

29 February 2008

Company Announcements Office  
Australian Stock Exchange Ltd  
20 Bridge Street  
SYDNEY NSW 2000

**BY ELECTRONIC TRANSMISSION**

Dear Sir

**MARINE PRODUCE AUSTRALIA LIMITED  
RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

We attach the following:

1. Appendix 4D – Results Announcement for the half year ended 31 December 2007
2. Financial Report for the half year ended 31 December 2007

Yours sincerely  
MARINE PRODUCE AUSTRALIA LIMITED



Nicholas Miller  
MANAGING DIRECTOR

# MARINE PRODUCE AUSTRALIA LIMITED

ABN 70 091 805 480

## Appendix 4D

### Half-year report 6 months ended ('current period') 31 December 2007

#### Results for announcement to the market

		A\$
2.1	Revenue from ordinary activities	UP 4,281% 790,766
2.2	(Loss) from ordinary activities after tax attributable to members	DOWN 29.92% (1,546,597)
2.3	Net (loss) for the period attributable to members	DOWN 29.92% (1,546,597)

#### Dividends (distributions)

	Amount per security	Franked amount per security
2.4 Dividends	Nil	Nil
Previous corresponding period	Nil	Nil
2.5 Record date for determining entitlements to the dividend	Not applicable	

#### Net Tangible Asset Backing (NTA)

	Current Period	Previous corresponding period
3 Net tangible asset backing per ordinary security	1.7 cents	1.8 cents

#### Commentary on results for the period

##### Result of Operations

Revenue for the period, from the sale of Cone Bay Saltwater Barramundi was \$790,766. Other income, \$1,644,582, is predominately made up from the increase in bio assets of, \$1,642,204 from the Company's fish farming operations. The loss for the reporting period is \$1,546,597 which includes the increase of impairment on the prawn farm of \$860,613. The remaining costs are associated with the expansion of the fish farming operations in Cone Bay.

##### Review of operations

It is recommended that this half yearly report be read in conjunction with the 30 June 2007 Annual Report and any public announcements made by the Company during the half year.

Marine Produce Australia Limited (MPA) operates a Barramundi marine farming business in Cone Bay, in the Buccaneer Archipelago which is located in the Kimberley coastal region of north-west Western Australia. The farming sites offer ideal conditions for growing Barramundi, with product widely acclaimed by customers for its superior size, flesh quality and recovery rates.

The period under review has seen MPA continue to focus its efforts on the development of the fish farming operations in Cone Bay. The Stage 1 expansion program was successfully implemented with all key objectives achieved, resulting in the Company moving into a highly expanded sales and marketing program.

## **Nursery**

The land based nursery facility has been upgraded with new filtration to improve environmental performance, and new alarms for better control of oxygen and water flow. Waste collection from the filtration system has been relocated to allow improved drainage and easier removal of dried wastes.

Two batches, each of 100,000 fish have been successfully grown in the nursery and subsequently stocked into sea cages on the adjoining marine farm. Due to staff efforts to optimize feeding and grading activities, these groups have been the fastest growing and best quality fish produced to date. This translates into an expectation of further improved performance on the marine farm.

## **Marine Farm**

Fish performance on the marine farm has shown continual improvement with the average weight of harvested fish exceeding 3.0 kilograms since November 2007. This has been greatly aided by the commissioning of the purpose built feeding vessel, the 'Sea Supply', and continuity of staff involved in feeding operations. It is particularly pleasing that this has been achieved while improving the already excellent product quality.

Harvest weight over the first half of the financial year exceeded 87,300 kilograms of whole fish. Standing biomass at the end of December 2007 exceeded 650 tonnes, with average weight in several cages well over 3.0 kilograms. Harvest weights for the remainder of the 2008 financial year are expected to continue to increase.

Development work continued throughout this period with key achievements as follows.

