inpex, BHP, Woodside and Sedco in support of their current drilling programs. All the holes drilled from the Broome Base have been designated as commercial finds by the explorers and the very major increase in the reserves at Brecknock, Woodside's permit 500 kilometres north of Broome creates optimism for future production based in the Broome area.

Darwin was next on our list, enabling involvement in Timor Sea oil and gas activity. The Bayu Undan project operated by Phillips, is well advanced and will impact Darwin's offshore activity quite soon. Pursuing the formula for a strategic sea/land interface, we reached agreement with Perkins Shipping in Darwin, to set up an office at their Frances Drive facility. Perkins Shipping is synonymous with Darwin's history. Set up by V.B. Perkins in the late 40's, it has grown to significant size, operating its ships across the top of Australia and into South East Asia. There are many synergies which Mermaid shares with Perkins and we look forward to developing our Darwin business in close association with that fine old Company.

Our ambitions for the support of the oil and gas industry now go beyond bases and vessels. Early in the current financial year, Mermaid acquired 50% of the OIS MOC Joint Venture Pty Ltd, to be paid for by the issue of 800,000 Mermaid shares. OIS MOC owns the highly successful labour hire business operated by Kevin Ponga and Rick De Franck. Kevin Ponga is now General Manager of Mermaid Labour & Management Pty Limited and Mr De Franck becomes a Director. With their reputation and talent added to Mermaid's experienced team, this labour hire company has become a significant force and can be expected to be in the final when major labour hire contracts are let.

CHAIRMAN'S REPORT

Labour hire is heavily dependent upon the quality of the personnel database and our intention has been announced to offer training at Dampier, Broome and Darwin for those who live in the North West and wish to work in the offshore industry there. Planning for this new initiative is well advanced and we expect to be running courses for prospective offshore employees in coming months. Although the training program is not directed to any particular community group, it has been encouraging to have active support from Aboriginal leaders in the Kimberley region.

World prospects for energy, the need for Australia to add value to its resources, Government initiatives for the support of these activities and environmental imperatives, heavily favour gas, giving every indication that Mermaid Marine's development push has been extremely timely.

It is also important to draw attention to increased efforts in terms of health, safety and environmental protection. Our workplace is largely at sea, where operations involve natural dangers and the safety of our people is paramount. We also work in a setting where the tasks in which we are involved cast us in the role of environmental caretakers of the sea and coastline.

Over the past twelve months, we have worked even more closely with producers to take this side of our business to the highest possible standard. We are proud of the achievement and at the time of this report, despite the inherent dangers involved in the work, our employees have accrued a record 348 days free of Lost Time Injuries, a tremendous effort.

Average turnover for the last two years was \$20 million, our target in the near term is to achieve earnings of at least \$100million, with appropriate levels of accompanying profit. That will be addressed through our policy of strategic positioning and development in the North West of Australia, and also by acquisition where merger or purchase will add to our earnings and strengths. Mermaid Marine Australia Limited is in excellent shape, with confidence that we are well able to pursue and secure our ambitious program.

Alan Birchmore Chairman



Trading for the period commencing 1 July 1999 to 30 June 2000 for Mermaid Marine

Australia Ltd ("Company") and its controlled entities, experienced a 43% turnover reduction
from last year. The result was almost entirely due to a heavy fall in oil prices, which reached their
low of US\$10 in February 1999, leading to the lowest level of offshore activity for many years.

In September 1999 Mermaid exercised its option to acquire the utility vessel "Mermaid
Achiever" for \$3,250,000. Previously the Achiever operated under a bare boat charter.

In February 2000 Mermaid received approval in principle from the Western Australian Minister for the Environment for the development of a supply and engineering base at Dampier (Dampier Base). Since that time a detailed environmental management system has been produced for final approval and as a guide to daily environmental management and compliance. Refinements to the design have proceeded, together with the preparation of bid packages and negotiations with Banks for project finance.

Subsequent to years end, the subscription of a further \$5 million from Mr Mark Bradley and Clough Engineering will see an extremely robust balance sheet, with cash on hand approaching \$10 million. As construction commences at Dampier, a level of project finance will be arranged providing a comfortable mix of debt and equity and allowing the retention of a significant cash balance.

The year saw considerable progress with Base activities at Dampier, Broome and Darwin. They are dealt with in detail under following headings.

Mermaid recorded an after-tax loss for the Period of \$207,957. Compared with an after-tax profit for the previous period of \$2,454,919. Revenue for the Period was \$15,124,774, a decrease of 43% over the previous period. Fixed cost reductions enabled the Company to ride out the market reversal with a minimal loss and positive operating cash before capex of \$1.6m. This result, achieved against a major drop in turnover, was possible through a vigorous attack on overheads, which included more beneficial ownership costs, insurance savings, management salary savings, including voluntary sacrifice from certain senior executives in recognition of the tighter conditions. In all the changes contributed approximately \$1.5million to the bottom line.

Bare boat charters, although useful for the busy times encountered in 1998 exposed the Company to a high level of fixed costs. The vessels were valuable earners and the transfer of the Mermaid Achiever, Mermaid Eagle and Mermaid Reunion to Company ownership has proved to be the right decision for all market conditions. Although there have been no contracts yet let for work of any significance by producers on the North West Shelf, underlying day to day activity has returned. Expressions of interest for major project work have been issued and as an indication of better trading conditions, an unaudited profit of \$496,721 has been recorded for the two months to 31st August 2000. The trend has continued in September.

FINANCIAL



SEAGOING OPERATIONS Mermaid operates a fleet of fifteen (15) tugs, workboats and barges, undertaking all forms of offshore activity including exploration support, supply, survey and berthing assist. Lower vessel utilisation during the period allowed an acceleration of scheduled maintenance. Two tugs, Mermaid Commando and Mermaid Chieftan received extensive refits. In both cases the work increased productivity through enhanced bollard pull and consequent earnings.

Safety was given the highest priority through new monitoring systems and awareness programs. Formalised on the job instruction and training courses have also lifted levels of experience and proficiency across the workforce.

DAMPIER BASE

The offshore waters and islands adjacent to Dampier, host in excess of 50% of all exploration and development budgets of Australia's offshore oil and gas industry. The Burrup Peninsular where the Base is located is the intended site of major new oil, gas, petrochemical and industrial mineral processing plants. The Port of Dampier is Australia's largest Port as measured by tonnage, but as identified in the 1997 WA Department of Commerce and Trade report, there remains an urgent need for additional marine support infrastructure. Mermaid is now well advanced in our plan to satisfy those needs and onshore work was announced to start on the 9th October 2000.

Since receiving approval in principle for development of the Dampier Base from the Western Australian Minister for the Environment in February 2000, engineering and general design work in connection with the base proceeded at an accelerated pace.

This work, assisted by technical studies and a re-assessment of an increased demand for services arising out of greater expectations for growth in the sector, has led to improvements and expansion of capacity over earlier plans.

The Dampier Base will now comprise:-

- An "all tides" approach channel to a minimum depth of 6 metres
 - A wharf offering 7.5 metres depth at low tide, featuring a heavy loadout section to accommodate modules of up to 1500 tonnes to onshore projects on the Burrup Peninsular and adjacent mining centres. A subsea pipe reel loading facility will encourage the use of spool ships in the region for deepwater pipelay. On a project by project basis, pipeline protection rock dumping, specialist vessel rig up activities and the like will be facilitated, as will dry and bulk cargo handling, refuelling, watering and all categories of waste reception. The joint Commonwealth and WA State Government initiative to establish an integrated industrial estate at Jervoise Bay (south of Perth) serviced by high wide load corridors from Perth's industrial areas will see the heavy capacity wharf playing a strategic role in major capital works in the Pilbara, leading to significant cost savings.



- A slipway initially capable of receiving vessels up to 2,700 tonnes capacity will handle most of the 60 vessels currently working in the region, a considerable number, but one which will rise over coming years. First class engineering facilities have been planned and highly experienced management recruited. Alternative slipways offering comparable capacity are only to be found in Darwin or Fremantle, a sea journey of approximately 1000 miles from this operational region. Australia has emerged as a centre of excellence with respect to vessel repair work, the Dampier facility will both benefit from and protect that valuable reputation.
- Rehabilitated land for buildings and storage will finally extend over 17 hectares. The major oilfield services company Halliburton, have been attracted to the base as a tenant and a \$1.1m purpose built building is being constructed for their use. Negotiations are also proceeding with other groups who recognise the unique advantages of operating from this strategically positioned Base. Rental income and associated revenues such as plant and labour hire will contribute significantly to the overall economics of the facility.
 - Protected moorings for cyclone shelter will be established inside the breakwater for long term lease to local tug operators. The demand arises from serious vessel and crew safety considerations. The Dampier Port Authority are reluctant to see the continued use of cyclone moorings in the Harbour, not only for safety reasons, but for environmental concerns as well. Oil spills are not acceptable under any circumstances and will be avoided whatever the cost. Tug owners share similar concerns, but in addition they need to remain in a position of readiness for crews and equipment to resume their important functions immediately following a cyclonic event. The number of specific purpose spread moorings, detailed on the adjacent plan will total 10 in the first phase of construction, a limit which will be assisted by an ability to remove vessels up to 100 tonnes from the water by wharf crane for tie down on cradles.



Construction of the Dampier Base commenced on the 9th October this year, with an expectation that all major elements of the project will be largely completed within 12 months.



BASE EXPANSION WORKS AND ENVIRONMENTAL MANAGEMENT

Work on Dampier

Base expansion commenced on 9 October and will be largely complete by June 2001, involving a capital budget of \$13m.

The principle activities and facility developments involved in the expansion are:

A. DREDGING

Approximately 700,000 m3 of material is to be dredged in King Bay to form an entrance channel, vessel berths, cyclone moorings and to provide access to the slipway.

The experience of Woodside constructing their nearby base in 1981 indicates that two types of dredges will be required, a Cutter Suction to remove the soft unconsolidated material (approx.70%) and a Dipper Dredge (barge mounted back-hoe) to remove harder consolidated material.

The Cutter Suction dredge size will be deliberately modest due to onshore spoil management requirement and environmental considerations.

The Dipper Dredge will be the largest of its type in the world, and will be an ideal remedial dredging tool using the experience gained from the earlier Woodside project.

The layout of the Base has been very much driven by the desire to avoid or minimize blasting while fulfilling functional objectives.

The entrance channel into the Mermaid Base will be 30 m wide and dredged to 6 m below chart datum. The dredge spoil will be pumped ashore and used as fill around the Base.

Dredges are expected to be onsite for approximately 7 months commencing mid November.

B. QUAY WALL (BERTH 1)

Market research and customer needs have caused Mermaid to relocate and redesign the main berth to accommodate a wider range of vessels than originally contemplated. The berth is now located in deeper water with better vessel access.

The regional offshore fleet characteristics have been changing in terms of vessel size. There are now four vessels operating in the region with 12,000 to 18,000 hp. When design commenced there were none of this size.

The depth alongside Berth 1 will be 7.5m. King Bay has a statistical average extreme low tide (MLWS) of 0.9 m, the occurrence of which can be expressed in hours per month. The largest



vessels engaged in routine offshore logistics tasks operate fully laden with 7.4 m draft which means there will be very few occasions when the largest vessels in the industry have to make a tide dependent entry or departure through the Mermaid channel. Further the Mermaid Base will not suffer operational disadvantages experienced by the adjacent Woodshed Base or nearby Damper Public Wharf in terms of entry and departure draft restrictions.

