



Interim Financial Report

**Half Year Ended 31 December 2011
Marine Produce Australia Limited**

ABN 70 091 805 480

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DIRECTORS' REPORT

For the half year ended 31 December 2011

The directors present their report together with the condensed consolidated interim financial report of Marine Produce Australia Limited (the Group or MPA) for the half year ended 31 December 2011 and the auditor's review report thereon.

1 Directors

The directors of the Company at any time during or since the end of the half year are:

Mr Miles Kennedy <i>Non-Executive Chairman</i>	Appointed 11 June 2008
Mr John Hutton <i>Non-Executive Director</i>	Appointed 14 August 2006
Mr Justin Clarke <i>Managing Director</i>	Appointed 23 November 2010
Dr Desiree Allen <i>Executive Director</i>	Appointed 5 December 2012

2 Principal activities

MPA has taken the period to rationalise and consolidate its production process and institute the Company's 5 year strategic plan. The Company continues to drive forward with research and development at strengthening and improving core production processes, consolidating exiting markets and creating new business opportunities. The group's objective is to become a sustainable low cost producer of premium quality white fish for the domestic and international market.

3 Operating and financial review

(i) OPERATING REVIEW

- Adjustment of price upward to match product quality and orders continue to exceed available supply.
- Continued reduction in farm unit operating costs with rationalisation of key operating costs, control over feed output and increasing operating scale.
- Sustainable fingerling supply, with further successful batches of juvenile Barramundi sourced from the Challenger Institute, Fremantle WA.
- Total harvest of 580 tonnes, a 101% increase on previous year (prior year: 288 tonnes).
- Refinement of 5 year expansion plan for Cone Bay operations with controlled growth assumption with 17% year on year sales increase to reach a targeted sales biomass of 2,500 tonnes by 2017.
- In August 2011 MPA secured a 21 year Aquaculture lease with the right to renew for 21 years from the Department of Fisheries (WA) over the 699 hectare Cone Bay site.
- Secured EPA approval for 2,000 tonne annual production at Cone Bay through approval of the MPA Environmental Monitoring and Management Plan (further applications in progress).
- Commissioning of fish pumping and grading barge.
- Shore up inventory introduction of inventory control procedures with implementation of counting program for all groups.

Tenure and Environmental Approvals

The Group has continued its efforts to increase its portfolio of Production Licences in the Kimberley region by:

- EPA approval for MPA Environmental Monitoring and Management Plan relating to 2,000 tonnes annual production approval;
- in August 2011 MPA secured a 21 year Aquaculture lease with the right to renew for 21 years from the Department of Fisheries (WA) over the 699 hectare Cone Bay site;

- commencement of work on the Environmental Impact Assessment, and EPA approvals process, for 5,000 tonne annual production at Cone Bay.

(ii) REVIEW OF FINANCIAL RESULTS

Results from Operating Activities and Loss for the Period

The Group's result from operating activities (including finance costs, but excluding impairment and depreciation) for the reporting period was a loss of \$1,935 thousand (2010: \$3,433 thousand). The loss for the period was \$2,187 thousand (2010: \$4,448 thousand) including impairment of property, plant and equipment and intangible assets of \$158 thousand (2010: \$901 thousand) and depreciation and amortisation of \$94 thousand (2010: \$114 thousand).

The results from operating activities (excluding impairment and depreciation) included:

In thousands of AUD

	6 months ended Dec 2011	6 months ended Dec 2010
Profit / (loss) from farming operations (excluding impairment and depreciation)	(837)	(2,375)
Administration and marketing expenses	(1,024)	(1,099)
Other income	1	-
Net finance income (expense)	(75)	41
Results from operating activities excluding impairment and depreciation	(1,935)	(3,433)
Impairment and depreciation	(252)	(1,015)
Loss before tax	(2,187)	(4,448)

Non IFRS unaudited

In thousands of AUD and kg

	6 months ended Dec 2011	6 months ended Dec 2010
Farm cash operating costs (AUD) (consists of farm personnel expenses and raw materials and consumables)	6,048	5,844
Fish biomass growth before harvest (kg)	536	498
Farm cash operating cost per kg	\$11.28	\$11.73

Revenue

Revenue from sales

Revenue from the sale of fish was \$5,486 thousand for the period from the sale of 565 thousand kg. Total 556 thousand kg of fish was harvested for the period.

Impairment

The Group has undertaken a review of the carrying value of its assets and recognised impairment charges for property, plant and equipment of \$72 thousand and intangible assets of \$86 thousand resulting in those assets being carried at their estimated net fair value.

