

11 October 2005



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

Dear Sir/Madam

**RE: MANAGING DIRECTOR INCENTIVE OPTION PLAN**

The Board of Directors of Mermaid Marine Australia Limited announce that following its review of the remuneration package of the Company's Managing Director, Mr. Jeff Weber, the Board have resolved to establish, and will recommend to shareholders at the next Annual General Meeting of the Company (AGM) (to be held prior to the end of this year on a date to be advised) that shareholder approval be given to grant the options under the Mermaid Marine Australia Limited Managing Director Incentive Option Plan (Option Plan).

Under the Option Plan, up to 600,000 unlisted options may be granted to Mr Weber, with the options to be granted on a consecutive basis after the first, second and third anniversaries of the date on which the Option Plan is approved by the Board (Plan Date) in 3 equal tranches of up to 200,000 options. Each option granted may be exercised at any time from the date of grant until the fourth anniversary of the Plan Date at an exercise price of 40 cents provided that the Company's share price meets certain threshold hurdles namely; Tranche 1: \$0.50, Tranche 2: \$0.65 and Tranche 3: \$0.70. Each option will entitle the holder to subscribe for one fully paid ordinary share in the Company.

Full details of the Option Plan will be set out in the notice of AGM to be sent to the Company's shareholders.

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

**PETER RAYNOR**  
Company Secretary