The function and purpose of Berth 1 will be:

- To service the larger offshore supply boat market on a fast turnaround basis.
- To receive and offload very heavy ro/ro cargoes up to 1500 tonne delivered by ocean going heavy lift ships and barges.
- To handle inbound and outbound cargoes related to major offshore pipe lay projects.
- To receive and efficiently load reel ships used for deep water small diameter pipelay.

The wharf will be an earth filled structure with steel sheet pile faces and concrete capping beam surround. Most of the construction will be performed using land based equipment working from the core of the earth filled system.

Much effort has gone into a design concept which allows very large cranes (>100 tonne capacity) to operate without restriction on the wharf.

The separation between Berth 1 and Berth 2 is such to allow Road Train Triples (the max allowable) to turn unassisted on the wharf.

C. QUAY WALL (BERTH 2)

The inner berth, Berth 2 has a minimum depth alongside of 5.0 m allowing unrestricted operation of all the Mermaid fleet, and the majority of other vessels servicing the offshore oil/gas industry and mineral ports. This berth will offer excellent weather protection for small and medium size vessels.

D. BREAKWATER.

The rubble mount type breakwater will be an extension of the wharf, constructed using core and armor rock largely won from excavations on the Base. The excavations created will become depositories for dredge spoil.

Because the storm surge associated with major cyclones can be up to 7 m above chart datum (low tide), before imposing the wave height, a fully protective breakwater is not practical. The



breakwater will be an over capping type, which interrupts the waves progress, but does not totally protect from wave penetration. These events are manageable and estimated as a once in 50 years possibility.

The breakwater core will be used as a construction causeway allowing land based equipment to perform the work. The greater part of the breakwater work involves winning the material as opposed to actual construction.

E. CYCLONE MOORINGS.

The extent of the cyclone problem in Australia's north and north west was emphasised when Cyclone Tracey struck Darwin in 1974. The most powerful cyclone to cross the Australian coast was Cyclone Vance in 1999, which passed near Dampier, destroying large parts of the towns of Onslow and Exmouth further to the south.

The problem is acute, particularly in the area between Exmouth and Port Hedland, which suffers cyclones of an intensity and frequency as high as anywhere in the world. The Mermaid Base is typically on cyclone alert three times per season. The season is November to April.

To date there have been three options available to vessel owners when a cyclone approaches:.

- Run to sea
- Take refuge with crew onboard, on a mooring in the most sheltered location available such as the Dampier Archipelago or the Monte Bello Islands.
- Construct a cyclone shelter.

There are serious personal safety and environmental considerations related to Options 1 and 2 and it is obvious that best practice universally adopted by large responsible Companies can be satisfied in this way.

Only Woodside at Dampier and BHP at Port Hedand have taken the step of building shelters which provides protection to 12 of the region's 60 vessels and this at very considerable cost.

Mermaid has undertaken significant engineering work on the placing of vessels on partially sheltered spread moorings, allowing the vessels to be secured near to shore and the crews demobilized to take care of their families and attend to household cyclone preparation.

Mermaid is taking a leadership role with a technical solution which will lead to wider adoption as vessel owners and the insurance industry fully value the arrangements. Mermaid will provide





The foreshore of King Bay will be redeveloped as part of the Mermaid Marine Dampier Base Expansion works.

leased facilities to seven third party vessels and protection for three of our own vessels using this technique by the cyclone season in 2001.

As more vessels seek protection, additional breakwaters can be constructed and sea room dredged. Each mooring involves a pattern of pin piles drilled into the granite sea floor with four vessel specific mooring lines secured to special attachment points on the vessel.

Many smaller vessels including Mermaid's will be lifted from the water and tied down on purpose built cradles for cyclones.

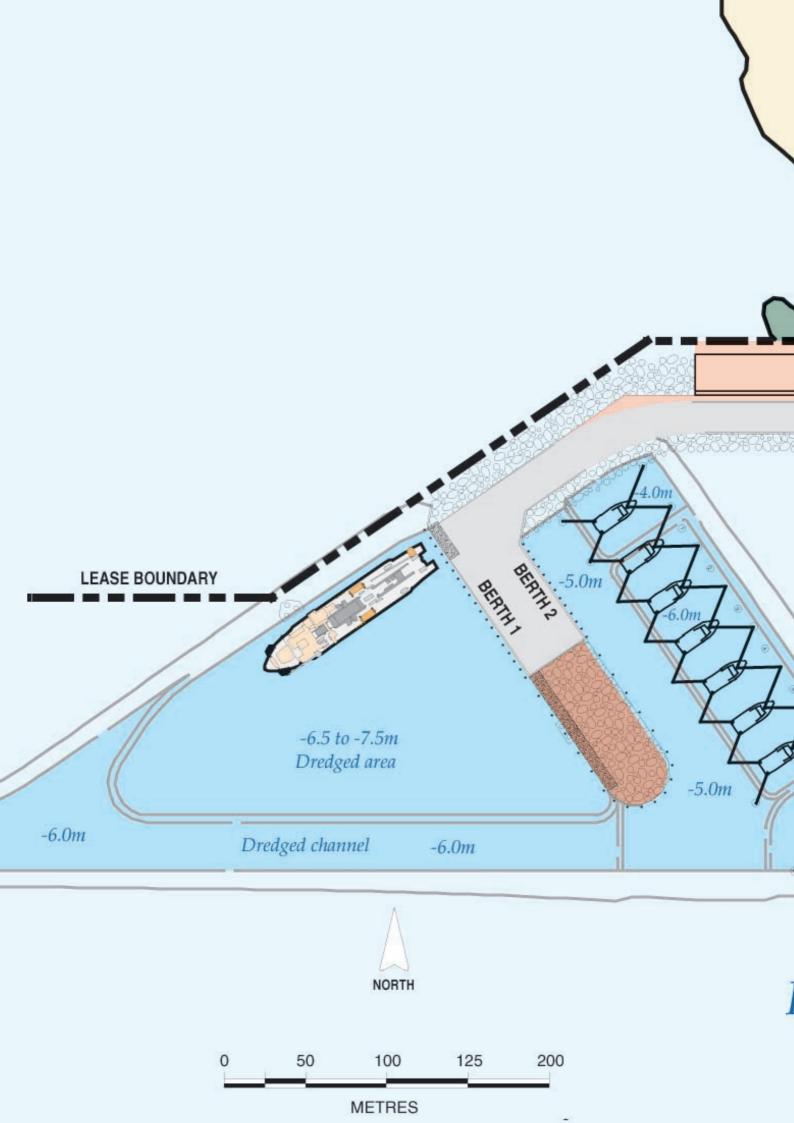
F. ONSHORE LAND RECLAMATION.

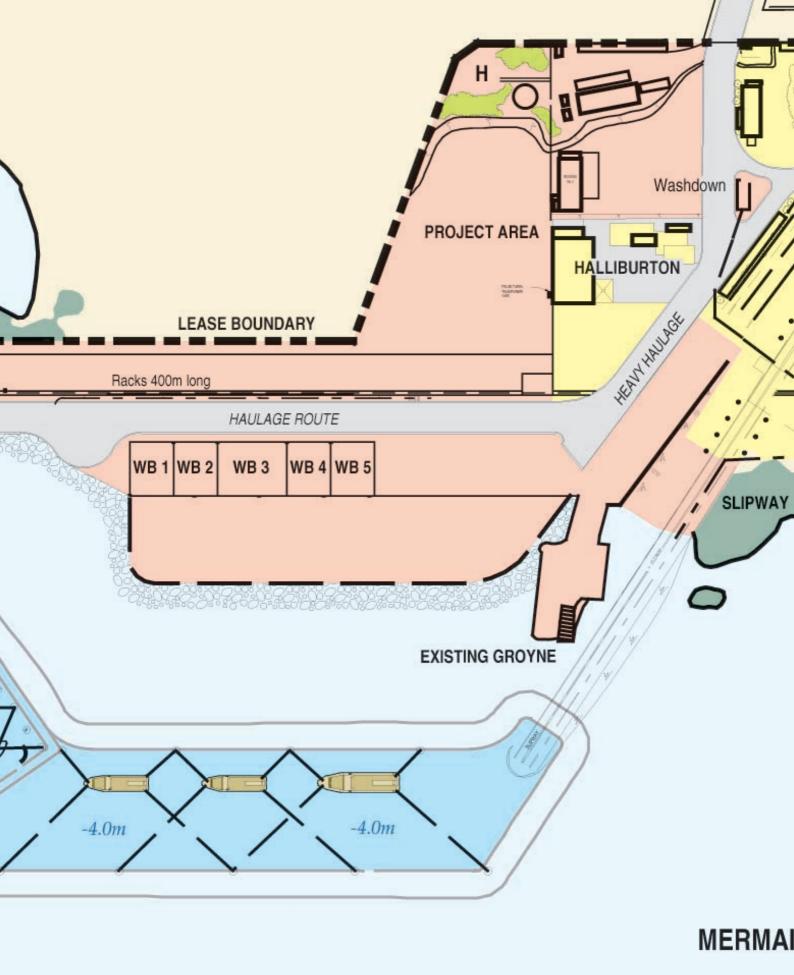
Like our neighbours, much of the Mermaid site is below the prescribed storm surge level, or needs some degree of earthworks to maximize its value. Currently 8 of the 17 ha of the area is suitable for development in its present state.

The spoil produced from dredging will allow Mermaid to achieve full utilization of the site at a fraction of the cost of importing fill from elsewhere.

Considerable effort has gone into anticipating the future direction of the Base. Planning services such as traffic flows, land allocation and security, as well as fulfilling the many and complex regulatory requirements related to health, safety, quarantine, environmental management, dust, dangerous goods and hazchem materials have been the subject of considerable study prior to this implementation stage.



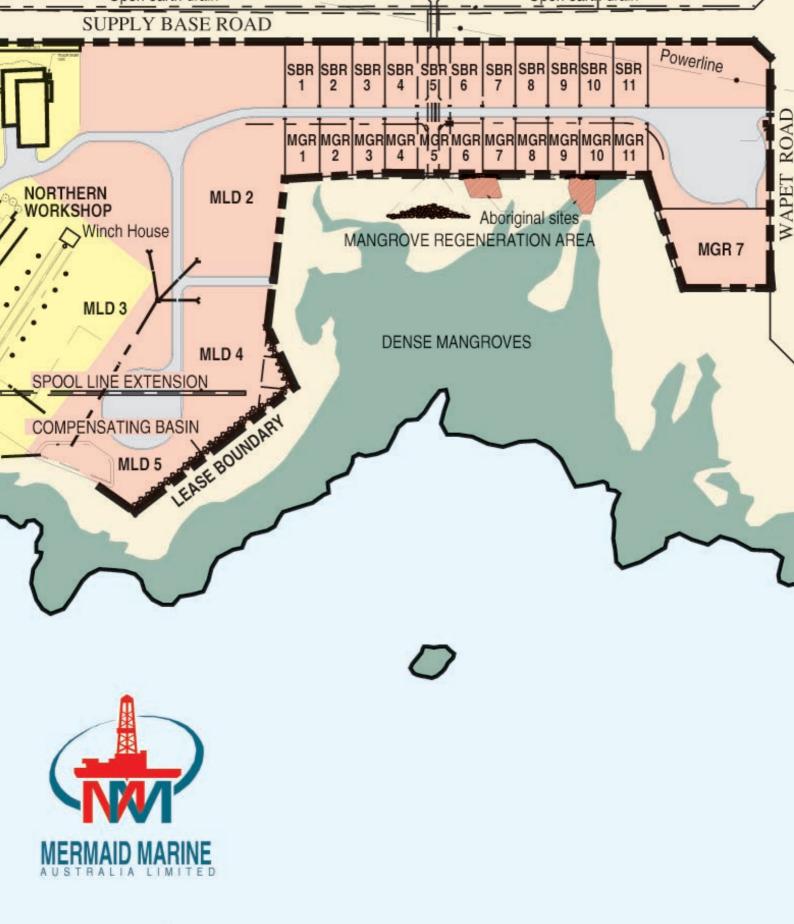




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D MARINE AUSTRALIA LIMITED

Dampier Supply Base

PANSION PLAN

G. SLIPWAY.

Australia, and particularly the north west is impoverished in terms of infrastructure to service our marine industries. Some of this has been due to a historical link with our recent industrial past. This is now behind us, and Australia has now become a centre of excellence with respect to both new building and ship repair, particularly for high tech and specialty vessels.

