

10 August 2010

Company Announcement

Australian Securities Exchange Limited

CLEAN SEAS TUNA LIMITED (CSS): MARKET RELEASE INVESTOR UPDATE

This update is provided as Clean Seas Tuna Ltd (“Clean Seas”) anticipates that there will be a variation of more than 15% for comparable half year and full year results with the rate of loss for 2H2010 being materially improved. The improvement has resulted from decreased costs and improved productivity through a continuing companywide cost reduction initiative, increased farmgate prices and change in strategic direction.

Additional information with regard to the expected full year results for FY2010, and the present status of Kingfish Operations and the Southern Bluefin Tuna (“SBT”) breeding program follows:-

1. FY2010 Results

The Company is currently finalising its FY2010 results post conclusion of Kingfish grading and final inventory valuation in accordance with SGARA accounting principles. The 1H2010 financial results (\$14.2 million loss post tax) were materially impacted by write downs of excess inventory as a consequence of an overly optimistic production schedule. The Company has now largely cleared its excess inventory and is moving towards a balance between production and sales of some 2,500 tonnes per annum. This is enabling the Company to progressively improve its market mix and pricing resulting in improved net farmgate returns, which coupled with productivity initiatives, has led to a significantly reduced 2H2010 loss post tax.

To the above background, the Company anticipates a loss post tax for 2H2010 in the order of \$2.0 to \$3.0 million (1H2010 \$14.2 million loss, 2H2009 \$5.9 million loss) resulting in an anticipated FY2010 loss post tax in the order of \$16.0 to \$17.0 million. Whilst this is a disappointing result for the full year, 2H2010 results confirm that the new management’s balanced sale and production policy is appropriate, and along with other initiatives is expected to lead to the establishment of Yellowtail Kingfish as a long term sustainable and profitable species.

Costs associated with Clean Seas’ primary goal of commercialising the closure of the SBT lifecycle continue to be capitalised, and accordingly have not impacted the anticipated result. A key component of the SBT program is the development of suitable pelletised feeds for future aquaculture SBT production. In this regard the Company has since January 2010 been trialling (with significant success)



two proprietary feeds with some 100 tonnes of wild catch and grow tuna. Most fish will be sold into test markets during 1Q2011 resulting in net positive cash flow in the order of \$1.5 million.

The Company anticipates releasing its full year results during the last week of August 2010 and following consideration of the Company's Audit Committee and Board with the final FY2010 result expected to fall within the guidance range provided above.

2. SBT Breeding Update

The Company advises that the program for planned SBT fingerling production over the 2010/11 summer is well advanced and resourced. The Company continues to be the key private participant in Seafood CRC Ltd and this relationship is supported by an Industry Partnership Agreement with Fisheries Research and Development Corporation. Extensive programs are being developed with the CRC and FRDC to complement the Company's own research and development activities, facilities and personnel. It is anticipated these programs will include:-

- The final commissioning of the Company's \$7 million recirculating SBT larval rearing system at Arno Bay with a trial run of Yellowtail Kingfish fingerlings in September/October 2010. This European designed system is new technology to Australia for large fin fish larval production and will provide the Company with the capacity to control all essential environmental parameters for the production of SBT fingerlings.
- A significant expansion of the Company's dedicated research and development personnel who will be located at Arno Bay and the off-site participating research institutions at Port Stephens and Darwin. It is anticipated that Dr Jennifer Cobcroft will lead the expanded research and development team under the direction of Morten Deichmann, the Company's SBT lifecycle program manager.
- A real time parallel R&D rearing system (comprising three small dedicated SBT larval rearing recirculation systems) is planned to be run in parallel with the new Arno Bay SBT larval rearing system described above. This should assist accelerated development of SBT larval rearing techniques over the forthcoming summer and future seasons.
- Refinement of preferred larval rearing protocols drawn from the detailed analysis of the last two seasons' SBT fingerling production at all locations and the real time monitoring thereof.

Overall the Company is confident that it will achieve significant progress with SBT fingerling production at both Arno Bay and remote sites. It is expected that a pre-commercialisation number of SBT fingerlings will be successfully transferred to sea cages for experimental grow out.

3. Kingfish Operations

Last season's reduction in Yellowtail Kingfish fingerling production from 1.25 m to 0.75 m fingerlings is enabling the Company to progressively improve its financial performance with this species. The major operating parameters for FY2011 include:-



- A closer balance of production to sales.
- Further improvements in average net farmgate sale prices (both domestic and export) which increased by over 10% from December 2009 to June 2010. Average net farmgate prices are forecast to rise by a further 6%+ per Kg by June 2011.
- Production costs are being progressively reduced as a consequence of a number of key actions including:-
 - Introduction of net protection systems which reduce the frequency of net changing - previously the largest component of the Company's labour cost. One of the biggest single costs in marine aquaculture management is weed growth on fish cages and the labour and plant costs devoted to cleaning nets is significant. Considerable effort and research has been devoted to this particular management challenge and recent technological advances have been researched and studied. The company has devoted much effort to introducing its recent innovations in this sector and is confident of achieving serious production cost savings.
 - Recent introduction of a mechanical in situ net cleaner which will further reduce the frequency of net changing.
 - Development (with the assistance of a targeted Seafood CRC program) of a practical science driven feeding regime for each year class of Kingfish production. This program is targeted to improving FCRs as feed costs are the Company's major expense and positive progress is now being achieved.
 - The automated feeding platforms located at Arno and Fitzgerald Bays are now being fully utilised and will materially assist with the implementation of the tighter feeding regimes being developed.
 - The current workforce has been reduced by 20% since March 2010, which will further reduce labour costs during FY2011.
 - The Company's consolidation of processing operations of harvested fish at Port Lincoln and its review of all other post harvest logistics and costs is having a positive impact on net farmgate prices.

These cost reductions are anticipated to be recurring and the benefits will continue to be seen in future years.

Overall, the Company believes it is now on track for the Yellowtail Kingfish division to become cash flow positive for FY2011 and then moving to profitability in the near term. Whilst this progress is slower than originally anticipated, the Company is now operating with a focused and higher level of rigour and discipline which will result in steady progress in this division.

4. Other Matters

The Company recently lodged (30 July 2010) its Appendix 4C cash flow report for the three months ended 30 June 2010. In addition to information contained in that report, the Company confirms that its forecasts and current operations indicate that it has sufficient cash reserves for all planned operations in



FY2011. Further, the Company confirms it is presently debt free and is trading on a maximum of 30 day credit terms with all suppliers.

Whilst FY2010 has been a difficult and disappointing year from a financial perspective, the Company believes that it is well placed to significantly advance its progress with the commercialisation of SBT aquaculture and the establishment of Yellowtail Kingfish as a viable long term premium species. In the absence of unforeseeable environmental impacts, the Company anticipates a major reduction in operating losses for FY2011 as it advances towards profitable operations.

Frank Knight

Company Secretary

