

DEEP SEA FISHERIES LTD

GROUP OF COMPANIES

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DEEP SEA FISHERIES LTD CHAIRMAN'S STATEMENT YEAR ENDED 30 JUNE 2006

Deep Sea Fisheries Ltd owns and operates a fleet of fishing vessels and accompanying Statutory Fishing Rights in the Northern Prawn Fishery (NPF) and the North West Slope Trawl Fishery (NWSTF). The group produces and markets quality prawns and scampi both domestically and internationally.

My report in December 2005 outlined the measures the board was taking to combat the dual threats to the fishing industry of continuing sharp increases in fuel costs, and of static prices for our products due to market saturation by farmed prawns from developing countries.

The measures I mentioned included the continued lowering of costs, the pursuit of efficiency and productivity gains, the provision of support for the promotion of Australian seafood, and continued lobbying in Canberra for a fair deal in both fisheries management and for level playing fields in our markets.

These measures are now gaining traction and I am pleased to report a net profit before tax of \$227,788 for the year to June 2006. This compares to what was essentially a break-even result for the previous corresponding period.

The improved profit result was achieved despite a 27% rise to our fuel costs. In addition, the Australian Dollar remained strong throughout the year and continued to impact negatively on the value of our foreign currency receipts.

We countered these external factors by ensuring seamless vessel operation leading to increased catches, escalating levels of onboard value adding to our products, nurturing customer support in a difficult market, and importantly by a loyal and concerted effort by our personnel ashore and at sea.

Notwithstanding the improved result, the directors remain acutely aware that the profit is not sufficient given the assets of the company, nor to return a sustainable dividend to shareholders. However the board remains confident that the company can maintain a steadily improving profit trend by continuing to enhance those measures set out above.

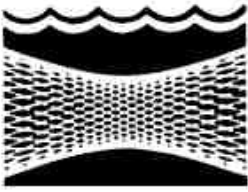
Perhaps the most important part of this strategy will be the achievement of gains in efficiency and productivity. This is eminently achievable without adding extra fishing pressure to the fisheries in which we operate, although it will largely rely in the short term on the outcome of the Commonwealth government's \$220 million *Securing our Fishing Future* restructuring initiative.

I referred to this program in my December 2005 report, whereby operators who wish to exit Commonwealth fisheries have been able to tender their Statutory Fishing Rights (SFRs) into a government funded "buy-back". If accepted, the SFRs tendered will be cancelled and the boats will be removed from the relevant fishery.

The goal of this restructure package is to further remove excess fishing capacity around Australia so that those operators remaining in the industry will enjoy a larger share of the sustainable yields in their particular fisheries.

INCORPORATING

DEEP SEA FISHERIES LTD ABN 44 009 163 919
TIGER FISHERIES PTY LTD ABN 83 008 812 986
CARPENTARIA FISHING CO. PTY LTD ABN 29 008 861 738



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Deep Sea Fisheries Ltd has long been committed to investing in the seafood industry and in the provision of clean, safe, natural and healthy foods to the world's markets. The company has steadily acquired SFRs over the years to protect and increase its share of these resources as restructures have become necessary, and has therefore been able to maintain its fleet size against the background of a shrinking fleet around the country.

The board conducted a careful assessment as to whether continuing this commitment, or tendering the company's SFRs into the buy-back, would be in our shareholders' best interests. After studying the potential effects of a great many permutations of full tenders, partial tenders, and not tendering at all, it was resolved to adopt the latter option and continue with our existing strategies and commitments.

The tender period has since closed and government is currently in the process of evaluating all tenders lodged. Results had hoped to be known by June, but there have been administrative delays and an announcement is expected by the government on the outcome in the near future.

After close analysis of this outcome, Deep Sea Fisheries Ltd will in turn make an announcement to update the market on the implications of the buy-back for the company and the industry.

Statutory Fishing Rights are freely traded and accordingly their market value fluctuates over time to reflect the underlying performance and productivity of the relevant fishery. In 1995 and 1997 the company's NPF SFRs were revalued upwards to market levels at the time, and the improved value was recorded in the asset revaluation reserve.

In June 2005 we partially reversed this valuation increment to reflect the economic downturn being experienced in our industry. After considering the current market for SFRs, and in the absence of a conclusion to the buy-back, the board has again felt it to be prudent to implement a further partial reversal of that valuation increment by \$2.953 million net of tax.

The government buy-back package can be expected to impact on the market value of SFRs and the board will reassess the company's asset values when the results are known.

Provided sufficient competing fishing effort is removed from the NPF by this package, our company is well positioned to significantly increase its catches and catch value in the future. This would further lower our costs of production, and in tandem with the other measures I spoke of, could be expected to sustain a trend of increasing profits, and provide growth in SFR values.

Gordon Hill
Chairman of Directors
13 September 2006

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