



CELL AQUACULTURE ANNUAL REPORT 07

Cell
AQUACULTURE



Chairman's report	2
Directors' Report	8
Directors' Declaration	14
Independent Auditor's Declaration	15
Independent Audit Report	16
Shareholder Information	18
Corporate Governance	20
Income Statement	24
Balance Sheet	25
Statement of Changes in Equity	26
Cash Flow Statement	27
Notes to the Financial Statements	28



contents

chairman's report



Dear Shareholder,

On behalf of the Board of Directors and management of Cell Aquaculture Limited (Cell), it is my pleasure to present a review of your Company's activities for the financial year ended 30th June 2007.

The past year has witnessed significant activity for the Company in pursuing its goal of being a leading, global innovator of environmentally friendly, bio-secure, re-circulating fish farming systems.

Our second year of a public company was a watershed period with a re-alignment of our business strategies, enhancement of the Board and management, and the expected challenges associated with the rapid expansion of a small Company across three continents.

It is a great credit to the CAQ team that the company now has:

- considerable facility design knowledge,
- proven project management, manufacturing, fabrication and engineering skills,
- aquaculture facility management experience and grow-out capability

which have been honed over five green-field projects totaling approximately 300 tonnes of barramundi capacity in five countries being Australia, Malaysia, Holland, Bulgaria and the USA. This is a record unmatched by any Australian aquaculture company.

Supporting this expansion has been a strong fabrication and manufacturing base in Australia where the key elements of CAQ's aquaculture technology are manufactured in-house under the direction of a team of dedicated professionals.

Financial Summary

Sales revenue during the period grew strongly with a 33% increase over the previous year to \$1,311,611 (2006-\$983,559), primarily reflecting systems and equipment sales into overseas markets.

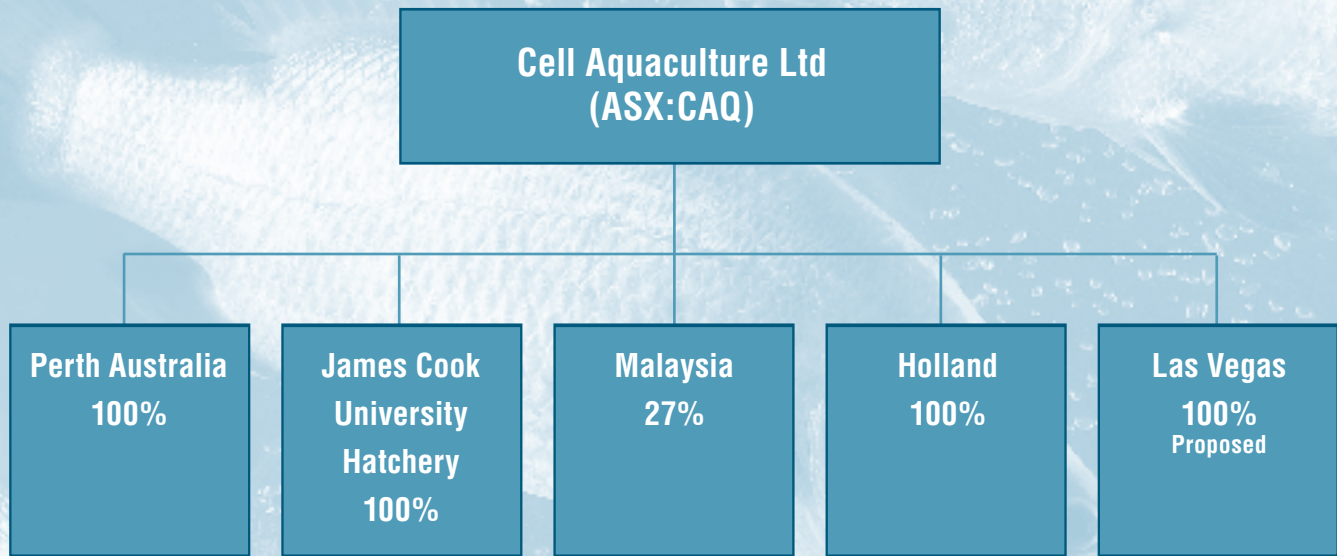
The net operating loss was \$2,667,923, before writing-down a loan receivable in respect of monies advanced to our Dutch joint venture company of \$870,667 and before the full write-off of \$1,171,985 being Cell's investment in Delta Aquaculture Services LLC, our US joint venture, following a decision to re-align our strategy in the US.

The decision to cease operations in Mississippi was reached after analysis of the market in that region, and the better prospects in other locations in the US. These are discussed later in this report.

The net loss therefore from ordinary activities after tax, attributable to members was \$4,967,147 (2006-\$348,829 loss).

The period under review saw major changes for the Company, both domestically and internationally, as Cell continues its strategy of establishing both wholly-owned and joint venture facilities, in key markets around the world.

BUSINESS STRUCTURE



Strategic Direction

Following the recent Board and management restructuring, the Company has reviewed its strategic direction and determined to focus the Company's resources on its core competencies as a leader in world class re-circulating aquaculture, particularly for premium quality fin-fish species such as Barramundi.

The key elements of this strategy are:

- Concentration on building, managing and operating aquaculture facilities either through joint ventures with reliable and financially sound partners, or full ownership;
- Identify facility locations with a minimum capacity of 500 tonnes pa;
- Seek joint venture partners and establish company owned facilities in attractive markets around the world;
- Withdrawal from pond stocking and maintenance;
- No further sales of aquaculture systems without CAQ management or equity.

Enhanced Board & Management

During the period, the Board and management of the Company were restructured resulting in strong geographical representation in regions of primary interest to Cell Aquaculture, namely US, Europe and South-East Asia.

These appointments included Malaysian based Captain Suresh Abishegam and London based Professor Glyn Tonge, both providing on-the-ground presence in the key markets of Europe and South-East-Asia.

In order to comply with good corporate governance principles, and in particular US Sarbanes-Oxley regulations, we have established a Board which is comprised of a majority of independent directors, and with skills and experience relevant to CAQ's growth plans.

The background of all Directors is shown later in the Annual Report.

Further enhancements to senior management positions in Finance and Operations, both in Australia and overseas, are expected to be announced shortly.

To strengthen our aquaculture expertise Cell has re-appointed specialist commercial aquaculture consultancy firm INTAQT to assist the company's operational ramp-up.

INTAQT's expertise includes aquaculture development, aquaculture based R&D projects and aquaculture marketing. The firm has been advising and assisting aquaculture companies for over 6 years.

The appointment will help ensure Cell Aquaculture minimises operational risks in its rapid expansion with the know how to economically increase production and improve the operational side of the business.

Malaysia

CAQ's Malaysian joint venture is progressing well.

The joint venture, TRG Cell Sdn Bhd, has been formed with the Terengganu Agrotech Development Corporation (TADC) - an entity wholly owned and controlled by the Terengganu State Government, Malaysia. It is the intention of the joint venture to establish large scale production across a range of species and develop a 'world class' multi-species hatchery.

An official signing ceremony was held on 2nd September 2007, with Terengganu's State Agriculture Minister, Dato' Mohd Jidin Shafee, to formally consummate the relationship. At the ceremony, Federal Agriculture Minister Tan Sri Muhyiddin Yassin, announced a master plan to inject RM 2Billion (approx A\$700 million), for expansion of Malaysia's aquaculture industry, with a major focus on Terengganu State. This is an exciting time with great opportunity, as CAQ plays a key role in the development of the aquaculture industry in Terengganu State.

The establishment of this joint venture provides CAQ with a sound economic cost base to target lucrative key Asian markets such as Japan, Singapore and Hong Kong. The initial projected capacity of approx 700,000 kg of product per annum, will see the company starting to reach the critical mass and economies that these large markets require.

Construction of the initial 2,500m² production building and all associated infrastructure in Terengganu is now complete. Cell's installation team is currently conducting the installation which is running on time and on budget. Construction of the initial 24 module Cell™ system is expected in early December 2007, with fish sales expected to commence in 3rd quarter 2008.

Design and specification of the world class 'multi-species' hatchery is complete and the building is now under construction and due for completion in 2008.

The establishment of the joint venture will generate significant revenues to CAQ during the 18 month development phase. Revenue will be derived primarily from sales of Cell™ proprietary equipment, license fees, project management and technical support services to the Joint Venture.

The production site is strategically located next to the Federal Government funded, Malaysian Marine Finfish Research Centre in Tanjong Demong, Besut, Terengganu. Over the past fifteen years, the research centre has had success in breeding many types of marine

finfish, including a number of Grouper species. Development of the 'multi species' hatchery will assist in commercialisation of extensive R & D conducted by both parties to date.

In the interests of expediting the project, an agreement has now also been made with the Malaysian Marine Finfish Research Centre to lease space within the institute to construct a preliminary Barramundi hatchery.

Extensive discussions have taken place between a number of highly recognized bodies to develop a 'power-house' aquaculture collaboration in Malaysia, for further research and new species development. A Memorandum of Understanding (M.O.U.) is now being formulated between the following parties: Cell Aquaculture Ltd (Australia), TRG Cell Sdn Bhd, the Malaysian Federal Marine Research Centre, University of Malaysia Terengganu (UMT) and James Cook University (Queensland). It is anticipated that this highly skilled collaboration will result in future technology development and a wide range of new species for aquaculture production to drive future growth of the joint venture business.

In addition to the research and development of new aquaculture species and development of the 'multi-species' hatchery, the TRG Cell Joint Venture is now assessing the following opportunities for development:

- Licensed manufacturing in Malaysia of Cell™ components, providing a lower cost base for Cell's international network;
- Further development of Hydro/Aquaponic opportunities to value-add to fish waste;
- Fish processing and value-adding to seafood products;
- Commercial aquaculture feed development.

It is CAQ's intention to export the majority of finished seafood product into lucrative markets such as Japan, Hong Kong and Singapore.

Mississippi

In late September the Board reached a decision to terminate its investment in the small Mississippi facility and to effect a 100% write-down in Cell's balance sheet.

The Board considered this operation uneconomic mainly due to its remoteness and limited capacity. Unfortunately this facility would at best only provide small returns on investment with limited access to distribution networks.

Cell incurred a write-off of \$2.4 million on its investment in Mississippi.



Las Vegas

Cell recently announced a new venture being launched in the restaurant and tourist capital of the United States, Las Vegas.

The Company has selected Las Vegas as an ideal location for the production of barramundi due to its large consumption of seafood, but also due to its ability to promote barramundi throughout the United States through exposure to the 39 million tourists who visit Las Vegas each year.

Australian barramundi is an exotic species in the US and its premium taste and texture should ensure solid market penetration in our target markets. The Las Vegas facility will be 100% owned by CAQ.

To advise and assist CAQ with its new venture, CAQ has retained the services of key parties based in Las Vegas who amongst them have experience in barramundi aquaculture, expertise in new product marketing strategies and skills in sales operations.

Significant market research has already been conducted and resulted in initial strategies for operations, branding, promotions, sales and distribution.

The current plan is to establish a 500 tonne plus per annum facility and then expand in accordance with market demand. Suitable sites for the facility are currently being identified and analysed.

Las Vegas is one of the largest consumers of seafood in the US and is a potentially lucrative location for the production and sale of Australian barramundi.

It is expected that much of the Mississippi plant and equipment will be transferred and utilized in the Las Vegas facility.

Holland

As part of the Company's revised strategic direction regarding joint venture facilities, Cell has reached agreement to acquire the joint venture partner's interest in the Dutch facility with the result that our base for expansion into other areas of Europe will be 100% owned.

The Tolbert facility is fitted with Cell's proprietary production system and is now stocked and is ready to commence selling barramundi to local markets. The facility has a production capacity of 70 tonnes of barramundi per annum.

Cell Aquaculture is expanding its capacity and sales in Europe with the Dutch facility and has also installed another barramundi production facility in Bulgaria for a publicly listed seafood company – Atlantic Ltd.

The European market is very promising with high demand for premium seafood. The fully operational Dutch facility now gives us an excellent marketing tool to invite key European distributors to view our unique and sustainable production process first hand.

We are currently assessing a number of further European opportunities. Market penetration and potential further production expansion continues.

Major sales contracts are a priority for CAQ and these will be negotiated in Dutch and other European markets as capacity from the facility comes on-stream.

