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20 Bridge Street  
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**MARINE PRODUCE AUSTRALIA LIMITED (ASX: MPA)  
APPENDIX 4E – PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008**

The attached document comprises the results for the year ended 30 June 2008 given in accordance with ASX Listing Rule 4.3A.

For further information contact:

Mr Nick Miller  
Managing Director

Mr Matt Fitzgerald  
Chief Financial Officer

## APPENDIX 4E

### PRELIMINARY FINAL REPORT

(LISTING RULE 4.3A)

12 MONTHS ENDED 30 JUNE 2008

#### 1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

As at and for the 12 months ended

Reporting period	30 June 2008
Previous corresponding period	30 June 2007

#### 2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

<i>In thousands of AUD</i>			<b>2008</b>	<b>2007</b>
Revenue and gains from ordinary activities	up	283%	7,451	2,633
Earnings (loss) before interest, taxation, depreciation and amortisation (EBITDA)	down	69%	(912)	(2,935)
Loss from continuing operations attributable to members	down	39%	(1,887)	(3,076)
Net loss for the period attributable to members	up	17%	(2,895)	(2,471)

It is not proposed to pay dividends for the period. No dividend was paid or proposed in the previous corresponding period. The group does not have dividend or distribution reinvestment plans.

#### 3 FINANCIAL STATEMENTS

The group's income statements, balance sheets, statements of changes in equity and statements of cash flows for the reporting period are presented overleaf.

# INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Continuing operations</b>				
Sales revenue	3,245	252	-	-
Gain from change in fair value of biological assets	3,779	1,989	-	-
Other income	427	392	427	341
<b>Total income</b>	<b>7,451</b>	<b>2,633</b>	<b>427</b>	<b>341</b>
Raw materials and consumables	(5,237)	(3,892)	-	-
Personnel expenses	(1,805)	(1,075)	-	-
Administration and marketing expenses	(1,321)	(601)	(459)	(649)
Other expenses	-	-	(2,895)	(2,242)
<b>EBITDA</b>	<b>(912)</b>	<b>(2,935)</b>	<b>(2,927)</b>	<b>(2,550)</b>
Financial income	33	82	32	79
Financial expenses	(593)	-	-	-
Net financing income/(expense)	(560)	82	32	79
Depreciation and amortisation	(415)	(223)	-	-
<b>Loss before income tax</b>	<b>(1,887)</b>	<b>(3,076)</b>	<b>(2,895)</b>	<b>(2,471)</b>
Income tax expense	-	-	-	-
<b>Loss from continuing operations</b>	<b>(1,887)</b>	<b>(3,076)</b>	<b>(2,895)</b>	<b>(2,471)</b>
<b>Discontinued operation</b>				
Profit from discontinued operation (net of income tax)	-	605	-	-
Impairment of property plant and equipment and intangibles	(1,008)	-	-	-
<b>Loss for the period</b>	<b>(2,895)</b>	<b>(2,471)</b>	<b>(2,895)</b>	<b>(2,471)</b>
<b>Loss per share</b>				
Basic loss per share (cents)	(0.6)	(0.6)		
Diluted loss per share (cents)	(0.6)	(0.6)		
<b>Continuing operations</b>				
Basic loss per share (cents)	(0.4)	(0.8)		
Diluted loss per share (cents)	(0.4)	(0.8)		

