



marineproduce
australia

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MARINE PRODUCE AUSTRALIA LIMITED

ABN 70 091 805 480

INTERIM FINANCIAL REPORT

For the 6 Months Ended 31 December 2017

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Cone Bay Ocean Barramundi

CONTENTS

Page

DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	22
AUDITOR'S INDEPENDENT REVIEW REPORT	23

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial report of Marine Produce Australia Limited (the "Company") and its controlled entities (the "Group") for the 6 months ended 31 December 2017 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 Chairman	Appointed 11 June 2008
Dr Desiree Allen Managing Director	Appointed 5 December 2012
Mr Damien Kelly Non-Executive Director	Appointed 18 August 2014

2 Principal Activities

The Group is involved in the seafood and aquaculture industry including farming of finfish (barramundi) in sea cages out of Cone Bay in the Kimberley, Western Australia. Its objective is to continue to be a sustainable low cost producer of premium quality white fleshed finfish for the domestic and international markets.

3 Operational and Financial Review

(i) OPERATIONAL REVIEW

- The first 120m cages have been installed at the farm and are ready for stocking. The farm now has 37 cages housing over 1.5 million fish.
- The Innovator underwent its biennial refit in Darwin with a number of improvements made, including a crane upgrade.
- MPA's vessel Tom has been fitted with a new jet engine, crane and capstan and is back functioning as a great farm works vessel.
- New and improved cage cleaning equipment including pressure washers and multi-disc cleaning units has dramatically increased the efficiency and effectiveness of the cage cleaning process, allowing a 14 day full farm cage cleaning rotation to be maintained.
- The newly installed Aqua-life fish pump is suitable for moving fish of up to 6kg in size, and thus can be used for both cage transfers and harvest.

DIRECTORS' REPORT (CONT'D)

3 Operational and Financial Review (Cont'd)

(i) OPERATIONAL REVIEW (Cont'd)

- MPA branded packaging and labelling is now in use for both whole and processed fish, and is suitable for both our domestic and export markets.

(ii) REVIEW OF FINANCIAL RESULTS

Results for the Period

The Group's results for the reporting period was a loss before tax of \$5,550,225 (2016: profit of \$328,905). Depreciation and amortisation was \$473,034 (2016: \$439,578) and cost of options issued to Directors was \$Nil (2016: \$170,760).

Revenue from Sales

Revenue from the sale of fish was \$6,586,113 (2016: \$6,018,522) for the period from the sale of 591,105kg (2016: 539,074kg). Total 760,844kg (2016: 528,977kg) of fish was harvested for the period.

Working Capital Position

As at 31 December 2017, the Group had a working capital surplus of \$27,9009,597 (2016: \$21,035,275) represented significantly by biological assets of \$26,501,207 (2016: \$20,889,382).

With harvestable fish attaining the preferred size as a result of successful production planning undertaken in the previous period, increase in harvest volumes and revenue from sale of fish will continue to improve the Group's working capital position. The Group will utilise its working capital to fund operating and capital expenditure and continue the development of the Cone Bay farm site to increase profitability as it attains economies of 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 Group has received \$5,022,637 (2016: \$4,415,206) in R&D tax refund in the current period and will continue seeking R&D tax refund funding as it has in prior financial years.

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 will be able to pay its debts as and when they fall due.

DIRECTORS' REPORT (CONT'D)

4 Dividends

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

5 Events Subsequent to Reporting Date

Subsequent to 31 December 2017, the Group's financier has granted an increase of \$2.0 million in its invoice finance facility for working capital purposes. As with its current loans and borrowings, this increase is also secured against all present and after-acquired property and a mortgage of the aquaculture licence.

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

6 Auditor's Independence Declaration

The Auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the 6 months ended 31 December 2017.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read "Desiree A", with a long horizontal flourish extending to the right.

