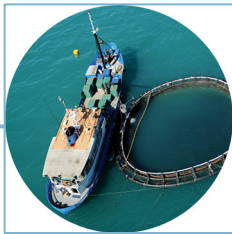




marineproduce
australia

the sustainable australian



annual report 2008



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○○● chairman's address

Dear Shareholder,

The company has had a successful year in making the transition from trialling Barramundi growout in ocean seacages at Cone Bay in the Buccaneer Archipelago north of Derby in Western Australia, to being a fully fledged producer selling up to 10,000kg of whole fish each week as Cone Bay Barramundi.

The fish we are selling is widely acclaimed as the best farmed Barramundi in Australia, grown in the pristine waters of Cone Bay in the Kimberley. Huge tidal movements of up to 11 metres twice a day keep the fish healthy as they are constantly swimming against this tidal flow.

The task ahead of us is now relatively simple - but requires substantial sums of capital to keep feeding fish to target market size, a process which takes two years.

At the present time we have some 645,000kg of fish in various stages of growout in 18 sea cages. In order to become profitable and to have a sustainable business, the company needs to be harvesting and selling 2,000,000kg of fish a year. In approximate terms, each fish costs about \$8.00 a kg to grow to market size, so you will easily see that 2,000,000kg will require an investment over a relatively short time of some \$11 million, mainly excluding capital items such as sea cages, boats, automatic fish feeders and the like.

We will have to recapitalise this company and if we can do so, I am convinced we will have a long and profitable future with increasing fish prices.

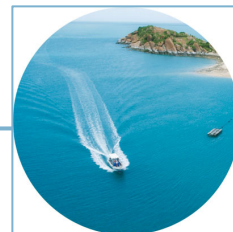
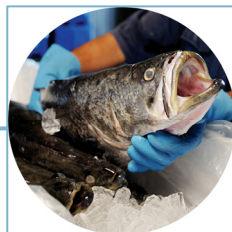
Yours faithfully

MARINE PRODUCE AUSTRALIA LTD



Miles Kennedy
Non Executive Chairman

26 September 2008



○○● shareholder information

1. Capital Structure

Ordinary share capital

68,055,704 ordinary fully paid shares held by 952 shareholders

All issued ordinary shares carry one vote per Share and carry the right to receive dividends when declared.

Options

1,000,000 unlisted options held by 15 holders.

Unlisted options expiring 25 August 2009 exercisable at \$3.00.

309,055 unlisted options held by 2 holders

Unlisted options expiring 30 June 2010 exercisable at \$3.00.

15,000,000 unlisted options held by 19 holders

Unlisted options expiring 28 September 2012 exercisable at \$0.20

2. Substantial Holder

Shareholder	Number of securities	Percentage
Faustus Nominees Pty Ltd	13,140,571	19.31%
Lasborough Investments Ltd	8,534,000	12.54%

3. Distribution of Shareholders as at 16 October 2008

distribution analysis			ordinary fully paid shares
1	-	1,000	118
1,001	-	5,000	319
5,001	-	10,000	156
10,001	-	100,000	297
100,001	-	and over	62
Total holders			952

As at 16 October 2008, there are 601 fully paid ordinary shareholders holding less than a marketable parcel.

4. Twenty largest shareholders of each class of quoted securities as at 16 October 2008

holder name	number held	percentage
Faustus Nominees Pty Ltd	13,140,571	19.31%
Lasborough Investments Ltd	8,534,000	12.54%
ANZ Nominees Ltd	7,004,900	10.29%
Weybridge Pty Ltd	4,300,000	6.32%
Weybridge Pty Ltd	2,658,787	3.91%
I E Props Pty Ltd	1,669,265	2.45%
Pagodatree Inv Ltd	1,324,940	1.95%
Sunbeam Opportunities Ltd	1,200,000	1.76%
Zell Pty Ltd	1,000,000	1.47%
JP Super Pty Ltd	1,000,000	1.47%
Resource Development Co Pty Ltd	882,066	1.30%
Nutsville Pty Ltd	828,727	1.22%
KCS Super Pty Ltd	755,385	1.11%
JCO Investments Pty Ltd	671,737	0.99%
WU Investments Pty Ltd	500,000	0.73%
NA Miller Pty Ltd	492,400	0.72%
Keyrate Enterprises Pty Ltd	400,000	0.59%
Indigo Holdings Pty Ltd	400,000	0.59%
Michael & Vicki J Smith	387,563	0.57%
Goldsack TMSAPA	375,000	0.55%
	47,525,341	69.84%

5. On-Market Buy-Back

The company does not have a current buy-back plan.

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Annual Financial Report

Year Ended 30 June 2008
Marine Produce Australia Limited

ABN 70 091 805 480

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DIRECTORS' REPORT

For the year ended 30 June 2008

The directors present their report together with the financial report of Marine Produce Australia Limited (the Company or MPA) and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2008 and the auditor's report thereon.

1 Directors

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

Mr Miles Kennedy
Non-Executive Chairman
B. Juris
Appointed 3 February 2006
Resigned 29 June 2007
Reappointed 11 June 2008

Mr Kennedy has held directorships of Australian listed companies for the past 25 years. He is the non-executive Chairman of Sandfire Resources NL and Resource and Investment NL and director of Lonrho Mining Limited. He was previously the executive Chairman of Kimberley Diamond Company NL and non-executive Chairman of Blina Diamonds NL. He has extensive experience in the management of public companies with specific emphasis in the resources industry. He is a Barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia. He is also an Attorney of the Supreme Court of South Africa.

Mr Nicholas Miller
Managing Director
Resigned 3 February 2006
Reappointed 14 August 2006

Mr Miller is Managing Director of Maxima Pearling Company Pty Ltd, one of the largest producers 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 John Hutton
Non-Executive Director
Resigned 3 February 2006
Reappointed 14 August 2006

Mr Hutton has a background in accounting and finance. He has experience in merchant banking, accounting, financial planning and tax related matters. He is a Director of Maxima Pearling Company Pty Ltd and also holds non-executive directorship roles with Sandfire Resources NL and Resource and Investment NL. He is a member of the Australian Institute of Company Directors.

Dr Tor Theunissen
Independent Non-Executive Director
Appointed 17 December 2007

Dr Theunissen is the principal of a management consulting company that specialises in the strategic planning and resourcing of new projects. He is an experienced public company director and a former Chairman of Marine Produce Australia Limited.

Prof Mehdi Doroudi
Independent Non-Executive Director
Appointed 18 December 2007

Professor Doroudi is currently Chief of Aquatic Sciences for South Australian Research and Development Institute. He has a DVM degree in Veterinary Medicine and a PhD degree in Aquaculture and has worked in the fields of fisheries and aquaculture as a policy maker, an academic researcher and as an industry consultant in policy advice, science innovation and commercial operation for the last 20 years.

Mr John Drummond
Executive Director
Appointed 14 August 2006
Resigned 17 December 2007

Mr Drummond has provided corporate and commercial advice and services over the past 29 years to Australian listed companies. He is a practising solicitor of the Supreme Court of Western Australia, is admitted as a barrister and solicitor of the Supreme Court of Victoria, High Court of Australia and as an attorney of the Supreme Court of South Africa.

2 Company Secretary

Ms Jean Mathie
Company Secretary
Appointed 14 August 2006

Ms Mathie has extensive experience as a senior legal secretary and holds the role of company secretary with other publically listed companies.

3 Directors' meetings

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

Director	Board Meetings	
	Attended	Held while a director
Mr M Kennedy	-	-
Mr N Miller	5	5
Mr J R Hutton	5	5
Dr T Theunissen	2	2
Prof M Doroudi	2	2
Mr J Drummond	3	3

4 Corporate governance statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company is guided by the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company's practices are largely consistent with those ASX guidelines.

Further information about the Company's corporate governance practices is set out on the Company's website at www.marineproduce.com.

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.

4.1 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 Group 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 Board has delegated responsibility for the operation and administration of the Company to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Board processes

The Board has established a framework for the management of the Group 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 Group is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate Board committees such as a Nomination Committee, a Remuneration Committee or an Audit Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board.

Director education

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group 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 Group'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 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 is maintained throughout the year
- Directors have extensive knowledge of the Company's industries, have experience in the management of public companies, and have expertise in significant aspects of auditing and financial reporting, risk management and financing of public companies
- Each director is allotted a maximum period of three years service, and except for the Managing Director, is subject to re-election every two years.

Whilst the Board has not at all times during the year had a majority of independent directors as recommended by the ASX Corporate Governance Council, the directors consider that the current number of independent directors is appropriate for the effective execution of the Board's responsibilities. The Board periodically monitors the need to appoint additional independent directors.

4.2 Nomination of Board members

The Board considers that a formally constituted Nomination Committee is not appropriate. 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 the review process. The reviews generate recommendations to the Board, which votes on them. Directors displaying unsatisfactory performance are required to retire.

4.3 Remuneration of Board members

The Board considers that a formally constituted Remuneration Committee is not appropriate. 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 at note 5 are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Group'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.

4.4 Audit Committee

The Group 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 to:

- 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;
- 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;
- 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;
- 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 interim 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 interim 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.

4.5 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 Group. The Managing Director, in accordance with company policy, approves material 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 covered the entire financial year and the period up to the signing of the annual financial report for all material operations in the Group.

Risk profile

The Group 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 Group'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 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 and operating expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- 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 and Chief Financial Officer have declared to the Board that the Group'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.

Following the reporting period, monthly actual results are reported against budgets approved by the directors. Revised forecasts for the year are prepared as deemed necessary.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its operational activities. The Group 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 Group during the period covered by this report.

Internal audit

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

4.6 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 Group. 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 Group. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

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 Group are set out in Note 30 to the financial statements.

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 Company 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.