(iii) REVIEW OF FINANCIAL CONDITION

At 31 December 2011, the Group had a working capital surplus of \$9,349 thousand represented significantly by biological assets of \$7,614 thousand.

At 30 June 2013, the Group had a working capital surplus of \$11,786 thousand represented significantly by biological assets of \$6,247 thousand and cash and cash equivalents of \$4,110 thousand.

The Group's working capital will be utilised to fund operating and capital expenditure to continue to develop the Cone Bay farm site and increase profitability with scale.

The Group has the ability to slow its expansion strategy and/or harvest fish at less than the targeted harvest size to maintain sufficient cash reserves, with a resulting delay in the growth of the scale of the operations.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The directors are confident that the Group will maintain sufficient levels of working capital to continue as a going concern and continue to pay its debts as and when they fall due.

If the Group is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial statements.

(iv) SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period 402,371,299 ordinary shares were issued, representing \$4,024 thousand of issued capital (before issue costs). On 16 December 2011 a 1:20 consolidation of share capital was performed.

5 Dividends

No dividends were paid or declared during the current or prior financial years.

6 Events subsequent to reporting date

In December 2012, 40,780,145 ordinary shares were issued, representing \$4,078 thousand of issued capital (before issue costs).

7 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2011.

8 Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Miles Kennedy
Non-executive Chairman

Dated at Perth this 26th February 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Marine Produce Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Trevor Hart
Partner

Perth

26 February 2014

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2011	December 2010
Revenue from sales		5,486	2,665
Cost of Sales		(5,486)	(2,665)
Profit on Sales		-	-
Net gain from acquisitions and growth	8	5,211	3,469
Raw materials and consumables		(4,477)	(4,478)
Farm personnel expenses		(1,571)	(1,366)
Administrative and marketing expenses		(1,024)	(1,099)
Other income		1	-
Results from operating activities		(1,860)	(3,474)
Finance income		1	41
Finance expenses		(76)	-
Net finance expense		(75)	41
Impairment of property, plant and equipment	11	(72)	(901)
Impairment of intangible assets		(86)	-
Depreciation and amortisation		(94)	(114)
Loss before income tax		(2,187)	(4,448)
Income tax benefit		-	19
Loss for the period: attributable to owners of the company		(2,187)	(4,429)
Other comprehensive income net of income tax		-	-
Total comprehensive income for the period: attributable to owners of the company		(2,187)	(4,429)

The notes to the interim financial statements are an integral part of these consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2011	June 2011
Assets			
Cash and cash equivalents		1,234	223
Trade and other receivables		1,880	1,198
Current Tax Assets		-	-
Inventories		638	659
Biological assets	8	7,614	10,723
Other assets		574	56
Total current assets		11,940	12,859
Property, plant and equipment	11	2,471	2,555
Intangible assets		-	-
Biological assets	8	2,834	-
Total non-current assets		5,305	2,555
Total assets		17,245	15,414
Liabilities			
Trade and other payables		1,907	1,522
Loans and borrowings	12	568	820
Employee benefits		116	219
Total current liabilities		2,591	2,561
Loans and borrowings		819	840
Total non-current liabilities		819	840
Total liabilities		3,410	3,401
Net assets		13,835	12,013
Equity			
Share capital	9	50,515	47,979
Reserves	9	2,487	1,014
Accumulated losses		(39,167)	(36,980)
Total equity		13,835	12,013

The notes to the interim financial statements are an integral part of these consolidated interim financial statements.

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

<i>In thousands of AUD</i>	Note	Share capital	Options Reserve	Accumulated losses	Total equity
Consolidated					
Balance at 1 July 2010		46,765	1,014	(30,642)	17,137
Loss for the period		-	-	(4,429)	(4,429)
Total recognised income and expense					
Issue of options		-	-	-	-
Share issues	9	1,286	-	-	1,286
Share issue costs		(78)	-	-	(78)
Balance at 31 December 2010		47,973	1,014	(35,071)	13,916
Balance at 1 July 2011		47,979	1,014	(36,980)	12,013
Loss for the period		-	-	(2,187)	(2,187)
Total recognised income and expense					
Share issues	9	2,551	1,473	-	4,024
Share issue costs		(15)	-	-	(15)
Balance at 31 December 2011		50,515	2,487	(39,167)	13,835