**Desiree Allen Ph.D.
Managing Director**

8 March 2018

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Auditor's Independence Declaration to the Directors of Marine Produce Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Marine Produce Australia Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M P Hingeley
Partner – Audit & Assurance

Perth, 8 March 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER
COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 31 DECEMBER 2017**

	Note	6 months ended 31/12/2017 \$	6 months ended 31/12/2016 \$
Revenue from sales		6,586,113	6,018,522
Raw materials and consumables		(5,728,126)	(6,641,079)
Farm personal expenses		(2,298,201)	(2,034,473)
Fair value gain/(loss) on biological assets	9	(1,846,176)	4,681,956
Depreciation and amortisation	10	(473,034)	(439,578)
Other expenses		(1,615,363)	(1,054,935)
Other income		83,743	64,982
Results from operating activities		(5,291,044)	595,395
Finance income		-	8,205
Finance costs		(259,181)	(103,935)
Net finance costs		(259,181)	(95,730)
Notional cost of options issued		-	(170,760)
Notional cost of options issued		-	(170,760)
Profit/(loss) before income tax		(5,550,225)	328,905
Income tax benefit	8	212,690	2,424
Profit/(loss) for the period attributable to shareholders of the company		(5,337,535)	331,329
Other comprehensive income net of income tax		-	-
Total comprehensive income/(loss) for the period attributable to shareholders of the company		(5,337,535)	331,329
Profit/(loss) per share			
Basic profit/(loss) per share (in cents)		(14.62)	0.91
Diluted profit/(loss) per share (in cents)		(13.37)	0.85

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	As at 31/12/2017 \$	As at 30/06/2017 \$
Assets			
Cash and cash equivalents		578,056	1,115,152
Trade and other receivables		3,951,195	6,882,619
Inventories		3,562,657	878,028
Biological assets	9	26,501,207	28,516,477
Total current assets		34,593,115	37,392,276
Property, plant and equipment	10	6,654,863	6,074,960
Biological assets	9	188,110	19,016
Other assets		89,208	89,208
Deferred tax asset	11	1,888,652	3,454,754
Total non-current assets		8,820,833	9,637,938
Total assets		43,413,948	47,030,214
Liabilities			
Trade and other payables		3,184,046	4,093,302
Loans and borrowings	12	1,757,262	1,509,181
Employee benefits		642,210	482,159
Total current liabilities		5,583,518	6,084,642
Provision for restoration		119,586	119,586
Loans and borrowings	12	7,862,273	5,271,105
Employee benefits		54,390	51,189
Deferred tax liability	11	6,095,458	6,467,434
Total non-current liabilities		14,131,707	11,909,314
Total liabilities		19,715,225	17,993,956
Net assets		23,698,723	29,036,258
Equity			
Share capital	13	60,889,106	60,889,106
Reserves	13	295,486	295,486
Accumulated losses		(37,485,869)	(32,148,334)
Total equity		23,698,723	29,036,258

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 31 DECEMBER 2017**

	Note	Share capital \$	Share options reserve \$	Accumulated losses \$	Total equity \$
Balance as at 1/07/2016		60,505,645	124,726	(37,137,299)	23,493,072
Profit/(loss) for the period		-	-	331,329	331,329
Total comprehensive profit for the period		-	-	331,329	331,329
Exercise of options	13	361,060	-	-	361,060
Issue of share capital	13	22,500	-	-	22,500
Reserves	13	-	170,760	-	170,760
Balance as at 31/12/2016		60,889,205	295,486	(36,805,970)	24,378,721
Balance as at 1/07/2017		60,889,106	295,486	(32,148,334)	29,036,258
Profit/(loss) for the period		-	-	(5,337,535)	(5,337,535)
Total comprehensive profit for the period		-	-	(5,337,535)	(5,337,535)
Exercise of options	13	-	-	-	-
Issue of share capital	13	-	-	-	-
Reserves	13	-	-	-	-
Balance as at 31/12/2017		60,889,106	295,486	(37,485,869)	23,698,723

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 31ST DECEMBER 2017**

	Note	6 months ended 31/12/2017 \$	6 months ended 31/12/2016 \$
Cash flows from operating activities			
Cash receipts		5,901,717	5,019,036
Cash paid to suppliers and employees		(12,988,581)	(11,017,711)
Cash used in operations		(7,086,864)	(5,998,675)
Interest received		-	8,205
Research and development tax refund		5,022,637	4,415,206
Net cash used in operating activities		(2,064,227)	(1,575,264)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(1,052,937)	(1,663,507)
Net cash used in investing activities		(1,052,937)	(1,663,507)
Cash flows from financing activities			
Proceeds from issue of share capital	13	-	383,560
Payment of transaction costs	13	-	-
Proceeds from borrowings		3,375,851	2,407,215
Repayment of borrowings		(536,602)	(381,164)
Interest paid		(259,181)	(103,935)
Net cash provided by financing activities		2,580,068	2,305,676
Net increase in cash and cash equivalents		(537,096)	(933,095)
Cash and cash equivalents at 1 July		1,115,152	1,473,322
Cash and cash equivalents at 31 December		578,056	540,227