4.7 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 interim report contains summarised financial information and a review of the operations of the consolidated entity during the period. The interim 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 Group 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 Group's Annual General Meeting are lodged with the ASX; and
- The external auditor attends the Annual General Meeting to answer any questions concerning the conduct of the audit and the preparation and content of the Auditor's Report.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group'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, the remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Set out below is the Company's "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

1.1	Formalise and disclose functions reserved to the Board and those delegated to management.	Satisfied. Board Charter is available on the Company's website in the Corporate Governance Statement
2.1	A majority of the Board should be independent directors.	Satisfied.
2.2	The chairman should be an independent director.	Satisfied.
2.3	Roles of chairman and CEO (or equivalent) should not be exercised by same person.	Satisfied.
2.4	The Board should establish a nomination committee.	Not satisfied. The Board considers that given the current size of the Board (5), this function is efficiently achieved with full Board participation. Accordingly, the

2.5	Annual Report requirements.	Board has resolved not to establish a nomination committee at this stage. Satisfied. The Company is adequately positioned to meet all reporting requirements as they fall due.
3.1	Establish a code of conduct.	Satisfied. The Code of Conduct is available on the Company's website in the Corporate Governance Statement.
3.2	Disclosure policy concerning trading in company's securities by directors, officers and employees involved in material transactions or privy to material information.	Satisfied. Trading in securities policy is available on the Company's website in the Corporate Governance Statement.
3.3	Report and disclosure 3.1 and 3.2.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
4.1	Require CEO (or equivalent) and CFO (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.	Satisfied.
4.2	The board should establish an audit committee.	Not satisfied. The Board considers that given the current size of the Board (5), this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish an audit committee at this stage.
4.3	Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, the chairperson is independent and not the chair of the board and it has at least three members.	Not satisfied. Refer 4.2.
4.4	The audit committee should have a formal charter.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
4.5	Report on the above includes name of members and qualifications, numbers and meetings and attendees in the annual report.	Not currently applicable. No audit meetings have been undertaken to date.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at senior management level for that compliance.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
6.2	Request the external auditor to attend the annual general meeting and be available to answer questions about the conduct of the audit and the content and preparation of the auditor's report.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
7.2	The CEO and CFO should provide a statement to the board in writing relating to financial integrity and risk management.	Satisfied.
7.3	Report and disclose 7.1 and 7.2.	Satisfied.
8.1	Disclose the policy for performance evaluation of the board, the committees and individual directors and key executives.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
9.1	Provide disclosure in relation to the company's remuneration policies to enable investor 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.	Satisfied.
9.2	The board should establish a remuneration committee.	Not satisfied. The Board considers that given the current size of the Board (5), this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set out in plans approved by shareholders.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
9.5	Report of the above matters.	Satisfied. Available on the Company's website in the Corporate Governance Statement.
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate shareholders.	Satisfied.

5 Remuneration report

Directors and executive officers' remuneration – audited

5.1 Principles of compensation

Remuneration of directors and executives is referred to as compensation throughout this report.

Compensation levels for key management personnel and the Company Secretary of the Company, and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board obtains independent advice on the appropriateness of compensation packages of both the Company and the Group, given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation, performance-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The Board has no established retirement or redundancy schemes.

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executives' compensation is also reviewed on promotion.

Performance-linked compensation (Short-term incentive bonus)

Currently there are no performance linked short-term incentives (STIs) for key management personnel. Details of the nature and amount of each major element of remuneration of each director of the Company and each of the key management personnel (including most highly remunerated executives) are outlined in section 5.2.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the company and the Group, including directors of the company and other executives. Key management personnel includes the five most highly remunerated S300A directors and executives for the company and the Group.

Non-executive directors

Total compensation for all non-executive directors is not to exceed \$250,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors do not receive performance related compensation.

5.2 Director's and executives remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element of remuneration of each director of the company and each of the named company executives and relevant group executives who receive the highest remuneration and other key management personnel are:

		Short-term				Post-employment	Other long term	Termination Benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits			Options and rights			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Directors												
<i>Non-executive directors</i>												
Mr M A Kennedy (Chairman) (resigned 29 June 2007) (reappointed 11 June 2008)	2008	28,125	-	-	28,125	-	-	-	-	28,125	-	-
	2007	70,479	-	-	70,479	-	-	-	-	70,479	-	-
Mr J R Hutton (resigned 3 February 2006, reappointed 14 August 2006)	2008	12,147	-	-	12,147	50,000	-	-	-	62,147	-	-
	2007	88,356	-	-	88,356	-	-	-	-	88,356	-	-
Dr Tor Theunissen (appointed 17 December 2007)	2008	16,250	-	-	16,250	-	-	-	-	16,250	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-
Prof Mehdi Doroudi (appointed 18 December 2007)	2008	16,250	-	-	16,250	-	-	-	-	16,250	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-
Mr J Drummond (appointed 14 August 2006 resigned 17 December 2007)	2008	44,960	-	-	44,960	9,335	-	-	-	54,295	-	-
	2007	58,767	-	-	58,767	20,000	-	-	-	78,767	-	-
<i>Executive directors</i>												
Mr N Miller * (Managing Director) (resigned 3 February 2006, reappointed 14 August 2006)	2008	81,250	-	-	81,250	7,313	-	-	-	88,563	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-

5.2 Director's and executives remuneration (Company and Consolidated) – audited

		Short-term				Post-employment	Other long term	Termination Benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits			Options and rights			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<i>Executives</i>												
J Mathie **	2008	16,778	-	-	16,778	1,510	-	-	-	18,288	-	-
COMPANY SECRETARY (appointed 14 August 2006)	2007	-	-	-	-	-	-	-	-	-	-	-
G. Westbrook	2008	147,527	-	-	147,527	13,277	-	-	-	160,804	-	-
GENERAL MANAGER	2007	17,719	-	-	17,719	1,594	-	-	-	19,313	-	-
Total KMP remuneration	2008	363,287	-	-	363,287	81,435	-	-	-	444,722	-	-
	2007	235,321	-	-	235,321	21,594	-	-	-	256,915	-	-

* Fees were paid to Maxima Fish Farms for services provided by N. Miller – see note 30 to the financial accounts.

** Fees were paid to RDC for services provided by J. Mathie – see note 30 to the financial accounts.

5.3 Equity instruments - audited

(i) Options and rights over equity instruments granted as compensation

No options were granted to directors, executives or key management personnel during the reporting period or previous reporting period.

No options have been granted since the end of the financial year.

(ii) Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

(iii) Exercise of options granted as compensation

No options were exercised during the reporting period nor the prior period. No options lapsed in the current or prior period.

6 Principal activities

The principal activities of the Group during the course of the financial year were the growth and sale of Barramundi by aquaculture means. This required further investment in aquaculture assets and continuing research of technologies and market developments to cultivate fish.

The Group's objectives are stated within the operating and financial 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 Group.

7 Operating and financial review

Marine Produce Australia Ltd operates an expanding marine finfish farming business in the Buccaneer Archipelago, in the north-west of Western Australia.

Over the last five years MPA has made considerable progress in the development of infrastructure and techniques for growing Barramundi in high energy oceanic sites, and has been successful in producing a product that has been widely acclaimed for its superior size, flesh quality and recovery rates.

World production from the wild catch sector remained static for over twenty years from the mid 1980s but has declined in recent years due to dwindling resources and increased regulation and management of many fisheries. Meanwhile, demand for all seafood has increased steadily over that period.

Growing consumption of seafood has been met by aquaculture production which is the world's fastest growing food production sector, expanding from supplying 10% of demand in 1984 to the current level of matching or exceeding the wild catch. The United Nations Food and Agricultural Organisation predict that there will be a shortfall of over 37 million tonnes of seafood by 2020. It is clear that increasing demand for fish products will be met by aquaculture production. One product of particularly high demand is quality white fish suitable for fillet and portion production for sales into western retail, restaurant and food service markets.

MPA is well placed to capitalise on this demand, and plans to increase harvesting volumes from the current level of 363,000kg to 2,000,000kg by 2012 through new sites and licenses, and thereafter to a targeted annual harvest volume of 5,000,000kg.

This scale of operation will place MPA as a major Australian aquaculture group and deliver strong and sustainable financial returns to shareholders.

(i) OPERATING REVIEW

The Cone Bay farm has undergone significant development during 2008, with increases in harvest output, average weight, standing biomass and farm capacity. Market acceptance of our fish has been outstanding due to its high quality, freshness and reliable supply.

The group has been expanding the operating scale of the farm, which has required further investment in aquaculture assets, particularly in the grow-out of fish to targeted harvest size, and continuing research of technologies and market development.

Nursery

Upgrades to the nursery facility have proven highly successful in ensuring security of juvenile production. Intake over this period exceeded 600,000 fish, which allowed for culling of poor performing stocks to ensure optimum growth on the marine farm.

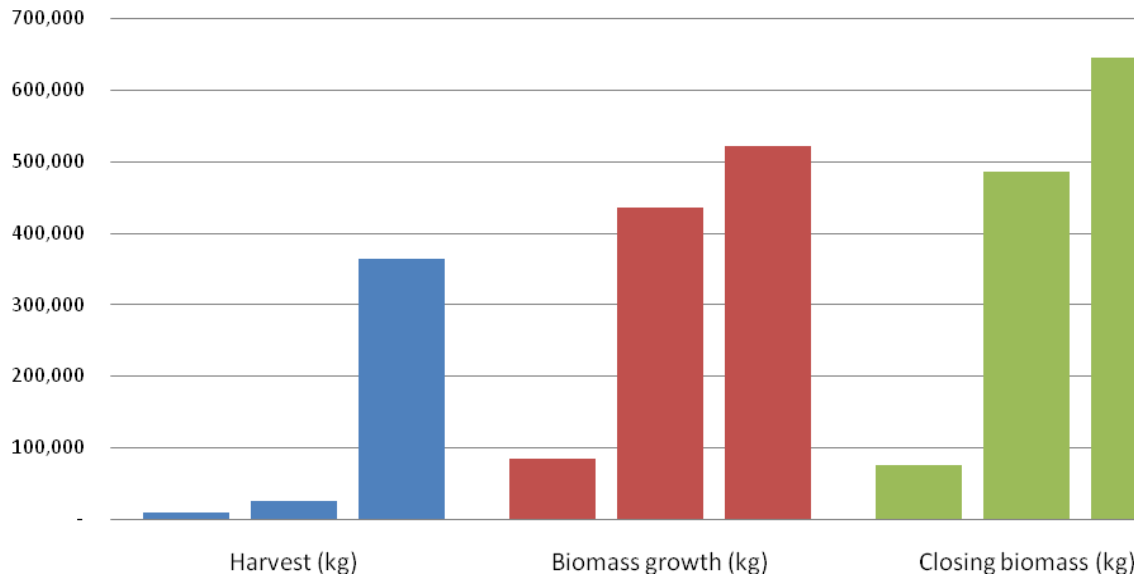
Significant capacity increase has been gained through the purchase of a marine sea cage nursery system which will allow shorter batch cycle times. Fish can be transferred from tanks at a smaller size, and held longer prior to stocking in grow-out cages which will allow for better management and lower size variance within groups. This facility came on line during July 2008 and is currently stocked with 180,000 fish at 150 grams average weight.