CAQ Hatchery at James Cook University (JCU)

The production of fish via any aquaculture process requires a consistent and reliable supply of quality fingerlings (baby fish).

CAQ's hatchery facility at James Cook University, Queensland provides a vertical integration of the "hatch to dispatch" process, guaranteeing a consistent, reliable / all year-round supply of top quality fingerlings for CAQ's international network.

Superior hatchery development is a critical component of CAQ's business model and effectively provides 'the engine room' for the company's global expansion. The JCU hatchery is capable of providing all of CAQ's immediate hatchery needs, however as the company embarks on its aggressive expansion program, development of further hatchery operations, such as the Malaysian multi-species hatchery will be required to meet increasing demand.

The JCU hatchery produces barramundi fingerlings bred from genetically selected brood stock, under highly controlled conditions. The strict bio-secure hatchery environment ensures disease minimised product.

The importance of quality fingerlings cannot be underestimated in the production process and this has been a strong area of focus for CAQ over the past twelve months. High quality starter stock equals high quality finished product.

The Australian based facility is owned and operated by Cell, with technical support provided by James Cook University.

Capital Strategy

CAQ's strategy for strong growth across key global markets requires continued investor support until such time as the Company is cash flow positive.

During calendar 2007 CAQ raised a total of \$1,750,850 in the Australian market comprising \$656,500 in January 2007, and \$1,094,350 post balance date in September 2007.

In September, the Company announced the appointment of TerraNova Capital Partners, a New York based investment bank, to assist with CAQ's capital strategies in the United States.

TerraNova Capital Partners, Inc. is an investment banking firm focused on providing financial services to high-growth companies. TerraNova specializes in the placement of equity and convertible debt securities through a global base of institutional investors and accredited individuals, arranged through European American Equities, Ltd., their licensed broker-dealer, and member of the NASD.

In late September, Cell also announced the appointment of Intersuisse Corporate for Australian and Asian financial advisory and capital raising services.

Intersuisse Corporate is a Melbourne based investment bank that assists emerging companies through capital raisings, mergers and acquisitions and provides corporate advisory services. Through its partner Phillip Capital, Intersuisse accesses investment funds across Asia. Phillip Capital is a dominant financial services company headquartered in Singapore.

In December 2006, in order to broaden CAQ's appeal to international investors, we made a preliminary entry into the US capital markets through an ADR programme sponsored by the Bank of New York. CAQ's ticker symbol under the ADR programme is CQACY (OTC).

Global Demand

The environmental movement's focus on over-fishing of the oceans is gaining momentum in the United States and is expected to grow rapidly in the coming years. This in line with the rapid growth in other environmental issues such as green house gas emissions, that has occurred over the past 5 years from small beginnings to a mainstream movement.

Wild seafood supplies are rapidly depleting and wild fish stocks are expected to collapse within fifty years. The majority of wild fisheries are now fished beyond their sustainable limit leading to forecasts which expect aquaculture will account for over 50% of all seafood consumed by 2030.

Cell expects this shift in social attitudes, in addition to the rapid reduction in supply of many species, such as Chilean Sea Bass, to result in continued significant demand for fish from farmed aquaculture production, and in particular premium eating species such as barramundi.

What is the market potential of barramundi?

Three of the world's highest consumption fish, salmon, tilapia and catfish, are all farmed, indicating strong consumer acceptance for barramundi which is recognized for its fine flavor and versatile cooking qualities, and with the added marketing attraction in the US, of its Australian origins.

Australian seafood species have an excellent reputation internationally for quality and are perceived to be from a pristine environment and 'Clean and Green'.

As with any new product or species, there is an education and marketing process required. This is made easier with the very high quality product that is produced using the Cell™ system. Test marketing of Australian barramundi into major world markets to date has been very successful. Barramundi is currently being either grown in or exported to many countries in Europe, the US and Asia with excellent levels of acceptance.

Australian barramundi (especially farmed product) also has significant health benefits. This is a very strong marketing point for this species.



Cell Aquaculture's Unique Position

Cell Aquaculture's 'Hatch to Dispatch' concept is a vertically integrated system for the production of premium seafood right from the breeding stage to the sale of fish to the marketplace.

Cell Aquaculture has spent 10 years researching and developing the Cell™ system - a closed loop, land based aquaculture system that:

- Is low risk compared to existing aquaculture technologies;
- Has low water usage;
- Is environmentally friendly and economical to operate;
- Can be located anywhere in the world and therefore on the market's doorstep (no need to be placed near the coastline or other water sources);
- Is capable of producing consistently fresh, high-end premium seafood product, in either fresh or salt water environments.

Many other aquaculture system suppliers construct their systems by taking existing 'off the shelf' components and bolting them together to establish a commercial system. Unfortunately, by doing this the components are not working at optimum capacities as they are not designed to link together in the same way the Cell™ system components are.

The Cellô system was fully developed and commercially proven in 2000-2001. The next step was to be able to provide a consistent, year-round supply of top quality starter stock (fingerlings). Many hatcheries have intermittent supply problems due to primitive technologies, poor nutrition, disease issues, poor genetic strains and management issues.

In order for such a concept to work and supply a consistent supply of end-product, fish must be capable of being bred 'on demand' and therefore outside their natural spawning cycles (for some species, this can be as little as once a year). It was from this point that Cell Aquaculture focused large resources on developing a state-of-the-art hatchery.

Strong hatchery development assures Cell™ system operators of the best possible starter stock resulting in the best possible end-product. The quality of the end-product from the grow-out is only as good as the product put in at the front end. Cell Aquaculture deem this to be a major international competitive advantage.

Business Outlook

Looking forward, we remain cautiously optimistic about the prospects for the Company.

The business and ecological fundamentals which drive closed system, re-circulating fish farming versus depletion of wild fish supplies, continue to grow stronger daily.

CAQ is well placed to take advantage of these opportunities around the world, and the level of enquiry which the Company regularly receives to establish joint ventures, endorses our business approach and unique technology.

Having regard to the experience gained over the past two years, CAQ will pursue new ventures in a calculated manner. As a consequence, we believe shareholder value will build.

We have a good team of people in place to progress our plans, some exciting projects underway which are yet to show their promise, and a busy year ahead.

On behalf of the Board I thank you for your support of the Company.

PAUL A. HOPPER
EXECUTIVE CHAIRMAN

director's report



The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Cell Aquaculture Limited and the entities it controlled at the end of, or during the financial year ended 30 June 2007.

Directors

The names of the directors in office at any time during or since the end of the financial year are:

Perryman James Leach
Peter Joseph Burns
Paul Edward Alexander Hopper (Appointed 29 May 2007)
Glyne Michael Tonge (Appointed 29 May 2007)
Suresh Emmanuel Abishegam (Appointed 29 May 2007)
Robert Ian Stanhope Sewell (Resigned 28 May 2007)
Geoffrey Neil Leding Wilton (Resigned 18 May 2007)
David Richard Thomas (Retired 24 November 2006)
Rocky de Nys (Resigned 28 May 2007)
Quenton Harold Leach (Alternate director for Perryman Leach, resigned 24 November 2006)
Peter Gerard Burns (Alternate director for Peter J Burns, resigned 24 November 2006)

Paul E A Hopper (age 51)
Independent, Executive Chairman
B.A., A.S.I.A.

Paul Hopper has over 20 years experience in international public company markets primarily in the healthcare and biotechnology sectors.

Based in San Diego, California, he has spent much of the last eight years in the biotech area where he was instrumental in the development, funding and sale of a number of US and Australian listed companies as Chairman or Managing Director, across a range of therapeutics & technologies including cancer vaccines and antibodies. Before moving into the biotechnology sector, he was CEO and co-founder of an ASX listed healthcare company operating private hospitals, primary care medical centres and pathology labs across Australia.

He is the chairman of the audit committee.

He is a current Director of Somnomed Limited, an ASX listed medical device company.

Former directorships in the last 3 years –
Australian Cancer Technology Ltd - 1 October 2003 to 24 February 2005
Bone Medical Ltd - 2 June 2005 to 16 July 2005

Suresh E Abishegam (age 46)
Independent, non-executive director

Capt Abishegam is a Malaysian based businessman with public company experience. He currently owns and operates companies in the Shipping and Information Technology industries. Capt Abishegam has been associated with Cell for the past two years, making the introduction and providing the catalyst to complete the Joint Venture deal with the Malaysian Government. He is also a Director of the Malaysian subsidiary company, Cell-Aqua Malaysia Sdn Bhd and will play an instrumental role in driving the future expansion of this exciting, large-scale venture.

He is a member of the remuneration committee.

Capt Abishegam has not held directorships in any listed companies during the past three years.

Glyn M Tonge (age 60)
Independent, non-executive director

Professor Tonge is a London based Investment Banker and Private Equity Operative, also with extensive international public company experience. He has been involved in M & A, IPO and VC funds on a global basis, with particular focus on the United Kingdom, Europe, Japan, India and South East Asia.

Professor Tonge is currently a partner and director of Bluewater Capital Partners Pty Ltd, a boutique corporate finance and investment firm headquartered in Perth, Western Australia. The firm has operations in Australia, the UK and the US. He was until recently (2007) a director in Vida Capital Partners and director in Vida Capital LLP, a private equity fund investing in the healthcare and technology and retail sectors. The fund is FSMA approved and Glyn holds approved persons' status with the FSMA. Prior to this he was director of Baring Brothers & Co Ltd, Baring Brothers International Ltd and ING Baring where he was global head of pharmaceuticals and healthcare and a director in corporate finance. During this period he was involved in setting up a new healthcare and life science venture fund with ING Barings, a German investment bank and Boehringer Mannheim (now Roche) as well as numerous M & A and IPO transactions internationally.

He is a member of the audit committee and chairman of the remuneration committee.

Professor Tonge has not held directorships in any listed companies during the past three financial years.

Perryman J Leach (age 66)
Chairman non-independent, non-executive director
M.I.E. Aust.

Perry Leach, the creator of the Eco-Cell™ Recirculating Seafood Production System, is a Civil Engineer, project manager and builder. He has extensive experience in the intensive farming of pigs and poultry through the food chain to abattoirs, small goods processing, chiller and freezer works and pollution control. Perry has an ongoing role in species development and the further advancement of Cell's unique technologies.

He is a member of the audit committee.

Mr Leach has not held directorships in any listed companies during the past three financial years.

Peter J Burns (age 59)
Non-independent, non-executive director
FCMI, FIIM

Peter J Burns is a fellow of the Chartered Management Institution (London) and a fellow of the Institute of Industrial Managers (London). He established a successful marketing company in Dublin over a 16 year period before moving to Australia and building a successful career in real estate and property development. He brings to Cell extensive marketing expertise and international business contacts.

Mr Burns has not held directorships in any listed companies during the past three financial years.

Company Secretary

The company secretary is Mr Ian E Gregory. He has a Bachelor of Business from Curtin University and is a fellow of Chartered Secretaries Australia. He is also a fellow of CPA Australia and a member of the Australian Institute of Company Directors. Mr Gregory was appointed in 2005 and has over 25 years experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking and insurance.

Principal Activities

The principal activities of the company during the financial year were: Development, Commercialisation & Marketing Technology relating to aquaculture farming.

No significant change in the nature of these activities occurred during the year.

Dividends Paid or Recommended

No dividends were paid during the year and no recommendation is made as to dividends.

Operating and Financial Review

The consolidated operating result for the year ended 30 June 2007 is:

	Financial Year 2007 \$	Financial Year 2006 \$
Revenue	1,311,611	983,559
Net Income/(Loss)	(4,710,575)	(348,829)

Note that the loss for the year varies from the preliminary final report as lodged with ASX on 15 August 2007. The difference is reconciled in Note 27 to the financial statements.

Review of Operations

The past year has witnessed significant activity for the Company in pursuing its goal of being a leading, global innovator or environmentally friendly, recirculating fish farming systems.

Our second year of a public company was a watershed period with a realignment of our business strategies, enhancement of the Board and management, and the expected challenges associated with the rapid expansion of a small Company across three continents.

Sales revenue during the period grew strongly with a 33% increase over the previous year to \$1,311,611 (2006-\$983,559), primarily reflecting systems and equipment sales into overseas markets.