- Relocation of logistics vessel 'Merindah Pearl' from Mooloolaba in Queensland to the farm at Cone Bay, with immediate integration into feed transport and harvesting activities.
- Commissioning of feed vessel, 'Sea Supply' into fish feeding operations.
- Stocking of all available 60 metre circumference cages.
- Purchase and delivery of fry production tanks.
- Purchase of nursery cage system to increase fry production capacity and shorten time fish held in on shore tanks.
- Ordering of five new 60 metre polar circle cages to increase farm capacity.
- Ordering of five, heavy duty, plastic, "Kikko" nets for grow out cages. These nets have a useable life of five times that of the galvanized steel nets currently in use.
- Recruitment of new farm manager, Adam Norris, from the Tasmanian Salmon farming industry.
- Recruitment of experienced Barramundi marine farm crew from Northern Territory to bolster strength of farming crew.
- Installation of two refrigerated containers for holding harvest product ready for transportation to market.
- Acquisition of a water chiller and second ice maker for harvest activities.
- Addition of humane stunning equipment into harvesting line. Improved fish quality immediately evident.

## **Directions for remainder of 2008 Financial Year**

- Increase harvest and transport capacity of Merindah Pearl.
- Fitting larger crane to Merindah Pearl to improve ability to load and unload at Derby Wharf.
- Conduct trials carrying harvested fish in brine tanks.
- Instigate harvest packing team in Derby with the aim of improving product quality and shelf life.
- Development of improved transportation link between Darwin and Derby to facilitate transport of feed and quicker movement of harvested fish to market.
- Seek joint sales and distribution agreements for export markets.

## **Environmental Monitoring and Management**

- Completion of draft Environmental Management System for marine farm and nursery operations at Cone Bay.
- Further development of Business Management Systems within the Company.
- Poised to start Indigenous Employment Program for farm and packing.
- Continued operations in compliance with environmental performance standards.

## **Sales**

Production levels have increased with over 87 tonnes of fish harvested during the six months ended 31 December 2007. Product size has continued to increase and is expected to approach 3.5 kilograms average weight.

Customer interest in our product has been high and feed back on quality has been outstanding in terms of flesh quality and fillet recovery. Reports from one customer are that recovery is 10 percent higher than fish from other suppliers.

To date, all harvested fish have been sold by targeting a few key customers in each market. It is clear that a significant market opportunity exists for sales of marine saltwater farmed Barramundi.

The harvesting and sales of Cone Bay Saltwater Barramundi have been recently bolstered with MPA entering into a Distribution Agreement with Seafresh Holdings Pty Ltd trading as Westmore Seafoods (Westmore). MPA and Westmore have agreed on terms and conditions which allow MPA access to Westmore's domestic customers across Australia and in varying market segments, as well as value adding opportunities and potential export markets. This agreement will also provide expertise in logistics and marine vessel operations.

All operations are in place to allow MPA to meet increasing market demand for premium quality, high value Barramundi and value added products into the future.



marineproduce  
australia

the sustainable australian

**MARINE PRODUCE  
AUSTRALIA LIMITED**  
and its controlled entities

ABN 70 091 805 480

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2007**



growth



potential



scales



of opportunity



## Marine Produce Australia Limited and its controlled entities

### Directors' report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the review report thereon.

### Directors

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

<b>Name</b>	<b>Period of directorship</b>
Mr Nicholas Miller <i>Managing Director</i>	Resigned 3 February 2006 Reappointed 14 August 2006
Mr John Hutton <i>Non-Executive Director</i>	Resigned 3 February 2006 Reappointed 14 August 2006
Dr Tor Theunissen <i>Non-Executive Director</i>	Appointed 17 December 2007
Prof Mehdi Doroudi <i>Non-Executive Director</i>	Appointed 18 December 2007
Mr John Drummond <i>Executive Director</i>	Appointed 14 August 2006 Resigned 17 December 2007

## Marine Produce Australia Limited and its controlled entities

### Result of Operations

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## Marine Produce Australia Limited and its controlled entities

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## Marine Produce Australia Limited and its controlled entities

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## Marine Produce Australia Limited and its controlled entities

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2007.

Dated at West Perth this 29<sup>th</sup> day of February 2008.

Signed in accordance with a resolution of directors:



Nicholas Miller  
MANAGING DIRECTOR



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

To: the directors of Marine Produce Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007 there have been:

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

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'K Smout', written over the printed name.