Performance of stock in the nursery has continued to be strong, displaying excellent growth and low feed conversion ratios.

Marine farm

Farm stock has continued to perform well and exceeded management growth targets.

Harvest and biomass - 2006 to 2008



Harvest volume for the year was 363,000kg of whole fish. Total biomass at the end of the period was 645,000kg, representing a total biomass increase of 522,000kg. Average harvest weight for the year was a pleasing 3.25kg, and had reached over 3.90kg by the end of the period.

Fish health on the marine farm has been outstanding, with very low mortality levels across all groups. Some mortalities were caused by handling at time of grading or harvesting, however changes to equipment and handling practices have significantly reduced this impact. Importantly, there have been no incidences of disease.

Management is currently investigating strategies to reduce feed conversion ratios for larger fish as these have been higher than expected.

Capacity increase has continued as a major focus for the Barramundi operations, with many significant purchases made during the year. The major items were:

- Nursery cage system made up of 8 cages, each 6m x 6m by 4m depth, including nets, bird exclusion nets, and moorings for deployment
- 5 new production cages each capable of holding up to 60t of Barramundi
- Kikko heavy duty plastic nets with weighting systems for production and harvesting cages
- Mooring system for new cages
- Upgraded nursery filtration and waste management system

Environmental monitoring and management

The Environmental Monitoring and Management Program (EMMP) has continued throughout the year as required under the operational licence. Sampling of water and sediment parameters within the farm and at reference sites has not shown any detectable impact as a result of farming activities, and shows the farm environment to be in a healthy state. Both coral reef and mangrove system monitoring programs show healthy and unaffected ecosystems.

Ongoing work with WA Fisheries and Department of Environment and Conservation will see a revised EMMP applied to our farming operations from the second half of 2008. This will require more focused monitoring and clear management actions should environmental values be exceeded.

Marketing and sales

Overall 363,000kg of whole fish was harvested during the period for sale to market.

Feedback on our product has been exceptional, praising it for its freshness, excellent eating qualities and reliability of supply. This resulted in MPA maintaining high prices and market share during a period of unusually low demand for fish in the domestic market towards the end of the period. Export orders are regular, but the volumes required to service export markets is too large for our current level of production – see Expansion Plans below.

In February 2008, the group finalised an agreement with a major Australian seafood company for the sale and distribution of the group's Barramundi products within the Australian market.

Indigenous employment program

Marine Produce Australia has continued its commitment to increased and sustainable employment from local indigenous communities through a number of avenues:

- Employment of a dedicated Indigenous Relations Officer
- Utilising the services of Derby Job Futures, a federally funded training and employment service for aboriginal communities, to establish a fish packing team based in Derby, Western Australia
- Promotion of our farming operation to local communities under the banner "Local jobs for local people"
- Initial discussions with Dambimangari group regarding joint venture fish farming projects in the Buccaneer Archipelago. Visits to potential farm sites are currently being organised.

(ii) Expansion plans

Increase harvest capacity

The group has significant expansion plans which involve additional operating expenditure for the grow-out and restocking of fish stocks to enable the group to expand its harvest capacity to a targeted level of 2,000,000kg per annum by June 2012.

Further capital expenditure will also be required for investment in:

- Increase in cage capacity and moorings
- Upgrade nursery to allow intake of 1 day old fry
- Install concrete base below nursery tanks
- Expand grading capacity for marine nursery
- Upgrade harvest line to increase throughput and improve animal welfare
- Purchase electronic counting equipment required for effective grading and counting
- Install centralised feeding systems and remote monitoring technology
- Purchase high capacity net cleaning equipment
- Increase below deck capacity and fit larger crane to Merindah Pearl
- Expand the licence application program for additional farming sites

This increase in scale will require additional funding to provide operational efficiencies necessary for the commercialisation of the fish farming business to increase the long term cash operating margins of the business.

Licensing approvals

To achieve continued growth towards commercial quantities of sales the group will require licensing approvals to grow and harvest adequate quantities of fish. The relevant government agencies are presently considering applications to increase the existing license and add further licenses.

(iii) REVIEW OF FINANCIAL RESULTS

Loss for the period

The consolidated group's result from operating activities for the reporting period was a loss of \$1,562,000 (2007: \$2,935,000). The loss for the period was \$3,545,000 (2007: \$2,471,000).

Loss per share

Basic loss per share for the reporting period was \$0.007 per share (2007: \$0.006).

Basic loss per share from continuing operations for the reporting period was \$0.005 per share (2007: \$0.008).

Revenue

Sales revenue

Revenue from the sale of fish was \$3,245,000 for the period (2007: \$252,000).

Harvest levels have increased with over 363,000kg of fish harvest for the period (2007: 25,000kg). This compares to fish acquisitions and growth of 607,000kg (2007: 435,000kg), as the group continued to increase the size and harvest capacity of the Cone Bay farm.

Gain from change in fair value of biological assets

Gains of \$3,129,000 (2007: \$1,989,000) have been recognised from the increase in biological assets resulting from the purchase and grow-out of fish stocks held in sea cages. This gain represents the net increase in fish biomass which results from the excess of fish acquisitions and growth over the amount harvested during the period.

Other income

Other income of \$427,000 (2007: \$392,000) consisted predominantly of government grants of \$405,000 (2007: \$341,000) relating to the group's research and development activities.

Operating costs

Overall operating costs and net cash used in operating activities

Unit operating costs have reduced in line with expectation as fish grow-out has increased from expanding operations.

Net cash used in operating activities of \$3,875,000 (2007: \$4,891,000) represents the difference between proceeds from the sale of harvested fish against the cash outlay for the acquisition and grow-out of fish biomass and other operating expenses. This outflow represents an investment in increasing the biomass of the farming operations to provide cost efficiencies and increased cash operating margins. The resulting closing biomass is held as a biological asset in the balance sheet.

Energy costs

Increasing energy costs in the wider economy have not materially adversely affected the group's operating cost structure. Diesel fuel is used within the farming operations to generate power, run service vessels and road transport.

Labour costs

Increasing labour costs, particularly in the remote Western Australian labour market, have affected the operation with labour more difficult and more expensive to source. The group's expansion plans are designed to increase automation and reduce the group's need for significant additional labour.

Fish feed

Sourcing and transport of fish feed is a significant operating cost for the farming operation. The group expects to achieve more favourable unit pricing for feed and transport with expanding scale of operations and automated feeding systems.

Depreciation and amortisation

Depreciation and amortisation costs remain in line with expectation.

Administration costs

Administration costs, which are largely fixed, have reduced as a percentage of overall costs as the farming operations have increased in scale over the past two years. Further expansion is expected to further reduce administration costs as a percentage of total operating costs.

Other transactions

Sale of prawn farm

In early January 2008, the group concluded the sale of its prawn farming operations in the Northern Territory for sale proceeds of \$3,400,000 less selling costs. A loss of \$1,008,000 (2007: \$605,000 profit) was recorded for this discontinued operation during the period representing an impairment of held for sale assets to their net sales value.

Issue of options relating to finance facility

In August 2007, WU Investments Pty Ltd granted the company a loan facility of up to \$3,000,000 subject to the terms and conditions contained in a loan agreement entered into between the company and the lender.

On 28 September 2007, shareholders in general meeting voted to approve the issue of 50,000,000 (fifty million) \$0.02 options expiring 28 September 2012 to acquire ordinary shares in the company in consideration for the lender agreeing to grant the loan facility to the company. The issue of these options resulted in the recognition of financial expenses of \$488,000 (2007: nil) in the income statement and balance sheet equity reserves.

(iv) REVIEW OF FINANCIAL CONDITION

The group's result from operating activities for the reporting period was a loss of \$1,562,000. The loss before tax for the period from continuing operations was \$2,537,000.

At 30 June 2008, the group had a working capital surplus of \$3,743,000, represented significantly by biological assets of \$5,448,000.

Further working capital and funding for capital expenditure is required to enable the Cone Bay farm site to initially operate at breakeven and then to grow to a scale required to achieve:

- Fish grow-out of current holdings to targeted harvest size
- Large scale consistent supply of Barramundi products to domestic and export markets
- Economies of scale and cost efficiencies
- Improved, sustainable returns to shareholders, and
- Indigenous employment initiatives

The group plans to harvest and sell significantly less than the projected total fish biomass growth during the 2009 financial year to expand the biomass of the farm. This planned biomass expansion, predominantly of the fish currently on hand, is subject to harvest licensing approvals and will require significant additional investment capital.

The group will require additional working capital to meet ongoing operations. In this regard, since 30 June 2008, the company has met these needs and accessed the followings sources of funding:

- Issued 4,500,000 shares on 21 August 2008 to raise \$450,000
- Issued 4,300,000 shares on 26 September 2008 to raise \$258,000
- Extended its related party loan facilities from \$1,000,000 to \$1,500,000

To achieve the planned expansion further equity raisings or other funding will be required. The company is currently in the process of formalising plans for a rights issue to existing shareholders to fund the group's operations. The Company plans to raise between \$4,000,000 and \$6,000,000 to fund its planned expansion strategy over the next 12 months. Should less funding be available, the group would look to slow its expansion strategy and/or harvest fish at less than the current targeted harvest size to maintain sufficient cash reserves.

Should a rights issue be unsuccessful and the company not be able to otherwise secure funding from other capital raisings or other alternative funding arrangements, there is material uncertainty which may cast significant doubt as to whether the company and group will be able to continue as a going concern and continue to pay its debts as and when they fall due.

If the group is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial report. This includes, but is not limited to, the group's major assets, being its biological assets, which represent 75% of the group's current assets and 50% of the group's total assets.

