

MARINE PRODUCE AUSTRALIA LIMITED

ABN 70 091 805 480

**ANNUAL FINANCIAL REPORT
for the year ended 30 June 2005**

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The Directors present their report together with the Financial Report of Marine Produce Australia Limited ("the Company" or "MPA") and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the Auditor's Report thereon.

Directors

The names and details of the Directors in office during or since the end of the financial year are:

- Mr Karl Simich - appointed 8 August 2002;
- Dr Tor Theunissen - appointed 16 September 2002; resigned as Executive Chairman 30 August 2004 and continues as a Non-Executive Director;
- Mr John Hutton – appointed 15 October 2003;
- Mr Nicholas Miller – appointed 12 December 2003;
- Mr Ashley Zimpel – appointed Executive Chairman 1 September 2004; and
- Mr Michael Firmin – appointed 20 June 2005.

Information on Directors in office at the date of this report:

<i>Name</i>	<i>Age</i>	<i>Qualifications and experience</i>
Mr Ashley Zimpel <i>Executive Chairman</i>	46	Mr Zimpel has extensive domestic and international investment banking experience with over 20 years experience in establishing and developing capital market businesses. Mr Zimpel has held senior positions at Bankers Trust Australia Limited and Macquarie Bank Limited and was a founding partner and Director of what is now RMB Australia Limited. Since 2000 Mr Zimpel has been managing private equity portfolios and corporate advisory projects both in Europe and Australia.
Dr Tor Theunissen <i>Non-Executive Director</i>	57	Dr Theunissen has considerable international business experience and has particular expertise in the areas of strategic planning, organisational diagnosis and design, human resource management and performance management. He has over 25 years experience in the areas of management and consulting and is the principal of a specialist management consulting company. Moreover, Dr Theunissen holds a PhD in psychology from the University of Natal, South Africa and has completed various other studies in psychology, strategic planning, and value-based management.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

<i>Name</i>	<i>Age</i>	<i>Qualifications and experience</i>
Mr Karl Simich <i>Non-Executive Director</i>	41	Mr Simich has 18 years experience in the management and administration of publicly listed companies. Mr Simich is the current executive chairman of Namakwa Diamond Company NL, an executive director of Kimberley Diamond Company NL and holds directorships in several private companies. Mr Simich is a Chartered Accountant and a member of the Securities Institute of Australia and has completed post-graduate studies in business and finance.
Mr John Hutton <i>Managing Director</i>	39	Mr Hutton is a Director of a number of successful companies involved in the pearling, resource and tourism industries. With a background in accounting, he has expertise in merchant banking, budgeting, financial planning and tax related matters. Mr Hutton is closely involved in the management of a highly successful pearl farm producing Australian South Sea Pearls.
Mr Nicholas Miller <i>Executive Director</i>	41	Mr Miller is Managing Director of Maxima Pearling Company Pty Ltd, the third largest producer of South Sea Pearls in Australia. He is highly regarded in the aquaculture and pearling industries, with his experience and knowledge extending into the management of marine assets, pearl oyster hatcheries and spat production methods. Mr Miller has held senior management positions with a number of aquaculture companies.
Mr Michael Firmin <i>Non-Executive Director</i>	33	Mr Firmin is an Executive Director of Pitt Capital Partners and has a background in accounting. He has extensive experience in international corporate finance and specialist corporate projects within banking, insurance, media, consumer goods, technology and service industries. At Pitt Capital Partners he specializes in mergers & acquisitions, equity capital markets and private equity. He was previously based in Europe for eight years and has extensive experience leading transaction based assignments. He is a qualified accountant having trained with Price Waterhouse Coopers and a member of the Securities Institute of Australia and Australian Institute of Company Directors.
<i>Company Secretary</i> Mr Hubert Lennerts	56	Mr Lennerts holds a Masters of Business Administration (MBA) and is a Fellow of: Australian Institute of Company Directors (FAICD), Chartered Secretaries Australia (FCIS), CPA Australia (FCPA). He was appointed to the position of Company Secretary in November 2004. He has held the position of company secretary in many companies over many years of experience.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Consolidated Entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The functions reserved to the Board and those delegated to senior management are, at the date of this report, being formally documented.

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and executive management.

Board Processes

The Board has established a framework for the management of the Consolidated Entity including a system of internal control, a business risk management process and appropriate ethical standards.

The full Board schedules meetings, including strategy meetings and any extraordinary meetings, as necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the management report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

The Consolidated Entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate Board committees, including a Nomination Committee, Remuneration Committee or an Audit Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board. Details of the Board's procedures in respect to each of these areas are further outlined within the Corporate Governance Statement below - see Nomination of new Directors, Remuneration of Directors and Audit functions respectively.

Director Education

The Consolidated Entity educates new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Consolidated Entity concerning performance of Directors. Directors also have the opportunity to visit Consolidated Entity

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Consolidated Entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report on page 1 and 2 of this report.

The composition of the Board is determined using the following principles:

- A minimum of three Directors, with a broad range of expertise both nationally and internationally;
- Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies;
- The roles of Chairman and Managing Director are not to be exercised by the same individual; and
- A maximum period of three years service, subject to re-election every two years (except for the Managing Director).

Board members have experience in the management of public companies. The Board does not have a majority of Independent Directors as recommended by the ASX Corporate Governance Council. The Directors consider that the current number of Independent Directors in the Company is appropriate for the effective execution of the Board's responsibilities. The Directors periodically monitor the need to appoint additional Independent Directors.

Nomination of New Directors

The Board considers that a formally constituted Nomination Committee is not appropriate as the Board, as part of its usual role, oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the Company's executive officers. The Board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates and may take advice from an external consultant. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The Chairman of the Board continually reviews the effectiveness of the Board, individual directors, and senior executives. The other directors have an opportunity to contribute to

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

the review process. The reviews generate recommendations to the Board, which votes on them. Directors displaying unsatisfactory performance are required to retire.

Remuneration of Directors

The Board considered that a formally constituted Remuneration Committee is not appropriate as the Board, as part of its usual role, oversees the appointment and remuneration of Directors and the Company's executive officers. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Company's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive;
- The executive's ability to control the performance of the relevant area; and
- The amount of incentives within each executive's remuneration.

Shares and options can only be issued to Company Directors under a resolution at a general meeting of shareholders.

Non-Executive Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders. Non-Executive Directors do not receive performance based bonuses.

The Board has no established retirement or redundancy schemes.

Audit Functions

The Consolidated Entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Audit Committee. Whilst the Company does not have a formally constituted Audit Committee, the Board, as part of its usual role, undertakes audit related responsibilities including:

- Reviewing the annual and interim financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholders needs;
- Assessing corporate risk assessment processes;
- Reviewing the Company's policies and procedures for convergence with the Australian equivalents to International Financial Reporting Standards for reporting periods beginning on 1 July 2005;
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies;

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

- Reviewing the nomination and performance of the external auditor. The external auditors were appointed in 2003 and the external audit engagement partner will be rotated every five years;
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.

