



Interim Financial Report

Half Year Ended 31 December 2012
Marine Produce Australia Limited

ABN 70 091 805 480

CONTENTS

DIRECTORS' REPORT	3
LEAD AUDITOR'S INDEPENDENCE DECLARATION	6
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	7
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	15
AUDITOR'S INDEPENDENT REVIEW REPORT	16

DIRECTORS' REPORT

For the half year ended 31 December 2012

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 2012 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

During the half year to December 2012 MPA has raised capital of \$4.078 million and commenced sourcing the required components to implement the cost savings planning has indicated can be made. 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

- Safety culture and consciousness continues to improve.
- Total harvest of 680 tonnes, a 17% increase on previous year (prior year: 580 tonnes).
- Regular increases in sales price to match product quality.
- Sales orders continue to exceed available supply.
- Sustainable fingerling supply, with continued successful batches of juvenile Barramundi sourced from the Challenger Institute, Fremantle WA.
- Repack operations in Derby have been replaced by more efficient and controlled repacking in Perth. This move has enabled us to change to random weight packing from set weight packing, maximising fish sale volumes and better allowing the capture all revenue.

(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 \$4,669 thousand (2011: \$1,935 thousand). The loss for the period was \$5,138 thousand (2011: \$2,187 thousand) including impairment of property, plant and equipment and intangible assets of \$380 thousand (2011: \$158 thousand) and depreciation and amortisation of \$89 thousand (2011: \$94 thousand).

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

In thousands of AUD

	6 months ended Dec 2012	6 months ended Dec 2011
Profit / (loss) from farming operations (excluding impairment and depreciation)	(3,530)	(837)
Administration and marketing expenses	(1,077)	(1,024)
Other income	14	1
Net finance income (expense)	(76)	(75)
Results from operating activities excluding impairment and depreciation	(4,669)	(1,935)
Impairment and depreciation	(469)	(252)
Loss before tax	(5,138)	(2,187)

Non IFRS unaudited

In thousands of AUD and kg

	6 months ended Dec 2012	6 months ended Dec 2011
Farm cash operating costs (AUD) (consists of farm personnel expenses and raw materials and consumables)	5,658	6,048
Fish biomass growth before harvest (kg)	161	536
Farm cash operating cost per kg	\$23.58	\$11.28

Revenue

Revenue from sales

Revenue from the sale of fish was \$7,188 thousand for the period from the sale of 675 thousand kg. Total 683 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 \$380 thousand and intangible assets of nil resulting in those assets being carried at their estimated net fair value.

(iii) REVIEW OF FINANCIAL CONDITION

At 31 December 2012, the Group had a working capital surplus of \$10,143 thousand represented significantly by biological assets of \$6,297 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 40,780,145 ordinary shares were issued, representing \$4,078 thousand of issued capital (before issue costs).

5 Dividends

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

6 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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 2012.

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 11 February 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2012	December 2011
Revenue from sales		7,188	5,486
Cost of Sales		(7,188)	(5,486)
Profit on Sales		-	-
Net gain from acquisitions and growth	8	2,128	5,211
Raw materials and consumables		(3,916)	(4,477)
Farm personnel expenses		(1,742)	(1,571)
Administrative and marketing expenses		(1,077)	(1,024)
Other income		14	1
Results from operating activities		(4,593)	(1,860)
Finance income		23	1
Finance expenses		(99)	(76)
Net finance expense		(76)	(75)
Impairment of property, plant and equipment	11	(380)	(72)
Impairment of intangible assets		-	(86)
Depreciation and amortisation		(89)	(94)
Loss before income tax		(5,138)	(2,187)
Income tax benefit		-	-
Loss for the period: attributable to owners of the company		(5,138)	(2,187)
Other comprehensive income net of income tax		-	-
Total comprehensive income for the period: attributable to owners of the company		(5,138)	(2,187)

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 2012

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2012	June 2012
Assets			
Cash and cash equivalents		3,051	129
Trade and other receivables		2,260	1,412
Current Tax Assets		-	-
Inventories		659	519
Biological assets	8	6,297	12,196
Other assets		70	331
Total current assets		12,337	14,587
Property, plant and equipment	11	2,209	2,290
Intangible assets		-	-
Biological assets	8	840	-
Total non-current assets		3,049	2,290
Total assets		14,586	16,877
Liabilities			
Trade and other payables		1,796	1,711
Loans and borrowings	12	294	568
Employee benefits		104	82
Total current liabilities		2,194	2,361
Loans and borrowings		525	672
Provision for restoration		77	77
Total non-current liabilities		602	749
Total liabilities		2,796	3,110
Net assets		12,590	13,767
Equity			
Share capital	9	54,475	50,514
Reserves		2,487	2,487
Accumulated losses		(44,372)	(39,234)
Total equity		12,590	13,767