The Mermaid slipway will be the third such facility on the western half of the continent, with others located at Fremantle and Darwin.

The slipway will be a repair only facility, no new building is contemplated. Its capacity is structured to meet the regional steel mono-hulled fleet requirements of some 60 vessels between 200 and 4000 tonne displacement. Fishing industry, marine tourist industry, large private pleasure craft, naval, scientific and law enforcement vessels are a secondary target.

The slipway is designed to initially accept vessels up to 2,700 tonnes, a restriction which is set by our current inventory of cradles used to support vessel on the slip. The cradles will be progressively upgraded to ultimately handle 4000 tonne. A later expansion will allow 500 tonne vessels to be side slipped, thereby increasing capacity.

The slipway location and orientation on the Base has been chosen to maximize the cost and load bearing benefits of having a very high strength granite bedrock as the best possible foundation.

The Mermaid slipway will rank second in terms of capacity on the western half of the continent. Tenix, Fremantle 8,000 tonne, Mermaid Dampier 2,700 tonne rising to 4,000 tonne, Darwin Ship Repair 2,500 tonne. The nearest other facilities are Singapore, Adelaide, Port Moresby or Cairns.



Mermaid has purchased a very large cyclone rated industrial building frame which will be sited beside the slipway and tenanted by Mermaid engineering and companies which will provide ancillary services related to ship repair.

The Northwest Shelf is a world scale offshore oil and gas exploration province.

BROOME SUPPLY BASE

Mermaid Marine services base at the Port of Broome (Broome Base)

commenced operations on 1 February 2000 when the first ship containing drill pipe for Inpex

Browse Ltd arrived from Japan.

As a result of Mermaid's efforts in establishing the Broome Base, Inpex Browse Ltd., BHP Petroleum and Woodside have used Broome as their base for drilling a total of four (4) offshore wells.

It is presently expected that at least six (6) exploration wells will be drilled in the area during 2001. The Base now employs as many as ten (10) staff up from the three (3) who commenced in February 2000. Excellent management and staff competence are the prime factors, which have delivered the smooth start up and continued success at Broome.



The Mermaid Broome Supply Base certified Impex, Woodside and BHP Petroleum exploration program during 2000.

The base is currently secured on a come and go lease arrangement, located on Port premises adjacent to the wharf gates. Although convenient, with an excellent cyclone proof building, the site has limitations in terms of size and slope. An area more suitable for our long term needs has been optioned from Port authorities and discussions will proceed with our clients this year to determine their precise needs.

The success of Browse Basin wells drilled this year, strong developments in the energy sector and the intention of operators to base their 2001 operations in Broome, have encouraged the Board to consider further investment to ensure that capability keeps pace with demand and that we leave no reason for competitors to offer more or better.

The offshore waters of the Northern Territory, the Zone of Co-Operation (ZOCA) between Australia and Timor, and the Commonwealth Territory of Ashmore and Cartier host approximately 35% of the

DARWIN BASE exploration and development budgets of Australian offshore oil and gas industry.

Two large projects are under study or implementation in these waters; the Phillips Petroleum Bayu-Undang Project and the Woodside Sunrise Troubador Project.

Two large petrochemical projects are under study for the Darwin area based upon pipelines from the Timor Sea gas resources of the projects above.

Darwin will within 3 years be the northern terminus of the Australian national rail system with the completion of the Alice Springs Darwin rail link, further expanding its role in Australia's economy.



Darwin is serviced by three marine infrastructure elements.

- a. A public port adjacent to the main business centre, which is destined to be redeveloped as a cruise ship and tourism precinct.
- b. A group of freehold water front properties on Frances Bay near to the main business center.
- c. A recently commissioned public port and industrial estate at East Arm some 25 km from the main business district.

Darwin already has an abundance of shore based logistics service providers who operate from onshore industrial estates through publicly owned facilities.

The Northern Territory Government has sponsored a study to determine the marine infrastructure deficits of the Darwin area. Mermaid has contributed to the study and is monitoring the subsequent planning processes.

Regardless of industry trends, Mermaid has a need for a Darwin Base to service and care for Mermaid vessels working in the area. Too often vessels have been demobilised to Dampier at the conclusion of a contract then being required to return to Darwin within days or weeks for another assignment.

Mermaid has decided that needs and opportunities in the north of Australia can be best served by entering a co-operative arrangement with an established Darwin Company. Agreement has therefore been reached with Perkins Shipping Group, who are one of the freehold land owners on Frances Bay.

Perkins Shipping, established in the 1950s is the major coastal shipping service provider in Australia's north, linking Darwin to mining and aboriginal committees from the Kimberly to Gulf of Carpenteria. Additionally Perkins operate services to East Timor, mining operations in Indonesia, as well as Singapore and East Malaysia. The Perkins and Mermaid businesses are different, but complementary, offering benefits to both. The arrangement with Perkins will give Mermaid well placed office facilities, open storage and waterfront access.

Our intention is that Darwin become the third and final mainland entreport to service the Northwestern offshore oil and gas industry together with our other strategically placed facilities at Dampier and Broome.

MERMAID LABOUR AND MANAGEMENT LIMITED

During 2000 Mermaid Marine formed a

new business unit Mermaid Labour and Management Limited. The focus of this unit will be labour supply and industrial relations management to the marine, offshore construction industry and onshore resources projects in the NW of Australia. The Directors and Management of the new entity are very experienced, well known and regarded by the industry in general. The company has high expectations for Mermaid Labour and Management Limited.

SAFETY

Mermaid remains dedicated to ensuring a safe environment in all areas where we operate or have responsibility.

In April 2000, following the regular six monthly Quality Assurance audit, the Company's accreditation under AS/NZS/ISO 9002 was reconfirmed. Mermaid's quality assurance and compliance team continues with a continuous day to day effort to improve our health, safety and environmental performance. Stringent charterer requirements, which are a pre requisite of increased vessel usage, must be met to the letter and are the subject of regular and demanding audits. Although time consuming and expensive, we are grateful to certain of the large producers, who while demanding the highest levels of compliance, have also been prepared to give their time, sharing their safety expertise with us and in that way assisting in the very major advances our company has made in this all important area.

At the time of writing this report, Mermaid had accumulated 348 days without a Lost Time Injury. A fine achievement and a continuing record.

Mangroves, a tropical evergreen shrub, which forms dense thickets along coastlines, are a key element of the life cycle of a large number of marine species in the areas in which Mermaid principally operates.

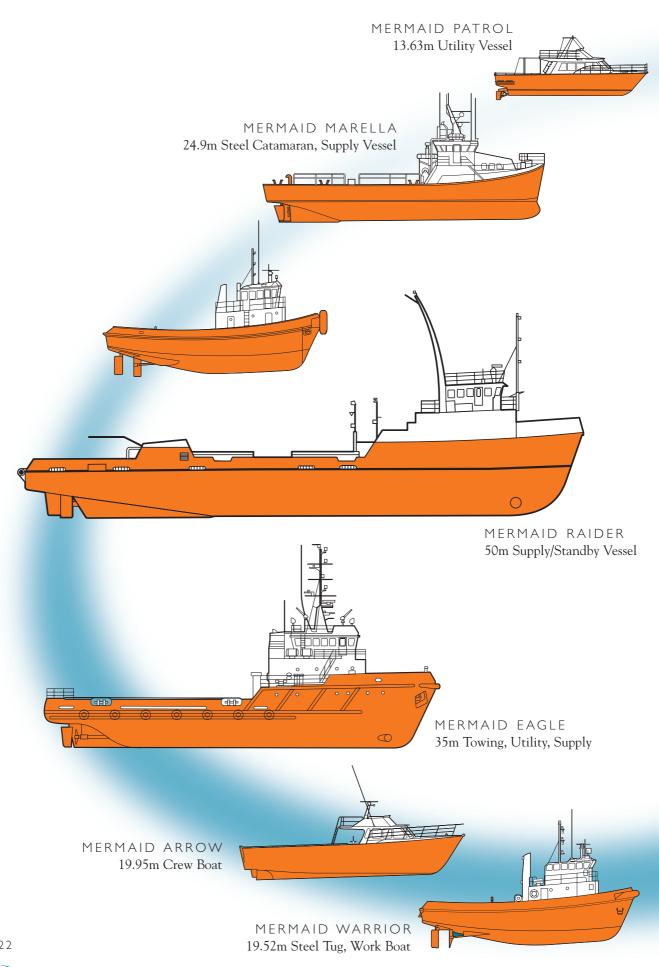
The potential exposure to accidental damage, pollution or destruction of mangroves represents a significant environmental issue in the region.

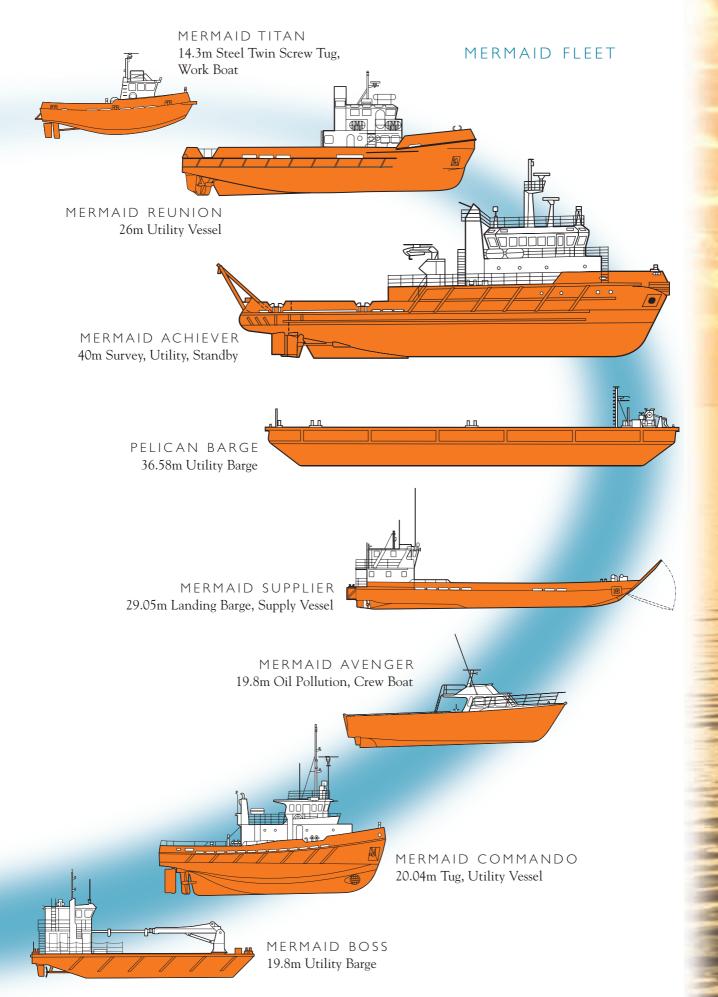
As part of its plans to expand the Dampier Base, Mermaid volunteered a replanting program to encourage the growth of mangroves in previously denuded areas, immediately adjacent to the expanded Base.