The Executive Directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- Review the annual and half-year reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- Finalise annual and half-year reporting to:
 - Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
 - Review the draft financial report and recommend Board approval of the financial report; and
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

The Board monitors the need to form an Audit Committee on a periodic basis.

The Managing Director and the appropriate persons responsible for preparing the financial report have declared to the Board that the Company's financial reports for the year ended 30 June 2005 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Risk Management

Overview Of The Risk Management System

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the Consolidated Entity. The Consolidated Entity is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, the Managing Director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the Directors at the Directors' meetings. The Managing Director has declared to the Board, that the aforementioned system is working efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

covered the entire financial year and the period up to the signing of the annual financial report for all material operations in the Consolidated Entity.

Risk Profile

The Consolidated Entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Major risks arise from such matters as actions by competitors, government policy changes, difficulties in sourcing raw materials, the robustness of the technologies being developed to commercially cultivate the prawns and fish, environment, occupational health and safety, financial reporting and the purchase, development and use of information systems.

Risk Management, Compliance And Control

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health & safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel (see below);
- Financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- Environmental regulation compliance (see below).

Quality And Integrity Of Personnel

The Company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals are conducted regularly with continuous feedback and on the job monitoring and training for all employees. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management.

Financial Reporting

The Managing Director has declared, to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Following the reporting period, monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Convergence with the Australian equivalents to International Financial Reporting Standards (AIFRS) is a key current financial reporting project which is mostly complete and implemented, and the Board has established procedures to ensure a smooth transition to AIFRS reporting, beginning with the half-year ended 31 December 2005. An opening statement of financial position, under AIFRS, as at 1 July 2004 (24 months prior to the first AIFRS financial year end), has been prepared to facilitate first year AIFRS comparatives.

The broad AIFRS convergence procedures has included:

- Identification of likely significant changes in accounting policies;
- Calculation of the opening AIFRS-based statement of financial position as at 24 months prior to the first full AIFRS year end (to facilitate first year AIFRS comparatives);
- Calculation of an AIFRS-based statement of financial performance in the lead-up year to the first full year of AIFRS-based reporting, in addition to the non-AIFRS financial reporting (to facilitate first year AIFRS comparatives); and
- AIFRS-only complete financial reporting in the first full year of AIFRS financial reporting which commences from 1 January 2005 (for the Consolidated Entity this is the year ending 30 June 2006).

Environmental Regulation

The Consolidated Entity's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its operational activities. The Consolidated Entity is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Internal Audit

The Consolidated Entity does not have a formally established internal audit function. The Board ensures compliance with the internal controls and risk management procedures previously mentioned.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Consolidated Entity. Every employee has a nominated supervisor to whom they may refer issues arising from their employment.

Conflict Of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and Consolidated Entity are set out in Note 20.

Code of conduct

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a formalised Code of Conduct. The Company has adopted certain induction procedures to inform newly appointed Directors, managers and employees of their rights and their duty to act with utmost integrity and objectivity.

Trading in Consolidated Entity securities by Directors and employees

The Constitution permits Directors to acquire shares in the Company. Company policy prohibits Directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the Company Secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the Company on behalf of the Directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and / or options in the Company.

Communication with shareholders

Whilst the Board has not formally documented the Company's continuous disclosure procedures, the Board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and issuing media releases.

In summary, the continuous disclosure processes operate as follows:

- The Chairman and the Managing Director are responsible for all communications with the ASX. Matters that may have an effect on the price of the Company's securities are advised to the ASX on the day they are discovered. Senior executives monitor all areas of the group's internal and external environment;
- The full annual financial report is made available to all shareholders, and includes relevant information about the operations of the Consolidated Entity during the year, changes in the state of affairs and details of future developments;
- The half-yearly report contains summarised financial information and a review of the operations of the Consolidated Entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- Proposed major changes in the Consolidated Entity which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market, and related information (including information provided to analysts and the media), are released to the ASX;
- Transcripts of the Chairman's address to shareholders at the Consolidated Entity's Annual General Meeting are lodged with the ASX; and
- The external auditor attends the Annual General Meeting to answer any questions concerning the audit and the content of the Auditor's Report.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Consolidated Entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations

Council Principle 1:
Lay solid foundations for management and oversight

Council Recommendation 1.1:
Formalise and disclose the functions reserved to the board and those delegated to management.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 2
Structure the board to add value

Council Recommendation 2.1:
A majority of the board should be independent directors.

The Board considers that Mr Simich and Mr Firmin are independent directors in accordance with Recommendation 2.1. Whilst the remainder of the Board are not independent, the Board believes that all the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

Refer Corporate Governance Statement.

Council Recommendation 2.2:
The chairperson should be an independent director.

The Company's Chairman, Mr Ashley Zimpel, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Non-executive Chairman.

Refer Corporate Governance Statement.

Council Recommendation 2.3:
The roles of the chairperson and chief executive officer should not be exercised by the same individual.

The Company complies with this recommendation.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Council Recommendation 2.4:

The board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing directors to enable identification of attributes required in new directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Corporate Governance Statement.

Council Principle 3:

Promote ethical and responsible decision-making

Council Recommendation 3.1:

Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Recommendation 3.2:

Disclose the policy concerning trading in company securities by directors, officers and employees.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 4:

Safeguard integrity in financial reporting

Council Recommendation 4.1:

Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this recommendation.

Council Recommendation 4.2:

The board should establish an audit committee.

The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

The Board acknowledges this does not comply with recommendation 4.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of an audit committee will be reviewed by the Board and implemented if appropriate.

Refer Corporate Governance Statement.

Council Recommendation 4.3:

Structure the audit committee so that it consists of:

- *only Non-executive directors;*
- *a majority of independent directors;*
- *an independent chairperson, who is not chairperson of the board; and*
- *at least three members.*

Refer Recommendation 4.2.

Council Recommendation 4.4

The audit committee should have a formal operating charter.

Refer Recommendation 4.2.

Council Principle 5:

Make a timely and balanced disclosure

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 6:

Respect the rights of shareholders

Council Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Recommendation 6.2:

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation. Refer Corporate Governance Statement.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Council Principle 7:
Recognise and manage risk

Council Recommendation 7.1:

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Recommendation 7.2

The chief executive officer and the chief financial officer should state in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board;

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 8:
Encourage enhanced performance

Council Recommendation 8.1:

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 9:
Remunerate fairly and responsibly

Council Recommendation 9.1:

Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Recommendation 9.2

The board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

The Board acknowledges this does not comply with recommendation 9.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

Refer Corporate Governance Statement.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Council Recommendation 9.3

Clearly distinguish the structure of Non-executive directors' remuneration from that of executives.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Recommendation 9.4

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Council Principle 10:

Recognise the legitimate interests of stakeholders

Council Recommendation 10.1:

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation. Refer Corporate Governance Statement.