The notes to the 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 6 months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is involved in the seafood and aquaculture industry including farming of finfish (barramundi) in sea cages out of Cone Bay in the Kimberley, Western Australia. Its objective is to continue to be a sustainable low cost producer of premium quality white fleshed finfish for the domestic and international markets.

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 2017.

The consolidated interim financial report was authorised for issuance by the Directors on 8 March 2018.

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 2017. A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

There are no standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group has not early adopted any of the standards, interpretations or amendments that have been issued but are not yet effective.

4 Financial Risk Management

During the six months ended 31 December 2017, 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 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

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 the interim financial report 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 2017.

7 Going Concern Basis of Preparation

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.

For the period ended 31 December 2017, the Group incurred a loss before tax of \$5,550,225 (2016: profit of \$328,905) and a cash outflow from operations of \$2,064,227 (2016: \$1,575,264). As at 31 December 2017, the Group had a working capital surplus of \$29,009,597 (2016: \$21,031,275) represented significantly by biological assets of \$26,501,217 (2016: \$20,889,382).

The Directors are confident that the Group will continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

The Directors believe that it is appropriate to prepare the financial statements using the going concern basis as 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

8 Income Tax

	6 months ended 31/12/2017 \$
Current tax expense/(benefit)	
Current year	(205,874)
Current tax of prior year	<u>(6,816)</u>
	<u>(212,690)</u>
Deferred tax expense/(benefit)	
Origination and reversal of temporary differences	<u>-</u>
Total income tax expense/(benefit)	<u>(212,690)</u>

Numerical reconciliation between tax-expenses and pre-tax net profit

	2017 \$
Accounting profit/(loss) before tax	<u>(5,550,225)</u>
Income tax/(benefit) using the Company's domestic tax rate of 27.5%	(1,526,312)
Expenditure not allowed for income tax purpose	3,966
Research and development offset income tax rate variance	(514,943)
Assessable research and development feedstock adjustment	320,833
Feedstock adjustment amendment of prior year	1,460,601
Change in tax rate	(251,057)
Underprovision in respect of prior years	<u>294,222</u>
Income tax expense/(benefit)	<u>(212,690)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

9 Biological Assets

	As at 30/06/2017
	\$
Opening balance at 1/07/2016	16,212,331
Increase due to growth	24,086,331
Increase due to acquisitions	376,051
Decrease due to sales	<u>(12,139,220)</u>
Closing balance at 30/06/2017	<u>28,535,493</u>
Biological assets - Current	28,516,477
Biological assets - Non-Current	<u>19,016</u>
	<u>28,535,493</u>
Total weight of biological assets (in tonnes)	<u>3,040</u>
Fair value adjustment on biological assets	<u>12,323,162</u>
	As at 31/12/2017
	\$
Opening balance at 1/07/2017	28,535,493
Increase due to growth	4,505,537
Increase due to acquisitions	234,400
Decrease due to sales	<u>(6,586,113)</u>
Closing balance at 31/12/2017	<u>26,689,317</u>
Biological assets - Current	26,501,207
Biological assets - Non-Current	<u>188,110</u>
	<u>26,689,317</u>
Total weight of biological assets (in tonnes)	<u>2,798</u>
Fair value adjustment on biological assets	<u>(1,846,176)</u>

Biological assets have been classified as both a current and non-current asset in the Consolidated Statement of Financial Position. Current biological assets are those which could be harvested within the next 12 months and non-current biological assets will be harvested in later financial years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

9 Biological Assets (Cont'd)

Fair Value Measurement

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categories fair value measurements into one of three possible levels based on the lowest level of an input that is significant to the measurement as follows:

- **Level 1**
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- **Level 2**
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3**
Measurements based on unobservable inputs for the asset or liability

