

Baby Barra to the US

Thirteen thousand Australian baby Barramundi were safely shipped to the United States last year as part of expansion plans by Fremantle-based Cell Aquaculture Ltd. This means that the US production facilities, through joint venture partner Delta Aquaculture Services, are now operational. The Barramundi fingerlings were produced and shipped from Cell's larval rearing systems at James Cook University in Townsville Queensland.

"It is extremely rewarding to take another major step forward in our international expansion to produce high quality premium fish on the doorstep of major world markets. With our production technology well proven in Australia, one of our major hurdles to developing our business model overseas was to successfully ship our Barramundi fingerlings through the right logistical and regulatory channels. We have now comprehensively proven that we have the capability to do this, with successful fingerling shipments now into Europe and the United States with incredible survival rates," said Cell Chairman **Robert Sewell**.

The United States operations have been built to a high specification to act as a production facility that will double as a display, offering an excellent sales tool to further develop into the US market. Delta Aquaculture have identified a number of fish species for production in this facility which are in high demand by the restaurant and food service industry and specialty retail

trade in the US.

Mr Sewell recently visited Cell Aqua's European facilities and the company's 5000m² facilities in the United States to view the progress first hand and assess expansion opportunities.

"This is a very exciting time to become involved in Cell Aqua's international development ... I believe we have a very solid foundation to build from and a very exciting future ahead in taking our unique 'Hatch to Dispatch' concept to the global arena," said newly appointed Managing Director **Geoff Wilton**.

Initial sales of Australian Barramundi to the United States market were scheduled to begin in the latter part of 2006.

... and Bulgaria

Cell Aquaculture has also finalised a deal with a public Bulgarian fishing and seafood processing business, Atlantic Ltd, to establish a pilot project at Atlantic's existing Bourgas port facility. Once operational, Atlantic will commence with a commercial expansion planned for mid to late 2007.

This deal is expected to generate revenues of A\$1.5 million for Cell Aquaculture, based on the pilot project and commercial expansion phase. Cell Aquaculture will be supplying all essential equipment, most of which is manufactured in Western Australia, as well



as the installation, training and on-going technical support services. Cell Aquaculture will also be air-freighting Barramundi fingerlings from Australia to stock the facility. It is expected that the pilot facility will be installed by January 2007 with the first batch of fingerlings arriving in February.

With Bulgaria due to enter the EU in January 2007, Atlantic Ltd are driving an expansion of their frozen, processed seafood business to include premium fresh fish. **Petko Roussinov** chairman of Atlantic stated that, "the declining state of the wild fishery means that seafood businesses must look at recirculating, land-based aquaculture as a means to supply premium fish products in the future."

This deal will result in the second *Cell*TM System to be developed in Europe, behind the joint venture facility in Tolbert, The Netherlands, which will begin selling barramundi in the coming months. Negotiations are also underway regarding a large scale facility in Spain to service the western European market.

... plus a new deal with Asia

Cell Aquaculture Limited has also recently signed a heads of Agreement and received deposit payment from the Terengganu Agrotech Development Corporation (TADC), an entity wholly owned and controlled by the Terengganu State Government, Malaysia.

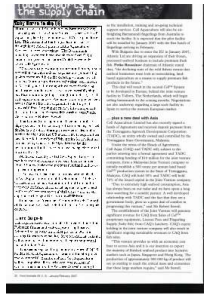
Under the terms of the Heads of Agreement,

Cell Aqua (CAQ) and TADC will, subject to the parties entering into a formal agreement and TADC committing funding of \$10 million for the joint venture company, form a Malaysian Joint Venture company to initially establish a 500 tonne per annum land based *Cell*TM production system in the State of Terengganu, Malaysia. CAQ will hold 30% and TADC will hold 70% of the issued capital in the Joint Venture company.

"Due to extremely high seafood consumption, Asia has always been on our radar and we have spent a long time searching for a suitable partner. A well developed relationship with TADC and the fact that they are a government body, gives us a great deal of comfort in progressing this venture," said Mr Robert Sewell.

The establishment of the Joint Venture will generate significant revenue for CAQ from Sales of *Cell*TM proprietary equipment, License Fees and Fingerling Supply (baby fish) from CAQ's hatchery. CAQ's equity holding in the joint venture company will also result in significant ongoing sustainable revenues to CAQ from fish sales.

"This venture provides us with an economic cost base to access Asia and it is our intention to export the majority of finished seafood product into lucrative markets such as Japan, Singapore and Hong Kong. The production of approximately 500 000 kg of product will see us starting to reach the critical mass and economies that these large markets require," said Mr Sewell.



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Also under the terms of the Heads of Agreement, the parties have agreed to evaluate the following opportunities, with a view to future development:

1. Research and development of new aquaculture species
2. Development of 'multi-species' hatchery/s
3. Licensed manufacturing in Malaysia of *CellTM* components, providing a lower cost base
4. Further development of Hydro/ Aquaponic opportunities to value-add to fish waste
5. Commercial aquaculture feed development and
6. Fish processing and value adding to seafood products.

With ... production bases established in each of our target continents of Europe, United States, Asia and Australia, we are in a very strong position to readily further expand our unique 'Hatch to Dispatch' offerings into our key markets," concluded Mr Sewell. □