Based on discussions with major shareholder groups the directors are confident that the group will be able to raise sufficient funding to continue as a going concern and continue to pay its debts as and when they fall due.

(v) **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes in the state of affairs of the group during the reporting period were as follows:

EQUITY FUNDING

The company raised \$1,126,000 during the period through the issue of 75,009,510 shares to fund the grow-out of fish and expansion of the group's fish farming operations.

In December 2007, 2,000,000 shares were issued to Dr Tor Theunissen for services rendered in preparation of various management reports and strategies. These shares were issued prior to his appointment as a director of the company. The fair value of those shares was \$33,000.

DEBT FUNDING

The company borrowed \$4,000,000 and repaid \$3,000,000 of its financing facilities during the period.

WU Investments Pty Ltd facility

In August 2007, WU Investments Pty Ltd granted the company a financing facility of up to \$3,000,000 subject to the terms and conditions contained in a loan agreement entered into between the company and the lender.

Performance of the company's obligations under the loan agreement was granted by Aussie Prawns Pty Ltd, a wholly owned subsidiary, and secured by a first mortgage over Aussie Prawn's prawn operations in the Northern Territory.

During the reporting period, the company borrowed \$3,000,000 under the loan agreement and repaid these funds in full from the consideration received on the sale of the prawn farm.

Faustus Nominees Pty Ltd facility

In February 2008, \$1,000,000 was drawn under a 12 month loan agreement with Faustus Nominees Pty Ltd, an entity related to Mr Hutton, a director of the company. The loan has been fully drawn at period end, is secured by the assets of the group, accrues interest at 12 per cent per annum and is repayable by the company by normal operating and fundraising activities.

CORPORATE

During June 2008, Miles Kennedy was reappointed to the board of directors of the company as non-executive Chairman.

During December 2007, Dr Tor Theunissen and Professor Mehdi Doroudi were appointed and John Drummond resigned as non-executive directors of the company.

Subsidiaries, associates and joint ventures

The entity did not gain or lose control over any entities during the period. No member of the Group held an interest in, or participated in the results of an associate or joint venture.

8 Dividends

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

9 Events subsequent to reporting date

On 18 July 2008 shareholders approved in general meeting:

- (a) Issue of 100,000,000 options exercisable at \$0.02 expiring 28 September 2012
- (b) Consolidation of the issued capital of the company on the ratio of 10:1

The consolidation of issued capital resulted in the following:

		Pre consolidation		Post consolidation	
	Expiry date	Number	Exercise price (\$)	Number	Exercise price (\$)
Shares	-	592,556,390	-	59,255,714	-
Options	25 August 2009	10,000,000	0.30	1,000,000	3.00
	20 June 2010	3,090,545	0.30	309,055	3.00
	28 September 2012	150,000,000	0.02	15,000,000	0.20

Differences from basic division by 10 are due to fractional round-ups on consolidation of holdings.

On 21 August 2008 the company announced the placement of 4,500,000 shares at \$0.10 per share to raise \$450,000.

On 24 September 2008 the company extended its loan facilities with related parties from \$1,000,000 to \$1,500,000.

On 26 September 2008 the company announced the placement of 4,300,000 shares at \$0.06 per share to raise \$258,000.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity, in future financial years, other than the concern expressed earlier regarding liquidity and funding.

10 Likely developments

Likely developments are included within the operating and financial 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 Group.

11 Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as 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:

Holdings are presented post-consolidation of the issued capital of the Company on 18 July 2008.

Marine Produce Australia Limited

	Ordinary shares	Options over ordinary shares
Mr M Kennedy	1,160,070	-
Mr N Miller	989,525	-
Mr J Hutton	13,812,308	-
Dr T Theunissen	400,000	-
Prof M Doroudi	72,000	-

12 Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current directors of the Company; Mr M Kennedy, Mr J Hutton, Mr N Miller, Dr T Theunissen and Prof M Doroudi and the following former directors, Mr J Drummond, Mr A Zimpel, Mr K Simich, Mr M Firmin and Mr P Fraser against all liabilities to another person (other than the Company or 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 also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, 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.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives of and secretaries of its controlled entities. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The value of the premium paid is not disclosed subject to an existing confidentiality agreement between the insurer and the directors of the company.

13 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the financial year ended 30 June 2008.

14 Rounding off

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

Signed in accordance with a resolution of the directors:



N Miller
Managing Director

Dated at Perth this 26th day of September 2008.

LEAD AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of Marine Produce Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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

K Smout
Partner

Perth
Dated: 26 September 2008

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
Continuing operations					
Revenue from sales		3,245	252	-	-
Gain from change in fair value of biological assets		3,129	1,989	-	-
Other income		427	392	427	341
Total income		6,801	2,633	427	341
Raw materials and consumables		(5,237)	(3,892)	-	-
Personnel expenses	7	(1,805)	(1,075)	-	(297)
Administrative and marketing expenses		(1,321)	(601)	(459)	(352)
Other expenses	8	-	-	(3,545)	(2,242)
Results from operating activities		(1,562)	(2,935)	(3,577)	(2,550)
Finance income		33	82	32	79
Finance expenses	6	(593)	-	-	-
Net finance income/(expense)		(560)	82	32	79
Depreciation and amortisation		(415)	(223)	-	-
Loss before income tax		(2,537)	(3,076)	(3,545)	(2,471)
Income tax expense	10	-	-	-	-
Loss from continuing operations		(2,537)	(3,076)	(3,545)	(2,471)
Discontinued operation					
Profit from discontinued operation (net of income tax)	5	-	605	-	-
Impairment of property plant and equipment and intangibles		(1,008)	-	-	-
Loss for the period		(3,545)	(2,471)	(3,545)	(2,471)
Loss per share					
Basic loss per share (cents)	11	(0.7)	(0.6)		
Diluted loss per share (cents)		(0.7)	(0.6)		
Continuing operations					
Basic loss per share (cents)		(0.5)	(0.8)		
Diluted loss per share (cents)		(0.5)	(0.8)		

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

BALANCE SHEETS
AS AT 30 JUNE 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
Assets					
Cash and cash equivalents	12	310	892	213	864
Trade and other receivables	13	1,301	786	405	4,020
Inventories	14	227	140	-	-
Biological assets	15	5,448	2,430	-	-
Other assets		37	18	18	18
Assets classified as held for sale	5	-	4,323	-	-
Total current assets		7,323	8,589	636	4,902
Receivables	13	-	-	8,819	4,735
Investments	8/16	-	-	-	687
Property, plant and equipment	18	3,915	2,375	86	113
Intangible assets	19	482	479	-	-
Total non-current assets		4,397	2,854	8,905	5,535
Total assets		11,720	11,443	9,541	10,437
Liabilities					
Trade and other payables	20	2,525	1,329	398	365
Loans and borrowings	21	1,000	-	1,000	-
Employee benefits	22	55	46	3	4
Total current liabilities		3,580	1,375	1,401	369
Net assets		8,140	10,068	8,140	10,068
Equity					
Share capital	23	26,255	25,126	26,255	25,126
Reserves	6(i)	488	-	488	-
Accumulated losses		(18,603)	(15,058)	(18,603)	(15,058)
Total equity		8,140	10,068	8,140	10,068

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

<i>In thousands of AUD</i>	Note	Share capital	Share based payments reserve	Accumulated losses	Total equity
Consolidated					
Balance at 1 July 2006		19,325	-	(12,587)	6,738
Total income and expense recognised directly in equity		-	-	-	-
Loss for the period		-	-	(2,471)	(2,471)
Total recognised income and expense		-	-	(2,471)	(2,471)
Shares issues	23	6,178	-	-	6,178
Share issue costs		(377)	-	-	(377)
Balance at 30 June 2007		25,126	-	(15,058)	10,068
Balance at 1 July 2007		25,126	-	(15,058)	10,068
Total income and expense recognised directly in equity		-	-	-	-
Loss for the period		-	-	(3,545)	(3,545)
Total recognised income and expense		-	-	(3,545)	(3,545)
Share based payments	6	-	488	-	488
Share issues	23	1,159	-	-	1,159
Share issue costs		(30)	-	-	(30)
Balance at 30 June 2008		26,255	488	(18,603)	8,140
Company					
Balance at 1 July 2006		19,325	-	(12,587)	6,738
Total income and expense recognised directly in equity		-	-	-	-
Loss for the period		-	-	(2,471)	(2,471)
Total recognised income and expense		-	-	(2,471)	(2,471)
Shares issues	23	6,178	-	-	6,178
Share issue costs		(377)	-	-	(377)
Balance at 30 June 2007		25,126	-	(15,058)	10,068
Balance at 1 July 2007		25,126	-	(15,058)	10,068
Total income and expense recognised directly in equity		-	-	-	-
Loss for the period		-	-	(3,545)	(3,545)
Total recognised income and expense		-	-	(3,545)	(3,545)
Share based payments	6	-	488	-	488
Share issues	23	1,159	-	-	1,159
Share issue costs		(30)	-	-	(30)
Balance at 30 June 2008		26,255	488	(18,603)	8,140

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
Cash flows from operating activities					
Cash receipts		2,852	486	738	-
Cash paid to suppliers and employees		(7,120)	(5,510)	(459)	(535)
Cash from (used in) operations		(4,268)	(5,024)	279	(535)
Interest received		34	82	32	79
Government grants received		341	51	341	-
Other income received		18	-	18	15
Net cash from (used in) operating activities	29	(3,875)	(4,891)	670	(441)
Cash flows from investing activities					
Proceeds from sale of assets held for sale and property, plant and equipment	5	3,262	1	-	-
Acquisitions of intellectual property		(52)	(109)	-	-
Acquisitions of property, plant and equipment		(1,907)	(1,281)	-	-
Net cash from (used in) investing activities		1,303	(1,389)	-	-
Cash flows from financing activities					
Proceeds from issue of share capital		1,126	6,178	1,126	6,178
Payment of transaction costs		(30)	(377)	(30)	(377)
Proceeds from borrowings	21	3,000	1,250	3,000	1,250
Repayment of borrowings	21	(3,000)	(1,296)	(3,000)	(1,250)
Proceeds from borrowings – related party	21	1,000	-	1,000	-
Interest paid on borrowings		(106)	-	(106)	-
Other loans		-	(1)	-	(1)
Loans to subsidiaries	13	-	-	(3,311)	(5,604)
Net cash from (used in) financing activities		1,990	5,754	(1,321)	196
Net decrease in cash and cash equivalents		(582)	(526)	(651)	(245)
Cash and cash equivalents at 1 July		892	1,418	864	1,109
Cash and cash equivalents at 30 June	12	310	892	213	864

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

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Marine Produce Australia Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 11/38 Colin Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved and authorised for issue by the Board of Directors on 26 September 2008.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less estimated selling costs

The methods used to determine fair values are discussed further in Note 25.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 15 - Biological assets
- Note 24 - Share-based payments

(e) Going concern

This financial report is prepared on the going concern basis and assumes the continuation of normal business activities in the Group for at least the next 12 months.