The net operating loss of \$4,967,147 before income tax was attributable to the following geographical segments:-

Australia (Including administration)	\$ (1,686,044)
Holland	(870,667)
USA	(2,410,436)
	<u>(4,967,147)</u>

The loss incurred in Holland relates to the establishment of our operations in that country through our associated company, Barramundi Farming Company BV.

The USA loss is attributable to losses incurred by Delta Aquaculture Services, LLC including a combined writedown of \$959,509 arising as a result of the decision to close operations.

The period under review saw major changes for the Company, both domestically and internationally, as Cell continues its strategy of establishing both wholly-owned and joint venture facilities, in key markets around the world.

After Balance Date Events

(a) Share Issue

On 12 September 2007 the company issued 7,295,666 shares as 15 cents each, raising \$1,094,350 for working capital.

(b) Closure of Mississippi operations

In September 2007 the company resolved to cease its operations in Mississippi, USA carried on by Delta Aquaculture Services, LLC. As a result, goodwill of \$209,457 was written off and the plant and equipment currently located at the Centreville, Mississippi site was written down to estimated salvageable value at 30 June 2007, resulting in an impairment charge of \$750,052 as shown in the Income Statement. The company estimates no further material liabilities to arise as a result of the closure, except a potential payment of \$180,000 to settle a legal dispute as set out in Note 19(c) of the Notes to the Financial Statements.

The decision to cease operations in Mississippi was reached after analysis of the market in that region, and the better prospects in other locations in the US.

The factors affecting this decision included:

- Location of the facility in relation to transportation and major markets;
- Physical limitation on expansion of the facility in terms of tonnage;

Cell Aquaculture must focus on high growth with confidence in high profitability for every part of its business. The Mississippi facility did not satisfy these criteria.

Future Developments

The Group will continue to focus on the establishment of its joint venture facilities in both Malaysia and Holland. It will reassess future opportunities in the USA following the decision to close its operations in Mississippi.

Further likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Meetings of Directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

	Directors Meetings		Audit Committee Meetings		Remuneration - Committee Meetings	
	A	B	A	B	A	B
PJ Leach	16	16	1	1	*	*
PJ Burns	15	16	*	*	1	1
DR Thomas	5	7	2	2	*	*
RIS Sewell	15	15	3	3	1	1
R De Nys	15	15	1	1	*	*
GNL Wilton	14	14	*	*	*	*
P A Hopper	1	1	*	*	*	*
S E Abishegam	1	1	*	*	*	*
G Tonge	1	1	*	*	*	*

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* - Not a member of the committee

Share Options

Shares under Option

Unissued ordinary shares of Cell Aquaculture Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
1 March 2005	1 March 2008	\$0.20	3,500,000
20 July 2005	20 July 2008	\$0.35	3,000,000
22 January 2007	29 December 2008	\$0.25	916,250
			7,416,250

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Directors' Share and Option holdings

As at the date of this report the interests of the directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over Ordinary Shares
P J Leach	16,508,001	-
P J Burns	9,176,668	1,000,000
P A Hopper	-	-
S E Abishegam	1,093,816	-
G Tonge	-	-

Note that SE Abishegam owns 10% of the issued capital of Cell Aquaculture Malaysia Sdn Bhd, a subsidiary of Cell Aquaculture Ltd.

Remuneration Report

This report describes the remuneration arrangements for directors and other key management personnel of the Company.

(a) Remuneration policy (Audited)

One of the committees of the board is the remuneration committee. In respect of remuneration, the committee:

- makes recommendations to the board in relation to remuneration of non-executive directors,
- establishes, reviews and recommends remuneration terms and the performance of the managing director, and
- reviews and recommends remuneration arrangements for key executives.

The Board of Directors, with the assistance of the Remuneration Committee, is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The Australian resident directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology. The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the economic entity.

(b) Compensation of Key Management Personnel (Audited)

The emoluments for each director and key management personnel of the Company are as follows:

Year ended 30 June 2007	Short-Term		Post employment	Share-Based Payments		Total
	Salary & Fees	Consulting	Superannuation	Options	Shares	
Directors						
RIS Sewell	29,166	-	2,625	-	-	31,791
GNL Wilton	309,029	-	26,636	-	-	335,665
PJ Leach	29,305	-	2,637	-	-	31,942
PJ Burns	27,083	-	2,437	-	-	29,520
DR Thomas	16,666	-	1,500	-	-	18,166
R de Nys	27,083	-	2,437	-	-	29,520
PA Hopper	-	-	-	-	-	-
SE Abishegam	-	-	-	-	-	-
G Tonge	-	-	-	-	-	-
Other key management personnel						
PG Burns	117,000	-	9,450	-	-	126,450
QH Leach	57,732	-	4,638	-	-	62,370
	613,064	-	52,360	-	-	665,424
Year ended 30 June 2006						
	Short-Term		Post employment	Share-Based Payments		Total
	Salary & Fees	Consulting	Superannuation	Options	Shares	
Directors						
RIS Sewell	20,000	-	1,800	-	-	21,800
GNL Wilton	19,731	-	1,776	-	-	21,507
PJ Leach	144,231	30,749	12,981	-	-	187,961
PJ Burns	36,667	-	3,300	-	-	39,967
DR Thomas	36,667	-	3,300	-	-	39,967
R de Nys	16,667	-	1,500	-	-	18,167
EL Boyd	10,000	72,723	900	-	-	83,623
Other key management personnel						
PG Burns	110,692	-	9,006	-	-	119,698
QH Leach	104,492	9,317	8,395	-	-	122,204
	499,147	112,789	42,958	-	-	654,894

(c) Performance Income as a proportion of total compensation (Audited)

No performance based bonuses have been paid to key management personnel during the financial year.

(d) Share-Based Payment

For details of share based payments to Directors and key management personnel, refer to Note 26.

(e) Service Agreements

The agreements related to remuneration are set out below:-

Paul Hopper, Executive Chairman

Term of Agreement – The agreement can be terminated by either party without notice.

Base Remuneration – \$216,000

Payment of termination benefit on termination by the Company, Nil.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract of insurance insuring the directors and officers of the Company against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Non-Audit Services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 22 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor's independence as set out in Professional Statement F1.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Financial Report.

Details of amounts paid or payable to the auditor, BDO Kendalls Audit and Assurance (WA) Pty Ltd, for audit and non-audit services provided during the year are set out in note 22 to the financial statements.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:



Peter J Burns
DIRECTOR

Dated at Perth this 28th day of September , 2007.



FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2007

Director's declaration

In accordance with a resolution of the directors of Cell Aquaculture Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - (c) the audited remuneration disclosures set out in the Remuneration Report in the Directors' Report comply with Accounting Standards AASB124 Related Party Disclosures and the Corporations Regulations 2001.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2007.

On behalf of the Board



Director

Perth, 28 September, 2007



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

28 September 2007

The Directors
Cell Aquaculture Ltd
66 Bennett Ave
HAMILTON HILL WA 6163

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF CELL AQUACULTURE LIMITED

As lead auditor of Cell Aquaculture Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cell Aquaculture Ltd and the entities it controlled during the period.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Peter Toll

Peter Toll
Director



BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Cell Aquaculture Limited

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Cell Aquaculture Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Qualification

Subsequent to the year end, the controlled entity in the United States of America has ceased operations and the Group is currently in the process of evaluating the future position of the entity. The financial impact of the decision to cease operations has been disclosed in note 21 (b) to the financial statements.



BDO Kendalls

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Due to the uncertainties arising from the ceasing of the operations in the United States of America, the audit of the operations in the United States of America, has not been completed at the date of our report.

Accordingly, we have been unable to perform sufficient audit procedures in relation to the controlled entity's financial position and performance for the year ended 30 June 2007.

Should the audit have been completed, it may have resulted in the recognition of assets or liabilities that may materially impact on the financial position and performance of the consolidated entity.

Qualified Audit Opinion - Consolidated Group

In our opinion, except for the effects on the financial report of the above qualification (if any), the financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Consolidated Group's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Audit Opinion - Parent Entity

In our opinion the financial report of the Parent Entity is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the review opinion expressed above, attention is drawn to the following matter. As a result of the matters detailed in Note 2(ab), there is inherent uncertainty whether the Company and its controlled entities will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Kendalls Audit and Assurance (WA) Pty Ltd

Peter Toll
Director

Perth, Western Australia
Dated this 28th day of September 2007

Shareholder information

AS AT OCTOBER 2007

1. Number of Shareholders and Unmarketable Parcels

There were 717 shareholders, including 6 with an unmarketable parcel valued at less than \$500, and 7 option holders.

2. Distribution of Ordinary Shareholdings

	No. of Holders	% of Holders	No. of Shares	% of Shares
1 – 1,000	0	0	0	0
1,001 – 5,000	103	14.4	343,950	0.29
5,001 – 10,000	165	23.0	1,540,237	1.30
10,001 – 100,000	330	46.0	12,190,068	10.27
100,001 and over	119	16.6	104,642,351	88.14
TOTALS	717	100.0	118,716,606	100.00

3. Twenty Largest Ordinary Shareholdings

Name	Fully paid shares held	%
JARQ HOLDINGS PTY LTD	17,070,001	14.38
MR BRIAN FEATHERBY	9,429,000	7.94
MR PETER JOSEPH BURNS	9,176,668	7.73
MEREDEEN INVESTMENTS LIMITED	4,000,000	3.37
DOVE NOMINEES PTY LTD		
<DOVE SUPERANNUATION FUND A/C>	2,166,666	1.83
MR WADE ANDERSON		
<WADE ANDERSON A/C>	2,000,000	1.69
MRS AVRIL BURCH		
<FAME A/C>	2,000,000	1.69
BOWOOD PTY LTD	1,750,000	1.47
MR WARREN DUDLEY HAMBLEY		
<WARREN HAMBLEY FAMILY A/C>	1,733,750	1.46
MR PETER GERARD BURNS		
<PG BURNS INVESTMENT A/C>	1,698,450	1.43
MR ROSS WILLIAM FORD &		
MRS RUTH ELIZABETH FORD	1,616,666	1.36
QUEST STOCKBROKERS(HK) LIMITED		
<CLIENTS A/C>	1,576,532	1.33
BROBEN PTY LTD	1,500,000	1.26
PACIFIC 2000 FOUNDATION	1,500,000	1.26
DR PETER JERNAKOFF		
<TWINSHORE INVESTMENTS A/C>	1,481,250	1.25
MR PETER HORGAN	1,396,257	1.18
YORICH PTY LTD		
<THE KALNARE SUPER FUND A/C>	1,333,332	1.12
MR DAVID RICHARD THOMAS		
<DAVID R THOMAS S/F A/C>	1,330,000	1.12
MR RICHARD JAMES HARRIS &		
MRS SUSAN ELIZABETH HARRIS		
<HARRIS FAMILY SUPER A/C>	1,269,743	1.07
MR ROSS FORD &		
MRS RUTH FORD	1,250,000	1.05
TOTAL OF TOP 20 SHAREHOLDERS	65,278,315	54.99

Shareholder information

AS AT OCTOBER 2007

4. Substantial Shareholdings (over 5%)

Name	Fully paid shares held	%
MR JOHN CLINTON	17,509,982	14.35
JARQ HOLDINGS PTY LTD	17,070,001	14.38
MR BRIAN FEATHERBY	9,429,000	7.94
MR PETER JOSEPH BURNS	9,176,668	7.73

5. Unquoted Equity Securities - Options

All the securities listed below are options to purchase ordinary shares in the Company:

Unlisted options expiring 1 March 2008 - 3,500,000 with an exercise price of 20 cents each, held by Millcorp Securities Pty Ltd.

Unlisted options expiring 20 July 2008 - 3,000,000 with an exercise price of 35 cents each held as follows –

Mr Lee Boyd	1,000,000
Mr Peter J Burns	1,000,000
Dr David Thomas	1,000,000

Unlisted options expiring 29 December 2008 – 916,250 with an exercise price of 25 cents each held as follows –

Wildcross Nominees Pty Ltd ATF Clinton Equity Trust	716,250
Kailis Consolidated Pty Ltd	100,000
Kailis Consolidated Pty Ltd & Kondic Nominees Pty Ltd	100,000

6. Restricted Securities

There are no restricted securities.

7 Voting Rights

At a general meeting of the Company shareholders are entitled:

- On a show of hands, each person who is a shareholder or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.

8. The Company has used its cash and liquid assets in a way consistent with its business objectives.

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance.