As at the date of the report, five hundred (500) juvenile mangroves have been transplanted with 90% success. A further 174 mangrove seedlings have been planted and are showing very good growth rates. Attempts to transplant adult mangrove trees, have proved to be more difficult, but the success with young plants now appears to guarantee a more than satisfactory outcome.



MERMAID FLEET





CORPORATE GOVERNANCE

The Directors are responsible for the Corporate Governance practices of Mermaid. This statement sets out the main Corporate Governance practices that were in operation during the Period.

Board of Directors

The Board carries out its responsibilities in accordance with the following:

- The Board will comprise at least four directors;
- The Board will be made up of at least one quarter of non-executive directors;
- The directors must between them possess a broad range of skills, qualifications and experience;
- The Board will meet on a monthly basis; and
- All available information in connection with items to be discussed at a meeting of the Board will be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- Establishing Mermaid's goals and developing strategic plans to achieve them;
- The review and adoption of annual budgets and cashflow forecasts for the financial performance of Mermaid and monitoring the results on an ongoing basis;
- Identifying business risks and implementing actions to manage those risks;
- Developing an effective management and corporate system to ensure safety, quality, measure progress and exercise control;
- Ensuring the employment and further development of efficient and qualified staff for the growth of the Company's business consistent with industry leadership;
- Identifying and developing strategic relationships for growth and access to specialist expertise; and
- Develop clear and accurate annual and half-yearly financial reports for Mermaid stakeholders.

Independent Professional Advice

Subject to the Chairman's prior approval (not to be unreasonably withheld), directors, at Mermaid's expense, may obtain independent professional advice on issues arising in the course of their duties.



CORPORATE GOVERNANCE

Composition of the Board

No formal nomination committee or procedures have been adopted for the identification, appointment and review of Board membership, but an informal assessment process facilitated by the Chairman operates in consultation with Mermaid's professional advisors.

In relation to Board membership, Mermaid is committed to: -

- It's Board comprising directors with a blend of skills, experience and attributes appropriate to its business and stage of development; and
- The principle criterion for the appointment of new directors being their ability to add value to Mermaid's business through their professionalism, integrity and experience.

Remuneration Arrangements

The remuneration of executive directors will be decided by the Board without the affected executive director participating in that decision making process.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, Corporations Law and the ASX Listing Rules. The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the value to Mermaid of the contributions by non-executive directors

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of Mermaid.

Audit Committee

The Board has a separately constituted audit committee. The current members of the audit committee are:

A G Birchmore (Chairman)

J A S Mews

Identification and Management of Risk

The Board's collective experience enables accurate identification of the principal risks which may affect the Company's business which are recurring items for deliberation at Board meetings.

Ethical Standards

The Board is committed to the establishment and maintenance of the highest ethical standards to underpin Mermaid's operations and corporate practices.



Your directors submit their Annual Financial Report for the Financial Year ended 30 June 2000. In order to comply with the provisions of the Corporations Law, the Directors report as follows:

DIRECTORS

The directors in office during or since the end of the Financial Year are:



ALAN GORDON BIRCHMORE Chairman - Appointed 12 August 1998

Alan Birchmore has occupied senior management and board appointments in Australia, England, Mainland Europe and the United States of America, with direct responsibility over a range of financial, industrial and mining operations. Chief Executive of the New York listed Bond International Gold, he was responsible for a worldwide workforce of 6,000 employees, in Canada, the United States and South

America, in Australia, the Company developed the Superpit at Kalgoorlie and successfully ran that as Australia's largest gold mining operation in joint venture with Homestake of the US. He also sat on the Argyle joint venture as one of the three principles during the period it developed the world's largest diamond mine. In 1990, as a major shareholder, he became Chairman of St Barbara Mines Ltd. Once listed and during the time of his stewardship the Company became highly profitable, registering market capitalisation growth from \$12million to over \$440 million, he retired from the Board of St. Barbara in 1997. In recent years he has chaired enquiries in the agricultural sector, addressing National Competition policy and is a fellow of the Australian Institute of Company Directors.



MARK FRANCIS BRADLEY

Director and Chief Executive Officer - Appointed 22 September 2000

A civil engineer with a track record of senior offshore engineering management, Mark joined the J. Ray McDermott Company in 1977 for service in Bass Strait on Esso's Tuna/Mackeral project. During the following 14 years, of technically challenging work, 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 NWS projects, followed by duties in Thailand, China and Indonesia. By 1993, he was operations/project manager for BHP's Griffin project and by 1994 became Managing Director of Clough Offshore. A highly talented manager, Mark then presided over the five fold growth of Clough Offshore, which was to make the Western Australian company one of the best equipped, professional and competitive groups in the offshore contracting business. In 1997, he joined the Board of Clough Engineering as an Executive Director, retiring to become a shareholder and CEO of Mermaid in 2000.

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. He was Woodside Petroleum's first ships master, carrying out marine operations in the LNG development. Captain Carver was involved in exploration, construction and production of most oil and gas projects on the North West Shelf. He has in-depth knowledge of the industry, its needs and its future. Establishing



the company in 1982, Jim pursued a "can do" attitude at sea and on shore. Under his direction the fleet grew from 1 to 15 vessels and the Base at Dampier secured for the present expansion and exiting future.

DERRICE-ANN DILLON

Executive Director - Corporate - Appointed 12 August 1998

Derrice Dillon has considerable experience in management, administration and finance acquired over the last 22 years and has held a number of senior positions in Australia and overseas. From the early 1990's Derrice developed a strong knowledge of the oil and gas industry from her previous position as a director and head of administration of Slimdrill Pty Ltd. She was responsible for the design



and implementation of all accounting and administration systems, including complex databases to track information for the construction and manufacture of the Slimdrill oil drilling rigs. She was also responsible for all legal matters and the production of promotional and marketing material for worldwide distribution.

Derrice took a leading role in the listing of Mermaid Marine in 1999 and has since headed up accounting, systems and administration. As Chairman of the Board of Management she plays a senior role in Mermaid's operations.

Derrice has also recently been appointed to the Seacare Authority by the Minister of Employment, Workplace Relations and Small Business as National Representative for the Offshore Maritime Industry.



IEFFREY ARTHUR SYDNEY MEWS

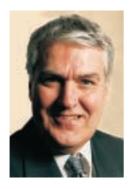
Non Executive Director - Appointed 12 August 1998

Jeff Mews is a Fellow of the Institute of Chartered Accountants in Australia, Associate of the Australian Society of Certified Practicing Accountants, Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia.

In 1998 Jeff retired from the partnership of PricewaterhouseCoopers after over 22 years as a partner in the taxation consulting division. Jeff

has had extensive experience in the oil, gas and mining industries and has been directly involved, at a senior level, with most major resource projects in Western Australia since the 1970s. He is a past Chairman of the Western Australian Division of the Taxation Institute of Australia.

Jeff currently serves as a Member of the Salaries and Allowances Tribunal for the State of Western Australia and is a Founding Governor of the Malcolm Sargent Cancer Fund for Children in Western Australia.



RICHARD MALCOLM REID

Non Executive Director - Appointed 22 September 2000

Richard Reid is a Fellow of the Institute of Chartered Accountants. After extensive experience in senior auditing positions in London, Belgium and Perth he joined the Clough Group in 1980. Since 1983 he has been the Finance Director of the main operating company. He is a Director of Clough Limited, the listed parent company, and a Director of a number of the Group's subsidiaries, joint ventures and associates.

Richard has been intimately involved in all the Clough Group's major projects and acquisitions over the past twenty years and the successful listing of both parent company Clough Limited on the Australian Stock Exchange in 1998 and its subsidiary PT Petrosea Tbk on the Jakarta Stock Exchange in 1990. He has significant Australian and overseas experience in Engineering and Construction; Property and other Investments in both Finance and Management

CHRISTOPHER GLEN SUTHERLAND

Alternate Non Executive Director - Appointed 29 September 2000

Christopher Sutherland is a Fellow of the Institute of Engineers and has extensive experience in offshore and subsea engineering and construction businesses. Previously Managing Director of a major subsea remote system company. Chris is currently the General Manager - Group Strategy for Clough Engineering Ltd.

Mermaid's principal activities during the course of the Financial Year were:

PRINCIPAL ACTIVITIES

- Operating crewed vessel charters;
- Vessel manning, management and logistics;
- Operating supply base facilities; and
- Equipment hire.

Other than detailed in the Chairman's Report set out at pages 1 and 2 of this report and/or in the Operations Review set out on pages 3 to 9 of this report, (together the "Chairman's and Operations Reviews"), there have been no significant changes to these activities during the Financial Year.

In respect of the financial year ended 30 June 1999, as detailed in the directors' report for that DIVIDEND financial year, a final dividend of 1.25 cents per share, franked to 100 per cent at 36 per cent corporate income tax rate, was paid to the holders of fully paid ordinary shares on 1 November 1999.

In respect of the financial year ended 30 June 2000 the directors have not recommended the payment of a dividend.

A review of operations for the Financial Year and the results of those operations are set out in the Chairman's and Operations Reviews.

REVIEW OF OPERATIONS

The Chairman's and Operations SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
Reviews set out the matters which have had a significant effect on the state of affairs of Mermaid.

Other than those matters there were no significant changes in the state of affairs of Mermaid during the Financial Year.

On 25 August 2000 the Company announced that it had reached two SUBSEQUENT EVENTS agreements for the placement of a total of 16,666,666 ordinary fully paid shares in the Company at an issue price of 30 cents each (Shares).

The first agreement was with Mr Mark Bradley, who agreed to take a placement of 3,225,000 Shares by 29 September 2000, followed by, if approved of by shareholders at the Company's annual general meeting, a further 3,441,666 within 7 days of that meeting.

On Mr Bradley being appointed a Director of the Company, in order to comply with the



requirements of the Corporations Law and the ASX Listing Rules, the Company and Mr Bradley agreed to defer the first issue of Shares, making both issues conditional on shareholder approval.

The second agreement was with Clough Engineering Limited, pursuant to which it agreed to take a placement of 3,225,000 Shares by 29 September 2000, followed by, if approved of by shareholders at the Company's annual general meeting, 6,775,000 shares, within 7 days of that meeting.

On 15 June 2000 the Company announced that with effect from 1 July 2000 it acquired a 50% interest in OIS MOC Joint Venture Pty Ltd, to be paid for by the issue of 800,000 Shares in the Company. OIS MOC Joint Venture Pty Ltd owns the goodwill of a successful labour hire company. That company is to be renamed Mermaid Labour and Management Limited (MLML).

MLML offers a full labour hire service inclusive of industrial relations consultancy, negotiating agreements and awards and were appropriate, provides ongoing management of the labour force.

The effective date is 1 July 2000. The Company will issue 800,000 ordinary fully paid shares in Mermaid Marine Australia Limited.

There have not been any other matters or circumstances, other than those referred to in the Chairman's and Operations Reviews and/or in the financial statements and notes attached thereto, that have arisen since the end of the Financial Year that have significantly affected, or may significantly affect Mermaid's operations, the results of those operations or its state of affairs in future financial years.

The Chairman's and Operations Reviews give indications, in general terms, of likely developments in Mermaid's operations in future financial years and the expected results of those operations.

ENVIRONMENTAL REGULATION The development of the Company's Dampier and Broome bases is subject to the approval of the Western Australian Environmental Protection Authority.

SHARE OPTIONS As at the date of this report the Company had a total of 7,115,000 unissued shares under option as follows: 30 November 2000 Options

As at the date of this report there are outstanding 6,500,000 options to acquire 6,500,000 ordinary shares in the Company at an issue price of 0.75 cents per ordinary share. Each of these options expires on 30 November 2000.