Directors' Meetings

The number of Directors' meetings held during the year and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board meetings	
	A	B
Mr A Zimpel	11	11
Dr T Theunissen	12	13
Mr J Hutton	13	13
Mr K Simich	9	13
Mr N Miller	11	13
Mr M Firmin	1	1

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

Directors' Interests

The relevant interest of each Director in the share capital, convertible notes and options of the Company notified by the Directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares Number	Options Number
Mr A Zimpel	3,373,464	16,000,000
Dr T Theunissen	1,800,001	2,426,667
Mr J Hutton	25,628,215	2,548,035
Mr K Simich	3,542,718	1,853,333
Mr N Miller	5,327,500	1,000,000

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Remuneration Report
Directors' and senior executives' emoluments

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that the remuneration is comparative in attracting, retaining and motivating people of the highest quality.

Details of the nature and amount of each major element of the emoluments of each Director and named officer of the Company are:

Nature and amount of remuneration for the year ended 30 June 2005

	Primary		Post	Equity	
	Salary and	Non-	employment	compensation	Total
	fees	monetary	Super	Value of	
		benefits		options (b)	
<i>Directors</i>					
<i>Executive</i>					
J Hutton	137,615	-	12,385	11,398	161,398
T Theunissen (1)	92,453	-	6,330	22,796	121,579
N Miller	70,000	-	6,300	11,398	87,698
A Zimpel (2)	76,453	-	6,881	77,315	160,649
	376,521	-	31,896	122,907	531,324
<i>Non-executive (4)</i>					
M Firmin (3)	-	-	-	-	-
K Simich	-	-	-	11,398	11,398
<u>Company Secretary</u>					
H Lennerts	56,249	-	5,062	-	61,311

(1) Dr Theunissen became a Non Executive Director as of 1 April 2005

(2) Mr Zimpel was appointed as a Director on 26 August 2004

(3) Mr Firmin was appointed as a Director on 20 June 2005

(4) Non-Executive Directors resolved to receive no remuneration for their services

Options Granted To Directors And Senior Executives

- (a) At a general meeting held on 14 July 2004, the shareholders of the Company approved the issue of 5 million unlisted options to the Directors of the Company. The options expire on 30 July 2007 and are exercisable on or before 30 July 2007. Each option is convertible into one ordinary share at an exercise price of \$0.20 each (included in Directors' interests on the previous page). At the annual general meeting held on 30 November 2004, the shareholders of the Company approved the issue of 10 million unlisted options to Mr A Zimpel as part of his salary package. The options expire on 6 December 2009 and are exercisable on or before 6 December 2009. Each option is convertible into one ordinary share at an exercise price of \$0.30 each (included in Directors' interests on the previous page)
- (b) The fair value of the options is calculated at the date of the grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account in current period. Comparative information was not restated as market conditions were already included in the valuation.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Principal Activities

The principal activities of the Consolidated Entity during the course of the financial year were:

- Investment in aquaculture businesses; and
- Research of technologies and market development to cultivate prawns and fish.

Review And Results Of Operations

The operating loss after tax of the Consolidated Entity was \$2,462,331 (2004: loss: \$1,480,938).

The significant increase in operating loss is due to:

- Pre-production expenses of Aussie Prawns Pty Ltd and the subsequent development of 6 hectares of rejuvenated ponds and associated work programs;
- Investigative programs that confirmed the Company's key strategic advantages in the prawn farming business; and
- Ongoing investigations and trial into the feasibility of Sea Cage Barramundi Fish Farming in the Kimberley region of Western Australia.

Dividends

No dividends were paid or declared by the Company during the financial year.

State Of Affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were:

- On 30 November 2004 the Company changed its name from Tiger International Limited to Marine Produce Australia Limited (MPA);
- The Company acquired 100% control of the Barramundi Joint Venture on 28 June 2005 (refer note 15);
- The Company increased its interest in Tiger International Hatchery Pty Ltd and Tiger International Farms Pty Ltd from 80% to 100% on 14 July 2004 (refer note 17); and
- The issue of 65,345,443 fully paid ordinary shares and 36,744,115 options (refer note 15).

Environmental Regulation Performance

The Consolidated Entity has a policy of at least complying, but in most cases exceeding its environmental performance obligations. The Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Likely Developments

Likely developments are included within the Chairman's Message, the Managing Directors Review and in the Operational Review. Disclosure of any further information has not been included in this Directors' Report because, in the opinion of the Directors, to do so would result in unreasonable prejudice to the Consolidated Entity.

Significant Events After Balance Date

No significant events have occurred after balance date to the date of this report other than the Companies transition to the Australian equivalents to international financial reporting standards.

For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 22.

Options

As at the date of this report, the Company has the following options on issue:

Expiry date	Exercise price	Number of options	Exercisable on or before	Type	Date granted
30 June 2006	\$0.30	8,533,334	30 June 2006	Unlisted	12 October 2000
1 February 2006	\$0.20	4,000,000	1 February 2006	Listed	16 December 2003
1 February 2006	\$0.20	714,285	1 February 2006	Listed	21 July 2004
1 February 2006	\$0.20	6,000,000	1 February 2006	Listed	23 August 2004
1 February 2006	\$0.20	1,939,285	1 February 2006	Listed	24 August 2004
30 July 2007	\$0.20	5,000,000	30 July 2007	Unlisted	21 July 2004
25 August 2009	\$0.30	10,000,000	25 August 2009	Unlisted	25 August 2004
6 December 2009	\$0.30	10,000,000	6 December 2009	Unlisted	6 December 2004
30 June 2010	\$0.30	3,090,545	30 June 2010	Unlisted	30 June 2005

Option holders do not have any right to participate in pro rata issues of securities to shareholders, unless the options are exercised before the record date for determining entitlements to the relevant pro rata issue.

Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the current Directors of the Company, along with the following former Directors, Mr J Whittle, Mr W Rudland, Mr G Whittle, Mr D Whittle and Mr R Still and Executive Officers, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not provided any insurance or indemnification for the auditor of the Company or any related body corporate.

**MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480**

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005**

Insurance Premiums

At 30 June 2005 the Company had not entered into any insurance policies in respect of Directors and Officers' liability.

The Consolidated Entity has not provided any insurance or indemnity for the auditor of the Company or any other related body corporate

Non-Audit Services

The auditor, KPMG, did not provide any non-audit services to the Consolidated Entity during the financial year.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the directors of Marine Produce Australia Limited with an Independence Declaration in relation to the audit of the attached financial statements. This Independence Declaration is attached to the Audit Report and forms part of this Directors' Report.