This statement outlines the principal corporate governance procedures of Cell Aquaculture Limited ("Company or Cell") during the year ended 30 June 2007.

The Board of Directors ("Board") supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

Roles of the Board and Management

The Board is responsible for the overall operation and stewardship of the Company. In particular, it is responsible for charting the direction, strategies and financial objectives for Cell and monitoring the implementation of those policies, strategies and financial objectives. It is committed to protecting and enhancing shareholder value and conducting Cell's business ethically and in accordance with the highest standards of corporate governance.

The Board has a Charter which establishes those matters which are reserved for the Board and describes the functions and responsibilities in a manner which is consistent with ASX Principle 1. The Board Charter was adopted by the Board on 1 March 2005.

Responsibility for management of the Company's business was delegated to the Managing Director and subsequently the Executive Chairman, who is accountable to the Board. The key responsibilities of the Board include to:

- Appoint and review the performance of the Managing Director/ Executive Chairman;
- Develop with management and approve strategy, planning, development programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately;
- Report to shareholders;

The Board is also responsible for setting the strategic direction of the company, establishing goals for management and monitoring the achievement of those goals. The Managing Director/Executive Chairman is responsible to the Board for the day to day management of the company.

Consistent with ASX Principle 1, a copy of the Board Charter has been posted to the corporate governance section of the company's website.

Board Structure

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should not comprise a majority of executive Directors.
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all Directors will be reviewed by the Chairman each year.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

During the period 1 July 2006 to 28 May 2007 the Company had an independent Non-Executive Chairman. From 29 May 2007 the Company has had an Executive Chairman, which the Board believes is appropriate as the Company embarks on the next stage of its development.

In considering whether a director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant.

Meetings of the Board

The Board meets at least ten times a year to consider the business of the Company, its financial performance and other operational issues.

With the approval of the Chairman, any directors can seek independent advice, at Cell's expense.

The Board will review the remuneration and policies applicable to Non-Executive Directors and the Managing Director/Executive Chairman on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Retirement and Re-election

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required

to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years or later than the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

Nomination and Appointment of New Directors

At this point the Board has not established a Nomination Committee and has decided to retain the responsibility of appointing and recommending candidates for new directors. This position is considered appropriate for the Company's current stage of development.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience, consistent with ASX principle 8.

The structure and disclosure of the Company's remuneration policies for directors and senior executives are generally consistent with ASX Principle 9 and are set out in the Directors' Report.

Board Access to Information

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

Two standing Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. These are:

- The Remuneration Committee; and
- The Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 1 March 2005. The purpose of the Remuneration Committee is to assist the Board by reviewing and providing recommendations to the Board on:

- remuneration packages of key executives and executive Directors;
- incentive policies, incentive plans and other employee benefit programs;
- the Company's recruitment, retention and termination policies;
- the Company's procedures for senior management;
- the Company's superannuation arrangements;
- succession plans of key executives (other than executive Directors) and ensuring the performance of key executives is reviewed at least annually; and
- those aspects of the Company's remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval.

The members of the Remuneration Committee at the date of this report are:

Professor Glyn Tonge (Chairman)
Captain Suresh Abishegam

The composition, operation and responsibilities of the Committee are generally consistent with ASX Principle 9.

Consistent with ASX Principle 9, the Remuneration Committee Charter has been posted to the corporate governance section of the website.

Audit Committee

The Audit Committee was established on 1 March 2005 to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The role of the Committee is to provide a direct link between the Board and the external auditors.

It will also give the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The responsibilities of the Audit Committee will include:

- monitoring compliance with regulatory requirements;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Audit Committee will review the performance of the external auditors on an annual basis and meet with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee.

The members of the Audit Committee at the date of this report are:

Mr Paul Hopper (Chairman)
Professor Glyn Tonge
Mr Perryman Leach

Consistent with ASX Principle 4, the Audit Committee Charter has been posted to the corporate governance section of the website.

Audit

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented procedures and policies to monitor the independence and competence of the company's external auditors.

Consistent with ASX Principle 6, the Auditor attends and is available to answer questions at, the Company's annual general meetings.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and is in the process of embedding in its management and reporting systems a number of risk management controls.

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include sovereign risk, foreign currency fluctuations, performance of activities, human resources, the environment, statutory compliance and continuous disclosure obligations.

Share Trading

All employees and Directors of the Company are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition, and in light of the ASX's continuous disclosure requirements, trading can occur at any time with the exception of the period of ten days prior to the publication of financial results and the one day following such publication.

In addition, in order to trade, Directors of the Company must advise the Company Secretary of their intention to trade and must also have been advised by the Company Secretary that there is no known reason to preclude them trading in the Company's shares or other securities.

A copy of the policy has been posted to the corporate governance section of the company's website.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market. The Board is cognizant of the need to prevent selective or inadvertent disclosure and exercise caution with investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with all the Board members in relation to continuous disclosure matters. The Managing Director/Executive Chairman is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Corporate governance

Communications with Shareholders

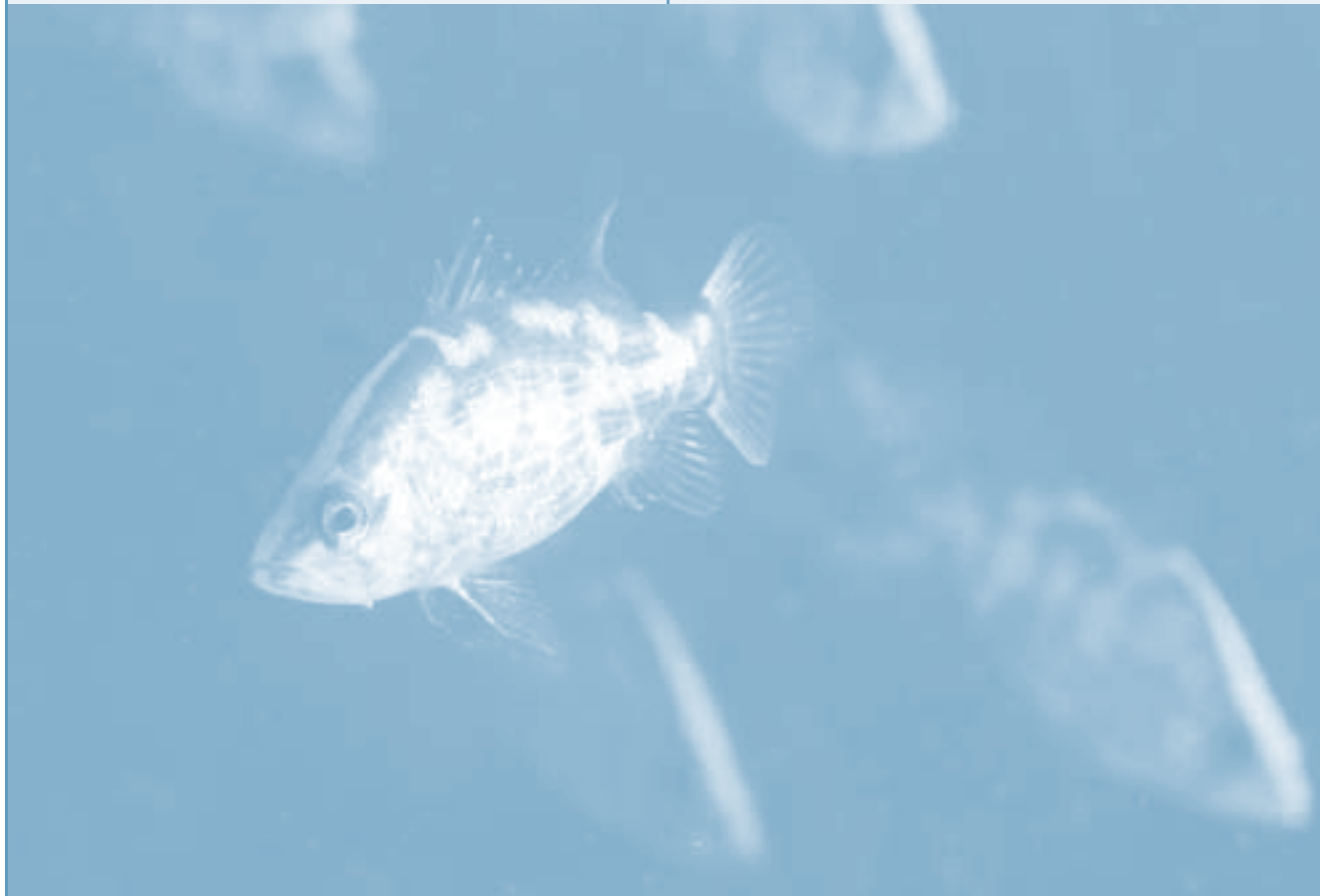
The Board aims to ensure that shareholders are kept informed of all major developments affecting Cell. Information is communicated to shareholders through the distribution of annual reports, newsletters and by presentation to shareholders at the Annual General Meeting which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by the Company throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and placed on the Company's website www.cellaqua.com.

Shareholders and interested parties may subscribe to receive the latest announcements issued by the Company by visiting the Company's website and entering their details.

Review of Corporate Governance Policies and Practices

Since admission to the Official List of ASX on 25 July 2005, the Board has directed management to keep under review the Company's corporate governance policies and practices in light of the ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations. The Board will consider the suitability of any recommendations made by management having regard to the Company's size and operations.



Income statement

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue from continuing operations	3(a)	1,311,611	983,559	1,355,049	983,559
Gain on sale of property, plant and equipment	3(c)	-	1,890,467	-	1,890,467
Raw materials and consumables used		(1,058,204)	(402,034)	(911,791)	(402,034)
Changes in inventories of produce and raw materials		138,184	57,337	138,184	57,337
Marketing expenses		(286,403)	(152,428)	(286,403)	(152,428)
Communication expenses		(48,128)	(37,978)	(42,731)	(37,978)
Consultancy expenses		(143,661)	(119,761)	(76,146)	(119,761)
Employee benefits expense		(1,286,828)	(958,825)	(938,130)	(958,825)
Insurance expenses		(59,043)	(82,220)	(59,043)	(82,220)
Occupancy Costs		(141,803)	(111,109)	(138,198)	(111,109)
Professional Costs		(496,986)	(166,391)	(215,785)	(166,391)
Travel Costs		(217,452)	(186,112)	(134,175)	(186,112)
Depreciation and amortisation expense	3	(693,634)	(190,181)	(560,878)	(190,181)
Finance costs	3	(13,604)	(9,349)	-	(9,349)
Impairment charge on loans receivable	7	(870,667)	(671,078)	(1,426,628)	(671,078)
Impairment charge on goodwill		(209,457)	-	-	-
Impairment charge on plant & equipment		(750,052)	-	-	-
Impairment on investment in controlled entity		-	-	(1,080,929)	-
Write off of assets damaged by fire		(212,476)	-	-	-
Reversal of impairment charge		250,000	-	250,000	-
Other expenses		(61,972)	(136,878)	(65,997)	(136,878)
Share of net losses of associates using the equity method	10(c)	(116,572)	(292,777)	(116,572)	(292,777)
Loss before Income Tax Expense/ Benefit		(4,967,147)	(585,758)	(4,310,173)	(585,758)
Income tax benefit	4	256,572	236,929	256,572	236,929
Loss for the year		(4,710,575)	(348,829)	(4,053,601)	(348,829)
Loss is attributable to:					
Equity holders of Cell Aquaculture Ltd		(4,226,511)	(348,829)	(4,053,601)	(348,829)
Minority interest		(484,064)	-	-	-
		(4,710,575)	(348,829)	(4,053,601)	(348,829)
Basic (loss) per share	5		Cents Per Share (3.51)	Cents Per Share (0.32)	
Diluted (loss) per share			(3.51)	(0.32)	

The accompanying notes form part of these financial statements.