On 9 August 2000 the Company announced to the ASX that, subject to shareholder approval



at the Company's annual general meeting in November 2000, it was proposed to invite each holder of the above options to subscribe for one new 30 November 2001, 0.75 cent option for each of the above options held on its expiry at a proposed issue price of 1 cent per new option.

There is no inherent right arising from these options to participate in any new issue of shares in the Company which may be offered to shareholders from time to time prior to the exercise of the options. The Company will ensure however, that during the exercise period, for the purpose of determining entitlement to any new issue, the relevant record date will be at least 12 business days after the new issue is exercised, so as to give the holder of options an opportunity to exercise their options prior to the relevant record date of any new issue.

In accordance with the provisions of the EMPLOYEE SHARE OPTION INCENTIVE PLAN Mermaid Marine Australia Limited Employee Share Option Incentive Plan (the "Employee Option Plan"), as at the date of this report a total of 42 employees have under option an aggregate of 615,000 ordinary shares in the Company. Of the 615,000 ordinary shares under option pursuant to the Employee Option Plan, half (307,500) may be purchased within 12 months of 18 June 2000 at an issue price of 60 cents per share and half (307,500) may be purchased within 12 months of 18 June 2000 at an issue price of 70 cents per share.

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 or interest issue of the Company or of any other body corporate or registered scheme.

As at the date of this report no shares have been issued during or since the end of the Financial Year as a result of the exercise of an option over unissued shares in the Company.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

During the Financial Year, Mermaid paid a premium for a contract insuring all of the directors of the Company, the company secretaries and all executive officers of Mermaid against any liability incurred by such director, secretary or executive officer during the course of their duties as such director, secretary or executive officer to the extent permitted by the Corporations Law.

The policy does not allocate an identifiable part of the premium to specific directors or officers. Accordingly, the premium paid has not been apportioned to directors' remuneration.

The company has not otherwise during or since the end of the Financial Year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such officer or auditor.



DIRECTORS' MEETINGS

The following table sets out the number of directors'

meetings held during the Financial Year and the number of meetings attended by each director whilst they were a director of the Company. During the Financial Year, 12 board meetings were held. The only board committee, the audit committee, met twice during the Financial Year.

Directors	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
A G Birchmore	12	12	2	2
J H Carver	12	9		-
D A Dillon	12	12		-
J A S Mews	12	9	2	2

DIRECTORS' SHAREHOLDINGS As at the date of this report, directors' interests in shares and options of the Company are as follows:

Directors	Shares		Share Options	Total
	Direct	Indirect	Indirect	
A G Birchmore	-	13,679,300	47,000	13,906,300
M F Bradley	-	-	-	-
J H Carver	13,631,300	-	20,000	13,651,300
D A Dillon	-	1,510,000	-	1,510,000
J A S Mews	-	1,500,000	-	1,500,000
R M Reid		-		_

DIRECTORS' REMUNERATION The Board reviews the remuneration packages of all directors and executive officers on an annual basis. Remuneration packages may contain as key elements:

- Salary; a.
- b. Benefits - including the provision of motor vehicle and superannuation; and
- Incentive Schemes including share options under the Employee Option Plan.

The table immediately below sets out the total remuneration of directors of the Company. No options have been issued to directors pursuant to the Employee Option Plan.

Name	Office	Salary	Other (i)	Total
		\$	\$	\$
A G Birchmore	Chairman	144,231	4,846	149,077
J H Carver	Executive Director	184,615	21,484	206,099
D A Dillon	Executive Director	149,999	12,201	162,200
J A S Mews	Non-Executive Director	28,846	2,019	30,865

'Other' includes superannuation, provision of motor vehicles and related fringe benefits tax



DIRECTORS' REPORT

The table immediately below sets out the total **EXECUTIVE OFFICERS' REMUNERATION** remuneration of the three (3) highest remunerated executive officers of Mermaid during the Financial Year. These three (3) are the only executive officers who meet the disclosure criteria.

Name	Office	Salary	Other	Total	Employee
			(i)		Options
		\$	\$	\$	(number)
A Roberts	Group Development Manager	149,195	10,806	160,001	Nil
L Churchill	Technical Support Manager	111,918	12,644	124,562	Nil
R Graham-Measor	Quality Control & Safety	75,064	15,643	90,707	Nil
	Manager				

(i) 'Other' includes superannuation, provision of motor vehicles and related fringe benefits tax.

Signed in accordance with a resolution of directors made pursuant to S.298(2) of the Corporations Law.

On behalf of the Directors

Alan Birchmore Chairman

Fremantle, 29 September 2000

TABLE OF CONTENTS

Profit and Loss Statement	35
Balance Sheet	36
Statement of Cash Flows	37
Notes to the Financial Statements	38
Directors' Declaration	62
Additional Stock Exchange Information	63
Auditor's Report	65

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2000

	Note	Consolidated		Con	npany
		2000	1999	2000	1999
		\$	\$	\$	\$
Operating (loss) profit before					
income tax	2,3,4	(283,491)	4,081,912	190,559	1,110,792
Income tax attributable to					
operating (loss) profit	5	(75,534)	1,626,993	_	3,885
Operating (loss) profit after					
income tax		(207,957)	2,454,919	190,559	1,106,907
Retained profits at the beginning					
of the Year		1,382,822		34,810	
Total available for appropriation		1,174,865	2,454,919	225,369	1,106,907
Dividends provided for or paid	6		(1,072,097)	_	(1,072,097)
Retained profits at the end of					
the Financial Year		1,174,865	1,382,822	225,369	34,810
Earnings Per Share					
- Basic (cents per share)	23	(0.62)	8.09		
- Diluted (cents per share)	23	(0.21)	8.05		

The profit and loss statement should be read in conjunction with the accompanying notes on pages xxx to xxx.

BALANCE SHEET AS AT 30 JUNE 2000

	Note	Consolidated		Company		
		2000	1999	2000	1999	
		\$	\$	\$	\$	
Current Assets						
Cash		3,004,977	5,647,299	2,342,400	5,392,785	
Receivables	7	3,430,073	4,325,815	76,382	76,382	
Inventories	8	508,851	347,496	_	_	
Other	9	163,077	173,829	_		
Total Current Assets		7,106,978	10,494,439	2,418,782	5,469,167	
Non Current Assets						
Receivables	7	_	_	4,181,976	1,580,792	
Property, plant & equipment	10	24,434,964	19,372,420	_	_	
Investments	11	_	_	2,444,611	2,444,611	
Other	12	664,722	318,202			
Total Non Current Assets		25,099,686	19,690,622	6,626,587	4,025,403	
Total Assets		32,206,664	30,185,061	9,045,369	9,494,570	
Current Liabilities						
Accounts payable	14	2,363,506	1,614,224	_	98,375	
Borrowings	15	1,185,305	899,399	_	_	
Provisions	16	371,518	1,636,802		541,385	
Total Current Liabilities		3,920,329	4,150,425		639,760	
Non Current Liabilities						
Borrowings	15	12,718,592	10,749,744	_	_	
Provisions	16	1,808,922	1,318,114	_		
Total Non Current Liabilities		14,527,514	12,067,858	_	_	
Total Liabilities		18,447,843	16,218,283	_	639,760	
Net Assets		13,758,821	13,966,778	9,045,369	8,854,810	
T						
Equity	17	0 020 000	0 020 000	0 020 000	0 020 000	
Issued Capital Reserves	17 18	8,820,000 3,763,956	8,820,000 3,763,956	8,820,000	8,820,000	
Retained profits	10	1,174,865	1,382,822	225,369	34,810	
Total Equity		13,758,821	13,966,778	9,045,369	8,854,810	
Total Equity		13,730,021	13,700,770	ク,いてン,ンログ	0,007,010	

The balance sheet should be read in conjunction with the accompanying notes on pages 21 to 42.



STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2000

	Note	Consolidated		Company		
		2000	1999	2000	1999	
		\$	\$	\$	\$	
Cash Flows from Operating Ac	ctivities					
Receipts from customers		16,077,952	26,287,361	_	_	
Interest received		210,840	44,551	185,959	21,319	
Payments to suppliers and empl	oyee	(12,871,266)	(20,296,167)	(162,376)	(10,527)	
Income tax paid		(589,953)	(2,116,458)	64,716	_	
Borrowing costs paid		(1,165,742)	(1,093,244)	_		
Net Cash Provided By						
Operating Activities	19(a)	1,661,831	2,826,043	88,299	10,792	
Cash Flows from Investing Ac	tivities					
Payments for property,						
plant and equipment		(3,345,578)	(2,967,526)	_	_	
Cash paid for purchase of shares	8*	_	(5,923,616)	_	(5,923,616)	
Opening cash balance of						
acquired group*		_	470,632	_	_	
Proceeds from buy back of share	es*	_	4,500,000	_	4,500,000	
Capital contributions received*		_	1,500,000	_	1,500,000	
Proceeds from sale of property,						
plant and equipment		225,000	_	_	_	
Net Cash Provided By (Used 1	ln)				_	
Investing Activities		(3,120,578)	(2,420,510)	_	76,384	
Cash Flows from Financing Ac	ctivities					
Proceeds on refinancing of vesse		500,000	2,200,000	_	_	
Hire purchase principal paymen	its	(1,151,665)	(1,153,854)	_	_	
Repayment of borrowings		_	(4,602,464)	_	(4,000,000)	
Repayment of loans - other pers	sons	5,590	58,683	_	_	
Loans advanced from/(to)						
related parties		_	(11,404)	_	24,596	
Dividends paid		(537,500)	(1,069,195)	(537,500)	(534,597)	
Loans from shareholders		_	_	_	433,618	
Proceeds from borrowings		_	4,000,000	_	4,000,000	
Proceeds from issue of shares		_	6,500,000	_	6,500,000	
Oversubscription to share issue		_	_	_	41,992	
Costs of issue of shares		_	(680,000)	_	(680,000)	
Advances to controlled entities			_	(2,601,184)	(480,000)	
Net Cash Provided By (Used 1	By)					
Financing Activities		(1,183,575)	5,241,766	(3,138,684)	5,305,609	
Net Increase/(Decrease) in Ca	sh Held	(2,642,322)	5,647,299	(3,050,385)	5,392,785	
Cash at the Beginning of the Fir	nancial Year	5,647,299		5,392,785		
Cash at the End of the						
Financial Year	19(b)	3,004,977	5,647,299	2,342,400	5,392,785	

^{*} These cash flows form part of the acquisition of Mermaid Marine Group Pty Ltd as disclosed in Note 19(d). The statement of cash flows should be read in conjunction with the accompanying notes on pages 21 to 42.



SUMMARY OF ACCOUNTING POLICIES 1.

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Law, application Account Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other events is reported.

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

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Borrowings

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowings.

(d) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(e) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to building under construction are capitalised as part of the cost of those assets.



(f) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 workings days, net of outstanding bank overdrafts.

(g) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial years.

(h) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated so as to write off the net cost or other revalued amount of each asset over its expected useful life. The Directors reviewed all Depreciation Rates at the commencement of this financial year. It was agreed that the rates for Vessels should be bought in line with industry standards with effect from the 1999/2000 financial year. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The following rates are used in the calculation of depreciation;

2000 1900

Leasehold buildings and

improvements 2.38% prime cost 2.38% prime cost

• Vessels 4% diminishing value 8% diminishing value

• Vessel Refits 10% diminishing value 8% diminishing value

• Plant & equipment 4-40% prime cost 4-40% prime cost

• Motor Vehicles 22.5% diminishing value 22.5% diminishing value

(i) Employee Entitlements

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

Provisions made in respect of wages and salaries, annual leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settlement with 12 months are measured as the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

(i) 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 net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(k) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pretax accounting profits after adjustment for permanent differences. The tax-effect of timing difference, which occur when items are included or allowed for income tax purposes in a period different to that for accounting is shown at current taxation rate in provision for deferred income tax and future income tax benefit, as applicable.

