DARK BLUE SEA LIMITED
ACN 091 509 796

Company Announcement

Date: 4 August, 2008

June 2008 Quarterly Update

Dark Blue Sea Ltd (ASX listing code DBS) today released an update on its quarterly performance for the three months to 30 June, 2008.

As advised with the release of the March 2006 quarterly cash flow statement, the Company will no longer lodge Appendix 4C statements with the Australian Stock Exchange. The company has previously announced some Key Performance Indicators (KPIs) coincident with these releases. It is the company's intention to continue to release these KPIs on a quarterly basis.

This release contains information about:

- Key Performance Indicators
- June Quarter Trading Performance
- The Company's domain name portfolio and Domain Trading
- Financial Impact of the Australian Dollar versus the US Dollar
- Accounting Treatment of GoDaddy Option Agreement
- 2007/08 Full Year Profit Guidance Update
- Update on Capital Management / Dividend

Key Performance Indicators

The Company releases some key financial performance indicators for comparative purposes. These indicators are based on unaudited management accounts.

The updated Key Performance Indicators for the June 2008 Quarter appear on the following page.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

	Qtr end 30.06.07	Qtr end 30.09.07	Qtr end 31.12.07	Qtr end 31.03.08	Qtr end 30.06.08
Revenue (US$'000)					
Internal Traffic – Profitable Domain Names	1,963	1,923	1,550	1,258	1,034
Internal Traffic – Unprofitable Domain Names	88	87	111	112	109
Total Internal Traffic	2,051	2,010	1,661	1,370	1,143
Internal Domain Name Sales	638	857	1,366	1,003	2,779
Total Internal Revenue	2,688	2,866	3,026	2,372	3,922
External Traffic	2,547	2,759	2,900	2,988	2,981
Total Traffic Revenue	4,597	4,768	4,561	4,357	4,124
Revenue Margin (%)					
Internal Traffic – Profitable Domain Names	89	88	85	85	85
Total Internal	69	68	69	63	76
External	31	27	26	26	24
Total Traffic	44	39	33	29	22
Number of Profitable Domains	150,000	153,000	152,000	116,000	96,000

A more detailed explanation on the Key Performance Indicators is provided in the "Background on Key Performance Indicators Section" below.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

June Quarter Trading Performance

The company had a mixed trading performance in the June quarter reflecting a good domain sales performance but ongoing difficult trading conditions on the traffic / advertising side of the business.

Domain sales in the June quarter were approximately US$2.8 million, significantly better than both the March quarter (US$1 million) and the corresponding quarter in 2007 (US$640,000). This was due to three factors.

Firstly, secondary market sales of domains to retail buyers, primarily through the Domain Distribution Network (DDN) have continued to show growth as the various DDN partners (including GoDaddy) improve their respective sales processes. Secondly, the company sold a premium domain name for US$250,000 during the quarter.

Finally, the company sold some domain names to other professional domain name investors. This last factor highlights an important point about Dark Blue Sea - the directors see the bulk of Dark Blue Sea's shareholder value residing in the company's domain name portfolio. The domain name portfolio gives the company considerable flexibility in managing the business, reported profits and liquidity. Further discussion about the domain name portfolio is contained below.

Dark Blue Sea is a US centric business that generates most of its revenue from direct navigation advertising which is part of the US online advertising industry. The key factors that are currently driving the direct navigation advertising industry are

- the weaker economic environment in the US
- generally fewer advertisers (as observed by Dark Blue Sea) leading to a reduction in bid prices and coverage and hence overall yield received by Dark Blue Sea
- changes to the way that online advertisers can place advertisements via the advertiser interfaces of the major search advertising networks; and
- an overall uncertain strategic landscape stemming from the unsuccessful takeover bid for Yahoo by Microsoft and the subsequent outsourcing of search advertising to Google by Yahoo.

Detail commentary on each of these factors was provided in the March 2008 Quarter KPI report lodged with the ASX on May 6, 2008. Since the release of this report three months ago, trading conditions have continued to deteriorate and the outlook remains uncertain.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

The Company's Domain Name Portfolio and Domain Trading

The company currently has a portfolio of approximately 600,000 domain names. Whilst broad analysis of the portfolio can be simplified into a few financial metrics (such as current advertising revenue, number of profitable domain names and value of domain sales), this obscures the true nature of the portfolio.