Balance sheet

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
CURRENT ASSETS					
Cash and cash equivalents	6	425,863	2,605,345	290,101	2,605,345
Trade and other receivables	7	415,933	22,353	400,923	22,353
Inventories	8	221,756	83,572	221,756	83,572
TOTAL CURRENT ASSETS		1,063,552	2,711,270	912,780	2,711,270
NON CURRENT ASSETS					
Receivables	7	493,598	768,009	493,598	768,009
Investments	9	-	-	17,000	-
Investments accounted for using the equity method	10	255,973	525,341	-	525,341
Property, plant and equipment	11	628,851	597,383	486,037	597,383
Intangible assets	12	1,079,601	1,177,611	1,079,601	1,177,611
TOTAL NON CURRENT ASSETS		2,458,023	3,068,344	2,076,236	3,068,344
TOTAL ASSETS		3,521,575	5,779,614	2,989,016	5,779,614
CURRENT LIABILITIES					
Trade and other payables	13	752,963	156,701	226,695	156,701
Borrowings	15	565,337	3,517	530,130	3,517
Provisions	14	39,049	25,705	39,049	25,705
TOTAL CURRENT LIABILITIES		1,357,349	185,923	795,874	185,923
NON CURRENT LIABILITIES					
Borrowings	15	122,012	19,839	16,391	19,839
TOTAL NON CURRENT LIABILITIES		122,012	19,839	16,391	19,839
TOTAL LIABILITIES		1,479,361	205,762	812,265	205,762
NET ASSETS		2,042,214	5,573,852	2,176,751	5,573,852
EQUITY					
Contributed equity	16	10,200,339	9,543,839	10,200,339	9,543,839
Accumulated losses	17 (b)	(8,480,861)	(4,254,350)	(8,307,951)	(4,254,350)
Reserves	17 (a)	320,901	284,363	284,363	284,363
Parent entity interests		2,040,379	5,573,852	2,176,751	5,573,852
Minority interests		1,835	-	-	-
TOTAL EQUITY		2,042,214	5,573,852	2,176,751	5,573,852

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2007

Parent	Share Capital	Accumulated losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
Balance at 1.7.2005	4,998,494	(3,905,521)	313,750	-	1,406,723
Shares Issued during the year	5,201,400	-	-	-	5,201,400
Share Issue Costs	(656,055)	-	-	-	(656,055)
Exchange difference on translation of foreign operations	-	-	-	(29,387)	(29,387)
Net income/(expense) recognised directly in equity.	-	-	-	(29,387)	(29,387)
Loss attributable to members	-	(348,829)	-	-	(348,829)
Total recognised income and expense for the year	-	(348,829)	-	(29,387)	(378,216)
Balance at 30.06.2006	9,543,839	(4,254,350)	313,750	(29,387)	5,573,852
Balance at 1.7.2006	9,543,839	(4,254,350)	313,750	(29,387)	5,573,852
Shares Issued during the year	656,500	-	-	-	656,500
Exchange difference on translation of foreign operations	-	-	-	-	-
Net income/(expense) recognised directly in equity.	-	-	-	-	-
Loss attributable to members	-	(4,053,601)	-	-	(4,053,601)
Total recognised income and expense for the year	-	(4,053,601)	-	-	(4,053,601)
Balance at 30.06.2007	10,200,339	(8,307,951)	313,750	(29,387)	(2,176,751)

Consolidated	Share Capital	Accumulated losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Minority Interest	Total
Balance at 1.7.2005	4,998,494	(3,905,521)	313,750	-	1,406,723	-	1,406,723
Shares Issued during the year	5,201,400	-	-	-	5,201,400	-	5,201,400
Share Issue Costs	(656,055)	-	-	-	(656,055)	-	(656,055)
Exchange difference on translation of foreign operations	-	-	-	(29,387)	(29,387)	-	(29,387)
Net income/(expense) recognised directly in equity	-	-	-	(29,387)	(29,387)	-	(29,387)
Loss attributable to members	-	(348,829)	-	-	(348,829)	-	(348,829)
Total recognised income and expense for the year	-	(348,829)	-	-	(378,216)	-	(378,216)
Balance at 30.06.2006	9,543,839	(4,254,350)	313,750	(29,387)	5,573,852	-	5,573,852
Balance at 1.7.2006	9,543,839	(4,254,350)	313,750	(29,387)	5,573,852	-	5,573,852
Shares Issued during the year	656,500	-	-	-	656,500	-	656,500
Exchange difference on translation of foreign operations	-	-	-	36,538	36,538	-	36,538
Net income/(expense) recognised directly in equity.	-	-	-	36,538	36,538	-	36,538
Loss attributable to members	-	(4,226,511)	-	-	(4,226,511)	(484,064)	(4,710,575)
Total recognised income and expense for the year	-	(4,226,511)	-	36,538	(4,189,973)	(484,064)	(4,674,037)
Acquisition of controlled entity	-	-	-	-	-	485,899	485,899
Balance at 30.06.2007	10,200,339	(8,480,861)	313,750	7,151	2,040,379	1,835	2,042,214

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2007

NOTE	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	1,325,760	50,548	805,279	50,548
Grant received	88,378	-	88,378	-
Interest received	66,105	192,425	66,105	192,425
Borrowing costs	(13,604)	(9,349)	-	(9,349)
Payments to suppliers and employees	(3,691,551)	(2,440,103)	(2,807,494)	(2,440,103)
Income tax refund	256,573	236,929	256,573	236,929
Net Cash Provided by (Used in) Operating Activities	6(b) (1,968,339)	(1,969,550)	(1,591,159)	(1,969,550)
CASH FLOW FROM INVESTING ACTIVITIES				
Net cash acquired following acquisition of control of subsidiary	25(b) 193,084	-	-	-
Payments for Research & Development	(311,990)	(462,107)	(311,990)	(462,107)
Purchase of Property, Plant and Equipment	(471,290)	(307,925)	(39,536)	(307,925)
Proceeds from Sale of Property, Plant and Equipment	-	2,611,800	-	2,611,800
Loan to other Entities	-	(500,000)	-	(500,000)
Loans to Associated Entities	(503,716)	(471,972)	(503,717)	(471,972)
Investments in Controlled Entities	-	-	(689,158)	-
Loans to Controlled Entities	-	-	(359,349)	-
Investments in Associated Entities	(255,973)	(588,744)	-	(588,744)
Net Cash Provided by (Used in) Investing Activities	(1,349,885)	281,052	(1,903,750)	281,052
CASH FLOW FROM FINANCING ACTIVITIES				
Payments for Prospectus and Shares Issue Costs	-	(333,418)	-	(333,418)
Proceeds from Share Issues	656,500	5,201,400	656,500	5,201,400
Repayment of Bank Loan	-	(305,770)	-	(305,770)
Repayment of Director's Loan	-	(63,500)	-	(63,500)
Loan from other entities	525,000	-	525,000	-
Repayment of notes payable	(37,951)	-	-	-
Repayment – Lease Liabilities	(1,835)	(1,027)	(1,835)	(1,027)
Net Cash Provided by (Used in) Financing Activities	1,141,714	4,497,685	1,179,665	4,497,685
Net increase/(decrease) in cash held	(2,176,510)	2,809,187	(2,315,244)	2,809,187
Effects of exchange rate changes	(2,972)	-	-	-
Cash and cash equivalents at beginning of the financial year	2,605,345	(203,842)	2,605,345	(203,842)
Cash and cash equivalents at the end of the financial year	6(a) 425,863	2,605,345	290,101	2,605,345

The accompanying notes form part of these financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 1: Corporate Information

The financial report of Cell Aquaculture Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September, 2007.

Cell Aquaculture Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are development, commercialisation and marketing of technology relating to aquaculture farming.

Note 2: Summary of Significant Accounting Policies

(a) Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has also been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS), except that the parent entity has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB132 Financial Instruments: Disclosure and Presentation.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cell Aquaculture Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Cell Aquaculture Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Cell Aquaculture Limited.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(e) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where a grant is received in relation to the tax benefit of research and development costs, the grant shall be credited to income tax expense in the Income Statement in the year of receipt.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Company as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Investments and other financial assets

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(I) Investment in associates

The Company's investments in associates are accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the Company's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Company recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

Although the balance dates of the associates is 31 December results have been calculated to 30 June. The associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceed of disposal, and is included in the Income Statement. Any realised revaluation increment relating to the disposed asset which is included in the revaluation reserve is transferred to retained earnings.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge.

The depreciation amount of fixed assets included buildings and capitalised lease asset, but excluding freehold, is depreciated on a straight line bases over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings on Freehold Land	5 %
Buildings – Leasehold	25%
Plant and equipment	5 – 40%

(p) Intangibles

(i) Patents, Technology and Licences

Patents, Technology and Licences are valued in the accounts at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents, Technology and Licences are amortised over their useful life.

(ii) Research & Development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are recorded as intangible assets and amortised from the point in which the asset is ready for use on a straight line basis over its useful life.

Where a grant is received or receivable in relation to development costs which have been capitalised, the grant shall be deducted from the carrying amount.

Where a grant is received or receivable in relation to research costs which have been charged to the Income Statement during this or a prior financial year, the grant shall be credited to the Income Statement.

Where a grant is received in relation to the tax benefit of research and development costs, the grant is credited to income tax expense/benefit in the Income Statement upon receipt.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(q) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(u) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is Cell Aquaculture Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(ii) Associated companies

The results and financial position of all the associated entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as separate component of equity.

When equity accounting, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(y) Share-based payments

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of marked performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted the cancelled and new award are treated as if they were a modification of the original award.

(z) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(aa) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 7: Financial Instruments: Disclosures	No impact on accounting policy, but will require significant additional disclosures in relation to financial instruments.	1 January 2007
AASB 2005-10 : Amendments to Australian Accounting Standards [AASB132, AASB101, AASB114, AASB 117, AASB133, AASB139, AASB4, AASB1023 and AASB1038]	No impact on accounting policy, affects some disclosures for the year ending 30 June 2008.	1 January 2007
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2007- 3 : Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
AASB 2007-7 : Amendments to Australian Accounting Standards [AASB1, AASB2, AASB4, AASB5, AASB107 and AASB128]	No impact on accounting policy, affects disclosures only	1 July 2007
AASB 101: Presentation of Financial Statements	No impact on accounting policy or disclosures	1 January 2007
AASB 2007- 1 : Amendments to Australian Accounting Standards arising from AASB 11	No impact on the consolidated financial report or the parent entity financial statements	1 March 2007
AASB 2007- 4 : Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No impact on accounting policy or disclosures	1 July 2007
AASB Interpretation 11: Group and Treasury Share transactions	No impact on accounting policy or disclosures	1 March 2007

(ab) Going Concern

To continue as going concern the consolidated entity requires further working capital to fund the ongoing establishment of its aquacultural facilities in Holland and Malaysia.

As at the date of this report the directors are confident of securing equity capital and have engaged investment bankers to undertake the capital raisings. It is also undergoing detailed operational reviews to ensure funds can be generated from these operating activities as the businesses are developed.