(1) Inventory

Inventory is valued at the lower of cost and net realisable value.

(m) Investments

Investments are recorded at the lower of cost and recoverable amount.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(n) Leased Assets

Hire Purchase leased assets are capitalised as fixed assets. The amount initially brought to account is the present value of minimum hire purchase payments.

A Hire Purchase lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised hire purchase assets are depreciated on a reducing balance basis.

Hire Purchase lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(o) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 11 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.



(p) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis.

(q) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their discount value.

(r) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Contribution of Assets

Revenue arising from the contribution of assets is recognised when the economic entity gains control of the contribution or the right to receive the contribution.

Liabilities Forgiven

The gross amount of a liability forgiven by a credit provider is recognised as revenue.



	Note	Cons	olidated	Com	pany			
		2000	1999 \$	2000	1999			
2.	OPERATING (LOSS) PROFIT	'	·	·	·			
	The operating (loss) profit before income tax includes the following items of revenue and expense:							
	Operating Revenue							
	Rendering of services Dividend received from controlled entity	14,522,968	26,051,736	-	1,100,000			
	Rent	390,966	287,737	_	_			
	Interest - other persons	210,840	44,551	185,959	21,319			
	Interest - related parties	<u> </u>	23,861 26,407,885	185,959	1,121,319			
	Non Operating Revenue		, ,	•	· · ·			
	Proceeds from sale of assets:							
	Property, plant and equipment	225,000	_	_				
	Expenses							
	Depreciation: Leasehold buildings and							
	improvements	202,300	145,549	_	_			
	Vessels	382,217	416,918	_	_			
	Vessels - hire purchase	233,908	179,414	_	_			
	Plant and equipment	207,824	362,026	_	_			
	Plant and equipment - hire purchase	52,065	75,249	_	_			
	Write off of goodwill	_	95,105	_	_			
	Write off of shares - other corporations	_	2,647	_	_			
	Bad debts	13,136	29,064	_	_			
	Borrowing costs expensed:							
	Interest expense - other persons	574,479	743,437	_	_			
	Finance charges - hire purchase	514,889	261,409	_	_			
	Rental - operating leases	88,447	72,384	_	_			
	Employee Entitlements	1,630,357	3,515,875	_	_			
3.	ABNORMAL ITEMS							
	Included in the operating (loss) profit are the following abnormal items:							
	Finance costs incurred upon restructure							
	of the group financing facilities	_	273,430	_	_			
	Applicable income tax		(98,435)	_				
			174,995					



	Note	Consolidated 2000 1999 \$		Company 2000 1999 \$ \$	
4.	SALES OF ASSETS	·	·	•	·
	Sales of assets in the ordinary course of business have given rise to the following profits and losses				
	Net Profits Property, plant and equipment	20,280	_	_	<u> </u>
	Net Losses Property, plant and equipment	_	17,405	_	_
5.	INCOME TAX				
	The prima facie income tax on pre-tax accounting (loss) profit reconciles to the income tax expense (benefit) in the financial statements as follows:				
	Operating (loss) profit	(283,491)	4,081,912	190,559	1,110,792
	Income tax calculated at 36% of operating (loss) profit	(102,057)	1,469,488	68,601	399,885
	Permanent differences: Dividend received from controlled entity Write off of goodwill Revaluation depreciation Entertainment Legal Other items Tax losses transferred from a	- 85,538 5,404 4,707 6,745	33,106 64,823 7,758 21,630 30,188	- - - -	(396,000) - - - - -
	controlled entity for no consideration	_	_	(68,601)	_
	Abnormal Items: Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 36% to 34% (effective 1 July 2000) and 30% (effective 1 July 2001)	(104,812) (104,475)	 1,626,993	_	
	(Over)/under provision of income	(107,77)	1,020,993	_	2,002
	tax in previous year	28,941	_	_	
	Income tax attributable to operating profit	(75,534)	1,626,993	_	3,885



	Note	Conso	Consolidated		Company		
		2000 \$	1999 \$	2000	1999		
6.	DIVIDENDS PROVIDED FOR OR	PAID					
	Dividends paid or provided during the financial year		1,072,097	_	1,072,097		
	The tax rate at which dividends have or will be franked is 34% (1999:36	5%).					
	The amount of franking credits available for the subsequent financial year are:	5,814,354	5,303,053	2,111,192	2,641,785		
7.	RECEIVABLES						
	CURRENT						
	Trade debtors	2,716,209	4,077,295	_	_		
	Other debtors	428,814	231,746	_	_		
	Loans - other persons	_	5,590	_	_		
	Loans - related parties	11,184	11,184	76,382	76,382		
	Income tax receivable	273,866	_	_			
		3,430,073	4,325,815	76,382	76,382		
	NON CURRENT						
	Loans - controlled entities		_	4,181,976	1,580,792		
8.	INVENTORIES						
	Consumables - at cost	508,851	347,496	_	_		
9.	OTHER CURRENT ASSETS Prepayments	163,077	173,829				

	Note	Consolidated		Company		
		2000	1999	2000	1999	
		\$	\$	\$	\$	
10.	PROPERTY, PLANT AND EQUIPMENT					
	Leasehold buildings and improvements Independent valuation 1998 Accumulated depreciation	8,500,000 (302,619)	8,500,000 (100,319)	- -	_ 	
		8,197,381	8,399,681			
	Leasehold buildings and improvements under construction					
	At cost	1,485,886	538,303	_	_	
	Accumulated depreciation	(373)	(373)	_		
		1,485,513	537,930	_	_	
	Vessels - at cost	7,748,302	4,939,456	_	_	
	Accumulated depreciation	(625,559)	(416,918)	_	-	
	-	7,122,743	4,522,538	-	_	
	Vessels - hire purchase - at cost	6,184,865	4,356,257	_	_	
	Accumulated depreciation	(580,619)	(179,414)	_	_	
	-	5,604,246	4,176,843	_		
	Plant and equipment - at cost	2,621,336	1,813,810	_	_	
	Accumulated depreciation	(816,726)	(350,918)	_	_	
		1,804,610	1,462,892	_		
	Plant and equipment - hire purchase					
	- at cost	347,785	347,785	_	_	
	Accumulated depreciation	(127,314)	(75,249)	_		
		220,471	272,536	_		
	Total property, plant and equipment	24,434,964	19,372,420	_		

The revaluation of Leasehold buildings and improvements was performed on the basis of market value with reference to continued use and was not performed in accordance with a regular revaluation policy.

Aggregate depreciation is charged directly to the profit and loss account as disclosed in Note 2. Potential capital gains tax was not taken into account in the revaluation of leasehold buildings and improvements.

Note	Conso	lidated		Co		
	2000	1999)	2000	19	99
	\$	\$		\$	\$	8
INVESTMENTS						
At cost:						
Unlisted investment - shares						
controlled in entities			- 2	,444,611	2,44	4,611
		C	0	1.		1.
		itry of	Owne	•	Owner	_
	Incorp	oration	Interest		Interest	1999
			%)	%	
Parent Entity						
Mermaid Marine Australia Limited	Aus	tralia				
Controlled Entities						
Mermaid Marine Group Pty Ltd*	Aus	tralia	10	0	100)
Mermaid Marine Vessel Operations Pty L	td* Aus	tralia	10	0	100)
Mermaid Marine Pty Ltd*	Aus	tralia	10	0	100)
Mermaid Marine Offshore Pty Ltd*	Aus	tralia	10	0	100)
Mermaid Marine Charters Pty Ltd*	Aus	tralia	10	0	100)
Mermaid Supply Base Pty Ltd*	Aus	tralia	10	0	100)
Dampier Stevedoring Pty Ltd*	Aus	tralia	10	0	100)
Mermaid Manning and Management Pty	Ltd* Aus	tralia	10	0	100)

^{*} 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.

	Note	Consolidated		Compan	
		2000	1999	2000	1999
		\$	\$	\$	\$
12.	OTHER NON CURRENT ASSETS Future income tax benefit	.	240.222		
	- timing differences	664,722	318,202	_	
13.	INTANGIBLES				
	Goodwill arising on consolidation	_	95,105	_	_
	Write off of goodwill		(95,105)	_	
			_	_	
14.	ACCOUNTS PAYABLE				
	Trade payables	1,844,206	1,079,327	_	55,590
	Other payables and accruals	519,300	534,897	_	42,785
		2,363,506	1,614,224	_	98,375



11.

	Note	Consolidated		Company	
		2000	1999	2000	1999
		\$	\$	\$	\$
15.	BORROWINGS				
	CURRENT				
	Hire purchase liability - secured	1,185,305	899,399	_	
	NON CURRENT				
	Hire purchase liability - secured	6,218,592	4,156,163	_	_
	Bank loan - secured	6,500,000	6,500,000	_	_
	Loan payable - other persons - secured		93,581	_	_
		12,718,592	10,749,744		_

The hire purchase liability is secured by a charge over the respective assets.

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 King Bay Base Lease.

16. PROVISIONS

CURRENT	CU	JRREN	ΓV
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Income tax payable	_	444,669	_	3,885
Employee entitlements	371,518	654,633	_	_
Dividend declared	_	537,500	_	537,500
	371,518	1,636,802	_	541,385
NON CURRENT				
Employee entitlements	222,758	187,262	_	_
Provision for deferred tax	1,586,164	1,130,852	_	_
	1,808,922	1,318,114	_	_
ISSUED CAPITAL				

17.

Issued	Capital
--------	---------

43,000,000 ordinary shares fully paid 8,820,000 8,820,000 8,820,000 8,820,000

Consolidated

Company

Note

	Note	Collso	muateu	Con	ipairy
		2000	1999	2000	1999
		\$	\$	\$	\$
	Fully Paid Ordinary Share Capital Fully paid ordinary shares carry one vote per share and carry the right to dividends				
	Share Options On 21 June 1999, a total of 6,500,000 listed options were issued, being 1 option for every 2 shares allotted to the investor on Initial Public Offering. These options are exercisable by 30 November 2000 at an exercise price of 75 cents each. Refer to Note 21 for details of the Employee Share Option Incentive Plan.				
18.	RESERVES Asset revaluation reserve	3,763,956	3,763,956	_	
	The movement during the Financial Year is reconciled as follows: Balance at the beginning of the Financial Year	3,763,956	_	_	-
	Revaluation of King Bay Supply Base Lease	_	3,763,956	_	_
	Balance at the end of the Financial Year	3,763,956	3,763,956	_	_
19.	STATEMENT OF CASH FLOWS				
(a)	Reconciliation of the operating (loss) profit after income tax to the net cash flows from operations				
	Operating (loss) profit after income tax	(207,957)	2,454,919	190,559	1,106,907
	Depreciation of non current assets Amortisation of non current assets Provision for employee entitlements (Profit)/Loss on sale of property,	1,078,314 - (247,618)	1,179,156 95,105 50,562	- - -	- - -
	plant and equipment Write off of shares - other corporations	(20,280)	17,405 2,647	- -	_
	Write back of loan Dividend received from controlled entity	(93,581)	(120,419)	-	(1,100,000)



	Note	Consc	Consolidated		pany
		2000	1999	2000	1999
		\$	\$	\$	\$
	Changes in assets and liabilities				
	Trade debtors	1,361,086	(375,733)	_	_
	Other debtors	(197,069)	(177,830)	_	_
	Work in progress	_	323,621	_	_
	Prepayments	10,752	107,206	_	_
	Inventory	(161,355)	(316,226)	_	_
	Trade and other creditors	749,280	34,720	(98,375)	_
	Provision for income tax	(718,533)	(931,758)	(3,885)	3,885
	Future income tax benefit	(346,520)	(249,698)	_	_
	Provision for deferred tax	455,312	691,991	_	_
	Loans - related parties		40,375		
	Net cash flows from operating				
	activities	1,661,831	2,826,043	88,299	10,792
(b)	Reconciliation of cash Cash balance comprises:				
	Cash at bank	3,004,977	5,647,299	2,342,400	5,392,785

(c) Non-Cash Financing and Investing Activities

During the Financial Year the consolidated entity acquired a vessel with an aggregate fair value of \$3,250,000, by way of hire purchase. During 1998/99 the consolidated entity acquired vessels and plant and equipment with aggregate fair values of \$4,650,000 and \$86,174 respectively, by way of hire purchase.