Like a share portfolio with (investment / trading) positions in different company's shares, the company's domain name portfolio has a range of different positions. In fact the company has 600,000 different positions, each costing approximately US$7 per annum to maintain. Each position can be renewed for a further year or discontinued for no cost (other than administrative). In this regard, the company's domain name portfolio is a very flexible investment that has progressively evolved since its establishment in 2002. As a general comment, the portfolio has evolved (and will continue to evolve) as the ways to monetise the internet have evolved. In constructing the portfolio, we try to incorporate both current monetisation opportunities as well as anticipated ones (as innovation on the internet continues).

Our main position is generic non-typo dot com domain names and this forms the core of our portfolio. It is this core which both generates advertising revenue (either currently or expected in the future) and has the possibility of being sold to retail buyers at a realistic prices with a reasonable probability. In this regard it is exposed to the two main revenue streams (currently) in the domain name industry. We see generic dot com domain names, particular ones that have underlying commerciality, as enduring assets – names that will always be in demand and likely to appreciate in value as the internet grows over the next five to ten years.

The company has a range of other positions in the portfolio as well. Different domain name extensions such as .co.uk and .com.au is just one example. Like most portfolios, some of these positions will work, some won't. Some positions have worked in the past and may not in the future. This is the ongoing management challenge – structuring the portfolio appropriately within the constraints of the company's financial resources.

Like share traders who buy and sell, other professional domain industry participants may have different views, risk profiles or financial objectives to ours. In this regard there is a reasonably active and liquid professional secondary market for domain names. It is to this market that we sold some of our (non-core) domain names to other professional domain investors in the June quarter.

Domain sales are an import source of liquidity for the company. Cash raised from domain sales can be used to reinvest back into more domains. Alternatively, the cash can be used to pay dividends to share holders or, which has the case been more recently, to buy back shares.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

Financial Impact of the Australian Dollar versus the US dollar

The Company continues to be adversely affected by the rise in the Australian dollar versus the US dollar. Even though the company reports in Australian dollars, most of the company's business is transacted in US dollars. The effect is seen in the translation of balance sheet items and is explicitly recognised in the Profit and Loss. There is also a through the period effect which is not explicitly recognised but is observed as a reduction in the operating margin.

The Company's internal modelling indicates the explicitly recognised (i.e. balance sheet translation related) EBITDA sensitivity to be approximately A$20,000 per one cent move in the Australian dollar / UD dollar exchange rate. The operating margin impact of currency movements is more difficult to quantify exactly. The Company's internal modelling estimates the current sensitivity on 2007/08 EBITDA to be approximately A$100,000 per one cent change. During 2007/08, the exchange rate has moved adversely by approximately ten cents.

The Company manages the operational aspects of the business from a US dollar perspective and keeps excess cash is US dollars. The Company brings back sufficient US dollars on a regular basis to fund its future Australian dollar liabilities (overheads, tax and dividends) but doesn't actively hedge for exchange rate movements. In this regard, the Company continues to be exposed to a rising Australian dollar versus the US dollar.

Accounting Treatment of the GoDaddy Option

The issue of options to GoDaddy as part of the Agreement with GoDaddy announced on March 7, 2008 has resulted in a charge to the Company's reported profit and loss statement. Based on discussions with the Company's auditors, the Company has currently estimated the charge to the profit and loss as follows.

2007/08 – A$413,000
2008/09 – A$86,000
2009/10 – A$67,000
2010/11 – A$47,000
2011/12 – A$28,000
2012/13 – A$12,000

These amounts are unaudited and assume GoDaddy meets the sales target of 45,000 names over the next five years. The amounts will be subject to annual review based on the actual performance and the value of the options at the time of review. The Dark Blue Sea share price is a significant input to the valuation of the options.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

2007/08 Full Year Profit Guidance Update

Based on unaudited management accounts, in the 12 months to June 30, 2008, the company generated

- Revenue of approximately A$32 million (vs A$32.7 million in 2006/07)
- EBITDA of approximately A$4.5 million (vs A$5.4 million in 2006/07); and
- Profit before tax of approximately A$4 million (vs A5.3 million in 2006/07).

This is consistent with the guidance provided in the release to the Australian Stock Exchange on May 6, 2008 stating that reported profit before tax would be down between 20% and 50% compared to 2006/07.