This report is made in accordance with a resolution of the Directors:



J HUTTON
MANAGING DIRECTOR
27 September 2005

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from ordinary activities		265,037	12,913	65,077	12,913
Revenues from sale of equity investments		-	298,702	-	298,702
Total revenue from ordinary activities	2	265,037	311,615	65,077	311,615
Costs of pre-production		338,328	-	-	-
Employee expenses		950,098	256,246	-	-
Depreciation and amortisation expenses	3(b)	302,191	129,149	11,804	2,964
Professional fees		480,217	662,125	7,916	580,080
Facilities		27,043	-	2,830	-
Travel and entertainment costs		156,713	181,086	2,824	41,490
Marketing		184,990	45,563	-	45,563
Rent of premises		39,080	-	-	-
Feasibility costs expensed	3(a)	-	100,000	-	-
Development costs expensed		-	78,000	-	-
Carrying value of financial asset sold		-	178,000	-	178,000
Provision for non-recovery of loan to controlled entities	3	-	-	1,704,474	579,500
Diminution in the value of-investments	3	-	-	767,241	280,218
Other expenses from ordinary activities		248,708	162,384	30,319	84,738
Total expenses		2,727,368	1,792,553	2,527,408	1,792,553
Loss from ordinary activities before tax		(2,462,331)	(1,480,938)	(2,462,331)	(1,480,938)
Income tax benefit relating to ordinary activities	5	-	-	-	-
Net loss attributable to members of the parent entity		(2,462,331)	(1,480,938)	(2,462,331)	(1,480,938)
Basic loss per share (cents)	6	(2.48)	(2.59)		
Diluted loss per share (cents)	6	(2.48)	(2.59)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	8	3,932,041	459,858	3,648,352	337,086
Receivables	9	115,942	97,384	11,707	27,426
Other Assets		17,853	-	-	-
TOTAL CURRENT ASSETS		4,065,836	557,242	3,660,059	364,512
NON-CURRENT ASSETS					
Receivables	9	-	-	1,772,772	-
Property, plant and equipment	10	4,200,870	3,563,089	18,363	33,812
Other financial assets	11	-	-	3,681,465	4,248,506
Intangibles	12	1,155,142	714,194	-	-
TOTAL NON-CURRENT ASSETS		5,356,012	4,277,283	5,472,600	4,282,318
TOTAL ASSETS		9,421,848	4,834,525	9,132,659	4,646,830
CURRENT LIABILITIES					
Payables	13	461,625	250,296	217,709	71,907
Provisions	14	45,273	9,306	-	-
TOTAL CURRENT LIABILITIES		506,898	259,602	217,709	71,907
TOTAL LIABILITIES		506,898	259,602	217,709	71,907
NET ASSETS		8,914,950	4,574,923	8,914,950	4,574,923
EQUITY					
Contributed equity	15	16,195,314	9,392,956	16,195,314	9,392,956
Accumulated losses	16	(7,280,364)	(4,818,033)	(7,280,364)	(4,818,033)
TOTAL EQUITY		8,914,950	4,574,923	8,914,950	4,574,923

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
CASH FLOWS RELATED TO OPERATING ACTIVITIES					
Payments to suppliers and employees		(2,195,735)	(1,136,426)	(38856)	(735,439)
Interest received		82,358	12,913	56,494	12,913
Other income received		164,121	-	-	-
Net cash (used in)/generated by operating activities	19	(1,949,256)	(1,123,513)	17,638	(722,526)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of investments		-	298,702	-	298,702
Payments for property, plant and equipment		(784,564)	(112,704)	-	(32,288)
Purchase of controlled entities		-	(3,695,823)	-	(3,720,498)
Proceeds from sale of plant and equipment		3,645	-	3,645	-
Net cash (used in) / provided by investing activities		(780,919)	(3,509,825)	3,645	(3,454,084)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares and options		6,682,830	4,983,260	6,682,830	4,983,260
Transaction costs from issue of shares		(480,472)	(349,971)	(480,472)	(349,971)
Loans to related parties		-	-	(2,912,375)	(579,500)
Net cash provided by financing activities		6,202,358	4,633,289	3,289,983	4,053,789
Net increase (decrease) in cash held		3,472,183	(49)	3,311,266	(122,821)
Cash at the beginning of the financial year		459,858	459,907	337,086	459,907
Cash at the end of the financial year	8	3,932,041	459,858	3,648,352	337,086

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 22 to 46.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and are consistent with those of the previous year.

(b) Financial position

At 30 June 2005, the consolidated entity has cash of \$3,932,041 (2004:\$459,858) and positive working capital of \$3,558,938 (2004:297,640). During 2006 the consolidated entity plans to commercialise its tiger prawn hatchery and farm as well as further develop its barramundi fish farming operations.

The successful implementation of commercialisation and development plans require significant additional investment capital be incurred. The consolidated entity plans to raise additional funds by a combination of debt finance and equity raisings, together with cash inflows from the sale of prawns and fish products. The consolidated entity has commenced discussions with financial institutions and the Directors are confident that the consolidated entity will be successful in raising the expansion capital required.

(c) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is expensed as it accrues.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(e) Receivables

Trade and sundry receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is only taken up as income when received.

(f) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of the equity investments are recognised directly in equity subject to the extent of the proceeds received, otherwise they are expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as an interest expense.

(g) Recoverable amount of non-current assets

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amount of non-current assets the relevant cash flows have not been discounted to the present value, except where stated.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Research and development costs

Research and development costs are expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(h) Property, plant and equipment

All items of property, plant and equipment are recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Depreciation

All plant and equipment have limited useful lives and are depreciated using the straight-line or diminishing value method over their estimated useful lives, from the date of acquisition.

Depreciation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation rates or useful lives used for each class of asset are as follows:

	2005	2004
Land	Nil	Nil
Buildings	2.5% straight-line	2.5% straight-line
Plant and equipment	7.5% - 40% reducing balance	7.5% - 40% reducing balance
Infrastructure	2.5% straight-line	2.5% straight-line
<i>Other non-current assets</i>		
Intangibles	10 years	10 years

(i) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(j) Intangible assets

Intellectual property and licences are carried at cost and amortised on a straight-line basis over their useful lives. The Consolidated Entity considers the useful life of these assets to not exceed ten years.

(k) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed. Trade accounts payable are normally settled within 60 days.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(l) Provisions

Provisions are recognised when the Company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest revenue

Interest revenue is recognised as it accrues.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(o) Taxation

The Company adopts the income statement liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

Tax consolidation

The Company has implemented tax consolidation.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates, which are expected to be paid when the liability is settled. Employee entitlements expected to be settled after twelve months are measured at the present value of the estimated future cash outflow to be made.

Contributions made to employee superannuation funds are charged as expenses when incurred.

