Mareterram

ASX ANNOUNCEMENT

28 August 2018

MARETERRAM 6 MONTH RESULTS COMMENTARY

Sustainable Australian agribusiness Mareterram Limited (ASX: MTM) today announced its financial results for the six (6) month period ended 30 June 2018

Group Summary Overview

- **Change of financial year from 30 June to 31 December to align to fishing season and major shareholder, Sea Harvest Group Limited**
- **Executive and Board restructure has been smoothly implemented, including official appointment of Managing Director and Chief Executive Officer**
- **EBITDA of $0.54 million and net loss after tax of $0.54 million, down from an EBITDA of $1.41 million and net profit after tax of $0.32 million for the six months to 31 December 2017**
- **Revenue of $18.37 million, down 28% from $25.44 million for the six months to 31 December 2017**
- **Successful completion and integration of two acquired mackerel packages, including fishing licences and vessels**
- **Net assets of $28.25 million compared to closing net assets of $28.69 million at 31 December 2017 maintains a strong balance sheet position of the company**
- **Growth through acquisition remains a key strategic focus area in 2018**

Group Overview – Key Financials

Statutory Results **6 month period ended**	**30 June 2018 $'000**	**31 December 2017 $'000**	**Increase/ (Decrease) $'000**	**Increase/ (Decrease) %**
Revenues from continuing activities	18,373	25,435	(7,062)	(28%)
Statutory EBITDA	537	1,411	(874)	(62%)
Statutory net (loss)/profit after tax	(537)	324	(861)	(266%)

Results Commentary

As previously announced, Mareterram Limited ('Mareterram' or 'the Company') has changed its financial year end from 30 June to 31 December. The change will allow improved reporting and analysis of the major business undertaking of the group in the Shark Bay Prawn Fishery ('SBPF') which has a season that runs through the calendar year.

Mareterram is a seasonal business with the majority of earnings skewed to the second half of the financial year. As such, comparing the financial year's first half result against the previous financial year's second half results highlights this significant variability.

The Company reported statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of $0.54 million for the 6 months to 30 June 2018 compared to $1.41 million for the 6 months to 31 December 2017, and a net loss after tax of $0.54 million for the 6 months to 30 June 2018 compared to a net profit after tax of $0.32 million for the 6 months to 31 December 2017.

The 2018 prawn fishing season commenced three weeks later than the start of the 2017 season.

The Department of Primary Industry and Regional Development that oversees the management of the SBPF opened the 2018 season three weeks later in part to avoid the high percentage of small prawn in total catch volumes experienced in 2017. The Company supported the move and expected that a delayed start to the 2018 season would likely translate in to an increase in the average size of prawn caught, which in the past had resulted in an increase in average realised price. A delayed start and the targeting of larger prawns is also compelling on the grounds of continued sustainability of the SBPF.

The Company has since experienced an improved average prawn size in the 2018 season to date. As a result, the average prawn price for the 6 month period to 30 June 2018 was 22% higher than for the 6 month period to 31 December 2017.

Due to the delayed opening of the 2018 fishing season in the SBPF, catch and sales volumes will be significantly skewed toward the second half of the calendar year. As a result, the volume of prawns sold for the 6 month period to 30 June 2018 was 76% lower than for the 6 month period to 31 December 2017.

As previously outlined by the company, a deliberate and strategic decision was made by management in the previous financial year to delay fishing for scallop to later in the 2017 season when product is larger and attracts a materially higher price. As a result, the average scallop price for the 6 month period to 30 June 2018 was 9% higher than for the 6 month period to 31 December 2017.

Scallop sales volumes will also be skewed toward the second half of the calendar year. As a result, the volume of scallops sold for the 6 month period to 30 June 2018 was 10% lower than for the 6 month period to 31 December 2017.

The Company also caught 55% of its 2018 scallop season quota within the 6 months to 30 June 2018.

The Company completed the acquisition of two mackerel packages in January 2018, which included fishing licences and vessels. The mackerel assets have been successfully integrated into the operation of the Fisheries division based in Carnarvon.

The Company caught 8% of its 2018 mackerel season quota within the 6 months to 30 June 2018 having commenced fishing in May of that period. The 2018 mackerel season closes in December. Prices achieved to date have been inline with the original investment case.

As a consequence of the catch, sales timing and price mix outlined above, reported revenue for the 6 month period ended 30 June 2018 was $18.37 million compared to $25.44 million for the 6 month period to 31 December 2017.

Operating cash outflow of $3.28 million for the 6 months to 30 June 2018 represented a $9.51 million decrease in operating cash flow from the prior 6 months to 31 December 2017. This was a direct result of major costs incurred during the first half of the calendar year in the lead up to the start of the fishing season and an increase in investment of working capital in the Trading division. These costs include compulsory spend on annual VFAS fees and fishing licences, essential spend on vessel rebuild and maintenance costs as well as fuelling costs prior to deployment of the fishing fleet. The recovery of these costs predominately occurs in the second half of the calendar year when most sales arise during this period.

The Company's balance sheet remains strong, showing net assets of $28.25 million as at 30 June 2018 compared to $28.69 million as at 31 December 2017.

Outlook

The total 2018 prawn catch volume to date is markedly lower than the corresponding point of the previous season. The season is scheduled to run through to November 2018 which presents the opportunity to lift overall catch volumes, however based on the catch volumes recorded to date management believe that the total prawn catch will be significantly lower for the 2018 season compared to the 2017 season.

Mareterram continues to implement its four key strategic pillars, to maximise the volume and value of our catch, maximise the utilisation of our assets, grow our Food business and to build scale and diversification through acquisitions. The Company is still seeing a promising pipeline of potential assets to acquire, albeit at challenging valuations.

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About Mareterram

Sustainable Australian agribusiness Mareterram Limited is an ASX-listed fishing and food distribution company. The vertically integrated company has two operating divisions, Mareterram Fishing – Norwest and Mareterram Foods.

Mareterram Fishing encompasses the Norwest Seafood business, which is the single largest owner operator within the pristine waters of the Shark Bay Prawn Managed Fishery. Norwest has a long and proud history of operating within the fishery for over 50 years. Mareterram acquired Norwest Seafood in 2015 and currently operates a fleet of 10 prawn trawlers.

Mareterram Foods is a food distribution and wholesaling business acquired from the Craig Mostyn Group in 2015. The Foods business manages the sales of the Norwest product from Shark Bay together with other premium, sustainably caught seafood that we source from our worldwide network of key suppliers. The Foods business also act as exclusive agents for other premium food brands, whose products complement our core seafood offering.

Mareterram's aim and focus is the vertical integration of protein based products for the Australian and international markets. The control of the supply chain from catching through to distribution enables the Company to maximise the margins of the products it offers. Mareterram will continue to review and assess opportunities that allow it to leverage the vertically integrated nature of the business for the benefit of shareholders.