Based upon known potential to raise the additional working capital, the Directors consider it appropriate that the financial statements be prepared on a going concern basis. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Note 3: Revenue and Expenses				
(a) Revenue from continuing operations				
- Sale of produce and goods	1,057,128	791,134	1,100,566	791,134
- Consulting fees	100,000	-	100,000	-
- Interest received	66,105	192,425	66,105	192,425
- Other – Export Market Development Grant	88,378	-	88,378	-
Total revenue	1,311,611	983,559	1,355,049	983,559
(b) Expenses				
Cost of Sales	920,020	344,967	773,607	344,967
Depreciation of non-current assets				
Land improvements	-	1,578	-	1,578
Buildings	82,714	84,894	82,714	84,894
Plant and equipment	200,920	70,709	68,164	70,709
Total depreciation	283,634	157,181	150,878	157,181
Amortisation of non-current assets				
Development costs	344,000	-	344,000	-
Intellectual property / licence	66,000	33,000	66,000	33,000
	410,000	33,000	410,000	33,000
Finance costs				
Interest paid	13,604	9,349	-	9,349
Rental expense on operating lease – minimum lease payments	186,174	90,600	186,174	90,600
(c) Net gain on disposal of property, plant and equipment				
Consideration on disposal of land and buildings	-	2,600,000	-	2,600,000
Carrying value of assets sold	-	700,307	-	700,307
Net gain on disposal of land and buildings	-	1,899,693	-	1,899,693
Net loss on disposal of plant and equipment	-	(9,226)	-	(9,226)
	-	1,890,467	-	1,890,467
Note 4: Income Tax				
(a) Income tax benefit				
Current tax benefit	-	-	-	-
Previous year tax benefit not previously brought to account(Refer Note 4(e))	256,572	236,929	256,572	161,658
	256,572	236,929	256,572	236,929

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(b) The prima facie income tax expense on the pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Loss Before Income Tax	(4,967,147)	(585,758)	(4,310,173)	(585,758)
Income tax benefit at 30%	(1,490,144)	(175,727)	(1,293,052)	(175,727)
Permanent Differences:				
Impairment Loss – Goodwill	62,837	-	-	-
Amortisation of intangibles	-	9,900	-	9,900
Non-deductible expenses – Other	904	2,226	904	2,226
Non-deductible expenses – Legal	38,948	16,848	38,948	16,848
	(1,387,455)	(146,753)	(1,253,200)	(146,753)
Movements in unrecognised temporary differences	356,470	363,395	847,537	363,395
Tax effect of recoupment of prior year tax losses for which deferred tax asset has not been recognised	-	(216,642)	-	(216,642)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,030,985	-	405,663	-
R & D Cash Rebate Claimed (see note)	(256,572)	(236,929)	(256,572)	(236,929)
Income tax benefit	(256,572)	(236,929)	(256,572)	(236,929)
(c) The franking account balance at year end was \$nil (2006: \$nil).				
(d) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
<i>On income tax account</i>				
Carry forward tax losses	744,308	532,452	744,308	532,452
Carry forward tax losses - overseas	625,322	-	-	-
Carry forward losses – associated companies	22,945	139,156	22,945	139,156
Capital losses	387,523	150,000	978,449	150,000
Other	30,809	27,112	30,809	27,112
	1,810,907	848,720	1,776,511	848,720
Deferred Tax Liabilities (at 30%)				
Capitalised intangible assets and development costs which have been claimed for tax purposes	131,283	254,283	131,283	254,283
Net deferred tax assets	1,679,624	594,437	1,645,228	594,437

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(e) During the year ended 30 June 2007 the Company applied for and received a rebate from the Australian Taxation Office of \$256,572 (2006 - \$236,929) representing the tax value of research and development costs for the year ended 30 June 2006. This amount is shown as an income tax benefit in the Income Statement for the year ended 30 June 2007. The Company intends claiming the same rebate in respect of expenditure for the year ended 30 June 2007. The rebate applied for is estimated at \$240,000. If this is successful, the refund will be shown as an income tax benefit for the year ended 30 June 2008.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 5: Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in net loss per share.

The following reflects the income and share data used in the basic earnings per share computations:

	Consolidated	
	2007 \$	2006 \$
Loss attributable to ordinary equity holders	4,226,511	348,829
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	Number 120,362,353	Number 110,593,872
Basic loss per share	Cents/share 3.51	Cents/share 1.08

Note 6: Cash and Cash Equivalents

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet, as follows:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Current Assets				
Cash at bank and in hand	425,863	2,605,345	290,101	2,605,345
Current Liabilities				
Bank overdraft	-	-	-	-
	-	-	-	-
Net Cash	425,863	2,605,345	290,101	2,605,345

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(b) Reconciliation of Operating Loss After Income Tax to Net Cash Flows From Operating Activities

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Operating loss after income tax	(4,710,575)	(348,829)	(4,053,601)	(348,829)
Profit on sale of non-current assets	-	(1,899,693)	-	(1,899,693)
Depreciation of non-current assets	283,634	157,181	150,883	157,181
Loss on write-down of non-current assets	212,476	9,226	-	9,226
Amortisation of Intangibles	410,000	33,583	410,000	33,583
Impairment loss on investment in subsidiary	-	-	1,080,929	-
Impairment loss on loans receivable	870,667	671,078	1,426,628	671,078
Reversal of Impairment Charge	(250,000)	-	(250,000)	-
Impairment loss on goodwill	209,457	-	-	-
Impairment loss on plant & equipment	750,052	-	-	-
Share of net losses of associates	116,571	292,777	116,571	292,777
Formation costs written off	-	1,017	-	1,017
Loan written off	-	2,420	-	2,420
Increase/(decrease) in GST balances	-	4,175	-	4,175
Amounts due from sale of equipment to associates and subsidiaries, converted to receivables and investments	(92,540)	725,877	(289,153)	725,877
Changes in net assets and liabilities:				
<i>(Increase)/decrease in assets</i>				
- Current receivables	(140,775)	(16,832)	(128,570)	(16,832)
- Stock on hand	(120,097)	(57,337)	(138,184)	(57,337)
<i>Increase/(decrease) in liabilities</i>				
- Current trade creditors and payables	49,936	(113,309)	19,994	(113,309)
- Advance deposits	429,511	-	50,000	-
- Provisions	13,344	20,870	13,344	20,870
Net cash provided by (used in) operating activities	(1,968,339)	(1,969,550)	(1,591,159)	(1,969,550)
(c) Non-Cash Financing and Investing Activities				
i) Purchase of motor vehicle financed by Lease Contract	-	24,383	-	24,383
ii) Amount due from sale of equipment to associates converted to investment in associate	-	258,762	-	258,762
iii) Amount due from sale of equipment to associates converted to non current receivable	92,540	467,112	92,540	467,115
iv) Amount due from sale of equipment to controlled entities converted to non current receivable	-	-	196,613	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 7: Trade and Other Receivables

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Trade receivables (i)	126,868	22,353	118,926	22,353
Other receivables	39,065	-	31,997	-
Loan – other entity (ii)	500,000	500,000	500,000	500,000
Less – provision for impairment on loan	(250,000)	(500,000)	(250,000)	(500,000)
	415,933	22,353	400,923	22,353
NON-CURRENT				
Loan – Controlled Entity	-	-	555,957	-
Less – provision for impairment on loan	-	-	(555,957)	-
Loan – Associated Entity (iii)	1,535,343	939,087	1,535,343	939,087
Less provision for impairment on loan	(1,041,745)	(171,078)	(1,041,745)	(171,078)
	493,598	768,009	493,598	768,009

(i) Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) The loan to other entity was settled in September 2007.

(iii) The loan to Associated Entity is unsecured and has no set term of repayment. A provision for doubtful debts was provided for during the year due to the shortfall of net assets of the Associated Entity.

Note 8: Inventories

Produce on hand – at cost	40,516	7,685	40,516	7,685
Work in progress – at cost	126,000	-	126,000	-
Raw materials and stores – at cost	55,240	75,887	55,240	75,887
	221,756	83,572	221,756	83,572

Note 9: Investments

Investments in subsidiaries – at cost	-	-	1,097,929	-
Less provision for impairment	-	-	(1,080,929)	-
		-	-	17,000

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Carrying amount	
			2007 %	2006 %	2007 \$	2006 \$
Delta Aquaculture Services, LLC	USA	Ordinary	65.82	*	-	*
Cell Aqua Malaysia Sdn Bhd	Malaysia	Ordinary	90.0	-	17,000	-
					17,000	-

* A 50% interest was held in Delta Aquaculture Services, LLC at 30 June 2006. It was accounted using the equity method.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 10: Investments Accounted for using the Equity Method

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Interests in associated entities	255,973	525,341	-	525,341

(a) Interests are held in the following associated entities

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of Investment	
				2007	2006	2007 \$	2006 \$
Delta Aquaculture Services, LLC	Aquaculture	Nevada, USA	Ordinary	*	50%	-	525,341
Cell Aquaculture Netherlands Holding BV	Aquaculture	The Netherlands	Ordinary	50%	50%	-	-
Barramundi Farming Company BV	Aquaculture	The Netherlands	Ordinary	50%**	50% **		
Ecocell Aquasystems Europe B.V.	Aquaculture	The Netherlands	Ordinary	50%**	50% **		
TRG Cell Sdn Bhd	Aquaculture	Malaysia	Ordinary	30%***	-	255,973	525,341
						255,973	

* Delta Aquaculture Services, LLC became a controlled entity effective 8 September 2006.

** Note that Barramundi Farming Company BV and Ecocell Aquasystems Europe BV are wholly owned subsidiaries of Cell Aquaculture Netherlands Holding B.V.

*** Shares in TRG Cell Sdn Bhd are owned by Cell Aqua Malaysia Sdn Bhd, a subsidiary of Cell Aquaculture Limited – see note 9.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Delta Aquaculture Services \$	Cell Aquaculture Netherlands \$	TRG Cell Sdn Bhd	Total \$
(b) Movements during the year ended 30 June 2006				
Carrying amount at 1 July 2005	-	-	-	-
Investments during the year	766,138	81,367	-	847,505
Share of loss after income tax	(216,293)	(76,484)	-	(292,777)
Share of Foreign Currency Reserve	(24,504)	(4,883)	-	(29,387)
Carrying amount at 30 June 2006	525,341	-	-	525,341
(c) Movements during the year ended 30 June 2007				
Carrying amount at 1 July 2006	525,341	-	-	525,341
Amount transferred on consolidation	(408,769)	-	-	(408,769)
Investments during the year	-	-	255,973	255,973
Share of loss after income tax	(116,572)	-	-	(116,572)
Carrying amount at 30 June 2007	-	-	255,973	255,973
(d) Summarised Presentation of Aggregate Assets, Liabilities, and Performance of Associates				
Current Assets	-	296,982	941,991	1,238,973
Non-current Assets	-	647,839	810,866	1,458,705
Total Assets	-	944,821	1,752,857	2,697,678
Current Liabilities	-	(119,423)	-	(119,423)
Non-current Liabilities	-	(1,867,144)	(899,615)	(2,766,759)
Total liabilities	-	(1,986,567)	(899,615)	(2,886,182)
Net Assets	-	(1,041,746)	853,242	(188,504)
Revenues	1873	-	-	1,873
Loss after income tax of associates	(233,144)	(850,779)	-	(1,083,923)
* The loss after income tax for Delta Aquaculture Services LLC represents the loss for the period until consolidation on 8 September 2006.				
(e) Share of Associates' expenditure commitments, other than for the supply of inventories				
Capital commitments	-	-	-	-
Lease commitments	-	-	-	-
(f) Contingent liabilities of Associates				
	-	-	-	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 11: Property, Plant and Equipment

	Consolidated					Parent				
	Freehold land \$	Land Improvement \$	Buildings \$	Plant and equipment \$	Total \$	Freehold land \$	Land Improvement \$	Buildings \$	Plant and equipment \$	Total \$
Year ended 30 June 2007										
Opening net book value	-	-	237,083	360,300	597,383	-	-	237,083	360,300	597,383
Acquisition of subsidiary	56,926	-	196,395	622,124	875,445	-	-	-	-	-
Additions	-	-	16,081	455,209	471,290	-	-	-	39,532	39,532
Exchange differences	(4,115)	-	-	(64,990)	(69,105)	-	-	-	-	-
Loss on disposal	-	-	(212,476)	-	(212,476)	-	-	-	-	-
Impairment Charge (see note 12 (b))	-	-	-	(750,052)	(750,052)	-	-	-	-	-
Depreciation charge for the year	-	-	(82,714)	(200,920)	(283,634)	-	-	(82,714)	(68,164)	(150,878)
Closing net book value	52,811	-	154,369	421,671	628,851	-	-	154,369	331,668	486,037
At 1 July 2006										
Cost or fair value	-	-	371,699	539,541	911,240	-	-	371,699	539,541	911,240
Accumulated depreciation and impairment	-	-	(134,616)	(179,241)	(313,857)	-	-	(134,616)	(179,241)	(313,857)
Net book value	-	-	237,083	360,300	597,383	-	-	237,083	360,300	597,383
At 30 June 2007										
Cost or fair value	52,811	-	371,864	1,549,083	1,973,758	-	-	371,699	579,073	950,772
Accumulated depreciation and impairment	-	-	(217,495)	(1,127,412)	(1,344,907)	-	-	(217,330)	(247,405)	(464,735)
Net book value	52,811	-	154,369	421,671	628,851	-	-	154,369	331,668	486,037
Year ended 30 June 2006										
Opening net book value	579,610	67,916	374,089	121,976	1,143,591	579,610	67,916	374,089	121,976	1,143,591
Additions	-	-	1,899	330,409	332,308	-	-	1,899	330,409	332,308
Disposals	(579,610)	(66,338)	(54,011)	(21,376)	(721,335)	(579,610)	(66,338)	(54,011)	(21,376)	(721,335)
Depreciation charge for the year	-	(1,578)	(84,894)	(70,709)	(157,181)	-	(1,578)	(84,894)	(70,709)	(157,181)
Closing net book value	-	-	237,083	360,300	597,383	-	-	237,083	360,300	597,383
At 1 July 2005										
Cost or fair value	579,610	82,300	434,992	320,570	1,417,472	579,610	82,300	434,992	320,570	1,417,472
Accumulated depreciation and impairment	-	(14,384)	(60,903)	(198,595)	(273,882)	-	(14,384)	(60,903)	(198,595)	(273,882)
Net book value	579,610	67,916	374,089	121,975	1,143,590	579,610	67,916	374,089	121,975	1,143,590