The group's result from operating activities for the reporting period was a loss of \$1,562,000. The loss before tax for the period from continuing operations was \$2,537,000.

At 30 June 2008, the group had a working capital surplus of \$3,743,000, represented significantly by biological assets of \$5,448,000.

Further working capital and funding for capital expenditure is required to enable the Cone Bay farm site to initially operate at breakeven and then to grow to a scale required to achieve:

- Fish grow-out of current holdings to targeted harvest size
- Large scale consistent supply of Barramundi products to domestic and export markets
- Economies of scale and cost efficiencies
- Improved, sustainable returns to shareholders, and
- Indigenous employment initiatives

The group plans to harvest and sell significantly less than the projected total fish biomass growth during the 2009 financial year to expand the biomass of the farm. This planned biomass expansion, predominantly of the fish currently on hand, is subject to harvest licensing approvals and will require significant additional investment capital.

The group will require additional working capital to meet ongoing operations. In this regard, since 30 June 2008, the company has met these needs and accessed the following sources of funding:

- Issued 4,500,000 shares on 21 August 2008 to raise \$450,000
- Issued 4,300,000 shares on 26 September 2008 to raise \$258,000
- Extended its related party loan facilities from \$1,000,000 to \$1,500,000

To achieve the planned expansion further equity raisings or other funding will be required. The company is currently in the process of formalising plans for a rights issue to existing shareholders to fund the group's operations. The Company plans to raise between \$4,000,000 and \$6,000,000 to fund its planned expansion strategy over the next 12 months. Should less funding be available, the group would look to slow its expansion strategy and/or harvest fish at less than the current targeted harvest size to maintain sufficient cash reserves.

Should a rights issue be unsuccessful and the company not be able to otherwise secure funding from other capital raisings or other alternative funding arrangements, there is material uncertainty which may cast significant doubt as to whether the company and group will be able to continue as a going concern and continue to pay its debts as and when they fall due.

If the group is unable to continue as a going concern, it will be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial report. This includes, but is not limited to, the group's major assets, being its biological assets, which represent 75% of the group's current assets and 50% of the group's total assets.

Based on discussions with major shareholder groups the directors are confident that the group will be able to raise sufficient funding to continue as a going concern and continue to pay its debts as and when they fall due.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 4).
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRSs, are measured on the basis of deemed cost, being the carrying amount at that date.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the Income Statement as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the Income Statement.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense incurred.

Depreciation

With the exception of freehold land and development assets, depreciation is charged to the income statement on an adjusted reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Buildings	40 years
Plant and equipment	5 - 12 years
Fixtures and fittings	5 – 10 years
Major components	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(c) Intangible assets

Development assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources and intent to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (f)).

Borrowing costs related to the development of qualifying assets are recognised in the income statement as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of intangible assets in the current and comparative periods is 10 years.

(d) Biological assets

Biological assets relating to aquaculture activities and products are stated at fair value less estimated selling costs, with any resultant gain or loss recognised in the income statement. Selling costs include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

As the fair value of the assets is based on its present location and condition, the company applies direct costing to estimate fair value of barramundi in cages where they have not yet reached a saleable size.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost attributed to harvested barramundi is equal to the fair value less estimated point of sale costs previously recorded in biological assets at the date of harvest, determined in accordance with the accounting policy for biological assets (see accounting policy (d)). Any change in value at the date of harvest is recognised in the income statement. Once harvested, barramundi inventories are accounted for as normal inventories.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost includes an appropriate share of overheads based on normal operating capacity.

(f) Impairment

The carrying amounts of the Group's assets, other than biological assets (see accounting policy d), inventories (see accounting policy e) and deferred tax assets (see accounting policy l) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of receivables that are not impaired individually is performed by placing them into portfolios of receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles based on objective evidence from historical experience adjusted to for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss has decreased or no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event after the impairment loss was recognised via profit and loss.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(g) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets and liabilities in the disposal group is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

(h) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss as and when they fall due.

Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation, insurance and payroll tax. Non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(i) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Revenue

Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of Barramundi, transfer usually occurs when the product is received by the customer.

Gain from change in fair value of biological assets

Biological assets relating to aquaculture activities and products are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

As the fair value of the assets is based on its present location and condition, the company applies direct costing to estimate fair value of barramundi in cages where they have not yet reached a saleable size.

Government grants

Research and development government grant related to a biological asset is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which expenses are recognised. Grants that compensate the Group for the cost of an assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(k) Expenses

Financing income and expenses

Net financing costs comprise interest payable on borrowings (calculated using the effective interest method), fair value of share-based payments attributable to financing facilities and interest receivable on funds invested that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(l) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is 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 the balance sheet date, and any adjustment 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 amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Marine Produce Australia Limited.

Current tax expense/income and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity and are recognised in the separate financial statements of the members of the tax consolidated group using the

“separate tax payer within group” approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has not entered into a tax funding or sharing arrangement with members of the tax-consolidated group in respect of tax amounts.

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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.

(o) Earnings per share

The Group presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Determination of fair values

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values of assets and liabilities are disclosed in the notes specific to that asset or liability.

Biological assets

The fair value of fish is set out in Note 3(d).

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share based payment transactions

The fair value of employee and director share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publically available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attaching to the transactions are not taken into account in determining fair value.

(q) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(k).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

4 Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format is based on the Group's management and internal reporting structure.

Inter segment pricing is determined on an arms length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segments assets that are expected to be used for more than one period.

At 30 June 2008 the Group undertakes one activity being the farming of Barramundi at Cone Bay in the Buccaneer Archipelago, North West of Western Australia.

4 Segment reporting

In thousands of AUD

	Prawns (discontinued operation)		Barramundi (continuing operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
Primary reporting – business segments						
REVENUE						
Sales	-	233	3,245	252	3,245	485
Gain from changes in fair value of biological assets	-	-	3,129	1,989	3,129	1,989
Change in fair value of assets held for resale	-	1,135	-	-	-	1,135
Other operating revenue	-	-	427	392	427	392
Total income	-	1,368	6,801	2,633	6,801	4,001
RESULT						
Segment result before income tax	(1,008)	605	(2,537)	(3,076)	(3,545)	(2,471)
Income tax expense	-	-	-	-	-	-
Total loss after income tax	(1,008)	605	(2,537)	(3,076)	(3,545)	(2,471)

4 Segment reporting

In thousands of AUD

	Prawns (discontinued operation)		Barramundi (continuing operations)		Consolidated	
	2008	2007	2008	2007	2008	2007
Primary reporting – business segments						
ASSETS						
Segment assets	-	4,325	11,720	7,118	11,720	11,443
LIABILITIES						
Segment liabilities	-	8	3,580	1,367	3,580	1,375
Capital expenditure	-	251	1,907	1,217	1,907	1,468
Depreciation	-	131	366	183	366	314
Amortisation of intangible assets	-	18	49	40	49	58
Raw materials & consumables	-	493	5,237	3,709	5,237	4,202
Impairment of property, plant equipment and intangibles	(1,008)	-	-	-	(1,008)	-

5 Assets classified as held for sale

In 2007 the carrying amount of assets held for sale in the prawn business segment was \$4,323,116. The assets had been classified as held for sale in the balance sheet. The measurement of the recoverable amount for these assets was made based on the estimated net value the Group could realise on the sale of the assets. This property was disposed of on 11 January 2008, with an amount of \$1,008,000 recognised for impairment prior to sale.

Discontinued operation

The prawn farming operation located in Darwin was classified as a discontinued operation in 2007 with the associated assets classified as assets held for sale in the balance sheet. This resulted from the decision of the Group's Board in December 2006 to consider the sale of the associated assets due to the prawn farm being uneconomical at 12 hectares of renovated ponds. These assets were sold during 2008.

Cash flows from discontinued operation

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Net cash from investing activities	3,315	-	-	-

Effect of disposal on the financial position of the group

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Property plant & equipment	(4,323)	-	-	-
Impairment	1,008	-	-	-
Consideration received in cash	3,315	-	-	-

Results of discontinued operation

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Revenue	-	233	-	-
Other income	-	1,135	-	-
Expenses	(1,008)	(763)	-	-
Results from operating activities	(1,008)	605	-	-
Income tax expense	-	-	-	-
Results from operating activities, net of income tax	(1,008)	605	-	-
Basic (loss)/earnings per share (cents)	(0.2)	0.2	-	-
Diluted (loss)/earnings per share (cents)	(0.2)	0.2	-	-

6 Finance expenses

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Fair value of options issued under a loan agreement (i)	488	-	488	-
Transfer of fair value of options to controlled entity	-	-	(488)	-
Interest expense (ii)	105	-	-	-
	593	-	-	-

(i) Fair value of options issued under a loan agreement

Loan facility

In August 2007, WU Investments Pty Ltd granted the Company a loan facility of up to \$3,000,000 subject to the terms and conditions contained in a loan agreement entered into between the Company and the lender.

Performance of the Company's obligations under the loan agreement was guaranteed by Aussie Prawns Pty Ltd, a wholly owned subsidiary of the Company, and secured by a first mortgage over Aussie Prawn's prawn operations in the Northern Territory (assets held for sale at 30 June 2007).

During the reporting period the Company borrowed \$3,000,000 under the loan facility and repaid these funds in full from the consideration received on the sale of the prawn farm.