## BALANCE SHEETS

AS AT 30 JUNE 2008

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Assets</b>				
Cash and cash equivalents	310	892	213	864
Trade and other receivables	1,301	786	405	4,020
Inventories	227	140	-	-
Biological assets	6,098	2,430	-	-
Other assets	37	18	18	18
Assets classified as held for sale	-	4,323	-	-
<b>Total current assets</b>	<b>7,973</b>	<b>8,589</b>	<b>636</b>	<b>4,902</b>
Receivables	-	-	9,469	4,735
Investments in equity accounted investees	-	-	-	687
Property, plant and equipment	3,915	2,375	86	113
Intangible assets	482	479	-	-
<b>Total non-current assets</b>	<b>4,397</b>	<b>2,854</b>	<b>9,555</b>	<b>5,535</b>
<b>Total assets</b>	<b>12,370</b>	<b>11,443</b>	<b>10,191</b>	<b>10,437</b>
<b>Liabilities</b>				
Trade and other payables	2,525	1,329	398	365
Loans and borrowings	1,000	-	1,000	-
Employee benefits	55	46	3	4
<b>Total current liabilities</b>	<b>3,580</b>	<b>1,375</b>	<b>1,401</b>	<b>369</b>
<b>Net assets</b>	<b>8,790</b>	<b>10,068</b>	<b>8,790</b>	<b>10,068</b>
<b>Equity</b>				
Share capital	26,255	25,126	26,255	25,126
Reserves	488	-	488	-
Retained losses	(17,953)	(15,058)	(17,953)	(15,058)
<b>Total equity</b>	<b>8,790</b>	<b>10,068</b>	<b>8,790</b>	<b>10,068</b>

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

<i>In thousands of AUD</i>	Share capital	Reserves	Retained losses	Total equity
<b>Consolidated</b>				
Balance at 1 July 2006	19,325	-	(12,587)	6,738
Loss for the period	-	-	(2,471)	(2,471)
Shares issues	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
Loss for the period	-	-	(2,895)	(2,895)
Share issues	1,159	-	-	1,159
Share issue costs	(30)	-	-	(30)
Option issues	-	488	-	488
Balance at 30 June 2008	26,255	488	(17,953)	8,790
<b>Company</b>				
Balance at 1 July 2006	19,325	-	(12,587)	6,738
Loss for the period	-	-	(2,471)	(2,471)
Shares issues	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
Loss for the period	-	-	(2,895)	(2,895)
Share issues	1,159	-	-	1,159
Share issue costs	(30)	-	-	(30)
Option issues	-	488	-	488
Balance at 30 June 2008	26,255	488	(17,953)	8,790

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Cash receipts	2,852	486	279	-
Cash paid to suppliers and employees	(7,120)	(5,510)	-	(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
<b>Net cash from/(used in) operating activities</b>	<b>(3,875)</b>	<b>(4,891)</b>	<b>670</b>	<b>(441)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	3,262	1	-	-
Acquisitions of intellectual property	(52)	(109)	-	-
Acquisitions of property, plant and equipment	(1,907)	(1,281)	-	-
<b>Net cash from/(used in) investing activities</b>	<b>1,303</b>	<b>(1,389)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
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	3,000	1,250	3,000	1,250
Repayment of borrowings	(3,000)	(1,296)	(3,000)	(1,250)
Proceeds from borrowings – related party	1,000	-	1,000	-
Interest paid on borrowings	(106)	-	(106)	-
Other loans	-	(1)	-	(1)
Loans to subsidiaries	-	-	(3,311)	(5,604)
<b>Net cash from/(used in) financing activities</b>	<b>1,990</b>	<b>5,754</b>	<b>(1,321)</b>	<b>196</b>
Net decrease in cash and cash equivalents	(582)	(526)	(651)	(245)
Cash and cash equivalents at 1 July	892	1,418	864	1,109
<b>Cash and cash equivalents at 30 June</b>	<b>310</b>	<b>892</b>	<b>213</b>	<b>864</b>

## 4 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 capacity from the current level of 363,000kg to 2,000,000kg by 2012 through new sites and licences, 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

### REVIEW OF 2008

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.