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 12: Intangible Assets

	Consolidated					Parent				
	Intellectual property / licenses \$	Development Costs *	Goodwill ***	Formation Expenses	Total	Intellectual property / licenses \$	Development Costs *	Goodwill ***	Total	
At 1 July 2006										
Cost (gross net book value)	330,000	1,031,861	-	-	1,361,861	330,000	1,031,861	-	1,361,861	
Accumulated amortisation and impairment	(184,250)	-	-	-	(184,250)	(184,250)	-	-	(184,250)	
Net book value	145,750	1,031,861	-	-	1,177,611	145,750	1,031,861	-	1,177,611	
Year ended 30 June 2007										
Opening net book value	145,750	1,031,861	-	-	1,177,611	145,750	1,031,861	-	1,177,611	
Additions – acquisitions ***	-	-	209,457	-	209,457	-	-	-	-	
Additions – internal development	-	311,990	-	-	311,990	-	311,990	-	311,990	
Impairment Charge	-	-	(209,457)	-	(209,457)	-	-	-	-	
Amortisation **	(66,000)	(344,000)	-	-	(410,000)	(66,000)	(344,000)	-	(410,000)	
Closing book value	79,750	999,851	-	-	1,079,601	79,750	999,851	-	1,079,601	
At 30 June 2007										
Cost (gross net book value)	330,000	1,343,851	209,457	-	1,883,308	330,000	1,343,851	-	1,673,851	
Accumulated amortisation and impairment	(250,250)	(344,000)	(209,457)	-	(803,707)	(250,250)	(344,000)	-	(594,250)	
Net book value	79,750	999,851	-	-	1,079,601	79,750	999,851	-	1,079,601	
At 1 July 2005										
Cost (gross net book value)	330,000	569,754	-	1,017	900,771	330,000	569,754	1,017	900,771	
Accumulated amortisation and impairment	(151,250)	-	-	-	(151,250)	(151,250)	-	-	(151,250)	
Net book value	178,750	569,754	-	1,017	749,521	178,750	569,754	1,017	749,521	
Year ended 30 June 2006										
Opening net book value	178,750	569,754	-	1,017	749,521	178,750	569,754	1,017	749,521	
Additions – internal development	-	462,107	-	-	462,107	-	462,107	-	462,107	
Formation expenses written off	-	-	-	(1,017)	(1,017)	-	-	(1,017)	(1,017)	
Amortisation **	(33,000)	-	-	-	(33,000)	(33,000)	-	-	(33,000)	
Closing book value	145,750	1,031,861	-	-	1,177,611	145,750	1,031,861	-	1,177,611	
At 30 June 2006										
Cost (gross net book value)	330,000	1,031,861	-	-	1,361,861	330,000	1,031,861	-	1,361,861	
Accumulated amortisation and impairment	(184,250)	-	-	-	(184,250)	(184,250)	-	-	(184,250)	
Net book value	145,750	1,031,861	-	-	1,177,611	145,750	1,031,861	-	1,177,611	

* Capitalised development costs is an internally generated intangible asset.

** Amortisation of \$410,000 (2006 - \$33,000) is included in depreciation and amortisation expense in the income statement

*** Goodwill of \$209,457 arose upon the acquisition of control of Delta Aquaculture Services, LLC.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(a) Impairment tests for intangible assets

The intangible costs carried forward relate to the acquisition and development of the Company's "Hatch to Dispatch" aquaculture systems. The recoverable amount of development costs and intellectual property/licences is determined based on value-in-use calculations. These calculations use cashflow projections based on financial budgets approved by management covering a three-year period. The discount rate applied to the cashflow projection is 10.0%. Income forecasts are estimated based on anticipated sales levels.

(b) Impairment Charge

The impairment charge arose in respect of goodwill arising on the acquisition of further interests in Delta Aquaculture Services LLC which, for the year ended 30 June 2007, was in the process of establishing aquacultural facilities in Centreville, USA. In September 2007 the company decided to cease operations in Mississippi. As a result goodwill of \$209,457 arising on the acquisition was written off and property, plant and equipment was written down to estimated salvageable value at 30 June 2007, resulting in an impairment charge on plant and equipment of \$750,052.

Note 13: Trade and Other Payables (Current)

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade payables (i)	323,452	156,701	176,695	156,701
Advance deposits	429,511	-	50,000	-
	752,963	156,701	226,695	156,701

(i) Trade payables are non-interest bearing and are normally settled on 60-90 day terms.

Note 14: Provisions

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Employee Entitlements	39,049	25,705	39,049	25,705

Note 15: Borrowings

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
CURRENT					
Note Payable	15 (a)	35,207	-	-	-
Loans from Directors - Unsecured	15(c)	100,000	-	100,000	-
Loans – Unsecured	15(b)	425,000	-	425,000	-
Lease liability		5,130	3,517	5,130	3,517
		565,337	3,517	530,130	3,517
NON-CURRENT					
Note payable	15(a)	105,621	-	-	-
Lease liability		16,391	19,839	16,391	19,839
		122,012	19,839	16,391	19,839

(a) The note payable representing US \$120,000, is secured over land and buildings owned by Delta Aquaculture Services, LLC.

(b) Unsecured Loans

The unsecured loans represent loans from shareholders to assist with working capital requirements. An average interest rate of 15% is payable on the loans.

(c) Unsecured Loan – Director
Refer to note 23(g).

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 16: Contributed Equity

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Ordinary shares	10,200,339	9,543,839	10,200,339	9,543,839
	10,200,339	9,543,839	10,200,339	9,543,839

(a) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements during the period.

	No.	\$
Balance as at 1 July 2005	92,709,606	4,998,494
Shares issued on 25 July 2005 pursuant to prospectus	26,007,000	5,201,400
Transaction costs on share issue	-	(656,055)
At 30 June 2006	118,716,606	9,543,839
Balance as at 1 July 2006	118,716,606	9,543,839
Shares issued in December 2006	3,282,500	656,500
Closing balance at 30 June 2007	121,999,106	10,200,339

(c) Share Options

- (i) 3,500,000 options exercisable at 20 cents on or before 1 March 2008 were issued to consultants on 1 March 2005.
- (ii) In July 2005 the Company issued 3,000,000 options exercisable at 35 cents within 3 years of the date of issue to the non-executive directors of the Company.
- (iii) In December 2006 the company issued 916,250 options as free attaching options as part of issue of 3,282,500 shares in December 2006. The options are exercisable on or before 29 December 2008 as a price of \$0.25 per share

No options have been exercised to the date of this report.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 17: Reserves and Accumulated Losses

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Reserves				
Foreign Currency Translation Reserve (Note 17(a) (i))	7,151	(29,387)	(29,387)	(29,387)
Share Based Payment Reserve	313,750	313,750	313,750	313,750
	320,901	284,363	284,363	284,363
(i) Movements – Foreign Currency Translation Reserve				
Opening balance	(29,387)	-	(29,387)	-
Currency translation differences arising during the year	36,538	(29,387)	-	(29,387)
	7,151	(29,387)	(29,387)	(29,387)
(ii) Nature and purpose of reserves				
<i>Foreign Currency Translation Reserve</i>				
Exchange differences arising on translation of the investments in associated companies are taken to the foreign currency translation reserve. The reserve is recognised in the Income statement when the net investment is disposed of.				
<i>Share Based Payment Reserve</i>				
The Share Based Payment Reserve is used to recognise the fair value of options issued but not exercised.				
(b) Accumulated Losses				
Balance as at 1 July	(4,254,350)	(3,905,521)	(4,254,350)	(3,905,521)
Net loss for the year	(4,226,511)	(348,829)	(4,053,601)	(348,829)
Balance as at 30 June	(8,480,861)	(4,254,350)	(8,307,951)	(4,254,350)

Note 18: Financial Instruments, Risk Management Objectives and Policies

(a) Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments recognised in the financial statements.

The fair values and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

	Carrying amount		Fair value	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Financial assets</i>				
Cash	425,863	2,605,345	425,863	2,605,345
Trade receivables	415,933	22,353	400,923	22,353
Investments	255,973	525,341	255,973	525,341
Loans and trade receivable - Associates	493,598	768,009	493,598	768,009
<i>Financial liabilities</i>				
<i>On balance sheet</i>				
Trade payables and Advance deposits	752,963	156,701	752,963	156,701
Interest-bearing loans and borrowings:				
Other loans	525,000	-	525,000	-
Notes payable	140,828	-	140,828	-
Lease liability	21,521	23,356	21,521	23,356
<i>Off balance sheet</i>				
Contingencies	-	-	-	-

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year	1 - 5 Years	Over 5 Years	Non-Interest bearing	Total	Weighted average effective interest rate %
Year ended 30 June 2007						
Financial Assets:						
Cash	425,863	-	-	-	425,863	3.0
Receivables	-	-	-	909,531	909,531	0
Investments	-	-	-	255,973	255,973	0
	425,863	-	-	1,165,504	1,591,367	
Financial Liabilities:						
Trade payables and Advance deposits	-	-	-	752,963	752,963	0
Lease liability	5,130	16,391	-	-	21,521	11.6
Notes payable	35,207	105,621	-	-	140,828	4.0
Other loans	525,000	-	-	-	525,000	13.2
	565,337	122,012	-	752,963	1,440,312	
Year ended 30 June 2006						
Financial Assets:						
Cash	2,605,345	-	-	-	2,605,345	4.5
Receivables	-	-	-	790,362	790,362	0
Investments	-	-	-	525,341	525,341	0
	2,065,345	-	-	1,315,703	3,921,048	
Financial Liabilities:						
Trade payables	-	-	-	156,701	156,701	0
Lease liability	8,128	15,228	-	-	23,356	11.6
	8,128	15,228	-	156,701	180,057	

(c) Credit risk exposures

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements. As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(d) Foreign currency risk

The company is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Company's measurement currency. The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States Dollar and the Euro. The Company has not formalized a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 19: Commitments and Contingencies

(a) Finance Lease Commitments

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Future minimum payments under Finance Lease contracts are as follows:				
Payable				
- Not later than 12 months	7,359	8,128	7,359	8,128
- Between 12 months and 5 years	17,656	25,620	17,656	25,620
Minimum payments	25,015	33,748	25,015	33,748
Less future finance charges	3,494	10,392	3,494	10,392
	21,521	23,356	21,521	23,356

(b) Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Within one year	133,715	110,000	133,715	110,000
After one year but not more than five years	18,333	174,166	18,333	174,166
	152,048	284,166	152,048	284,166

(c) Contingency Liability

A claim for unspecified damages was lodged during the year against Cell Aquaculture Ltd by the minority shareholders of Delta Aquaculture Services LLC, a subsidiary, in relation to alleged breaches of contracts, duties and undertakings. The company is defending the claims.

The company, following the closure of the US operations, is currently negotiating a settlement of this claim. The Directors estimate the potential liability to be approx \$180,000.

Note 20: Related Party Disclosures

(a) Consolidated group

The parent entity within the group is Cell Aquaculture Ltd. Interests in subsidiaries are set out in Note 9.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties. All transactions are on commercial terms and no more favourable than those available to other parties unless otherwise stated.

	2007 \$	2006 \$	2007 \$	2006 \$
Sale of equipment and services to associated entity	534,514	708,404	534,514	708,404
Sale of equipment and services to subsidiary	-	-	239,466	-
(c) Loans to / from related parties				
Loans to subsidiaries				
Beginning of year	-	-	-	-
Amounts advanced – expenses	-	-	359,344	-
Amounts advanced – sale of goods	-	-	196,613	-
Closing balance	-	-	555,957	-
Provision for impairment	-	-	(555,957)	-
Carrying value	-	-	-	-
Loans to associates				
Beginning of year	939,087	-	939,087	-
Amounts advanced	512,616	471,972	521,616	471,972
Amounts advanced – sale of goods	92,561	467,115	92,561	467,115
Other	(8,921)	-	(17,921)	-
Closing balance	1,535,343	939,087	1,535,343	939,087
Provision for impairment	(1,041,745)	(171,078)	(1,041,745)	(171,078)
Carrying value	493,598	768,009	493,598	768,009

Note 21: Events After the Balance Date

(a) Share Issue

On 12 September 2007 the company issued 7,295,666 shares as 15 cents each, raising \$1,094,350 for working capital.