On 28 September 2007, shareholders in general meeting voted to approve the issue of 50,000,000 (fifty million) \$0.02 options expiring 28 September 2012 to acquire ordinary shares in the Company in consideration for the lender agreeing to grant the loan facility to the Group. The issue of these options, based on Black-Scholes option valuation model, resulted in the recognition of financial expenses of \$488,000 (2007: nil) in the income statement and balance sheet equity reserves. The fair value of options was determined by applying the following key assumptions:

Dividend yield/ Expected volatility/ Risk-free interest rate	0%/ 50%/ 7.25%
Expected life of option (years)	5
Option exercise price	\$0.02
Share price at date of grant	\$0.19

(ii) **Interest expense**

Interest charges paid and accrued under the WU Investments Pty Ltd and Faustus Nominees Pty Ltd, an entity related to Mr Hutton, working capital facilities – Refer to Note 21 for further details of terms and conditions of these facilities.

7 Personnel expenses

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Wages and salaries	1,386	542	-	218
Other associated personnel expenses	270	413	-	59
Superannuation costs	82	62	-	20
Increase in liability for annual leave	67	58	-	-
	1,805	1,075	-	297

8 Other expenses

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Impairment loss on loans to controlled entities	-	-	2,858	1,579
Impairment loss on investments in controlled entities	-	-	687	663
	-	-	3,545	2,242

Investments and loans to controlled entities have been impaired to the extent that those entities have a net asset deficiency.

9 Auditors' remuneration

<i>In AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Audit services				
Auditors of the Company: KPMG Australia				
Audit and review of financial reports	69,000	53,260	69,000	53,260

10 Income tax expense recognised in the income statement

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Current tax expense				
Current period	(719)	(1,142)	(8)	(154)
Adjustment for prior periods	-	-	-	-
	(719)	(1,142)	(8)	(154)
Deferred tax expense				
Origination and reversal of temporary differences	668	1,294	(1,127)	178
Change in unrecognised temporary differences	51	(152)	1,135	(24)
Utilisation of previously unrecognised tax losses	-	-	-	-
	719	1,142	8	154
Total income tax expense	-	-	-	-

Numerical reconciliation between income tax expense and loss before income tax

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Loss for the period	(3,545)	(2,471)	(3,545)	(2,471)
Total income tax expense	-	-	-	-
Loss excluding income tax	(3,545)	(2,471)	(3,545)	(2,471)
Income tax using the Company's domestic tax rate of 30% (2007:30%)	(1,063)	(741)	(1,063)	(741)
Gain on sale of discontinued operation	64	-	-	-
Non-deductible expenses	202	78	216	53
Write back of impairment charge	302	(341)	-	-
Tax incentives (research & development tax offset)	(120)	(102)	(120)	(102)
Capital raising costs	(104)	(36)	(104)	(36)
Provisions for non-recoverability	-	-	1,063	672
Current year losses for which no deferred tax asset was recognised	719	1,142	8	154
Tax losses not brought to account	-	-	-	-

Income tax recognised directly in equity

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Capital raising costs	9	(58)	9	(58)
Tax losses not brought to account	(9)	58	(9)	58
Total income tax recognised directly in equity	-	-	-	-

Research and development tax concessions are recognised as government grants within income.

11 Loss per share

Basic and diluted loss per share

	Consolidated	
	2008	2007
From continuing operations (cents)	(0.5)	(0.8)
From discontinued operations (cents)	(0.2)	0.2
Loss per share	(0.7)	(0.6)

The calculation of basic loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of \$3,545,000 (2007: \$2,471,000) and weighted average number of ordinary shares during the financial year ended 30 June 2008 of 521,789,310 (2007: 382,772,668).

The Group is in a loss making position and its unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to a diluted earnings per share that shows an inferior view of the earnings per share. For this reason, the diluted loss per share is the same as the basic loss per share.

12 Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Cash at bank	310	29	213	1
Call deposits	-	863	-	863
Cash and cash equivalents in the statement of cash flows	310	892	213	864

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25.

13 Trade and other receivables

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Current				
Trade receivables	706	193	-	5
Other receivables	410	341	405	341
GST receivable	185	252	-	43
Loans to controlled entities	-	-	-	3,631
	1,301	786	405	4,020
Non-current				
Loans to controlled entities	-	-	16,142	9,200
Provision for non recovery of loans	-	-	(7,323)	(4,465)
	-	-	8,819	4,735

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 25.

14 Inventories

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Stock of feed - at cost	68	103	-	-
Consumable stock - at cost	20	37	-	-
Harvested fish stock - at net realisable value	139	-	-	-
	227	140	-	-

15 Biological assets

<i>In thousands of AUD</i>	Consolidated		Total
	Barramundi	Prawns (Discontinued)	
Balance at 1 July 2006	565	16	581
Increase due to growth	1,880	33	1,913
Increase due to acquisitions	109	20	129
Decrease due to sales	(124)	(69)	(193)
Balance at 30 June 2007	2,430	-	2,430
Balance at 1 July 2007	2,430	-	2,430
Increase due to growth	5,886	-	5,886
Increase due to acquisitions	377	-	377
Decrease due to sales	(3,245)	-	(3,245)
Balance at 30 June 2008	5,448	-	5,448

At 30 June 2008, Barramundi stock comprised of approximately 645,000kg (2007: 486,000kg) of Barramundi in sea cages and nursery ranging from 78g to 3.9kg. During the financial year ended 30 June 2008, the Group harvested approximately 363,000kg (2007: 26,000kg) of Barramundi.

(i) Group exposure to risk

Aquaculture contains elements of significant risk. The ultimate success of aquaculture depends, amongst other things, on the availability to obtain a sufficient yield of juveniles from hatcheries and harvesting an economic yield from a marketable size, the possibility of high mortality rates due to a variety of factors, maintenance of the necessary licences, adhering to other government regulations, conditions and approvals, obtaining and servicing suitable funding arrangements.

The performance of the Group's aquaculture operations, and the value of the Group's biological assets, could be impacted by a number of factors, including:

- Weather conditions
- Possibility of disease and high mortality rates
- Price of and market for its products

- Exchange rates affecting international market pricing
- Unexpected developments in aquaculture development and operating costs
- General economic and stock market conditions in Australia and worldwide, particularly relating to the availability of capital
- Access to sufficient funding to allow grow-out to marketable size

The Group is exposed to a number of risks related to its Barramundi farming operations, which can be summarized into the following key areas:

Regulatory and environmental risks

The Group is subject to laws and regulations of Australia, and specifically Western Australia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of fish. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's fish farm is exposed to the risk of damage from climatic conditions, diseases, and other forces. The Group has processes in place aimed at monitoring and mitigating those risks, including regular inspections of the fish and associated infrastructure assets. The Group also insures itself against damage to its assets caused by natural disasters such as cyclones.

Basis of estimation and valuation

The measurement of the number, weight and value of fish stock involves:

- Sample counting of fish in cages during splitting and harvesting operations
- Sample weighing of fish in cages and extrapolation of results to total holding in sampled cage
- Current market values and selling costs

In line with industry practice there is a degree of estimation in these processes which requires management and staff to make judgments, estimates and assumptions that affect the reported quantities and value of the Group's biological assets. Estimated fish numbers of certain size categories are calculated applying a 20% adjustment to allow for cannibalism, stock losses and under delivery of small fish at time of purchase. An adjustment to fair value of \$650,000 has been made in the reporting period (2007: nil), which represents the estimated difference in the fish biomass for the period against that previously reported. A further adjustment to the fair value of biological assets of \$538,000 at the end of the period was made due to the cost of the fish growth in certain batches exceeding the estimated fair value. Actual results, for example at later harvest, may differ positively or negatively from those estimates. The estimates and assumptions applied are reviewed on an ongoing basis.

16 Investments

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Investments in controlled entities - at cost	-	-	4,292	4,292
Less impairment	-	-	(4,292)	(3,605)
	-	-	-	687

17 Deferred tax assets and liabilities

Movement in temporary differences during the year

<i>In thousands of AUD</i>	Balance 1 July 2006	Recognised in loss	Recognised in equity	Balance 30 June 2007	Recognised in loss	Recognised in equity	Balance 30 June 2008
Consolidated							
Property, plant and equipment	353	(379)	-	(26)	7	-	(19)
Receivables	-	(102)	-	(102)	(17)	-	(119)
Intangible assets	(280)	572	-	292	12	-	304
Asset held for sale	-	404	-	404	(404)	-	-
Payables	114	(25)	-	89	(114)	-	(25)
Provisions	12	2	-	14	(30)	-	(16)
Capital raising costs	178	-	(58)	120	-	9	129
Tax loss carry-forwards	(4,185)	(1,200)	-	(5,385)	(253)	-	(5,638)
	(3,808)	(728)	(58)	(4,594)	(799)	9	(5,384)
Deferred tax assets not brought to account	3,808	728	58	4,594	799	(9)	5,384
	-	-	-	-	-	-	-
Company							
Property, plant and equipment	-	(10)	-	(10)	(1)	-	(11)
Receivables	(1,515)	176	-	(1,339)	(977)	-	(2,316)
Financial assets at their value	(1,014)	(68)	-	(1,082)	(206)	-	(1,288)
Payables	13	(86)	-	(73)	49	-	(25)
Provisions	-	(1)	-	(1)	-	-	(1)
Capital Raising costs	178	-	(58)	120	-	9	129
	(2,338)	11	(58)	(2,385)	(1,135)	9	(3,512)
Deferred tax assets not brought to account	2,338	(11)	58	2,385	1,135	(9)	3,512
	-	-	-	-	-	-	-

17 Deferred tax assets and liabilities

Movement in unrecognised deferred tax assets and liabilities during the year

In thousands of AUD

	Balance 1 July 2006	Additions	Balance 30 June 2007	Additions	Balance 30 June 2008
Consolidated					
Taxable temporary differences	(658)	(261)	(919)	486	(433)
Deductible temporary differences	280	(152)	128	50	178
Tax income losses	3,402	1,199	4,601	254	4,855
Tax capital losses	784	-	784	-	784
	3,808	786	4,594	790	5,384
Company					
Taxable temporary differences	(191)	71	(120)	(8)	(128)
Deductible temporary differences	2,529	(24)	2,505	1,135	3,640
	2,338	47	2,385	1,127	3,512

18 Property, plant and equipment

<i>In thousands of AUD</i>	Consolidated				Company			
	Land and buildings	Plant and equipment (i)	Infrastructure	Total	Land and buildings	Plant and equipment	Infrastructure	Total
Cost or deemed cost								
Balance at 1 July 2006	1,666	2,120	2,179	5,965	-	-	-	-
Prior year adjustment	683	143	-	826	-	-	-	-
	2,349	2,263	2,179	6,791	-	-	-	-
Acquisitions	-	1,249	219	1,468	-	-	-	-
Transfer from subsidiary	-	-	-	-	-	113	-	204
Transfer to assets held for sale	(2,349)	(785)	(2,398)	(5,532)	-	-	-	-
Disposals	-	(44)	-	(44)	-	-	-	-
Balance at 30 June 2007	-	2,683	-	2,683	-	113	-	204
Balance at 1 July 2007	-	2,683	-	2,683	-	113	-	204
Acquisitions	-	1,845	-	1,845	-	82	-	82
Balance at 30 June 2008	-	4,528	-	4,528	-	195	-	195

- (i) Plant and equipment at 30 June 2008 includes \$818,101 (2007: \$141,666) of work in progress assets to be commissioned during the next financial year. These assets have not been depreciated during the current period.