The notes to the interim financial statements are an integral part of these consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2011	December 2010
Cash flows from operating activities			
Cash receipts		4,801	2,515
Cash paid to suppliers and employees		(6,250)	(6,071)
Cash from (used in) operations		(1,449)	(3,556)
Interest received		1	49
Government grants received		-	600
Net cash (used in) operating activities		(1,448)	(2,907)
Cash flows from investing activities			
Acquisitions of intangible assets		(86)	(12)
Acquisitions of property, plant and equipment	11	(82)	(1,497)
Net cash (used in) investing activities		(168)	(1,509)
Cash flows from financing activities			
Proceeds from issue of share capital	9	2,865	1,286
Payment of transaction costs		(15)	(76)
Repayment of borrowings		(147)	-
Interest paid on borrowings		(76)	-
Net cash (used in) financing activities		2,627	1,210
Net increase in cash and cash equivalents		1,011	(3,206)
Cash and cash equivalents at 1 July		223	4,325
Cash and cash equivalents at 31 December		1,234	1,119

The notes to the interim financial statements are an integral part of these consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Marine Produce Australia Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco WA 6008. The consolidated interim financial statements of the Company as at and for the half year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is involved in the aquaculture industry, specifically the farming of Barramundi fish in sea cages in North West Western Australia.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reports and the Corporations Act 2001. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated interim financial report was authorised for issuance by the directors on 26 February 2014.

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011.

4. Financial risk management

During the six months ended 31 December 2011 the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

5. Segment reporting

Revenue is principally derived by the Group from the growth and sale of Barramundi by aquaculture means. The group therefore operates within one operating segment.

6. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense, in particular relating to biological assets, being the barramundi in the water. Actual results may differ from these estimates.

In preparing this consolidated interim report, the significant judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

7. Going concern basis of preparation

For the period ended 31 December 2011, the Group incurred a loss of \$2,187 thousand (2010: \$4,429 thousand). At 31 December 2011, the Group had a working capital surplus of \$9,349 thousand, represented significantly by biological assets of \$7,614 thousand.

For the year ended 30 June 2013, the Group incurred a loss of \$3,870 thousand (2012: \$2,254 thousand loss). The Group has a working capital surplus of \$11,786 thousand (2012: \$12,226 thousand). The working capital surplus consists primarily of biological assets, being live Barramundi stocks of \$6,247 thousand and cash and cash equivalents of \$4,110 thousand.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The directors are confident that the Group will be able to maintain sufficient levels of working capital to continue as a going concern and continue to pay its debts as and when they fall due.

The directors believe that it is appropriate to prepare the financial statements using the going concern basis for the following reasons:

- During the year ended 30 June 2013, the Group's shareholders supported the business with the injection of \$3,403 thousand via a capital raising completed in December 2012; and
- The Group has the ability to slow its expansion strategy and/or harvest fish at less than the targeted harvest size to maintain sufficient cash reserves, with a resulting delay in the growth of the scale of the operations.

The Group's 2014 cash flow forecast assumes improvements in performance from the continued operation of the Cone Bay production facility and the grow out and sale of fish, together with continued research and development funding being received. Key risks associated with Barramundi farming and the ability to successfully grow and harvest fish for sale are discussed in Note 14 of the 30 June 2013 annual financial statements. The cash flows also assume the repayment in full of the Caterpillar interest bearing loan. In the event the Group's performance does not sufficiently improve, or the actions to vary the expansion strategy and planned harvest patterns do not deliver improved operating cashflows or delays are experienced with the receipt in research and development grant funding, the Group may require additional funding in the future.

8. Biological assets

<i>In thousands of AUD</i>	Barramundi
Balance at 1 July 2010	9,496
Increase due to growth	3,331
Increase due to acquisitions	138
Decrease due to sales	(2,665)
Balance at 31 December 2010	<u>10,300</u>
Balance at 1 July 2011	10,723
Increase due to growth	5,039
Increase due to acquisitions	172
Decrease due to sales	(5,486)
Balance at 31 December 2011	<u>10,448</u>

9. Share capital

	Ordinary Shares		Options	
	No shares	\$'000	No options	\$'000
On issue at 1 July 2010	637,170,610	46,765	15,000,000	1,014
Issued for cash consideration	42,857,497	1,286	-	-
Issued for no cash consideration	-	-	-	-
Options lapsed	-	-	-	-
Transaction costs	-	(78)	-	-
On issue at 31 December 2010	680,028,107	47,973	15,000,000	1,014
On issue at 1 July 2011	680,028,107	47,979	15,000,000	1,014
Issued for cash consideration	286,454,150	1,819	-	1,046
Issued to settle Director's loans and for services and materials	115,917,149	732	402,371,299	427
Transaction costs	-	(15)	-	-
Consolidation 1:20	(1,028,279,320)	-	(396,502,716)	-
On issue at 31 December 2011	54,120,086	50,515	20,868,583	2,487

Loans offset

An amount of \$119 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 11,900,366 ordinary shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

An amount of \$7 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 739,083 shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

Creditors offset

An amount of \$532 thousand payable by the Group to Maxima Pearling Pty Ltd, related party of the Group, was settled through the issue of 53,227,700 ordinary shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to a trade creditor balance received for services

A further amount of \$500 thousand for an agreed prepayment of the Access Fee through to December 2013 was settled through the issue of 50,050,000 ordinary shares at \$0.01 per share under the same entitlements issue.

