

15 December 2009

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## Marine Produce Australia – Operations Update

*POSITIVE START TO SUMMER GROWING SEASON WITH RECORD FISH GROWTH IN NOVEMBER 2009*

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### HIGHLIGHTS

- **Record 115,000kg of fish growth (estimated \$1.2M sales value) achieved in November 2009, the first month of the summer growing season**
- **Weight of fish in sea cages now exceeds 720,000kg**
- **Current financial and operational trends indicate that the farming operations have reached a stage of profitability allowing for the value of fish growth**
- **Additional cage capacity on track with 4 of 13 new 80m cages and nets installed and stocked with Barramundi - 1,000,000kg licence now in place**
- **Encouraging initial results from new feed trials**
- **Adaptive automated feeding trials to begin to further improve fish growth, feed conversion and operating costs**

Marine Produce Australia Limited (ASX: MPA) is pleased to report a strong start to the summer growing season at its **Cone Bay Saltwater Barramundi Operations** in Western Australia, with record biomass growth recorded for the month of November 2009. This marks another important milestone towards achieving MPA's initial targeted farm size of 2 million kilograms (kg).

Record biomass growth was recorded in November 2009 with a substantial **115,000kg** of fish growth recorded across the farm, which equates to \$1.2 million at gross sales value.

This growth was achieved from the feeding of 147,000kg of food for a Feed Conversion Ratio ("FCR") of 1.3 and represents a 30% improvement in FCR against the farm's historical FCR of 1.8.

FCR is one of the key performance measures of fish farming as it measures the efficiency of converting fish food into fish mass, with 1.3 meaning that it takes 1.3kg of fish food (at a landed cost of ~\$2.60) to produce 1.0kg of fish growth (with a gross sales value of ~\$10.50).

November is the first month of the northern summer growing season, which extends through to April. As growth rates are driven by water temperature, Barramundi respond to increased water temperatures with increased appetite and growth.

## **FARM PROFITABILITY vs CASH FLOW**

While further farm biomass growth is required to reach MPA's initial targeted farm size of **2 million kg** – which will require additional funding in the business while this asset base is built up – current financial and operational trends indicate that current farming operations have reached a stage of profitability, once allowance is made for the value of fish growth.

Increased feeding and growth rates over the warmer summer months are expected to see monthly feeding costs of around \$0.4 million (200t per month, or 7t per day) with significant associated growth before harvesting.

## **NEW 80M CAGE INSTALLATION PROGRESS**

Four of the planned total thirteen 80m cages have been completed as part of the continued expansion of the Cone Bay operations. This involves the conversion of 12 of the existing 60m cages as well as the purchase of new cages and nets. The first 80m Kikko nets have arrived on the farm and have been constructed on the modified cages and stocked with fish.

The current expansion plans which envisage deployment of around three new 80m cages per month should see all new Kikko (9) and brass nets (4) installed by the end of the March 2010 quarter. The 13 new cages and nets have a total capacity approaching 1,500,000kg of biomass.

## **SALES PROJECTIONS**

Sales are increasing with the lead into summer in line with the seasonal change to warmer weather and increased availability of saleable fish. This will go some way towards assist working capital in the operations following recent large cash outflows from biomass expansion and capital works programs.

## **1 MILLION KG PRODUCTION LICENSE LEASE**

The farm's 1 million kg license is now in place. MPA is now progressing applications for licence extensions and new licence areas towards the full 5 million kg Development Plan requirement.

## **FEED TRIALS**

The planned commercial trial comparing growth of fish fed on the existing diet with fish fed on a diet containing higher levels of lipid (oil) has begun under commercial production conditions at Cone Bay.

The initial trial is being conducted on approximately 20% of the farm biomass. The full trial will be conducted over a total estimated 12 month period utilising the new 80m Kikko and brass nets, which will all be in place by the end of the March 2010 quarter.

Initial comparison trials (old v new feed) have been going for two months with initial encouraging results in the key economic indicators of increased growth rates and improved feed conversion ratios for the cages fed the new feed formulation.

The full trial will be run in 2010 to build on these initial results by comparing results from the existing feed formulation to the new formulation as well as variations to optimise stocking densities across each set of cages.

## **AUTOMATED FEEDING TRIALS – ADAPTIVE FEEDING**

Two new pieces of feeding equipment using the same technology have been purchased to help farm staff better assess Barramundi feeding response.

Specialised software developed by AQ1 Systems, an Australian company based in Hobart, isolates the distinctive noises made by feeding Barramundi and assesses the level of intensity of feeding activity. This information can be view graphically or used to control automated feed distribution equipment.

The first unit is fitted to the company's main feeding vessel. When the boat reaches a cage, a hydrophone connected to a notebook computer running the specialised software, is deployed. The intensity of feeding activity is "heard" and then displayed on the computer screen as a line graph, allowing the operator to immediately see if feeding activity is increasing or decreasing.

By setting upper and lower intensity limits, feed output can be increased or decreased accordingly. This is repeatable and does not rely on interpretation by feeding staff.

The second unit uses the same hydrophone and software, but is attached to a 6 tonne capacity floating feed silo with a feed distribution system fitted. A control unit is fitted to the cage which receives and interprets the hydrophone signals. By applying the upper and lower feed intensity parameters, feed output is increased or decreased to match fish appetite. All control units are linked by radio to a base station, where a computer can be used to monitor or manage feeding activities.

A similar feeder sold by AQ1 Systems for over 10 years has proven ability to grow fish more quickly and at a lower feed cost than any other method in operation.

## **CORPORATE UPDATE**

MPA is continuing to assess the optimum mechanisms to fund its Development Plan, including from operating cash flows, existing debt funding arrangements and other funding mechanisms. The Company will update shareholders as further details are finalised.

MILES KENNEDY  
CHAIRMAN