K Smout  
*Partner*

Perth  
29 February 2008

Marine Produce Australia Limited  
Consolidated interim income statement

Page 7

**For the six months ended 31 December 2007**

	Note	31 December 2007	31 December 2006
		\$	\$
Revenue		790,766	18,049
Other income	6	1,664,582	745,686
Raw materials and consumables		(1,854,193)	(1,472,891)
Employee benefits		(567,077)	(374,479)
Depreciation and amortisation		(159,238)	(99,091)
Other expenses		(435,659)	(444,360)
Results from operating activities		(560,819)	(1,627,086)
Financial income		21,550	24,097
Financial expenses		(55,752)	(30,096)
Net financing costs		(34,202)	(5,999)
<b>Loss before income tax</b>		(595,021)	(1,633,085)
Income tax expense		-	-
<b>Loss from continuing operations</b>		(595,021)	(1,633,085)
<b>Discontinued operations</b>			
loss of discontinued operation (net of income tax)	7	(951,576)	(573,799)
Loss for the period		(1,546,597)	(2,206,884)
<b>Earnings per share</b>			
Basic earnings per share (cents)		(0.3)	(0.5)
Diluted earnings per share (cents)		(0.3)	(0.5)
<b>Continuing operations</b>			
Basic loss per share (cents)		(0.1)	(0.4)
Diluted loss per share (cents)		(0.1)	(0.4)

The consolidated interim income statement is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 11 to 16.

Marine Produce Australia Limited  
Consolidated interim statement of recognised income and expense

Page 8

**For the six months ended 31 December 2007**

	<b>31 December 2007</b>	<b>31 December 2006</b>
<b>Income and expense recognised directly in equity</b>	-	-
<b>Loss for the period</b>	(1,546,597)	(2,206,884)
<b>Total recognised income and expense for the period</b>	(1,546,597)	(2,206,884)

The consolidated interim statement of recognised income and expense is to be read in conjunction with the condensed notes to the consolidated interim financial statements out on pages to 16.

## Marine Produce Australia Limited Consolidated interim balance sheet

**As at 31 December 2007**

	<i>Note</i>	<b>31 December 2007</b>	<b>30 June 2007</b>
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		999,117	891,993
Trade and other receivables		376,223	786,544
Inventories		130,216	139,594
Biological assets		4,852,523	2,429,996
Other current assets		47,853	17,853
Assets held for sale	7	3,400,000	4,323,116
<b>Total current assets</b>		<u>9,805,932</u>	<u>8,589,096</u>
<b>Non-current assets</b>			
Property, plant and equipment		2,592,417	2,375,257
Intangible assets		476,470	479,338
<b>Total non-current assets</b>		<u>3,068,887</u>	<u>2,854,595</u>
<b>Total assets</b>		<u>12,874,819</u>	<u>11,443,691</u>
<b>Current Liabilities</b>			
Trade and other payables		1,260,850	1,329,446
Interest-bearing liabilities	8	3,000,000	-
Employee benefits		58,411	45,852
<b>Total liabilities</b>		<u>4,319,261</u>	<u>1,375,298</u>
<b>Net assets</b>		<u>8,555,558</u>	<u>10,068,393</u>
<b>Equity</b>			
Issued capital	9	25,159,914	25,126,152
Retained losses		(16,604,356)	(15,057,759)
<b>Total equity</b>		<u>8,555,558</u>	<u>10,068,393</u>

The consolidated interim balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 11 to 16.