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the asset or expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
• sale of equity investments	-	298,702	-	298,702
• interest received	90,941	12,913	65,077	12,913
• other revenue	174,096	-	-	-
Total revenue from ordinary activities	265,037	311,615	65,077	311,615

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
a) Individually significant (expenses) / revenues included in loss from ordinary activities before income tax expense:				
Gain on disposal of investment	-	120,702	-	120,702
Feasibility costs expensed	-	(100,000)	-	-
Diminution in the value of investments	-	-	(767,241)	(280,218)
Provision for non-recovery of loan to controlled entity	-	-	(1,704,474)	(579,500)
b) Loss from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following items:				
Depreciation of:				
• property, plant and equipment	143,140	74,600	11,804	2,964
Amortisation of:				
• intellectual property	89,373	49,227	-	-
• licences	69,678	5,322	-	-
Total depreciation and amortisation	<u>302,191</u>	<u>129,149</u>	<u>11,804</u>	<u>2,964</u>
Net expense from movements in provisions for:				
• diminution in the value of investments	-	-	767,241	280,218
• employee entitlements	35,967	9,306	-	-
• non-recovery of loan to controlled entity	-	-	1,704,474	579,500

4 AUDITOR'S REMUNERATION

Audit services: KPMG

• Audit of companies financial statements	24,193	24,018	151	24,018
• Audit of the impact of AIFRS	7,500	-	-	-
	<u>31,693</u>	<u>24,018</u>	<u>151</u>	<u>24,018</u>

Other services: KPMG

• Accounting services	-	8,020	-	8,020
	<u>31,693</u>	<u>32,038</u>	<u>151</u>	<u>32,038</u>

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
5 TAXATION				
Income tax benefit				
Prima facie income tax benefit calculated at 30% on the loss from ordinary activities	(738,699)	(444,281)	(738,699)	(444,281)
Prima facie tax benefit calculated at 30% on other members of the consolidated group net of intercompany transactions	-	-	-	(91,132)
	<u>(738,699)</u>	<u>(444,281)</u>	<u>(738,699)</u>	<u>(535,413)</u>
Decrease in tax benefit due to:				
Provision for non-recovery of loan to controlled entities	-	-	511,342	173,850
Provision for diminution in value of investment in controlled entities	-	-	230,172	84,065
Non-deductible amortisation of intangibles	47,716	-	-	-
Research & development tax offset	(24,827)	-	-	-
Legal expenses	9,719	21,456	-	21,456
Sundry	57	467	-	-
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	-	-	(708,849)	-
Future income tax benefit not brought to account for tax losses of subsidiaries that have joined the tax consolidated group during the year	-	-	(156,776)	-
Transfer of tax losses to future income tax benefit not brought to account for this period	706,034	422,358	862,810	256,042
Total income tax benefit brought to account for this period	-	-	-	-
Opening balance of future income tax benefits (revenue) not brought to account	3,419,351	2,433,670	1,675,118	561,726
Adjustment to 2004 revenue losses	(285,063)	-	1,430,106	-
	<u>3,134,288</u>	<u>2,433,670</u>	<u>3,105,224</u>	<u>561,726</u>
Tax losses – capital - brought forward	-	-	-	-
Adjustment to 2004 capital losses	783,615	-	783,615	-
	<u>783,615</u>	<u>-</u>	<u>783,615</u>	<u>-</u>
Timing differences	(247,883)	31,765	(247,883)	2,700
Adjustment to 2004 timing differences	(269,275)	-	(240,211)	-
	<u>(517,158)</u>	<u>31,765</u>	<u>(488,094)</u>	<u>2,700</u>
Closing balance of future income tax benefit (revenue plus capital net of deferred tax) not brought to account	3,400,745	2,465,435	3,400,745	564,426

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

5 TAXATION (*continued*)

The potential future income tax benefit will only be obtained if:

- (i) The company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) The company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the company in realising the benefit.

Tax Consolidation Legislation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. The impact of the mandatory elements of the tax consolidation system on existing deferred tax balances of the economic entity and parent entity has been reflected in the calculations above. The directors have elected for those entities within the consolidated entity that are wholly-owned Australian resident entities, to be taxed as a single entity from 1 January 2003.

6 EARNINGS PER SHARE

	Consolidated	
	2005	2004
	\$	\$
Earnings reconciliation		
Basic loss	(2,462,331)	(1,480,938)
	<hr/>	<hr/>
Diluted loss	(2,462,331)	(1,480,938)
	<hr/>	<hr/>
	Consolidated	
	2005	2004
	Number	Number
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	99,433,920	57,148,351
Number for diluted earnings per share		
Ordinary shares	99,433,920	57,148,351
Effect of share options on issue	-	-
Number for diluted earnings per share	<hr/>	<hr/>
	99,433,920	57,148,351

As at 30 June 2005, 49,277,449 options were on issue, entitling the holder to one share for every option held. 17,653,570 of these options are exercisable at \$0.20, with the balance exercisable at 30 cents per share. These potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

7 SEGMENT INFORMATION

The Consolidated Entity operates in one industry segment, the aquaculture industry, and in one geographical segment being Australia.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
8 CASH				
Cash at bank and on hand	3,932,041	459,858	3,648,352	337,086

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
9 RECEIVABLES				
Current				
Trade debtors	23,257	7,500	2,445	-
Other debtors	40,795	1,300	8,583	-
GST receivable	51,890	88,584	679	27,426
	115,942	97,384	11,707	27,426
Non-current				
Loans to controlled entity	-	-	4,056,746	579,500
Provision for non recovery of loan	-	-	(2,283,974)	(579,500)
	-	-	1,772,772	-

10 PROPERTY, PLANT AND EQUIPMENT

Land and buildings				
At cost	1,709,000	1,709,000	-	-
Accumulated depreciation	(60,844)	(20,244)	-	-
	1,648,156	1,688,756	-	-
Plant and equipment				
At cost	810,874	417,916	31,274	37,797
Accumulated depreciation	(98,689)	(36,710)	(12,911)	(3,985)
	712,185	381,206	18,363	33,812
Infrastructure				
At cost	1,896,879	1,511,794	-	-
Accumulated depreciation	(56,350)	(18,667)	-	-
	1,840,529	1,493,127	-	-
Total property, plant and equipment net book value	4,200,870	3,563,089	18,363	33,812

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
10 PROPERTY, PLANT AND EQUIPMENT (<i>continued</i>)				
Reconciliation of the carrying amounts of each class of property, plant and equipment are set out below:				
<i>Land and buildings</i>				
Carrying value at the beginning of the year	1,688,756	-	-	-
Acquisition of controlled entities	-	1,709,000	-	-
Depreciation	(40,600)	(20,244)	-	-
Carrying amount at end of year	1,648,156	1,688,756	-	-
<i>Plant and equipment</i>				
Carrying value at beginning of year	381,206	4,487	33,812	4,487
Additions	399,481	98,308	-	32,289
Acquisition of controlled entities	-	314,100	-	-
Disposals	(3,645)	-	(3,645)	-
Depreciation	(64,857)	(35,689)	(11,804)	(2,964)
Carrying amount at end of year	712,185	381,206	18,363	33,812
<i>Infrastructure</i>				
Carrying value at beginning of year	1,493,127	-	-	-
Additions	385,085	14,396	-	-
Acquisition of controlled entities	-	1,497,398	-	-
Depreciation	(37,683)	(18,667)	-	-
Carrying amount at end of year	1,840,529	1,493,127	-	-

11 OTHER FINANCIAL ASSETS

Non-current

(i) Investments in controlled entities

At cost	-	-	4,728,924	4,528,724
Provision for diminution in value	-	-	(1,047,459)	(280,218)
	-	-	3,681,465	4,248,506

Refer note 17 for details of controlled entities.

