
Marine Produce Australia - Operations Update

Marine Produce Australia Limited (ASX: MPA) provides the following update on its Cone Bay Saltwater Barramundi Operations in Western Australia and other corporate activities:

1. FARMING OPERATIONS

SALES

Barramundi sales – 2008/2009

Quarter	September 2008	December 2008	March 2009	June 2009	Total YTD
Sales ('000kg)	93	127	140	62	422
Sales (\$million)	1.0	1.3	1.4	0.6	4.3

Sales have slowed during the colder winter months in line with the seasonal nature of fish sales and reduced availability of larger fish (greater than 2.5kg) following previous rationing and a strong summer sales season.

FARM BIOMASS GROWTH

As previously reported MPA is continuing to restore and grow farm biomass with the elimination of the forced feed rationing program in the first half of the 2009 financial year. Further fish growth has been recorded for the period April to July 2009 for a closing farm biomass approaching 700,000kg, represented by approximately 1 million fish, with sufficient fish now on the farm to cover the first two years of the proposed Development Plan.

1 MILLION KG PRODUCTION LICENCE LEASE

MPA has received notice from the Office of the Appeals Convenor within the WA Department of Environment that all appeals against the proposed 1 million kg production licence have been satisfactorily dealt with and the new licence conditions have been set. There does not appear to be any other matter to hold up progress and the company therefore believes that the issue of the new licence to Maxima Pearling Company Pty Ltd (leased to MPA through an Access Agreement) is imminent.

2. COMMERCIAL TRIALS

FEED TRIALS

BACKGROUND

Feed formulations for Barramundi have historically been based on growth trials using fish of less than 1 kilogram. This compares to MPA's target harvest size of fish of 3.5 kg. The same feed formulations are fed to Barramundi at all sizes up to 3.5 kg, a situation that is likely to result in sub-optimum growth and feed conversion ratios (FCR or feed:growth), leading to the opportunity to change feed formulations above the 1 kg level.

Trials recently conducted by researcher scientists within Fisheries WA, showed that Barramundi over 1 kg are able to grow considerably more quickly when fed diets with increased lipid (oil) content. During this project, fish fed the diet with the highest lipid content grew from a weight of 1.1 to 2.1 kg in just 8 weeks. When these growth rates are adjusted for the ocean-based conditions at Cone Bay, Barramundi weight would exceed 5.4 kg after 2 years, compared to a current achievement of around 3.4 kg for the same period (60% faster growth). Also, feed conversion ratios during the trial were less than 1.4:1 compared to 1.8:1 on our farm using existing diets.

POTENTIAL IMPACT

The major improvement to production costs comes with higher average weight, which can be recognised by harvesting fish after a shorter growing period, by selling the extra weight, or by a combination of both. Reducing FCR from 1.8:1 to 1.4:1 means that for every kilogram of fish grown, over 20% less feed is required and the cost of fish production is reduced by up to \$2 per kg, a material impact for a farm targeting 5 million kg of biomass and annual harvest.

COMMERCIAL TRIAL BUDGET

In an effort to realise these gains, a commercial trial comparing growth of fish fed on the existing diet with fish fed on a diet containing higher levels of lipid (oil) is planned under commercial production conditions at Cone Bay. The trial will be conducted over an estimated 12 month period following the order of trial cages and feed manufacture and will directly overlap with MPA's biomass growth plans under its announced Development Plan.

Estimated cost of the commercial trial (subject to funding):

Fish food	\$2.0 million
Bank of cages, nets, automatic feeder (8 cages)	<u>\$1.8 million</u>
Total cost of trial	\$3.8 million

The trial will be run to compare results from the existing feed formulation (4 cages) to the new formulation (4 cages) as well as variations to optimise stocking densities cross each set of cages.

CONCLUSION

The Development Plan has been formulated on the assumed growth rates and FCR of the existing feed for all fish up to the 3.5 kg target harvest level. The results expected from this commercial trial will dramatically improve the economics of MPA's operations.

NEW NET AND NET WEIGHTING SYSTEM TRIALS

MPA is finalising arrangements to undertake a trial of four marine brass nets (each 80m circumference with a 120,000kg biomass capacity) to investigate life spans under high flow conditions and resistance to marine biofouling in tropical marine waters. Use of brass nets generally results in the effective elimination of the need for continuous net cleaning as well as enhanced security against predators, at a higher capital cost. Under the trial the four nets will be acquired under a commercial 3 year hire purchase agreement which will deliver greater stocking capacity at reduced up front capital cost.