Marine Produce Australia Limited  
Consolidated interim statement of cash flows

For the six months ended 31 December 2007

	<b>Consolidated</b>	
	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	864,491	320,306
Cash paid to suppliers and employees	(3,656,065)	(2,641,524)
	(2,791,574)	(2,321,218)
Interest received	20,714	24,004
Other income received	409,628	31,575
Interest paid	(55,626)	-
<b>Net cash (used in) operating activities</b>	<b>(2,416,858)</b>	<b>(2,265,639)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	-	1,364
Acquisition of intellectual property	(5,206)	-
Acquisition of property, plant and equipment	(471,573)	(639,448)
<b>Net cash (used in) investing activities</b>	<b>(476,779)</b>	<b>(638,084)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	761	4,621,789
Proceeds from borrowings	3,000,000	1,250,000
Repayment of borrowings	-	(756,886)
Payment of transaction costs	-	(357,051)
<b>Net cash from financing activities</b>	<b>3,000,761</b>	<b>4,757,852</b>
Net increase in cash and cash equivalents	107,124	1,854,129
Cash and cash equivalents at 1 July	891,993	1,417,742
<b>Cash and cash equivalents at 31 Dec 2007</b>	<b>999,117</b>	<b>3,271,871</b>

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 11 to 16.

## Notes to the consolidated interim financial statements

### 1. Reporting Entity

Marine Produce Australia Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial reports of the Company for the six months ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the “group”).

The consolidated annual financial report of the group as at and for the year ended 30 June 2007 is available upon request from the Company’s registered office at 11/38 Colin Street, West Perth WA 6005 or online at [www.marineproduce.com](http://www.marineproduce.com).

#### 1a. Going concern

The consolidated entity incurred a loss of \$1,546,597 (2006: \$2,206,884) for the period ended 31 December 2007.

During 2008 the Company and consolidated entity is forecasting a substantial increase in cash flows from the sale of fish as operations continue to expand to commercial levels of production.

At 31 December 2007 the consolidated entity had a working capital of \$5,486,671 (2006: \$7,213,798). On 11 January 2008 the sale of the prawn farm was completed and the proceeds of \$3,400,000 were used in part to retire the loan facility of \$3,000,000.

The directors are confident that the company and consolidated entity will continue as a going concern for the following reasons:

- A sales and distribution agreement has been signed with a major seafood company to sell the barramundi grown by the company. The commitment under the agreement is based on the company’s harvest plan. In the current market place, the demand for the product that the company is supplying the agent, outweighs the current supply.
- To achieve continued commercial quantities of sales the company requires licence approval to grow and harvest adequate quantities of fish. The relevant government agencies are presently considering an application to increase the existing licence. Currently held fish stocks are able to be harvested and sold. The directors are confident that licence extensions will continue to be granted.
- The Company has secured a twelve month working capital facility of \$1,000,000 from Faustus Nominees Pty Ltd, an entity related to MPA director, Mr John Hutton. The facility will assist and support the Company in its expansion programs. The loan accrues interest at a rate of 12% per annum and is repayable by the Company by normal operating and fundraising activities.
- The company has significant growth plans which involve additional capital expenditure and increased operational expenditure in order to develop the total biomass to a level that provides the operational efficiencies necessary for the successful commercialisation of the company’s business.

## Notes to the consolidated interim financial statements

### 1a. Going concern (continued)

- Should the company's business plans fail to eventuate or it be unable to arrange alternative funding, there is a significant uncertainty as to whether the company and group will be able to continue as a going concern, and therefore it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial report.

### 2. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reports* and the Corporations Act 2001. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2007.

The consolidated interim financial report was authorised for issuance by the directors on 28 February 2008.

### 3. Significant accounting policies

The accounting policies applied by the group in this consolidated interim financial report are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2007.

### 4. Estimates

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

## Notes to the consolidated interim financial statements

### 4. Estimates (continued)

Except as described below, in preparing this consolidated interim financial report, significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report for the period ended 31 December 2007.

#### Assets held for sale

The carrying amount of property, plant and equipment for the prawn farm as at 31 December 2007. is \$3,400,000 (30 June 2007: \$4,323,116). The assets are classified as held for sale. The measurement of the fair value less costs to sell for these assets was revised downwards during the half year by \$860,613 to reflect the amount to be realised by the group from the disposal of the assets in January 2008.

The additional impairment write down was required as final offers were lower than those received at the time the fair value of asset was assessed at 30 June 2007.

### 5. Segment reporting

#### Business segments

- The group comprises the following main business segments:
  - Grow-out of juvenile barramundi
  - Prawn farming – this segment was disposed of on 11 January 2008.