12 INTANGIBLES

Non-current

Intellectual property

At cost	1,293,743	693,743	-	-
Accumulated amortisation	(138,601)	(49,227)	-	-
	1,155,142	644,516	-	-
 Hatchery licences				
At cost	75,000	75,000	-	-
Accumulated amortisation	(75,000)	(5,322)	-	-
	-	69,678	-	-
	1,155,142	714,194	-	-

The Consolidated Entity acquired 100% control of the Barramundi joint venture on 28 June 2005, through the placement of 3,440,000 shares to Maxima Fish Farms Pty Ltd, resulting in an acquisition of intellectual property amounting to \$400,000.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
13	PAYABLES				
Trade creditors	(i)	268,956	224,989	44,153	47,977
Other creditors and accruals	(ii)	192,669	25,307	173,556	23,930
		461,625	250,296	217,709	71,907

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors and accruals are non-interest bearing and are normally settled on 30 day terms.

14 PROVISIONS

Current

Employee entitlements	45,273	9,306	-	-
-----------------------	--------	-------	---	---

15 CONTRIBUTED EQUITY

(a) Ordinary Shares

Issued and paid-up share capital

142,809,692 (2004: 77,464,249) ordinary shares, fully paid	16,195,314	9,392,956	16,195,314	9,392,956
--	------------	-----------	------------	-----------

Movements during the year

Balance at beginning of year	9,392,956	4,188,414	9,392,956	4,188,414
------------------------------	-----------	-----------	-----------	-----------

Shares issued:

11,425,061 as consideration for 80% interest in Tiger International Farms Pty Ltd at a fair value of \$0.05 each	-	571,253	-	571,253
--	---	---------	---	---------

1,428,571 as consideration for remaining 20% interest in Tiger International Farms Pty Ltd and Tiger International Hatchery Pty Ltd at a fair value of \$0.14 each	200,000	-	200,000	-
--	---------	---	---------	---

12,000,000 (2004: 12,000,000 rights issue) placement at \$0.14 each	1,680,000	1,680,000	1,680,000	1,680,000
---	-----------	-----------	-----------	-----------

3,878,571 (2004: 6,451,858) placement at \$0.14 each	543,000	903,260	543,000	903,260
--	---------	---------	---------	---------

16,000,000 placement at \$0.15 each	-	2,400,000	-	2,400,000
-------------------------------------	---	-----------	---	-----------

14,215,708 placement at \$0.10 each	1,421,571	-	1,421,571	-
-------------------------------------	-----------	---	-----------	---

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
15 CONTRIBUTED EQUITY				
(a) Ordinary Shares (<i>continued</i>)				
Shares issued: (<i>continued</i>)				
23,692,847 Non Renounceable Rights Issue at 10 cents each	2,369,285	-	2,369,285	-
3,440,000 placement to Maxima Fish Farms Pty Ltd to acquire final 50% of Barramundi Joint Venture at \$0.1162 each	400,000	-	400,000	-
6,689,746 placement at \$0.10 each	668,974	-	668,974	-
Total issue costs for the period	(480,472)	(349,971)	(480,472)	(349,971)
Balance at the end of the year	16,195,314	9,392,956	16,195,314	9,392,956

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(b) Options over ordinary shares

As at 30 June 2005, the Company has the following options on issue:

Expiry date	Exercise price	Number of options at beginning of year	Type	Options granted	Options lapsed	Options exercised	Number of options at end of year
30 Jun 06	\$0.30	8,533,334	Unlisted	-	-	-	8,533,334
1 Feb 06	\$0.20	4,000,000	Listed	8,653,570	-	-	12,653,570
30 Jul 07	\$0.20	-	Unlisted	5,000,000	-	-	5,000,000
25 Aug 09	\$0.30	-	Unlisted	10,000,000	-	-	10,000,000
6 Dec 09	\$0.30	-	Unlisted	10,000,000	-	-	10,000,000
30 Jun 10	\$0.30	-	Unlisted	3,090,545	-	-	3,090,545

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

15 CONTRIBUTED EQUITY

(b) Options Over Ordinary Shares (*continued*)

As at 30 June 2004, the Company had the following options on issue:

Expiry date	Exercise price	Number of options at beginning of year	Type	Options granted	Options lapsed	Options exercised	Number of options at end of year
30 Jun 06	\$0.30	8,533,334	Unlisted	-	-	-	8,533,334
1 Feb 06	\$0.20	-	Listed	4,000,000	-	-	4,000,000
				Consolidated		Company	
				2005	2004	2005	2004
				\$	\$	\$	\$

16 ACCUMULATED LOSSES

Accumulated loss at the beginning of the year	(4,818,033)	(3,337,095)	(4,818,033)	(3,337,095)
Net loss attributable to members	(2,462,331)	(1,480,938)	(2,462,331)	(1,480,938)
Retained loss at the end of year	(7,280,364)	(4,818,033)	(7,280,364)	(4,818,033)

17 CONTROLLED ENTITIES

Particulars

Marine Produce Australia Limited is the ultimate parent entity holding ordinary shares in the following companies incorporated in Australia:

Controlled entities	Nature of activity	Ownership interest of Company	
		2005	2004
Aussie Prawns Pty Ltd (AP)	Prawn farming	100%	100%
Tiger International Hatchery Pty Ltd (TIH)	Developing technologies to hatch prawns	100%	80%
Tiger International Farms Pty Ltd (TIF)	Developing technologies to grow out prawns	100%	80%
Tiger International Fish Farms Pty Ltd (TIFF)	Developing technologies to grow out fish	100%	100%
Tiger International Management Pty Ltd (formerly Tiger International Holdings Pty Ltd) (TIM)	Management services	100%	100%

Acquisition of entities

At 30 June 2004 the Company held an 80% interest in the ordinary shares of Tiger International Hatchery Pty Ltd and Tiger International Farms Pty Ltd. On 14 July 2004 the Company increased its interest by 20% in both companies to 100%.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

18 FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	Note	Weighted average interest	Floating interest rate	Fixed rate	Non-interest bearing	Total
		%	\$	\$	\$	\$
2005						
<i>Financial Assets</i>						
Cash	8	5.0	3,771,080	-	160,961	3,932,041
Receivables	9		-	-	115,942	115,942
Other assets	-		-	-	17,853	17,853
			3,771,080	-	294,756	4,065,836
<i>Financial Liabilities</i>						
Payables	13		-	-	461,625	461,625
Provisions	14		-	-	45,273	45,273
			-	-	506,898	506,898
		%	\$	\$	\$	\$
2004						
<i>Financial Assets</i>						
Cash	8		-	-	459,858	459,858
Receivables	9		-	-	97,384	97,384
			-	-	557,242	557,242
<i>Financial Liabilities</i>						
Payables	13		-	-	250,296	250,296
Provisions	14		-	-	9,306	9,306
			-	-	259,602	259,602

(b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk of financial assets, excluding investments, of the Consolidated Entity that have been recognised on the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts.