(d) Businesses Acquired

On 12 August 1998, Mermaid Marine Australia Limited (formerly Bellbridge Investments Pty Ltd) acquired 100% of the shares in Mermaid Marine Group Pty Ltd. The acquisition details were:

Consideration	\$	\$	\$	\$
Cash paid for purchase of shares	_	5,923,618	_	_
Buy back of shares	_	(4,500,000)	_	_
Issue of shares as part of acquisition	_	3,041,785	_	_
Pre-acquisition dividend	_	(2,076,382)	_	_
Stamp duty payable on transfer				
of shares	_	55,590	_	_
Shares issued	_	2,444,611	_	



	Note	Conso	olidated	Comp	pany
		2000	1999	2000	1999
		\$	\$	\$	\$
	Fair value of net assets acquired				
	Cash	_	470,632	_	_
	Trade debtors	_	7,267,099	_	_
	Inventories	_	31,270	_	_
	Prepayments	_	281,035	_	_
	Property, plant and equipment	_	11,301,515	_	_
	Investments	_	2,647	_	_
	Future income tax benefit	_	68,504	_	_
	Trade creditors	_	(1,428,995)	_	_
	Other creditors	_	(8,652,768)	_	_
	Borrowings	_	(4,289,707)	_	_
	Provisions	_	(1,230,194)	_	_
	Income tax payable	_	(1,376,427)	_	_
		_	2,444,611	_	_
(e)	Financing Facilities Secured loan facilities with various maturity dates through to 2001 and which may be extended by mutual agreement: • Amount used • Amount unused	6,500,000 - 6,500,000	6,500,000 - 6,500,000	- - -	- - -
20.	EXPENDITURE COMMITMENTS				
(a)	Hire Purchase Contracts				
	Not later than 1 year Later than 1 year but not	1,676,437	1,243,290	_	_
	later than 2 years Later than 2 years but not	1,421,664	1,057,181	_	_
	later than 5 years	5,629,025	3,631,561	_	
	Minimum future payments	8,727,126	5,932,032	_	_
	Future finance charges	(1,323,229)	(876,470)	_	
	Hire purchase liability	7,403,897	5,055,562		_
	Included in the accounts as:				
	Hire purchase liability - current	1,185,305	899,399	_	_
	Hire purchase liability - non current	6,218,592	4,156,163	_	_
	r in the same of the sa	7,403,897	5,055,562		
		.,,,,	-,,		

	Note	Conso	olidated	Com	pany
		2000	1999	2000	1999
		\$	\$	\$	\$
(b)	Operating Leases				
	Not later than 1 year	171,733	80,306	_	_
	Later than 1 year but				
	not later than 2 years	166,130	80,306	_	_
	Later than 2 years but				
	not later than 5 years	351,955	169,173	_	_
	Later than 5 years	640,247	684,402	_	_
	Aggregate lease expenditure				
	contracted for at balance date	1,330,065	1,014,187	_	_
	Aggregate expenditure commitments comprise:				
	Office rental commitments	442,705	71,895	_	_
	Supply base rental commitments	861,022	905,177		
	Other	26,338	37,115	_	_
	Culci	20,330	51,115		
		1,330,065	1,014,187	_	

During the year Mermaid Marine relocated their Corporate Office. Office rental commitments contains the rental payable under the balance of the lease for Mermaid's former corporate office. This has been sublet for the balance of the term of the lease at a rental equal to the rental payable by Mermaid under the lease of \$46,250. The new location is committed under a 5 plus 5 year lease term.

Supply base rental commitments represents the lease of the King Bay 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 Lessee is obliged to obtain all necessary approvals by 31 December 2000 for certain development of works ("Development Works") and to subsequently perform the works within 3 years.

The Development Works planned include breakwater, dredged basin, cyclone moorings, slipway, quay wall and industrial buildings.

If the Development Works are not completed within the prescribed period, the Lessor has the right (unless it is satisfied that the non completion was due principally to matters beyond the Company's control) to vary the Lease by retaking 2.3 hectares at the western extremity of the site.

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).



20. EXPENDITURE COMMITMENTS (continued)

	Note	Conso	lidated	Com	pany
		2000	1999	2000	1999
		\$	\$	\$	\$
(c)	Bareboat Charter Agreements				
	Not later than 1 year		184,000	_	_
	Aggregate charter expenditure				
	contracted for at balance date		184,000	_	_
				·	

21. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements				
The aggregate employee entitlement				
liability is comprised of:				
Accrued wages and on-costs	194,098	149,201	_	_
Provisions - current	371,518	654,633	_	_
Provisions - non current	222,758	187,262	_	_

788,374

991,096

Employee Share Option Incentive Plan

A Share Option Incentive Plan has been established where employees of the consolidated entity with appropriate seniority and length of service have been issued with options over ordinary shares of Mermaid Marine Australia Limited.

The options cannot be transferred and are not quoted on the ASX.

On 19 June 1999, 730,000 options were issued under this plan to employees. Since the date of issue 115,000 options have expired due to the non exercise of the options by employees who have since left Mermaid's employ. Of the remaining 615,000 ordinary shares under option pursuant to the Employee Option Plan, half (307,500) may be purchased within 12 months of 18 June 2000 at an issue price of 60 cents per share and half (307,500) may be purchased within 12 months of 18 June 2000 at an issue price of 70 cents per share.

The market value of ordinary Mermaid Marine Australia Limited shares closed at 30 cents on 30 June 2000.



22. SUBSEQUENT EVENTS

On 25 August 2000 the Company announced that it had reached two agreements for the placement of a total of 16,666,666 ordinary fully paid shares in the Company at an issue price of 30 cents each (Shares).

The first agreement was with Mr Mark Bradley, who agreed to take a placement of 3,225,000 Shares by 29 September 2000, followed by, if approved of by shareholders at the Company's annual general meeting, a further 3,441,666 within 7 days of that meeting.

On Mr Bradley being appointed a Director of the Company, in order to comply with the requirements of the Corporations Law and the ASX Listing Rules, the Company and Mr Bradley agreed to defer the first issue of Shares, making both issues conditional on shareholder approval.

The second agreement was with Clough Engineering Limited, pursuant to which it agreed to take a placement of 3,225,000 Shares by 29 September 2000, followed by, if approved of by shareholders at the Company's annual general meeting, 6,775,000 shares, within 7 days of that meeting.

On 15 June 2000 the Company announced that with effect from 1 July 2000 it acquired a 50% interest in OIS MOC Joint Venture Pty Ltd, to be paid for by the issue of 800,000 Shares in the Company. OIS MOC Joint Venture Pty Ltd owns the goodwill of a successful labour hire company. That company is to be renamed Mermaid Labour and Management Limited (MLML).

MLML offers a full labour hire service inclusive of industrial relations consultancy, negotiating agreements and awards and were appropriate, provides ongoing management of the labour force.

The financial effect of the above events have not been reflected in these financial statements.

23. EARNINGS PER SHARE

	2000	1999
	Cents per	Cents per
	Share	Share
Basic earnings per share	(0.62)	8.09
Diluted earnings per share	(0.21)	8.05
	2000	1999
	No.	No.
Weighted average number of ordinary		
shares on issue used in the calculation		
of basic earnings per share	43,000,000	30,356,164

Consolidated		Com	pany
2000	1999	2000	1999
\$	\$	\$	\$

24. REMUNERATION OF DIRECTORS

The directors of Mermaid Marine Australia Limited during the year were:

- A.G. Birchmore
- J.H. Carver
- D.A. Dillon
- J.A.S. Mews

Aggregate Income paid or payable, or otherwise made available, in respect of the Financial Year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party.

548,242 602,177

Aggregate Income paid or payable, or otherwise made available, in respect of the Financial Year, to all directors of Mermaid Marine Australia Limited, directly or indirectly, from the entity or any related party.

548,242 602,177

The number of directors of Mermaid Marine Australia Limited whose total income (including superannuation contributions) falls within the following bands:

	Com	ipany
	2000	1999
	No.	No.
\$ 20,000 - \$ 29,999	_	1
\$ 30,000 - \$ 39,999	1	_
\$120,000 - \$129,999	_	1
\$140,000 - \$149,999	1	_
\$160,000 - \$169,999	1	_
\$200,000 - \$209,999	1	1
\$240,000 - \$249,999	_	1

Conso	lidated	Com	pany
2000	1999	2000	1999
\$	\$	\$	\$

25. REMUNERATION OF EXECUTIVES

Aggregate Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.

652,863 1,073,226

Aggregate Remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any related party, whether as an executive officer or otherwise.

652,863 1,073,226

The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

	Conso	lidated	Com	pany
	2000	1999	2000	1999
	No.	No.	No.	No.
\$110,000 - \$119,999	_	1	_	1
\$120,000 - \$129,999	1	1	1	1
\$130,000 - \$139,999	_	1	_	1
\$160,000 - \$169,999	2	_	2	_
\$200,000 - \$209,999	1	1	1	1
\$240,000 - \$249,999	_	1	_	1
\$250,000 - \$259,999	_	1	_	1

26. AUDITORS' REMUNERATION

Auditing	the financial	report
Other ser	vices	

44,000	42,376	_	3,800
41,586	93,336	836	4,666
85,586	135,712	836	8,466

7. RELATED PARTY TRANSACTIONS

The directors of Mermaid Marine Australia Limited during the Financial Year were:

A G Birchmore (appointed 12 August 1998)
J H Carver (appointed 29 June 1998)
D A Dillon (appointed 12 August 1998)
J A S Mews (appointed 12 August 1998)

Interest in the shares of the Company held by directors and their director related entities as at 30 June 2000.

	Mermaid Marine	Australia Limited
	Ordinary Shares	Options over Ordinary Shares
A G Birchmore	13,695,300	382,000
J H Carver	13,631,300	20,000
D A Dillon	1,520,000	10,000
J A S Mews	1,500,000	_

The following related party transactions occurred during the Financial Year:

Transactions with directors and director related entities

During the Financial Year, a total of \$75,000 for directors fees was paid to Chalfont Holdings Limited, a related entity of A G Birchmore. This is reflected in full in note 24 – Remuneration of Directors.

Transactions with other related parties

(a) Mermaid Achiever

The Achiever Partnership (comprising Delmark Investments Pty Ltd, a related entity of A G Birchmore, J H Carver, D A Dillon and P D M Holdings Pty Ltd, a related entity of J A S Mews) entered into a put and call option agreement with the Company on 12 April 1999, pursuant to which it was agreed that either party could, at any time between 30 June 2000 and the expiration of the Company's Charter of the Mermaid Achiever from the Achiever Partnership, oblige the other party to enter into an Agreement for the sale and purchase of that vessel at price fixed at \$3,250,000.