A second trial is also planned with the existing and additional Kikko plastic nets, involving the addition of rigid base framing and weight rings. This trial is expected to deliver the following benefits:

- Improved net shape and volume under all conditions
- More cost effective net cleaning by providing tighter net surface
- Improved predator protection

3. BROOME HATCHERY DEVELOPMENT PLANS

HATCHERY LAND LEASE APPLICATION

MPA has applied for a lease with the Western Australian Department of Fisheries, for two adjoining blocks of a combined size of 10,000m² (1Ha) within the Broome Tropical Aquaculture Park (“BTAP”), northern Western Australia, close to the Barramundi farming operations at Cone Bay off Derby.

MPA plans to develop a tropical marine finfish hatchery as a key element of the broader Cone Bay Development Plan. One of the major impediments to the expansion plans for its marine farm in the Kimberley Region has been the lack of reliable local supply of juvenile Barramundi.

The BTAP provides the following infrastructure to each site as part of the nominal head lease fees:

- Filtered sea water
- Saline bore water
- Fresh water
- Waste water discharge
- Access to industrial power
- Planning approval

The expected benefits to MPA in developing its own hatchery facility are:

- Development of a commercial tropical marine finfish hatchery as an essential element to support substantial growth for MPA and in the sea cage finfish aquaculture sector
- Focus hatchery production to ensure meeting the needs of the marine farm through the careful timing of production and culling of poor performing stock
- Support the development of community-based commercial aquaculture projects

- Reduce disease risk by reducing reliance on barramundi fingerlings sourced from other states
- Reduced cost for sourced Barramundi fingerlings into the farming operations
- Allow the commencement of research trials into a Selective Breeding Program (SBP) for Barramundi, to further improve growth rates, feed conversion and product quality
- Potential joint input from Kimberley TAFE to strengthen juvenile production and provide industry focused aquaculture training and employment, including for local indigenous people
- Potential for further hatchery development and commercial production of other finfish species
- Potential commercial sales and restocking for recreational fishing

Capital and operating expenditure is estimated to be \$3 million over the initial three year period, included with the Development Plan funding requirements, which will be utilised for:

- Building construction costs
- Live food production
- Incubation and larval rearing
- Broodstock holding facilities
- Nursery facilities (including water recirculation and treatment plant) to be relocated from the Cone Bay farm
- Backup power supply and alarm facilities
- Employment and operating costs

MPA expects that the new hatchery facility will be cost neutral against the current method of sourcing and transporting Barramundi fingerlings from Darwin in the Northern Territory, while delivering the expected operational benefits listed above.

4. TIWI ISLANDS DUE DILIGENCE SUCCESSFULLY COMPLETED

The Tiwi Islands Project exclusive due diligence period has concluded, with a final letter on MPA's intention to proceed issued to the Tiwi Land Council (TLC). MPA has indicated to the TLC that it has completed its preliminary due diligence work on the project and sees no significant impediments to the development of a marine farm at Snake Bay, Melville Island, subject to final farm design, approvals and funding arrangements.

MPA has secured its intention and extends the exclusivity period to the end of May 2010.

As reported previously, this opportunity has the potential to make a significant contribution to MPA's longer-term growth objectives, including adding further annual biomass harvest capacity to MPA's operations.

MPA is continuing discussions with the TLC with the view of concluding appropriate commercial and funding arrangements for the development of a Barramundi farming operation at Snake Bay, Melville Island.

5. CORPORATE

The Board has been investigating funding methods and sources to finance the Development Plan objectives to significantly expand the annual biomass harvest capacity at Cone Bay to 5 million kg per annum over the next decade.

The Board is pleased to announce a 1 for 1 non-renounceable entitlements issue in the company at an issue price of \$0.06 per share, to raise up to \$6.68 million, with 80 million of the 111 million shares on offer committed and underwritten by the company's two largest shareholders. Funds will be used to convert and repay debt, purchase more and larger cages and nets and fund further working capital to grow out fish stocks to progress with the Development Plan to reach and move beyond break-even profitability levels.

The prospectus for this entitlements issue has been lodged in conjunction with this announcement.

Miles Kennedy
CHAIRMAN