18 Property, plant and equipment

<i>In thousands of AUD</i>	Consolidated				Company			
	Land and buildings	Plant and equipment	Infrastructure	Total	Land and buildings	Plant and equipment	Infrastructure	Total
Depreciation and impairment losses								
Balance at 1 July 2006	296	450	791	1,537	-	-	-	-
Prior year adjustments	683	143	-	826	-	-	-	-
	979	593	791	2,363	-	-	-	-
Depreciation charge for the year	18	241	54	313	-	91	-	91
Reversal of impairment losses	(202)	(251)	(682)	(1,135)	-	-	-	-
Transfer to assets held for sale	(795)	(251)	(163)	(1,209)	-	-	-	-
Disposals	-	(24)	-	(24)	-	-	-	-
Balance at 30 June 2007	-	308	-	308	-	91	-	91
Balance at 1 July 2007	-	308	-	308	-	91	-	91
Depreciation charge for the year	-	305	-	305	-	18	-	18
Reversal of Impairment losses	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2008	-	613	-	613	-	109	-	109
Carrying amounts								
At 1 July 2006	1,370	1,772	1,388	4,428	-	-	-	-
At 30 June 2007	-	2,375	-	2,375	-	113	-	113
At 1 July 2007	-	2,375	-	2,375	-	113	-	113
At 30 June 2008	-	3,915	-	3,915	-	86	-	86

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Intangible assets

Development assets <i>In thousands of AUD</i>	Consolidated			Company		
	Barramundi	Prawn	Total	Barramundi	Prawn	Total
Cost						
Balance at 1 July 2006	445	894	1,339	-	-	-
Additions	114	-	114	-	-	-
Balance at 30 June 2007	559	894	1,453	-	-	-
Balance at 1 July 2007	559	894	1,453	-	-	-
Additions	43	-	43	-	-	-
Balance at 30 June 2008	602	894	1,496	-	-	-
Amortisation and impairment losses						
Balance at 1 July 2006	40	894	934	-	-	-
Amortisation for the year	40	-	40	-	-	-
Balance at 30 June 2007	80	894	974	-	-	-
Balance at 1 July 2007	80	894	974	-	-	-
Amortisation for the year	40	-	40	-	-	-
Balance at 30 June 2008	120	894	1,014	-	-	-
Carrying amounts						
At 1 July 2006	405	-	405	-	-	-
At 30 June 2007	479	-	479	-	-	-
At 1 July 2007	479	-	479	-	-	-
At 30 June 2008	482	-	482	-	-	-

The carrying amount of the Group's intangible development assets is supported by the future cash flow generation of the Cone Bay farm. The ability of the farm to generate positive cash flow in the future is dependent on the Group's ability to access sufficient capital to fund the planned expansion to allow commercialisation of the farming operations.

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Trade and other payables

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Trade payables	2,275	1,010	178	118
Other payables and accrued expenses	250	319	220	247
	2,525	1,329	398	365

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

21 Loans and borrowings

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Secured interest-bearing loan – related party (i)	1,000	-	1,000	-
Secured interest-bearing loan – other (ii)	-	-	-	-
	1,000	-	1,000	-

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity risk, see Note 25.

(i) Faustus Loan

On 25 February 2008, the Company entered into a 12 month loan facility of up to \$1,000,000 with Faustus Nominees Pty Ltd, an entity related to Mr Hutton, secured by the assets of the Group. The loan accrues interest at a rate of 12 per cent per annum and is repayable by the Company by normal operating and fundraising activities. The Company has fully drawn the loan facility during the financial year and extended the facility subsequent to year end – refer note 31.

(ii) WU Investments loan and options

In August 2007, WU Investments Pty Ltd granted the Company a loan facility of up to \$3,000,000 subject to the terms and conditions contained in a loan agreement entered into between the Company and the lender.

Performance of the Company's obligations under the loan agreement was granted by Aussie Prawns Pty Ltd, a wholly owned subsidiary of the Company, and secured by a first mortgage over Aussie Prawn's prawn operations in the Northern Territory (assets held for sale at 30 June 2007).

On 28 September 2007, shareholders in general meeting voted to approve the issue of 50,000,000 (fifty million) \$0.02 options expiring 28 September 2012 to acquire ordinary shares in the Company in consideration for the lender agreeing to grant the loan facility to the Company – the associated finance costs are detailed further in Note 6.

During the financial year, the Company borrowed \$3,000,000 under the loan agreement and repaid these funds in full from the consideration received on the sale of the prawn farm – see Note 5.

22 Employee benefits

Current

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Provision for annual leave	55	46	3	4

(i) Defined superannuation contribution funds

The Group makes contributions to defined contribution superannuation funds. The amount recognised as an expense during the period was \$82,000 (2007: \$62,000).

(ii) Share based payments

No share based payments were made to employees during the period.

23 Share capital

	Company			
	Ordinary Shares		Options	
	2008	2007	2008	2007
On issue at 1 July	515,546,880	226,214,538	59,792,996	144,597,842
Issued for cash consideration	75,000,000	287,773,440	-	-
Issued for no cash consideration	(i) 2,000,000	-	50,000,000	-
Options exercised	9,510	1,558,902	(9,510)	(1,558,902)
Options lapsed	-	-	(46,692,941)	(83,245,944)
On issue at 30 June – fully paid	592,556,390	515,546,880	63,090,545	59,792,996

(i) In December 2007, 2,000,000 shares were issued to Dr Tor Theunissen for services rendered in preparation of various management reports and strategies. These shares were issued prior to his appointment as a director of the Company – see Note 24(i).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Subsequent to year end, the issued capital of the company has been consolidated on a 10:1 basis – refer Note 31.

Dividends

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

24 Share-based payments

(i) Issue of shares

In December 2007, 2,000,000 shares were issued to Dr Tor Theunissen for services rendered in preparation of various management reports and strategies. These shares were issued prior to his appointment as a director of the Company.

The fair value of services received in return for shares granted is based on the fair value of the shares granted, using the following assumptions:

Number of shares issued	2,000,000
Share price at grant date	\$0.015 per share

The resulting fair value of shares issued during the period was \$33,000 (inclusive of GST), which has been expensed in the Income Statement during the period.

(ii) Issue of share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula.

The model inputs were:

Number of options granted	50,000,000
Exercise price	\$0.020
Share price on date of grant	\$0.019
Grant date	28 September 2007
Expiry date	28 September 2012
Expected volatility	50%
Risk free interest rate	7.25%

No other features, such as market conditions, have been incorporated into the determination of fair value of the options issued.

Expected future volatility was determined based on management's expectation of future movements in the Company's share price, taking into account historical volatility, current Company market capitalisation, net asset position and expansion plans. Expected volatility is less than historical volatility for the Company.

The resulting fair value of options granted during the period was \$488,000, which is shown in the income statement within finance expenses as the issue of options related to the WU Investments Pty Ltd loan facility of up to \$3,000,000 – see Notes 6 and 21.

25 Financial risk management

Exposure to credit and interest rate risks arises in the normal course of the Group's businesses. The Group and Company is not exposed to foreign currency risk as sales, purchases and borrowings are made in the functional currency, being AUD.

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from its subsidiary companies.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Groups maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Available-for-sale financial assets	-	4,323
Trade and other receivables	1,301	786
Cash and cash equivalents	310	892
	1,611	6,001

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry. The Group's revenue is not significantly attributable to sales transactions with a single customer.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region, being within Australia, was \$706,000 (2007: \$193,000). All sales are made to wholesale customers. The Company does not carry any trade receivables (2007: \$5,000).

Impairment losses

The Group's receivables are past due \$384,000 (2007: \$107,000). The ageing of the Group's receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2008	2008	2007	2007
Not past due	322	-	86	-
Past due 0-30 days	384	-	97	-
Past due 31-120 days	-	-	6	-
Past due 121 days to one year	-	-	4	-
	706	-	193	-

Based on historic default rates, the Group believes that no impairment is necessary in respect of trade receivables not past due or past due up to 30 days as these amounts relate to customers that have a good credit history with the Group.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group projects revenue and costs, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group seeks to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of at least 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 2008 *In thousands of AUD*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured loans	1,000	1,070	-	1,070	-	-	-
Trade and other payables	2,525	2,525	2,525	-	-	-	-
	3,525	3,595	2,525	1,070	-	-	-

Consolidated 2007 *In thousands of AUD*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	1,329	1,329	1,142	187	-	-	-
	1,329	1,329	1,142	187	-	-	-

Company 2008 *In thousands of AUD*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured loans	1,000	1,070	-	1,070	-	-	-
Trade and other payables	398	398	398	-	-	-	-
	1,398	1,468	398	1,070	-	-	-

Company 2007 *In thousands of AUD*

Trade and other payables	365	365	177	188	-	-	-
	365	365	177	188	-	-	-

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) Interest rate risk

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

<i>In thousands of AUD</i>	Consolidated Carrying amount		Company Carrying amount	
	2008	2007	2008	2007
Fixed rate instruments				
Financial assets	310	892	213	864
Financial liabilities	(1,000)	-	(1,000)	-
	(690)	892	(787)	864

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased the Group's equity by \$10,000 (2007: nil) and the Company equity by nil (2007: nil).

Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated <i>In thousands of AUD</i>	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	-	-	4,323	4,323
Trade and other receivables	1,301	1,301	786	786
Cash and cash equivalents	310	310	892	892
Secured loans	(1,000)	(1,000)	-	-
Trade and other payables	(2,525)	(2,525)	(1,329)	(1,329)
	(1,914)	(1,914)	4,672	4,672

Company <i>In thousands of AUD</i>	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	786	786	389	389
Cash and cash equivalents	213	213	864	864
Loans to subsidiaries	16,142	8,819	12,831	8,366
Secured loans	(1,000)	(1,000)	-	-
Trade and other payables	(398)	(398)	(365)	(365)
	15,743	8,420	13,719	9,254

Interest rates used for determining fair value

Estimated cash flows have not been discounted to determine fair value as all financial assets and liabilities, except for inter-Group assets and liabilities, are expected to be settled within 12 months. Inter-group assets and liabilities are held at the net asset value of the subsidiary company.

(v) Capital management

The Board's policy is to maintain a capital base so as to maintain investor, creditor and market confidence.

Practices have been established to ensure:

- Capital and operating expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel; and
- Financial reporting accuracy and compliance with the financial reporting regulatory framework.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Capital and other commitments

In thousands of AUD

	Consolidated		Company	
	2008	2007	2008	2007
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable within one year	-	-	-	-

27 Contingencies

There are no contingent liabilities other than the default clause in the Maxima Fish Farms Pty Ltd memorandum of understanding and the directors are of the opinion that provisions are not required in respect of those matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Consolidated entities

	Country of Incorporation	Ownership interest	
		2008	2007
Parent entity			
Marine Produce Australia Limited			
Subsidiaries			
Tiger International Management Pty Ltd	Australia	100%	100%
MPA Fish Farms Pty Ltd	Australia	100%	100%
MPA Marketing Pty Ltd	Australia	100%	100%
Tiger International Hatchery Pty Ltd	Australia	100%	100%
Aussie Prawns Pty Ltd	Australia	100%	100%

In the financial statements of the Company, investments in controlled entities are measured at cost less impairment and included with other financial assets. The Company has no jointly controlled entities.

29 Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Loss for the period	(3,545)	(2,471)	(3,545)	(2,471)
<i>Adjustments for:</i>				
Depreciation and amortisation	363	372	-	-
Impairment (reversal)/loss	1,008	(1,135)	3,545	2,120
Fair value of options issued	488	-	-	-
Shares issued for services	33	-	-	-
Operating loss before changes in working capital and provisions	(1,653)	(3,234)	-	(351)
(Increase)/decrease in biological assets	(3,018)	(1,848)	-	-
(Increase)/decrease in trade and other receivables	(515)	(317)	(16)	(345)
(Increase)/decrease in loans to controlled entities	-	-	654	-
(increase)/decrease in inventories	(87)	201	-	-
(Increase)/decrease in other assets	(18)	(7)	-	-
Increase/(decrease) in trade and other payables	1,407	308	33	255
Increase/(decrease) in provisions and employee benefits	9	6	(1)	-
Net cash from/(used in) operating activities	(3,875)	(4,891)	670	(441)

30 Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated in the directors' report were key management personnel for the entire period:

Non-executive directors

Mr M Kennedy (Chairman)
Mr J Hutton
Dr T Theunissen
Prof M Doroudi
Mr J Drummond

Executive directors

Mr N Miller (Managing Director)

Executives

Mr G Westbrook (General Manager)
Ms J Mathie (Secretary)

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors report.

Other key management personnel transactions

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel and their related parties	Transaction	Consolidated		Company		
		In AUD	2008	2007	2008	2007
<i>Mr M Kennedy</i>						
Resource Development Company Pty Ltd	Secretarial Services		12,500	24,750	12,500	24,750
<i>Mr J Hutton and Mr N Miller</i>						
Maxima Pearling Co Pty Ltd and Maxima Fish Farms Pty Ltd	Rent Broome office Services and materials supplied Cone Bay		673,621	2,069,670	-	-
<i>Mr J Hutton</i>						
Ustov Pty Ltd	Rent and variables		24,500	-	-	-
<i>Prof M Doroudi</i>						
Doroudi Consultants	Technical services		5,010	-	-	-
<i>Mr J Drummond</i>						
Drummond Law	Legal services		-	8,052	-	8,052

Amounts receivable from and payable to key management personnel and other related parties at reporting date arising from the transactions were as follows:

In AUD	Consolidated		Company	
	2008	2007	2008	2007
Assets and liabilities arising from the above transaction				
<u>Other related parties</u>				
Current receivables	-	-	-	-
<u>Key management personnel</u>				
Current receivables	-	-	-	-
<u>Other related parties</u>				
Current payables	529,298	246,540	-	-
Total payments/total liabilities	529,298	246,540	-	-

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are of the same terms and conditions as those entered into by other consolidate entity employees or customers and are trivial or domestic in nature.

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries. With the exception of the specific transactions noted below, loans outstanding between the Company and its controlled entities are callable on demand, have no fixed date of repayment and are non-interest bearing. To 30 June 2008, such loans to subsidiaries totalled \$16,142,000 (2007:\$ 12,831,000). These loans have been recognised as a non-current receivable of \$8,819,000 (2007: current \$3,631,000 and non-current \$4,735,000) after provision for non-recovery.

Interest-free loans made by the Company to its subsidiaries are repayable on demand.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Marine Produce Australia Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007 or date of appointment	Granted as compensation	Other changes (i)	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors						
Mr M Kennedy	1,450,805	-	(1,450,805)	-	-	-
Mr J R Hutton	7,643,430	-	(7,643,430)	-	-	-
Mr N Miller	1,858,875	-	(1,858,875)	-	-	-
Mr J Drummond	87,500	-	(87,500)	-	-	-
Officers						
Mr G Westbrook	-	-	-	-	-	-
Ms J Mathie	-	-	-	-	-	-
	Held at 1 July 2006 or date of appointment	Granted as compensation	Other changes (i)	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors						
Mr M Kennedy	2,352,414	-	(901,609)	1,450,805	-	1,450,805
Mr J R Hutton	20,930,288	-	(13,286,858)	7,643,430	-	7,643,430
Mr N Miller	3,576,625	-	(1,717,750)	1,858,875	-	1,858,875
Mr J Drummond	262,500	-	(175,000)	87,500	-	87,500
Officers						
Mr G Westbrook	-	-	-	-	-	-
Ms J Mathie	-	-	-	-	-	-

(i) Other changes represent options that expired during the year.

The movement during the reporting period in the number of ordinary shares in Marine Produce Australia Limited held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 July 2007 or date of appointment	Purchases	Received on exercise of options	Sales	Held at 30 June 2008 or date of resignation
Directors					
Mr M Kennedy (ii)	11,320,689	-	-	-	11,320,689
Mr J R Hutton	42,129,971	95,993,102	-	-	138,123,073
Mr N Miller	9,895,250	-	-	-	9,895,250
Dr T Theunissen	3,300,000	700,000	-	-	4,000,000
Prof M Doroudi	720,000	-	-	-	720,000
Mr J Drummond	1,330,000	-	-	(1,300,000)	30,000
Officers					
Mr H Lennerts	-	-	-	-	-
Mr G Westbrook	-	-	-	-	-
Ms J Mathie	-	-	-	-	-
	Held at 1 July 2006 or date of appointment	Purchases	Received on exercise of options	Sales	Held at 30 June 2007 or date of resignation
Directors					
Mr M Kennedy	2,704,862	6,175,827	-	-	8,880,689
Mr J R Hutton	38,153,848	101,327,427	-	(97,351,304)	42,129,971
Mr N Miller	7,045,250	2,850,000	-	-	9,895,250
Mr J Drummond	665,000	665,000	-	-	1,330,000
Officers					
Mr H Lennerts	-	-	-	-	-

(ii) Mr Kennedy increased his shareholding in the company between the date of his resignation (June 2007) and the date of his reappointment (June 2008) as a director of the Company.

No shares were granted to key management personnel during the reporting period as compensation.

Subsequent events

On 18 July 2008 shareholders approved in general meeting:

- (a) Issue of 100,000,000 options exercisable at \$0.02 expiring 28 September 2012
- (b) Consolidation of the issued capital of the company on the ratio of 10:1

The consolidation of issued capital resulted in the following:

	Expiry date	Pre consolidation		Post consolidation	
		Number	Exercise price (\$)	Number	Exercise price (\$)
Shares	-	592,556,390	-	59,255,714	-
Options	25 August 2009	10,000,000	0.30	1,000,000	3.00
	20 June 2010	3,090,545	0.30	309,055	3.00
	28 September 2012	150,000,000	0.02	15,000,000	0.20

Differences from basic division by 10 are due to fractional round-ups on consolidation of holdings.

On 21 August 2008 the company announced the placement of 4,500,000 shares at \$0.10 per share to raise \$450,000.

On 24 September 2008 the company extended its loan facilities with related parties from \$1,000,000 to \$1,500,000.

On 26 September 2008 the company announced the placement of 4,300,000 shares at \$0.06 per share to raise \$258,000.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity, in future financial years, other than the concern expressed earlier regarding liquidity and funding.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Marine Produce Australia Limited ("the Company"):
 - (a) the financial statements and notes and the remuneration disclosures that are contained in the remuneration report in section 5 of the directors' report, set out on pages 19 to 51, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) the remuneration disclosures that are contained in the remuneration report in section 5 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) as a result of the matters described in note 2(e) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:

Dated at Perth this 26th day of September 2008.



N Miller
Director



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

Report on the financial report

We have audited the accompanying financial report of Marine Produce Australia (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Consolidated Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's opinion

In our opinion:

- (a) the financial report of Marine Produce Australia is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without qualification to our opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(e), there exists material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 5 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Marine Produce Australia for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

K Smout
Partner

Perth

Dated: 26 September 2008

○○● corporate directory

australian business number

70 091 805 480

board of directors

miles kennedy – non-executive chairman

nicholas miller – managing director

mehdi doroudi – non-executive director

john hutton – non-executive director

tor theunissen – non-executive director

company secretary

jean mathie

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