Three significant components of the 2007/08 results are worth noting

- 2007/08 EBITDA result was adversely impacted by approximately A$1 million due to the rise in the $A/$US exchange rate
- The company has amended the way it treats the amortisation of the domain registration prepayment to reflect a change in the way it manages the company's domain name portfolio. This more conservative accounting treatment resulted in an adverse impact of approximately A$700,000 in 2007/08 EBITDA; and
- The treatment of the Go Daddy option resulted in an adverse impact of approximately A$410,000 to net profit before tax.

Cash at bank as at June 30, 2008 was approximately A$5 million. In early July, the company settled a share buy back of approximately 4.9 million shares at a cost of A$1.7 million.

Capital Management / Dividends

Over the last few years, the company has returned capital to shareholder both by way of dividends and share buy backs. Over the last 12 months, the company has paid a final dividend for 2006/07 and an interim dividend for 2007/08 – both 1.5 cents per share fully franked. In addition, the company has bought back 10% of the issued capital over this period.

The company intends to continue to return capital to shareholders, whilst maintaining sufficient financial reserves to ensure viability in the event of adverse circumstances. In this context, the company is currently cautious due to the uncertainty in the US direct navigation advertising industry and the persistently high A$ / US$ exchange rate.

Given the company's current cautious disposition and the level of cash reserves (post the most recent significant share buy back), it is unlikely the 1.5 cent fully franked dividend paid as the final dividend for 2006/07 will be maintained. A decision on a final dividend for 2007/08 will be made by the directors with the release of the final results in late August.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

Going forward, the exact mix of dividends versus buy backs will be assessed on an ongoing basis. Buy backs, by their nature, are opportunistic and need to be considered on a case by case basis. In the absence of any material buy back opportunities, dividends will be the method of returning capital to shareholders.

Key Performance Indicators Background Information

The Company releases some key financial performance indicators for comparative purposes. These indicators are based on unaudited management accounts.

From an overall financial performance perspective, it is important to understand that the Company generates all its revenue in US dollars and it pays all its traffic sources in US dollars, so the Company earns a gross profit which is denominated in US dollars. However, the Company's overheads which are primarily staffing related are denominated in Australian dollars so the $A/$US exchange rate can have a significant impact on the Company's financial performance.

The Company generates the bulk of its revenue from selling traffic. A segmentation by traffic source provides the best indicators of the overall trends in the financial performance of the Company.

In any Internet business that generates revenue from traffic, it is important to distinguish between revenue generated from ***Internal*** and ***External*** traffic sources. ***Internal*** traffic sources are ones that are owned and operated by the Company. ***External*** traffic sources are ones that are owned by customer's of the Company.

As ***Internal*** traffic sources are controlled by the Company they form a reliable annuity style revenue stream. ***External*** traffic sources are much less reliable as they are subject to competition in the traffic market. Almost all traffic arrangements can be cancelled on short notice and contracted deals rarely extend beyond one or two years.

Dark Blue Sea's ***Internal*** traffic is almost exclusively sourced from the Company's domain name portfolio. Dark Blue Sea's ***External*** traffic sources are primarily other domain name portfolio owners. The Company uses its unique platform, good relationships with domain name portfolio owners and competitive pricing as the primary methods of acquiring and maintaining ***External*** traffic sources.

The Company earns different margins on ***Internal*** and ***External*** traffic sources. For ***Internal*** traffic sources, the main expense is domain name registration fees. These are a fixed cost and so the margins can be high and expand as the industry grows. For ***Externa***l traffic sources, the arrangements are typically revenue share based and hence the margins are much lower. Good traffic sources have excellent bargaining power.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

A further segmentation of the Company's ***Internal*** traffic sources provides additional clarity. A breakdown of the Internal Revenue into the revenue that is generated from ***profitable domain names*** (i.e. those domain names that earn sufficient revenue to cover the annual registration expense) and ***unprofitable domain names***, the number of profitable domain names and the margin achieved on the profitable names is provided. It should be noted that the portfolio of profitable domain names generates the bulk of the ***Internal*** revenue and is a very high margin business.

Domain sales revenues include revenue from all domains the Company sold during the period. These include sales from the Domain Distribution Network, the Company's main web site (FabulousDomains.com) as well as ad-hoc sales (typically for a large number of domains) that are agreed external to the web site.