	As at 31/12/2017			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements				
Biological assets	-	26,689,317	-	26,689,317
Total financial assets recognised at fair value	-	26,689,317	-	26,689,317
	As at 30/06/2017			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements				
Biological assets	-	28,535,493	-	28,535,493
Total financial assets recognised at fair value	-	28,535,493	-	28,535,493

The following table summarises the quantitative information about the significant inputs used in Level 2 fair value measurements:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

9 Biological Assets (Cont'd)

Fair Value Measurement (Cont'd)

Description	As at 31/12/2017	As at 30/06/2017
Biological assets at fair value	\$26,689,317	\$28,535,493
Leve 2 inputs	Based on closing biomass at observable market prices less costs to sell	Based on closing biomass at observable market prices less costs to sell

10 Property, Plant and Equipment

	Plant and Equipment \$	Capital Works in Progress \$	Total \$
COST			
Opening balance 1 July 2016	13,155,297	840,677	13,995,974
Additions	1,824,898	189,867	2,014,765
Transfers from capital works in progress	840,677	(840,677)	-
Closing balance 30 June 2017	15,820,872	189,867	16,010,739
Additions	1,052,937	-	1,052,937
Transfers from capital works in progress	189,867	(189,867)	-
Closing balance 31 December 2017	17,063,676	-	17,063,676
ACCUMULATED DEPRECIATION			
Opening balance 1 July 2016	9,046,835	-	9,046,835
Depreciation	888,944	-	888,944
Closing balance 30 June 2017	9,935,779	-	9,935,779
Depreciation	473,034	-	473,034
Closing balance 31 December 2017	10,408,813	-	10,408,813
NET BOOK VALUE			
Closing balance 30 June 2017	5,885,093	189,867	6,074,960
Closing balance 31 December 2017	6,654,863	-	6,654,863

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11 Deferred Tax Assets and Liabilities

Movements in temporary differences during the year

As at 30/06/2017	Opening Balance 1/07/2016	Recognised in Loss	Recognised in Other Comprehensive Income	Changes in Tax Rate	Closing Balance 30/06/2017
	\$	\$	\$	\$	\$
Property, plant and equipment	641,626	(4,261)	-	-	637,365
Intangible assets	515,071	-	-	-	515,071
Inventory	(2,197,145)	(4,270,289)	-	-	(6,467,434)
Payables	12,450	(12,450)	-	-	-
Pension and other employee obligations	121,271	53,129	-	-	174,400
Provisions	1,045	-	-	-	1,045
Capital raising costs	55,201	(27,938)	42	-	27,305
Tax loss carried forward	2,313,680	(214,112)	-	-	2,099,568
	1,463,199	(4,475,921)	42	-	(3,012,680)
Deferred tax assets not brought to account	(1,463,199)	1,463,199	-	-	-
	-	(3,012,722)	42	-	(3,012,680)
Represented by:					
Deferred tax liabilities					(6,467,434)
Deferred tax assets					3,454,754
					<u>(3,012,680)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11 Deferred Tax Assets and Liabilities (Cont'd)

Movements in temporary differences during the year (cont'd)

As at 31/12/2017	Opening Balance 1/07/2017 \$	Recognised in Loss \$	Recognised in Other Comprehensive Income \$	Changes in Tax Rate \$	Closing Balance 31/12/2017 \$
Property, plant and equipment	637,365	(65,004)	-	(53,114)	519,247
Intangible assets	515,071	(245,779)	-	(42,923)	226,369
Inventory	(6,467,434)	(166,977)	-	538,953	(6,095,458)
Payables	-	-	-	-	-
Pension and other employee obligations	174,400	42,286	-	(14,533)	202,153
Provisions	1,045	-	-	(87)	958
Capital raising costs	27,305	(3,945)	-	(2,275)	21,085
Tax loss carried forward	2,099,568	(1,005,764)	-	(174,964)	918,840
	(3,012,680)	(1,445,183)	-	251,057	(4,206,806)
Deferred tax assets not brought to account	-	-	-	-	-
	(3,012,680)	(1,445,183)	-	251,057	(4,206,806)
Represented by:					
Deferred tax liabilities					(6,095,458)
Deferred tax assets					1,888,652
					(4,206,806)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11 Deferred Tax Assets and Liabilities (Cont'd)