#### Business segments

6 months ended 31 December 2007

	Prawns (discontinued)		Barramundi		Consolidation	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Segment revenue	-	225,165	790,776	18,050	790,776	243,215
Segment result	(951,576)	(573,799)	(595,021)	(1,226,228)	(1,546,597)	(1,800,027)
Unallocated					-	(406,857)
Operating loss					(1,546,597)	(2,206,884)
Loss for the period					(1,546,597)	(2,206,884)

### 6. Other income

Included in other income of \$1,664,582 (2006: \$745,686) is \$1,642,204 (2006: \$713,600) for the gain from change in fair value of biological assets.

## Notes to the consolidated interim financial statements

### 7. Discontinued operation

The prawn farming operation located in Darwin is classified as a discontinued operation 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. On 11 January 2008 the sale of the prawn farm was completed. As at 31 December 2007 the disposal assets and liabilities comprised:

Property plant & equipment	<u>\$3,400,000</u>
----------------------------	--------------------

Included in the loss of discontinued operation of \$951,576 is the increase of impairment on the prawn farm of \$860,613. The remaining expenses relate to the holdings costs incurred during the period.

### 8. Interest bearing liabilities

The following unsecured loan was drawn during the six months ended 31 December 2007:

	Interest rate		Face	Carrying		Year of
	Currency	nominal	effective	value	amount	maturity
Loan received	\$AUD	9.5%	9.5%	3,000,000	3,000,000	Jan 08

This loan was repaid in full on 11 January 2008.

### 9. Share capital

Movement of shares on issue	2007		2006	
	Number	\$	Number	\$
Balance at beginning of period	515,546,880	25,126,152	226,214,538	19,325,119
Options exercised (Sept 07)	9,510	762	1,558,902	62,356
Share issue (Dec 07)	2,000,000	33,000	227,773,440	4,559,433
Share issue costs for rights issue	-	-	-	(357,051)
Balance at end of period	517,556,390	25,159,914	455,546,880	23,589,857

## Notes to the consolidated interim financial statements

## 10. Capital and reserves

## Reconciliation of movement in capital and reserves

	<b>Share Capital</b>	<b>Retained losses</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2006	19,325,119	(12,586,964)	6,738,155
Total recognised income and expense	-	(2,206,884)	(2,206,884)
Share issue	4,621,789	-	4,621,789
Share issue costs	(357,051)	-	(357,051)
Balance at 31 December 2006	23,589,857	(14,793,848)	8,796,009
Balance at 1 July 2007	25,126,152	(15,057,759)	10,068,393
Total recognised income and expense	-	(1,546,597)	(1,546,597)
Share Issue (refer note 11)	33,762	-	33,762
Balance at 31 December 2007	25,159,914	(16,604,356)	8,555,558

## Notes to the consolidated interim financial statements

### 11. Related Parties

In December 2007 two million 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 director.

All other related party disclosures as made in the annual accounts as at and for the year ended 30 June 2007 have continued in nature in this six monthly period. For details of these arrangements, refer to the 30 June 2007 annual financial report.

### 12. Subsequent Events

On 11 January 2008, the prawn farm was sold for \$3,400,000. The proceeds were used to retire a loan facility of \$3,000,000 and the balance was retained as working capital.

On 25 February 2008 the company finalised an agreement with a major Australian seafood company for the sales and distribution of the company's barramundi.

On 25 February 2008 the company finalised a 12 month loan facility for \$1,000,000 secured over the assets of the group.

## Directors' declaration

In the opinion of the directors of Marine Produce Australia Limited ("the Company"):

1. the financial statements and notes set out on pages 7 to 16, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the group as at 31 December 2007 and of its performance for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001: and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 29<sup>th</sup> day of February 2008.

Signed in accordance with a resolution of the directors:



Nicholas Miller  
MANAGING DIRECTOR



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

To: the directors of Marine Produce Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007 there have been:

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

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'K Smout', written over the printed name.

K Smout  
*Partner*

Perth  
29 February 2008