It should be noted that the Company has additional revenue sources that are not included in these numbers. These revenue sources do not currently have a material impact on the overall financial performance of the Company.

Accounting Treatment of the Domain Name Portfolio

For both new domain name registrations and renewals, it costs the Company US$6.42 to hold each domain name for a period of one year. The $US6.42 cost is paid in advance and so has an immediate cash flow impact. It is viewed by the Company as a prepayment of traffic for twelve months and is recorded as a short term asset in the balance sheet. Domain name registrations are also recorded as operational cash flow in the reported cash flow statements.

The Company amortises that US$6.42 short term prepaid traffic asset over the subsequent 12 month period, effectively passing that cost through as an expense in the profit and loss statement.

Notwithstanding the accounting treatment of domain name registrations and renewals, the domain name portfolio is viewed by the Company as of a capital nature, i.e.: an enduring asset having long term revenue generating capabilities.

In regard to the Company's domain name sales, the proceeds of sales are treated as operating income, and the component in excess of the registration expense is recorded as operating profit.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

DarkBlueSea
NAVIGATING THE INTERNET

About Dark Blue Sea

Dark Blue Sea is an online advertising intermediary or "internet traffic" broker servicing a global customer base from its office in Brisbane. Dark Blue Sea has developed and successfully manages a number of world-class commercial Internet properties including:

- Roar and Pageseeker, pay-per-click advertising portals;
- Fabulous, an ICANN accredited domain name registrar and domain name management system;
- Dark Blue, an online advertising affiliate network;
- The Domain Distribution Network and
- Its Domain Name Portfolio.

Fabulous, Dark Blue and Roar / PageSeeker provide a fully integrated package for the generation, management and monetization of "internet traffic". "Internet traffic" is directly analogous to shopping centre floor traffic.

The ability to offer traffic sources and advertisers a platform consisting of an integrated domain name registrar, advertiser affiliate network and a pay-per-click advertising portal is a compelling value-added proposition that the Company believes is unique in the global marketplace.

Dark Blue Sea currently owns a portfolio of more than half a million internet domain names.

The vast majority of Dark Blue Sea's domain names are what are termed generic keyword domain names. These are domains such as www.booksellers.com that are constructed from generic keywords or phrases ("book sellers" in this case). Users find Dark Blue Sea's domain names by typing simply typing domain names such as www.booksellers.com into the address bar of their browser (e.g. Internet Explorer).

Approximately 170,000 people (or "unique visitors") from around the world type in (or "directly navigate" to) one of Dark Blue Sea's domain names every day.

The "internet traffic" that is generated from Dark Blue Sea's portfolio of domain names can be sold to online advertisers. Advertisers can purchase the "internet traffic" from either Roar / PageSeeker or Dark Blue, the Company's online advertising properties. Dark Blue Sea also has commercial relationships with many other leading online advertiser networks that effectively also buy the "internet traffic" from Dark Blue Sea's domain name portfolio.

Fabulous was developed to help the Company manage its own domain name portfolio and to provide services to other domain name portfolio owners. The Company combines the internet traffic from its own and other portfolios to try to negotiate the best possible advertising deals.

Level 10, 243 Edward St, Brisbane Qld 4000, Australia
GPO Box 278, Brisbane QLD 4001, Australia
Phone: +61 (0)7 3007 0000 Fax: +61 (0)7 3007 0001
www.darkbluesea.com

ACN 091 509 796

Fabulous also provides domain name registration services. Fabulous is currently the 12th largest domain name registrar in the world.

Domain names are the real estate of the internet – it is the first step for any business wanting to establish a presence on the Internet. Domain names can trade in the secondary market. Through the Domain Distribution Network, small businesses and individuals can purchase secondary market domain names through their preferred retail registrar.

The Company believes it is well-positioned in a small but important niche of rapidly growing global US$20 billion per annum online advertising market as well as the emerging domain name secondary market.

Dark Blue Sea is listed on the Australian Stock Exchange (code: DBS) and has a Level 1 over-the-counter ADR program through the Bank of New York (code: DKBLY)

For further information, please contact:

Mr Richard Moore
Chief Executive Office
Dark Blue Sea
(07) 3007 0000

Mr Greg Platz
Chief Financial Officer
Dark Blue Sea
(07) 3007 0000