Movements in unrecognised deferred tax assets and liabilities during the year

	Opening Balance 1/07/2016 \$	Additions \$	Closing Balance 30/06/2017 \$
As at 30/06/2017			
Taxable temporary differences	(2,197,145)	2,197,145	-
Deductible temporary differences	1,346,664	(1,346,664)	-
Tax income losses	2,313,680	(2,313,680)	-
Tax capital losses	-	-	-
Deferred tax assets not brought to account	1,463,199	(1,463,199)	
	Opening Balance 1/07/2017 \$	Additions \$	Closing Balance 31/12/2017 \$
As at 31/12/2017			
Taxable temporary differences	-	-	-
Deductible temporary differences	-	-	-
Tax income losses	-	-	-
Tax capital losses	-	-	-
Deferred tax assets not brought to account	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

12 Loans and Borrowings

	As at 31/12/2017 \$	As at 30/06/2017 \$
Current interest-bearing loans	1,757,262	1,509,181
Non-current interest bearing loans	7,862,273	5,271,105
	9,619,535	6,780,286

The loans are secured by means of a charge over the Group's properties, rights and undertakings. The Group has honoured its covenant obligations during the period.

13 Share Capital

	Ordinary Shares No. of Shares	\$	Options No. of Options	\$
On issue at 1 July 2016	35,996,950	60,505,645	3,020,428	124,726
Exercise of options	481,414	361,060	(481,414)	-
Issue of shares	30,000	22,500	-	-
Expiry of options	-	-	(339,014)	-
Issue of options to Directors ⁽ⁱ⁾	-	-	1,200,000	170,760
Transaction costs	-	(99)	-	-
On issue at 30 June 2017	36,508,364	60,889,106	3,400,000	295,486
Exercise of options	-	-	-	-
Issue of shares	-	-	-	-
Expiry of options	-	-	-	-
Transaction costs	-	-	-	-
On issue at 31 December 2017	36,508,364	60,889,106	3,400,000	295,486

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

13 Share Capital (Cont'd)

Notes

- (i) The assessed fair value at grant date of options granted during the period ended 31 December 2016 was \$0.1423 per option. The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the period ended 31 December 2016 included:

- (a) Options are granted for no consideration and vest immediately.
- (b) Exercise price: \$1.00
- (c) Grant date: 23 November 2016
- (d) Expiry date: 30 November 2020
- (e) Share price at grant date: \$0.75
- (f) Expected price volatility of the company's shares: 33%
- (g) Expected dividend yield: nil
- (h) Risk-free interest rate: 1.78%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information;

Dividends

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

13 Share Capital (Cont'd)

Options

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

	No. of Options \$	Weighted Average Exercise Price \$
Opening balance 1 July 2016	3,020,428	0.75
Options granted	1,200,000	1.00
Options exercised	(481,414)	0.75
Options expired	(339,014)	0.75
Closing balance 30 June 2017	3,400,000	0.84
Options granted	-	-
Options exercised	-	-
Options expired	-	-
Closing balance 31 December 2017	3,400,000	0.84

14 Related Parties

All related party disclosures as made in the annual accounts as at and for the year ended 30 June 2017 have continued in nature in the interim period. For details of these arrangements, refer to the 30 June 2017 annual financial report.

15 Subsequent Events

Subsequent to 31 December 2017, the Group's financier has granted an increase of \$2.0 million in its invoice finance facility for working capital purposes. As with its current loans and borrowings, this increase is also secured against all present and after-acquired property and a mortgage of the aquaculture licence.

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

DIRECTORS' DECLARATION

In the opinion of the Directors of Marine Produce Australia Limited:

- (a) the financial statements and notes set out on pages 6 to 21, 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 2017 and of its performance for the 6 months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) 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:

A handwritten signature in black ink, appearing to read "Desiree A", with a stylized flourish at the end.

**Desiree Allen Ph.D.
Managing Director**

8 March 2018

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Independent Auditor's Review Report to the Members of Marine Produce Australia Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Marine Produce Australia Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Marine Produce Australia Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Group are responsible for the preparation of the half-year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year 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 half year 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 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the 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.

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A review of a half year 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*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M P Hingeley
Partner – Audit & Assurance

Perth, 8 March 2018