The Consolidated Entity minimises credit risk by holding cash in reputable banks, purchasing from approved suppliers, disposing of non-core assets and undertaking extensive due diligence prior to investing in entities.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

18 FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

The financial assets and liabilities included in current assets and current liabilities approximate net fair values. Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, trade debtors, bank overdrafts, accounts payable, bank loans, lease liabilities, dividends payable and employee benefits approximate net fair value.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
19 NOTES TO THE STATEMENTS OF CASH FLOWS				
Reconciliation of loss from operating activities after income tax to net cash (used in)/generated by operating activities				
Loss from ordinary activities after income tax	(2,462,331)	(1,480,938)	(2,462,331)	(1,480,938)
<i>Add / less items classified as investing / financing activities:</i>				
Gain on disposal of investments	-	(120,702)	-	(120,702)
<i>Add / (less) non-cash items:</i>				
Amortisation	159,051	54,549	-	-
Depreciation	143,140	74,600	11,804	2,964
Shares issued to employees	-	-	-	-
Provision for non-recovery of loan to controlled entity	-	-	1,704,474	579,500
Provision for diminution of investment in controlled entities	-	-	767,241	280,218
Net cash (used in)/generated by operating activities before change in assets and liabilities	(2,160,140)	(1,472,491)	21,188	(738,958)
<i>Changes in assets and liabilities adjusted for the effects of purchase of controlled entities during the financial year:</i>				
Decrease / (increase) in receivables	(18,558)	141,430	15719	(21,552)
Decrease / (increase) in other assets	(17,853)	-	-	-
Increase in accounts payable and accruals	211,328	198,242	(19,269)	37,984
Increase in provisions	35,967	9,306	-	-
Net cash flow used by operating activities	(1,949,256)	(1,123,513)	17,638	(722,526)

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
20 (a) EMPLOYEE ENTITLEMENTS				
Aggregate employee entitlements including on-costs:				
Current				
Other creditors and accruals	-	1,598	-	-
Employee benefits provision	45,273	9,306	-	-
	45,273	10,904	-	-
Number of employees at year end	11	4	-	-

Equity Option Plan

The terms of the Employee Option Plan is as follows:

- At the discretion of the Board, the Company grants options to Participants (being directors and employees or contractors with at least one year's service) on terms determined by the Board;
- The extent of options exercisable depends upon the Participant's period of service and there are limits on the exercise of options when a Participant ceases to work for the Company;
- When options are exercised, the issued shares carry full dividend and voting rights; and
- Each option is convertible into one ordinary share.

There were no options held, granted or exercised under the plan during the current or previous financial year. The market price of Marine Produce Australia Limited shares (ASX.MPA) at 30 June 2005 was \$0.086.

20 (b) REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies. Remuneration packages include fixed remuneration and participation in the Employee Option Plan.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20 (b) REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES
(continued)

Nature and amount of remuneration for the year ended 30 June 2005

	Primary		Post employment Super	Equity compensation Value of options (b)	Total
	Salary and fees	Non- monetary benefits			
<i>Directors</i>					
<i>Executive</i>					
J Hutton	137,615	-	12,385	11,398	161,398
Theunissen ¹	92,453	-	6,330	22,796	121,579
N Miller	70,000	-	6,300	11,398	87,698
A Zimpel ²	76,453	-	6,881	77,315	160,649
	376,521	-	31,896	122,907	531,324
<i>Non-executive</i>					
M Firmin ³	-	-	-	-	-
K Simich	-	-	-	11,398	11,398
	-	-	-	11,398	11,398
<i>Company Secretary</i>					
H Lennerts ⁴	56,249	-	5,062	-	61,311
	56,249	-	5,062	-	61,311

Remuneration has been disclosed for the period in office.

1 Became a Non Executive Director as of 1 April 2005.

2 Appointed as a Director on 26 August 2004

3 Appointed as a Director on 20 June 2005

4 Appointed as Company Secretary on 25 November 2004

Options Granted To Directors And Senior Executives

- (a) At a general meeting held on 14 July 2004, the shareholders of the Company approved the issue of 5 million unlisted options to the Directors of the Company. The options expire on 30 July 2007 and are exercisable on or before 30 July 2007. Each option is convertible into one ordinary share at an exercise price of \$0.20 each. At the annual general meeting held on 30 November 2004, the shareholders of the Company approved the issue of 10 million unlisted options to Mr A Zimpel as part of his salary package. The options expire on 6 December 2009 and are exercisable on or before 6 December 2009. Each option is convertible into one ordinary share at an exercise price of \$0.30 each
- (b) The fair value of the options is calculated at the date of the grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options market conditions have been taken into account in current period. Comparative information was not restated as market conditions were already included in the valuation.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

Nature and amount of remuneration for the year ended 30 June 2004

	Primary Salary and fees	Non- monetary benefits	Post employment Super	Total
<i>Directors</i>				
<i>Executive</i>				
T Theunissen	136,000	-	-	136,000
J Hutton ¹	135,500	-	-	135,500
N Miller ²	26,385	-	2,375	28,760
	297,885		2,375	300,260
<i>Non-executive</i>				
M Kennedy ³	-	-	-	-
K Simich	-	-	-	-
	-	-	-	-

Remuneration has been disclosed for the period in office.

1 Appointed a Director on 15 October 2003.

2 Appointed a Director on 12 December 2003

3 Resigned as Director on 28 November 2003

Movement in the directors and specified executives share holdings during their period of office

	Held at 1 July 2004	Held at appointment	Purchased / granted in lieu	Sold	Held at resignation	Held at 30 Jun 05
<i>Specified</i>						
<i>Directors</i>						
A Zimpel ¹	-	1,478,571	2,013,393	-	N/A	3,491,964
J Hutton ²	15,910,000	N/A	12,718,214	-	N/A	28,628,215
T Theunissen	2,140,000	N/A	360,001	700,000	N/A	1,800,001
N Miller ²	510,000	N/A	3,817,500	-	N/A	4,237,500
K Simich	3,235,218	N/A	307,500	-	N/A	3,542,718

Equity holdings have been disclosed for the period in office.

1 Appointed a Director 26 August 2004

2 J Hutton and N Miller closing balances both include 3,440,000 shares owned by Maxima Fish Farms Pty Ltd

Movement in the directors and specified executives option holdings during their period of office

	Held at 1 July 2004	Held at appointment	Purchased / granted in lieu	Exercised	Held at resignation	Held at 30 Jun 05
<i>Specified</i>						
<i>Directors</i>						
A Zimpel ¹	-	500,000	15,500,000	-	N/A	16,000,000
J Hutton	250,000	N/A	2,298,035	-	N/A	2,548,035
T Theunissen	426,667	N/A	2,000,000	-	N/A	2,426,667
N Miller	-	N/A	1,000,000	-	N/A	1,000,000
K Simich	853,333	N/A	1,000,000	-	N/A	1,853,333

1 Appointed a Director 26 August 2004

Other Transactions With The Company Or Its Controlled Entities

On 28 June 2005 the Company issued 3,440,000 shares worth \$400,000 to Maxima Fish Farms Pty Ltd in consideration for the purchase of its 50% ownership of the Barramundi Joint Venture. The Company's subsidiary Tiger International Fish Farms Pty Ltd now owns

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20 (b) REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES
(continued)

and controls 100% of the Joint Venture. Mr Miller is a Director of Maxima Fish Farms Pty Ltd and has a beneficial interest in its shares as does Mr Hutton.