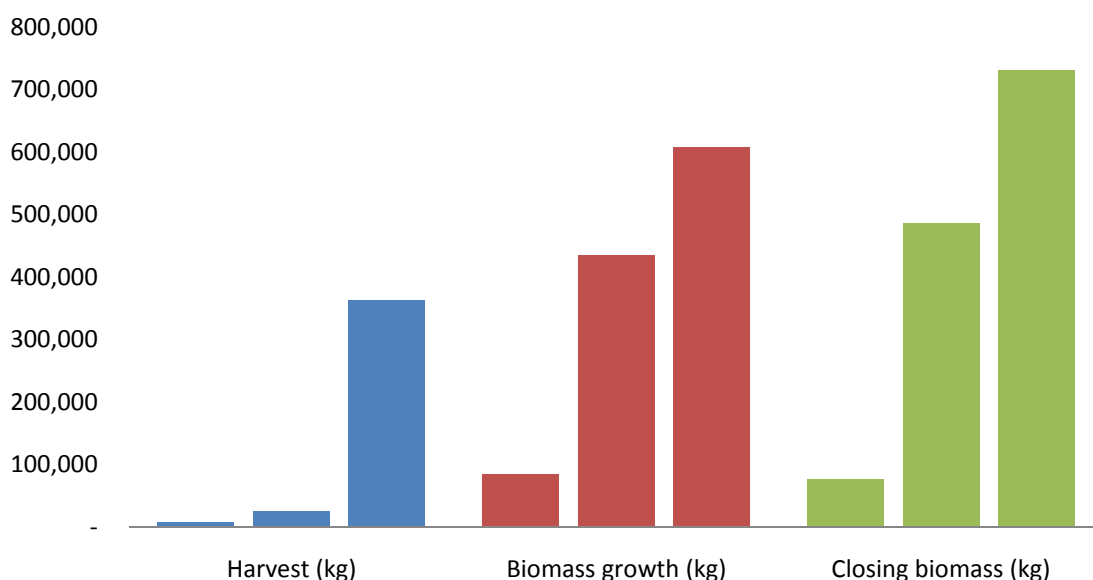
Significant capacity increase has been gained through the purchase of a marine sea cage nursery system which will allow shorter batch cycle times. Fish can be transferred from tanks at a smaller size, and held longer prior to stocking in grow-out cages which will allow for better management and lower 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 for the year was 363,000kg of whole fish. Total biomass at the end of the period was 730,000kg, representing a total biomass increase of 607,000kg. 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 the Western Australian Department of Fisheries and Department of Environment and Conservation will see a revised EMMP applied to the 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 are 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:

- 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.

### **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 licence and add further licences.

## (ii) REVIEW OF FINANCIAL RESULTS

### EBITDA AND NET LOSS

The consolidated group's earnings (loss) before interest, taxation, depreciation and amortisation (EBITDA) for the reporting period was a loss of \$912,000 (2007: \$2,935,000). The loss for the period was \$2,895,000 (2007: \$2,471,000).

### LOSS PER SHARE

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

Basic loss per share from continuing operations for the reporting period was \$0.004 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 \$3,779,000 (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. 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, against which the diesel fuel rebate is claimed.

### 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 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, based on the 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.

### (iii) REVIEW OF FINANCIAL CONDITION

The group's EBITDA for the reporting period was a loss of \$912,000. The loss for the period from continuing operations was \$1,887,000.

At 30 June 2008, the group had a working capital surplus of \$4,393,000, represented significantly by biological assets of \$6,098,000.

Further expansion is required to enable the Cone Bay farm site to operate at 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
- 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 funding to achieve this planned expansion, most likely through further equity raisings. In this regard the company issued 4,500,000 shares on 21 August 2008 to raise \$450,000 to restore immediate working capital in the business.

The company is currently in the process of formalising plans for a rights issue to existing shareholders to fund the group's operations through its planned expansion strategy over the next 12 months.

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 significant uncertainty 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 80% of the group's current assets and 50% of the group's total assets.

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.

#### **(iv) 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.

##### **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 Prawns' 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.

## 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:

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		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.

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

## (v) ACCOUNTING POLICIES

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

## 5 NET TANGIBLE ASSETS PER SECURITY

Reporting period	A\$0.014 (Pre 1:10 consolidation of issued capital)
Previous corresponding period	A\$0.020

## 6 DETAILS OF NEW ENTITIES WITHIN THE GROUP

No entities have been acquired or disposed by the group during the reporting period.

The group does not have associates or joint venture operations.

## 7 STATUS OF THE AUDIT OF THE FINANCIAL REPORT

The financial report for the period being reported is currently in the process of being audited.