On 24 September 1999 the Company exercised its option to acquire the Mermaid Achiever in accordance with the terms of the above option. Bareboat Charter Fees of \$184,000 were paid for the period 1st July 1999 to the 30th September 2000 the effective date of settlement.

(b) Fremantle Premises

- (i) The Achiever Partnership and the Company entered into a heads of agreement dated 12 April 1999 for the lease to the entity of its registered office at 20 Mews Road, Fremantle.
- (ii) The term of the lease is 5 years with a 5 year option of renewal in favour of the Company.
- (iii) The Company is responsible for all fitting out, maintenance (except capital works items), rates, taxes, insurance, and other usual variable outgoings.
- (iv) The offices have undergone substantial refurbishment.



- (v) Rental is subject to market reviews every 21/2 years during the term, although the rental may not decrease.
- (vi) An independent qualified valuer has determined that the fair open market rental value for the premises is \$66,335 per annum for the currently occupied area. There is additional area available in the building for expansion purposes as and when required with appropriate rent adjustments in accordance with the per metre charge derived from this valuation.
- (vii) The parties have agreed to execute a formal lease agreement which is to contain all other usual contractual provisions that would be expected to be found in a commercial lease of like nature.
- (c) Unsecured loans of \$50,000 had been provided to Slimdrill Pty Ltd during the period ended 30 June 1999. The balance of loans outstanding at balance date was \$11,184. Interest was charged during the Financial Year at a rate of 6.7%. This amount has since been settled.

Mermaid Marine Australia Limited is the ultimate Australian parent entity.

28. SEGMENT REPORTING

The economic entity operates predominantly within Australia and in one industry segment, being the hire and sale of marine related plant and equipment, buildings and land to companies operating in the oil and gas industry.

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial	Assets		
Trade debtors, Other debtors	7	Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
Loans – other persons	7	Amounts receivable from other persons are carried at nominal amounts due. Interest (when charged) is taken up as income on an accrual basis.	Interest is charged at the rate of 7.55%
Loans – related parties	7	Amounts receivable from related parties are carried at nominal amounts due. Interest (when charged) is taken up as income on an accural basis.	Details of the terms and conditions are set out in note 27.
Investments	11	Investments are recorded at the lower of cost and recoverable amount.	
(ii) Financial	Liabilitie	s	
Trade creditors	14	Liabilities are recongised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilites are normally settled by terms ranging from 7 to 30 days.
Other creditors and accuals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Other creditors and accruals are normally settled by terms ranging from 7 to 30 days.
Hire purchase liability	15	The hire purchase liability is accounted for in accordance with AASB 1008.	At balance date, the consolidated entity had hire purchase agreements with an average lease term of 4 years at an average discount rate of 8.57%. The security over the respective assets under the hire purchase agreements is disclosed in note 15.
Bank Ioan – secured	15	The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The bank loans have maturity dates of 31 January 2000 and 30 June 2004. Interest is charged at the bank's floating rate. Details of the security over the bank loans is set out in note 15.
Loan payable – other persons	15	Loans are carried at the principal amount. Interest is charged as an	Interest is charged at the fixed rate 8% per annum.
(iii) Equity			
Ordinary shares	17	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares on issue at balance date are set out in note 17.





29. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2000 are as follows:

	Floating interest rate	Fix	Fixed interest rate maturing in:	ıring in:	Non interest bearing	Total carrying	
Financial Instruments		1 year or less	Over 1 to 5 years	Over 5 years		amount as per	Weighted average
	\$	↔	↔	↔	↔	balance sheet \$	interest rate
(i) Financial Assets							
Cash	3,004,977	I	I	I	I	3,000,977	4.8%
Trade debtors	I	I	I	I	2,716,209	2,716,209	N/a
Other debtors	I	I	I	I	428,814	428,814	N/a
Loans - related parties	es	11,184	I	I	I	11,184	%2.9
Total Financial Assets	3,004,977	11,184	1	1	3,145,023	6,161,184	
(ii) Financial Liabilities							
Trade creditors	I	I	I	I	1,844,206	1,844,206	N/a
Other creditors and							
accruals	I	I	I	I	519,300	519,300	N/a
Hire purchase liability	ty –	1,185,305	6,218,592	I	I	7,403,897	8.57%
Bank loan - secured	6,500,000	I	I	I	I	6,500,000	7.30%
Loan payable - other	-						
persons	1	I	I	I	I	I	8.00%
Employee entitlements	nts –	I	I	I	594,276	594,276	N/a
Total Financial Liabilities	es 6,500,000	1,185,305	6,218,592	I	2,957,782	16,861,679	

N/a: not applicable for non-interest bearing financial instruments



29. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk (continued)

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2000 are as follows:

	Floating interest rate		Fixed interest rate maturing in:	uring in:	Non interest bearing	Total carrying	
Financial Instruments	↔	1 year or less \$	Over 1 to 5 years	Over 5 years \$	↔	amount as per balance sheet \$	Weighted average interest rate
(i) Financial Assets							
Cash	5,647,299	I	I	I	I	5,647,299	4.5%
Trade debtors	ı	I	I	I	4,077,295	4,077,295	N/a
Other debtors	I	I	I	I	231,746	231,746	N/a
Loans - related parties	es –	11,184	I	I	I	11,184	6.70%
Loans - other persons		5,590	I	I	I	5,590	7.55%
Total Financial Assets	5,647,299	16,774	I	I	4,309,041	9,973,114	
(ii) Financial Liabilities							
Trade creditors	I	I	I	I	1,079,327	1,079,327	N/a
Other creditors and							
accruals	I	I	I	I	534,897	534,897	N/a
Hire purchase liability	ty –	899,399	4,156,163	I	I	5,055,562	8.57%
Bank loan - secured	6,500,000	ı	ı	I	ı	6,500,000	7.30%
Loan payable - other	_						
persons	I	I	I	93,581	I	93,581	8.00%
Employee entitlements	nts –	I	I	I	841,895	841,895	N/a

N/a: not applicable for non-interest bearing financial instruments

14,105,262

2,456,119

93,581

4,156,163

899,399

6,500,000

Total Financial Liabilities



29. FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

The aggregrate net fair values of financial assets and liabilities are identical to the carrying amount in the balance sheet.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalents

The carrying amount approximates fair value because of their short term to maturity.

Trade debtors, other debtors and loans

The carrying amount approximates fair value.

Investments

For investments where there is no quoted market price, a reasonable estimate of the fair value is calculated based on the underlying net asset base of the investment.

Trade creditors, other creditors and accruals

The carrying amount approximates fair value.

(d) Credit risk exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

	Company	
2000		1999
\$		\$

30. CONTINGENT LIABILITIES

As detailed in Note 11, the company has entered into a deed of cross-guarantee with certain wholly-owned controlled entities. The total liabilities of these wholly-owned controlled entities (excluding amounts owed to the parent entity) for which the Company is potentially liable are:

18,447,843	15,578,523

DIRECTORS' DECLARATION

The directors declare that:

- The attached financial statements and notes thereto comply with Accounting Standards;
- The attached financial statements and notes thereto give a true and fair view of the b) financial position and performance of the company and the consolidated entity;
- In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Law; and
- In the directors' opinion, there are reasonable grounds to believe that the company will be d) able to pay its debts as and when they become due and payable.

At the date of this declaration the company is within the class of companies affected by the 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 11, 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 Law.

On behalf of the directors

Alan Birchmore Chairman

Fremantle 29 September 2000



ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 8 SEPTEMBER 2000

Ordinary Share Capital

• 43,000,000 fully paid ordinary shares are held by 773 individual shareholders. All issued ordinary shares carry one vote per share.

Options

• 6,500,000 options are held by 466 individual optionholders. Options do not carry a right to vote.

SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Number of	% of Issued
	Shares	Capital
James Henry Carver	13,631,300	31.70
Delmark Investments Pty Ltd	13,615,300	31.66
Clough Engineering Limited	3,225,000	6.86

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Size of Holding	Number of ordinary shareholders	Number of option holders
1 to 1,000	43	1
1,001 to 5,000	265	376
5,001 to 10,000	256	26
10,001 to 100,000	197	53
100,001 and over	12	10
Total	773	466

TWENTY LARGEST SHAREHOLDERS

	Number of Shares	% of Issued Capital
James Henry Carver	13,631,300	31.70
Delmark Investments Pty Ltd	13,615,300	31.66
Clough Engineering Limited	3,225,000	6.86
National Nominees Limited	2,247,440	5.23
J.A.S & B.L.M. Mews	1,500,000	3.49
Richpride Pty Ltd	1,500,000	3.49
Kasebta Pty Ltd	400,000	0.93
MOC	400,000	
OIS	400,000	
Bass media Pty Ltd	250,000	0.58
Tower Trust Limited	190,500	0.44
Decmar Pty Ltd	179,108	0.42
Mr R.A. Black & Dr. A.C. Black	142,748	0.33
Mrs J.K. Gun	115,000	0.27
Equity Trustees Limited	110,000	0.26
1994 Holdings Pty Ltd	100,000	0.23
DEJ Investments Pty Ltd	100,000	0.23
Christopher Holdings Pty Ltd	100,000	0.23
Ms J.M. Secker	100,000	0.23
Equity Trustees Limited	100,000	0.23
Total	34,668,796	80.63



ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 8 SEPTEMBER 2000

TWENTY LARGEST OPTION HOLDERS

	Number of shares	% of Issued Capital
National Nominees Limited	1,250,000	19.23
Mr J.P. Birchmore	331,000	5.09
Mr. R.E.T. Towner	250,000	3.85
Mr. G. C. Wood	200,000	3.08
Beth Nominees Pty Ltd	200,000	3.08
Len Evans Holdings Pty Ltd	189,080	2.91
Goffacan Pty Ltd	180,000	2.77
Mr H. Somic & Mrs A. Somic	150,000	2.31
Mr A.W. Gleeson	133,000	2.05
Mrs M.E. Grattan	103,000	1.58
Mr B.W. Victor	100,000	1.54
Miss L.C. Borg	100,000	1.54
Canistra Pty Ltd	100,000	1.54
Mr. M. Nicholls	100,000	1.54
Hergard Investments Pty Ltd	100,000	1.54
Kava Holdings Pty Ltd	96,000	1.48
Invesco Nominees Pty Ltd	70,320	1.08
Mr. A.BDouglass	66,700	1.03
Mrs M. Nix	61,000	0.94
Ms L. Wilshaw	55,000	0.85
Total	3,835,100	59.03

COMPANY SECRETARIES

Brendan Gore Neil Roberts

PRINCIPAL REGISTERED OFFICE

Eagle Jetty, 20 Mews Road FREMANTLE WA 6160 Tel: (08) 9431 7431

SHARE REGISTRY

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

National Registry Services (WA) Pty Ltd

Level 1, CML Building 55 St Georges Terrace

Perth, Western Australia 6000 Telephone: (08) 9220 4750 Facsimile: (08) 9220 4755

CHANGE OF ADDRESS

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

STOCK EXCHANGE LISTING

Mermaid Marine Australia Limited's ordinary shares are quoted by the Australian Stock Exchange Limited.

PUBLICATIONS

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



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MERMAID MARINE AUSTRALIA LIMITED

We have audited the financial report of Mermaid Marine Australia Limited for the financial year ended 30 June 2000 as set out on pages 18 to 43. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Mermaid Marine Australia Limited is in accordance with:

- (a) the Corporations Law, including:
 - giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

K F JONES
Partner
Chartered Accountants
Perth
29 September 2000

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).



SCOPE

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