ASX ANNOUNCEMENT

31 January 2019

MARETERRAM FINANCIAL RESULTS FOR FY2018

Sustainable Australian agribusiness Mareterram Limited (ASX: MTM) ("Mareterram" or "the Company") announces its financial results for the twelve (12) months to 31 December 2018 (FY2018).

Summary of Group Results for FY2018:

- **Revenue of $44.87 million (FY2017: $47.84 million)**
- **EBITDA of $3.02 million (FY2017: $3.11 million) for NPAT of $0.33 million (FY2017: $1.51 million)**
- **Overheads reduced by 20% over the year to $5.55 million**
- **Operating cash flow increased by 7% to $2.95 million for the year (FY2017: $2.75 million)**
- **Net assets of $28.93 million at 31 December 2018 (FY2017: $28.69 million)**
- **Successfully executed restructure and cost reduction initiatives across the 12 months in line with stated strategy**

Group Overview – Key Financials

Statutory Results **12 months to 31 December**	**2018** **$'000**	**2017** **$'000**	**Increase/** **(Decrease)** **$'000**
Revenues from continuing activities	44,870	47,841	(2,971)
Statutory EBITDA	3,019	3,107	(88)
Statutory Net Profit After Tax	327	1,506	(1,179)

*** Note the comparative amounts shown for 2017 represent trading for the 12 month period*

Results Commentary

Mareterram Limited has delivered statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $3.02 million for the 12 months to 31 December 2018 (FY2017: $3.11 million).

The result was underpinned by Revenue from continuing activities of $44.87 million (FY2017: $47.84 million) against the backdrop of a challenging season in the Shark Bay Prawn Managed Fishery ('SBPF'). Despite the challenging conditions, the Company reported Earnings Before Interest and Tax (EBIT) of $0.50 million for the 12 months to 31 December 2018 (FY2017: $1.31 million).

Depreciation and amortisation increased year on year as the capitalised costs associated with the vessel rebuild program, as well as the acquisition of a mackerel vessel, are being depreciated. As the rebuild program is reaching the end of the full vessel rebuild cycle, capitalised costs have started declining and this will be reflected in reduced capitalised expenditure in vessels in future periods.

Interest expenditure increased year on year due to increased long term borrowings relating to the acquisition of two mackerel packages, completed in January 2018. Short term borrowings also increased year on year, though offset by a $2.15 million reduction in voluntary fishery adjustment scheme (VFAS) government debt.

Operations Commentary

Prawn catch volumes were approximately 300mt (35%) lower in 2018 than 2017. The average size of prawns caught in the 2018 season was larger than 2017, resulting in an average realised prawn price that was 12.4% higher than 2017.

Scallop catch volumes were approximately 10% lower in 2018 to that of 2017, though the remaining scallop quota was deliberately held over to be caught in February 2019 when product is larger and attracts a higher price. The average scallop size landed in the 2018 fishing season was in line with scallop sizes realised across the 2017 season.

Mackerel catches were below first season expectations with only approximately 41% of the total quota taken. This was primarily due to an attempt to consolidate two license and quota packages on to one vessel. A second vessel has been introduced to fish the quota in future seasons. Aside from the catch performance, harvest expenses were below the initial business case and the average realised price for mackerel was above expectations. As such, the mackerel business still provided a positive contribution to EBITDA.

As was announced to the market on 5 November 2018, the Company took the decision to return the majority of vessels to port early in the back half of the SBPF season due to persistently low catch rates of prawns. This decision provided material savings in harvest expenses in the 2018 season compared to 2017.

A significant restructure of the Company's personnel and adjustments to other fixed overheads was executed in late 2017 and early 2018. Multiple positions across the Company were rationalised after an in-depth review of the organisational structure, which focused on the adoption of leaner principles of operation. Company overheads were reduced to $5.55 million for the 12 months to 31 December 2018, down 20% from $6.90 million for the 12 months to 31 December 2017.

Notwithstanding the challenging conditions experienced in the SBPF during the 2018 season, the Company was still able to generate revenue in the 12 months to 31 December 2018 6.2% lower than revenue in the comparative 12 month period and an EBITDA result 2.8% lower than EBITDA for the 12 months to 31 December 2017. This is a reflection of the operational and financial improvements that were achieved in other key areas of the business.

Operating cash flow of $2.95 million for the 12 months to 31 December 2018 represented a 7.2% increase in operating cash flow from the previous corresponding 12 months. This was a direct result of the continued focus on working capital management strategies.

The Company's balance sheet remains healthy, showing net assets of $28.93 million as at 31 December 2018, an increase of $0.24 million from 31 December 2017.

Outlook

During the 2018 season, the SBPF experienced historically low catch volumes compared to previous seasons. The Department of Primary Industry and Regional Development ('DPIRD'), which oversees the management of the SBPF, is working closely with industry to manage the SBPF and to ensure a rebound in prawn catch rates. A range of strategies to optimise prawn spawning, recruitment and protection are being considered.

As previously outlined, there was a significant restructure of the Company's personnel and adjustments to other fixed overheads. The Company expects to be able to maintain the reduced level of overheads in FY2019. With a continued management focus on leaner structures and reduced operational overhead, the Company is well positioned to take advantage of a return to long term average prawn catches.

The Fishing Division's continuation of its vessel improvement program, designed to increase vessel reliability and efficiency, produced good results again in 2018. Lost nights of fishing were down 42% and returns to port were down 36% during the 2018 season. The Company is nearing the end of its vessel rebuild program with the fleet on track to be completed by the 2021 season. The Company expects further incremental improvement in vessel reliability in the 2019 season.

The Food Division has continued to make strides in opening multiple domestic and international sales channels. To meet this growing customer base and demand, the Company will continue to seek further acquisitions that will provide additional scale and complementary revenue streams to the existing prawn, scallop, crab, mackerel, hake and potato businesses. Growth through acquisition will also bring further diversification of the basket of high value offerings from the Food Division.

Mareterram will continue to refine and implement its four key strategic pillars in 2019, being:

1. To maximise the volume and value of its catch;
2. To maximise the utilisation of its assets:
3. To grow its Food Division; and
4. To build further scale and diversification through acquisitions.

Emphasis will be placed on the fourth pillar in particular, with resource security and subsequent supply chain control the major focus.

The Company has a disciplined structure and cost base that has proven to be profitable in one of the most challenging SBPF seasons on record. Mareterram has valuable assets, a strong management team and an engaged workforce, that will enable it to continue to focus on improving both the operational and financial performance of the Company as well as seeking growth opportunities that will deliver long-term, sustainable value for shareholders.

For more information:
James Clement
Managing Director
Ph: +618 9435 9200
E: james.clement@mareterram.com.au

For more information:
Richard Duncan
Chief Financial Officer and Company Secretary
Ph: +618 9435 9200
E: richard.duncan@mareterram.com.au