Cash

The Company issued 286,454,150 shares at \$0.01 per share for a total cash consideration of \$1,819 thousand under the entitlements issue completed during the reporting period.

Dividends

No dividends were proposed or paid during the current or previous financial year.

Issue of options

The number and weighted average exercise prices of share options are as follows:

	December 2011		December 2010	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	0.20	15,000,000	0.20	15,000,000
Issued for no cash consideration	0.01	402,371,299	-	-
Options lapsed	-	-	-	-
Consolidation (1:20)	-	(396,502,716)	-	-
Outstanding at the end of the period	0.20	20,868,583	0.20	15,000,000

During the period 402,371,299 free attaching options were issued to shareholders pursuant to the rights issue. The options have an exercise price of \$0.01 with an expiry date of 31 October 2014.

These options were consolidated on 16 December 2011 under the same methodology used for shares.

The fair value of the shares options granted has been determined using the Black Scholes valuation model which has been recognised under the share based payments reserve. The model inputs were:

Fair value of share options and assumptions

Number of options	10,000,000	5,000,000	402,371,299
Fair value at grant date	\$526,000	\$488,000	\$1,473,020
Share price	0.14	0.19	0.01
Exercise price	0.20	0.20	0.01
Expected volatility	50%	50%	50%
Grant date	30 July 2008	28 September 2007	16 November 2011
Expired date	28 September 2012	28 September 2012	31 October 2014
Risk-free interest rate	7.25%	7.25%	3.33%

10. Consolidated entities

No subsidiary companies have been added to or disposed of in the Group subsequent to those disclosed within the June 2011 Financial Report.

11. Property, plant and equipment and impairment

During the interim period the Group acquired property, plant and equipment with a cost of \$82 thousand (six months ended 31 December 2010: \$1,497). Disposals for the interim period were nil (2010: nil).

The Group has undertaken a review of the carrying value of its property, plant and equipment assets to assess whether any impairment charges are required. This review found that an impairment trigger existed, being the operating losses and negative cash flows for the reporting period while the farm is building to commercial and profitable scale. As a result of this review, the directors have impaired property, plant and equipment assets to the higher of estimated net fair value and value in use, with the higher being their net fair value, resulting in recognised impairment charges for property, plant and equipment of \$72 thousand.

The majority of remaining carrying values of property, plant and equipment assets are represented by the Group's fleet of saleable boats. The impairments recorded may be reversed in whole or in part in the future in line with the Group's accounting policy (see 2011 Financial Report).

12. Related parties

An amount of \$119 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 11,900,366 ordinary shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

An amount of \$7 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 739,083 shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

An amount of \$532 thousand payable by the Group to Maxima Pearling Pty Ltd, related party of the Group, was settled through the issue of 53,227,700 ordinary shares at \$0.01 per share under an entitlements issue completed during the reporting period, related to a trade creditor balance received for services

A further amount of \$500 thousand for an agreed prepayment of the Access Fee through to December 2013 was settled through the issue of 50,050,000 ordinary shares at \$0.01 per share under the same entitlements issue.

All other related party disclosures as made in the annual accounts as at and for the year ended 30 June 2011 have continued in nature in the interim period. For details of these arrangements, refer to the 30 June 2011 annual financial report.

13. Subsequent events

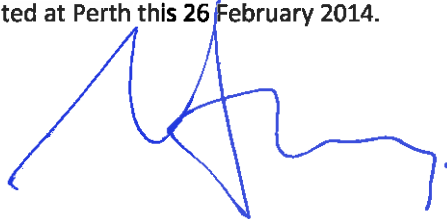
In December 2012, 40,780,145 ordinary shares were issued, representing \$4,078 thousand of issued capital (before issue costs).

DIRECTORS' DECLARATION

1. In the opinion of the directors of Marine Produce Australia Limited ("the Company"):
 - (a) the financial statements and notes set out on pages 7 to 15, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) as a result of the matters described in note 7 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Perth this 26 February 2014.



Miles Kennedy
Non-executive Chairman

AUDITOR'S INDEPENDENT REVIEW REPORT



Independent auditor's review report to the members of Marine Produce Australia Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Marine Produce Australia Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1-13, comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Marine Produce Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Marine Produce Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Trevor Hart
Partner

Perth

26 February 2014