On 14 July 2004 the Company issued 1,428,571 shares to Faustus Pty Ltd worth \$200,000 to acquire the remaining 20% of the issued shares in Tiger International Hatcheries Pty Ltd and Tiger International Farms Pty Ltd. Those companies are now 100% owned and controlled. Mr Hutton is a Director of Faustus Pty Ltd and has a beneficial interest in the trust that it manages.

A number of Directors of the Company, or their Director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to Specific Directors, Specific Executives and their personally related entities were as follows:

	Note	Expense		Current Liability	
		2005 \$	2004 \$	2005 \$	2004 \$
Option payment	(i)	-	100,000	-	16,814
Accounting, administration and office services for the Company	(ii)	56,177	66,224	-	11,224
Book keeping, administration and office services for the controlled entities	(iii)	24,383	25,595	18,090	7,512
Accounting for the controlled entities and corporate services	(iv)	20,920	20,960	-	20,960
Caretaking and care and maintenance services	(v)	28,477	31,050	-	31,050
50% of Barramundi joint venture costs	(vi)	270,172	-	77,573	-
Consultancy services	(vii)	20,000	136,000	-	-

- (i) The option payment, in year ended 30 June 2004, to commence a bankable feasibility study, was made to Maxima Fish Farms Pty Ltd a Company of which Mr Miller is a Director and has an indirect beneficial shareholding as does Mr Hutton through his family interests.
- (ii) Payment for accounting, administration and office services was made to Resource Development Company Pty Ltd a Company of which Mr. Simich is a Director.
- (iii) Payment for bookkeeping, rental of office space, use of vehicle and administration was made to Maxima Pearling Pty Ltd a Company of which Messrs Hutton and Miller are Directors and shareholders.
- (iv) Payment for accounting and corporate services for the subsidiaries and to set up the group's financial systems was made to A Hutton, wife of Mr Hutton.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20 (b) REMUNERATION OF SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES
(continued)

- (v) G King, a party related to Mr Hutton, provided caretaking and care maintenance services at the Aussie Prawns site in Darwin. The services were provided under a contract that expired in November 2004.
- (vi) The Company, through its subsidiary Tiger International Fish Farms Pty Ltd, paid Maxima Fish farms Pty Ltd, a Company of which Mr Miller is a Director and has an indirect beneficial interest as does Mr Hutton through his family interests. Under the Joint venture agreement Maxima Fish Farms Pty Ltd charges Tiger International Fish Farms Pty Ltd for 50% of all costs incurred.
- (vii) Dr Theunissen has entered into a contract to supply consulting services to the Company, since he ceased full time employment with the Company, on 1 April 2005.

Apart from details disclosed in this note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no other material contracts involving Directors' interests existing at year-end.

21 NON-DIRECTOR RELATED PARTIES

The classes of non-director related parties comprise controlled entities as detailed in note 17.

Transactions

Transactions between Marine Produce Australia Limited and its controlled entities consist of the transfer of funds for day-to-day financing. Loans to controlled entities are unsecured, do not bear interest and have no repayment terms. Loans are disclosed in note 9.

22 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods on or after 1 January 2005, the consolidated entity must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. This preliminary financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition Management

The Company has allocated internal resources to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The assessment project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (*continued*)

Assessment and planning phase – included the high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AFIRS.

The assessment and planning phase is completed as at 30 June 2005.

Design phase – formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

The design phase is completed as at 30 June 2005.

Implementation phase – includes the implementation of identified changes to accounting and business procedures and processes and enables the consolidated entity to generate the required reconciliations and disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

This phase is substantially complete as at 30 June 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed, are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AFIRS.

Revisions to the selection and application of the AFIRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report;
- additional guidance on the application of AIFRS in a particular industry or to be a particular transaction; and
- changes to the Company's and consolidated entity's operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The rules for the first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policies note below includes details of the AASB 1 elections adopted.

The significant changes in accounting policies expected to be adopted are set out below. The Company does not anticipate that there will be any adjustments resulting from the application of these policies, unless otherwise stated:

(a) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using the tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Company does not expect there to be an impact on the deferred tax balances and the tax expense as a result of this change.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (*continued*)

(b) Employee benefits

Share based payments

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted will be measured using the Black Scholes method.

No adjustment will be made for options granted before 7 November 2002 which have vested before 1 January 2005.

For the financial year ended 30 June 2005, consultant's fees and share option reserve are expected to be increased by \$3,003 in the consolidated entity as a result.

(c) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis, other than exploration and evaluation expenditure carried forward, are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding investment property, defined benefit assets, deferred tax assets, goodwill and indefinite life intangible assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS, intangible assets that have an indefinite useful life and intangible assets not yet ready for use are tested for impairment annually.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

The Company does not expect there to be an impact on the 30 June 2005 financial report as a result of this change.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (*continued*)

(d) Intangible assets

Other intangible assets

Other intangible assets (excluding goodwill and research and development) acquired will be stated at cost less accumulated amortisation and impairment losses.

On transition intangible assets are being reviewed to ensure they are capable of recognition under AASB 138 *Intangible Assets* and tested for impairment. Management have determined the intangible assets held will likely continue to be classified as intellectual property.

Research and development

Under AIFRS expenditure on research activities will be expensed as incurred whereas under current Australian GAAP certain research costs are included within development projects and therefore capitalised.

Under AIFRS, expenditure on development activities must be capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses.

There is no impact expected for the Company or the consolidated entity at transition date and as at 30 June 2005.

Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the date they are available for use. Changes in useful life on transition to AIFRS will be accounted for prospectively.

(e) Financial Instruments

The Consolidated Entity expects to take advantage of the election in AASB 1 not to restate comparative for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

23 EVENTS SUBSEQUENT TO BALANCE DATE

No significant events have occurred after balance date to the date of this report other than the Companies transition to the Australian equivalents to international financial reporting standards.

For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 22.

MARINE PRODUCE AUSTRALIA LIMITED
ABN 70 091 805 480

DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2005

- 1 In the opinion of the directors of Marine Produce Australia Limited ("the Company"):
 - (a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report on page 15 of the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date;
 - (ii) complying with Accounting Standards in Australia 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.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the directors:



J HUTTON
MANAGING DIRECTOR

Perth
27 September 2005



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

To: the directors of the Marine Produce Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

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

KPMG
KPMG

T R HART
Partner

Perth
27 September 2005



Independent audit report to members of Marine Produce Australia Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Marine Produce Australia Ltd (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



Audit opinion

In our opinion, the financial report of Marine Produce Australia Ltd is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

T R HART

Partner

Perth

27 September 2005