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 2012**

<i>In thousands of AUD</i>	Note	Share capital	Options Reserve	Accumulated losses	Total equity
Consolidated					
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					
Issue of options		(1,473)	1,473	-	-
Share issues	9	4,024	-	-	4,024
Share issue costs		(15)	-	-	(15)
Balance at 31 December 2011		50,515	2,487	(39,167)	13,835
Balance at 1 July 2012		50,514	2,487	(39,234)	13,767
Loss for the period		-	-	(5,138)	(5,937)
Total recognised income and expense					
Issue of options		-	-	-	-
Share issues	9	4,078	-	-	4,078
Share issue costs		(117)	-	-	(118)
Balance at 31 December 2012		54,475	2,487	(44,372)	11,790

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 2012**

<i>In thousands of AUD</i>	Note	Consolidated	
		December 2012	December 2011
Cash flows from operating activities			
Cash receipts		6,339	4,801
Cash paid to suppliers and employees		(6,092)	(6,250)
Cash from (used in) operations		247	(1,449)
Interest received		23	1
Net cash from operating activities		271	(1,448)
Cash flows from investing activities			
Acquisitions of intangible assets		-	(86)
Acquisitions of property, plant and equipment	11	(388)	(82)
Net cash (used in) investing activities		(388)	(168)
Cash flows from financing activities			
Proceeds from issue of share capital	9	3,403	2,865
Payment of transaction costs		(117)	(15)
Repayment of borrowings		(147)	(147)
Interest paid on borrowings		(99)	(76)
Net cash from financing activities		3,040	2,627
Net increase in cash and cash equivalents		2,922	1,011
Cash and cash equivalents at 1 July		129	223
Cash and cash equivalents at 31 December		3,051	1,234

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 2012 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 2012.

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 11 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 2012.

4. Financial risk management

During the six months ended 31 December 2012 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 2012.

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 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 2012.

7. Going concern basis of preparation

For the period ended 31 December 2012, the Group incurred a loss of \$5,138 thousand (2011: \$2,187 thousand). At 31 December 2012, the Group had a working capital surplus of \$10,143 thousand, represented significantly by biological assets of \$6,297 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

In thousands of AUD

	Barramundi
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>
Balance at 1 July 2012	12,196
Increase due to growth	1,971
Increase due to acquisitions	158
Decrease due to sales	(7,188)
Balance at 31 December 2012	<u>7,137</u>

9. Share capital

	Ordinary Shares		Options	
	No shares	\$'000	No options	\$'000
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 for no cash consideration	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
On issue at 1 July 2012	54,120,086	50,514	20,868,583	2,487
Issued for cash consideration	34,032,133	3,403	-	-
Issued to settle Director's loans, Director's fees and office rent	6,748,012	675	-	-
Transaction costs	-	(117)	-	-
On issue at 31 December 2012	94,900,231	54,475	20,868,583	2,487

Loans offset

An amount of \$81 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 809,963 ordinary shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

An amount of \$193 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 1,926,092 shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

Directors fees offset

An amount of \$105 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 1,055,046 ordinary shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of accrued Directors fees.

An amount of \$105 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 1,055,046 shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of accrued Directors fees.

Cash

The Company issued 34,032,133 shares at \$0.10 per share for a total cash consideration of \$3,403 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:

	2012		2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	0.20	20,868,583	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	20,868,583

10. Consolidated entities

No subsidiary companies have been added to or disposed of in the Group subsequent to those disclosed within the June 2012 Financial Report.

11. Property, plant and equipment and impairment

During the interim period the Group acquired property, plant and equipment with a cost of \$388 thousand (six months ended 31 December 2011: \$82). Disposals for the interim period were nil (2011: 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 \$380 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 2012 Financial Report).

12. Related parties

An amount of \$81 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 809,963 ordinary shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

An amount of \$193 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 1,926,092 shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of interest bearing loans.

Directors fees offset

An amount of \$105 thousand payable by the Group to Miles Kennedy, related party of the Group, was settled through the issue of 1,055,046 ordinary shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of accrued Directors fees.

An amount of \$105 thousand payable by the Group to John Hutton, related party of the Group, was settled through the issue of 1,055,046 shares at \$0.10 per share under an entitlements issue completed during the reporting period, related to repayment of accrued Directors fees.

All other related party disclosures as made in the annual accounts as at and for the year ended 30 June 2012 have continued in nature in the interim period. For details of these arrangements, refer to the 30 June 2012 annual financial report.

13. Subsequent events

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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 14, 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 2012 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 11 February 2014.



Miles Kennedy
Non-executive Chairman

AUDITOR'S INDEPENDENT REVIEW REPORT