(b) Closure of Mississippi Operations

In September 2007 the company resolved to cease its operations in Mississippi, USA carried on by Delta Aquaculture Services, LLC. As a result, the plant and equipment currently located at the Centreville, Mississippi site was written down to estimated salvageable value at 30 June 2007, resulting in an impairment charge of \$750,052 as shown in the Income Statement. The company estimates no further material liabilities to arise as a result of the closure, except as disclosed in Note 19(c).

The contribution of this subsidiary to the results of the consolidated entity for year ending 30 June 2007 is summarised as follows -

Revenue	\$208,377
Expenses	2,618,813
Loss for the year	<u>2,410,436</u>

As at 30 June 2007 the balance sheet of Delta Aquaculture Services LLC comprised the following assets and liabilities -

Total Assets	\$151,962
Total Liabilities	843,547
Net Asset Deficiency	<u>(691,585)</u>

The total liability included an amount of \$555,957 owed to the parent entity, which has been fully provided for in the Income Statement of the Parent Entity.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 22: Auditor's Remuneration

The auditor of Cell Aquaculture Limited is BDO Kendalls Audit & Assurance (WA) Pty Ltd, formerly Horwath Audit (WA) Pty Ltd.

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Audit Services				
Amounts received or due and receivable by the auditor for:				
- auditing and reviewing the financial report	54,872	32,800	54,872	32,800
	54,872	32,800	54,872	32,800
Other Assurance Services				
- IFRS accounting services	-	4,117	-	4,117
Total remuneration for assurance services	54,872	36,917	54,872	36,917

Note 23: Key Management Personnel

(a) Details of Key Management Personnel

(i) Directors

Perryman James Leach	Director (Non Executive)
Peter Joseph Burns	Director (Non Executive)
Paul Edward Alexander Hopper	Chairman (Executive) – appointed 29 May 2007
Glyn Michael Tonge	Director (Non Executive) – appointed 29 May 2007
Suresh Abishegam	Director (Non Executive) – appointed 29 May 2007
David Richard Thomas	Director (Non Executive), retired 24 November 2006.
Quenton Harold Leach	Alternate Director for Perryman Leach, resigned 24 November 2006
Peter Gerard Burns	Alternate director for Peter J Burns, resigned 24 November 2006
Robert Ian Stanhope Sewell	Chairman (Non Executive), resigned 28 May 2007
Rocky de Nys	Director (Non Executive), resigned 28 May 2007
Geoffrey Neil Leding Wilton	Managing Director (Executive), resigned 18 May 2007

(ii) Executives

Quenton Harold Leach	Operations Manager – Resigned 15 December 2006
Peter Gerard Burns	Business Development Manager

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(b) Compensation of Key Management Personnel

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Short-term employee benefits	613,064	611,936	613,064	611,936
Share based payments	-	-	-	-
Post employment benefits	52,360	42,958	52,360	42,958
	665,424	654,894	665,424	654,894

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (e) of the remuneration report.

(c) Options Holdings of Key Management Personnel

	Balance 1.7.06	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.6.07	Total Vested 30.6.07	Total Exercisable 30.6.07	Total Unexercisable 30.6.07
30 June 2007								
P J Leach	-	-	-	-	-	-	-	-
P J Burns	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
D R Thomas	1,000,000	-	-	-	1,000,000*	1,000,000	1,000,000	-
R I S Sewell	-	-	-	-	-*	-	-	-
R de Nys	-	-	-	-	-*	-	-	-
G N L Wilton	-	-	-	-	-*	-	-	-
P E A Hopper	-	-	-	-	-	-	-	-
G M Tonge	-	-	-	-	-	-	-	-
S E Abishegam	-	-	-	-	-	-	-	-
Other Key Management Personnel								
P G Burns	-	-	-	-	-	-	-	-
Q H Leach	-	-	-	-	-*	-	-	-
	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
	Balance 1.7.05	Granted as Remuneration	Options Exercised	Options Expired	Balance 30.6.06	Total Vested 30.6.06	Total Exercisable 30.6.06	Total Unexercisable 30.6.06
30 June 2006								
Director								
P J Leach	-	-	-	-	-	-	-	-
P J Burns	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
D R Thomas	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
E L Boyd	-	1,000,000	-	-	1,000,000*	1,000,000	1,000,000	-
R I S Sewell	-	-	-	-	-	-	-	-
R de Nys	-	-	-	-	-	-	-	-
G N L Wilton	-	-	-	-	-	-	-	-
Other Key Management Personnel								
P G Burns	-	-	-	-	-	-	-	-
Q H Leach	-	-	-	-	-	-	-	-
	-	3,000,000	-	-	3,000,000	3,000,000	3,000,000	-

* Represents balance held at date of resignation

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(d) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report in the Directors Report.

(e) Shareholdings of Key Management Personnel

30 June 2007	Balance 1 July 2006	Received as Remuneration	Balance held at Appointment	Net Purchased/ (Sold)	Balance 30 June 2007
Director					
P J Leach	17,070,001	-	-	-	17,070,001
P J Burns	9,176,668	-	-	-	9,176,668
D R Thomas	1,480,000	-	-	-	1,480,000 *
G N L Wilton	-	-	-	-	- *
R I S Sewell	10,000	-	-	-	10,000 *
R de Nys	-	-	-	-	- *
P E A Hopper	-	-	-	-	-
G M Tonge	-	-	-	-	-
S E Abishegam	-	-	1,093,816	-	1,093,816
Other Key Management Personnel					
P G Burns	2,198,450	-	-	-	2,198,450
Q H Leach	500,000	-	-	-	500,000 *
	30,435,119	-	1,093,816	-	31,528,935
* Represents balance held at date of resignation					
30 June 2006	Balance 1 July 2005	Received as Remuneration	Net Purchased/ (Sold)	Balance 30 June 2007	
Director					
P J Leach	17,070,001	-	-	-	17,070,001
P J Burns	9,176,668	-	-	-	9,176,668
D R Thomas	1,330,000	-	150,000	-	1,480,000
E L Boyd	-	-	-	-	- *
R I S Sewell	-	-	10,000	-	10,000
R de Nys	-	-	-	-	-
Other Key Management Personnel					
P G Burns	2,198,450	-	-	-	2,198,450
Q H Leach	500,000	-	-	-	500,000
	30,275,119	-	160,000	-	30,435,119

* Represents balance held at date of resignation

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

(f) Other transactions with key management personnel

Other Transactions with key management personnel and their related entities:

Transactions between key management personnel and their related entities are on commercial terms no more favourable than those available to other parties unless otherwise stated.

(i) In June 2007 an amount of \$100,000 was loaned to the company by Mr PJ Burns to assist with working capital. Interest of 8%pa is payable on the loan.

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
(g) Amounts outstanding at balance date Aggregate amounts payable to key management personnel and their key management personnel - related entities at balance date: Current liabilities Unsecured loans	100,000	-	100,000	-

Note 24: Segment Reporting

(a) Geographical Segments

(i) Year ended 30 June 2007

	Australia	USA	Netherlands	Malaysia	Eliminations	Total
Revenue						
- External sales	514,373	208,377	-	-	-	722,750
- Other segments	774,571	-	-	-	(251,815)	522,756
Total sales revenue	1,288,944	208,377	-	-	(251,815)	1,245,506
Unallocated revenue						66,105
Total revenue from ordinary activities						1,311,611
Result						
Segment result	-	(2,410,436)	(870,667)	-	-	(3,281,103)
Unallocated expenses net of unallocated revenue						(1,686,044)
Loss before income tax						(4,967,147)
Income tax expense/ benefit						256,572
Loss after income tax						(4,710,575)
Assets						
Segment assets (including carrying value of investments and loans to associates)	753,112	175,326	534,720	397,865	-	1,861,023
Unallocated assets						1,660,552
Total assets						3,521,575
Liabilities						
Segment liabilities	287,265	843,547	-	379,510	(555,961)	954,361
Unallocated liabilities						525,000
Total liabilities						1,479,361

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Australia	USA	Netherlands	Malaysia	Eliminations	Total
Other Segment Information						
Investments in associates	-	-	-	255,973	-	255,973
Share of net losses of associates	-	116,572	-	-	-	116,572
Depreciation and amortisation expense	560,878	132,756	-	-	-	693,634
Impairment charge on property, plant & equipment	-	750,052	-	-	-	750,052
Impairment charge on goodwill	-	209,457	-	-	-	209,457
Impairment charge on loans to associates	-	-	870,667	-	-	870,667
(ii) Year ended 30 June 2006						
	Australia	USA	Netherlands	Eliminations	Total	
Revenue						
- External sales	82,730	-	-	-	-	82,730
- Other segments	708,404	-	-	-	-	708,404
Total sales revenue	791,134	-	-	-	-	791,134
Unallocated revenue						192,425
Total revenue from ordinary activities						983,559
Result						
Segment result	-	(216,293)	(247,562)	-	-	(463,855)
Unallocated expenses net of unallocated revenue						(121,903)
Loss before income tax						(585,758)
Income tax expense/benefit						236,929
Loss after income tax						(348,829)
Assets						
Segment assets (including carrying value of investments and loans to associates)	642,502	559,167	812,465	-	-	2,014,134
Unallocated assets						3,765,480
Total assets						5,779,614
Liabilities						
Segment liabilities	205,762	-	-	-	-	205,762
Unallocated liabilities						-
Total liabilities						205,762
Other Segment Information						
Investments in associates	-	525,341	-	-	-	525,341
Share of net losses of associates	-	216,292	76,485	-	-	292,777
Depreciation and amortisation expense	-	-	-	-	-	-
Impairment charge on property, plant & equipment	-	-	-	-	-	-
Impairment charge on goodwill	-	-	-	-	-	-
Impairment charge on loans to associates	-	-	171,078	-	-	171,078

(b) Business Segments

The company operates predominantly in one business segment, being the Aquacultural industry.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 25: Business Combination

(a) Summary of acquisition

On 8 September 2006 the parent equity acquired control of the issued share capital of Delta Aquaculture Services, LLC, a company incorporated in Nevada USA, when it acquired management rights to the company and a further interest of 5.88%, for a consideration of \$192,686. At 30 June 2006 the parent entity owned 50% of the issued capital of Delta at a cost of \$766,137. During the period ended 30 June 2007, the parent entity increased its ownership interest in Delta to 65.8%.

The acquired business contributed revenues of \$208,377 and a net loss of \$2,156,864 to the Group for the period from 8 September 2006 to 30 June 2007.

As at the date of acquisition of control, Delta had net assets of \$923,276. Goodwill of \$141,058 arose from the acquisition of control, and a further \$68,399 arose on the acquisition of further interests in Delta during the period.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	
Cash Paid	192,686
Fair value of net identifiable assets	<u>51,628</u>
Goodwill	<u>141,058</u>

(b) Purchase consideration

	2007
	\$
Outflow of cash to acquire control of subsidiary, net of cash acquired	
Cash consideration	192,686
Less: Balances acquired	
Cash	385,770
	<u>193,084</u>
Net inflow of cash	

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition of the additional 5.88% on 8 September 2006 to obtain control of the subsidiary are as follows:

	Acquiree's carrying amount at 8 Sep 2006 \$	Fair value at 8 Sep 2006 \$
Cash	385,770	385,770
Trade receivables	3,433	3,433
Inventories	18,137	18,137
Plant and equipment	878,326	878,326
Deferred tax asset	-	-
Intangible assets: trademarks	-	-
Trade payables	(171,481)	(171,481)
Notes payable	(190,275)	(190,275)
Provision for employee benefits	(634)	(634)
Deferred tax liability	-	-
Retirement benefit obligations	-	-
Net assets	<u>923,276</u>	<u>923,276</u>
Minority interests		871,648
Net identifiable assets acquired		<u>51,628</u>

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

Note 26: Share-Based Payments

(a) Directors Options

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve Director and shareholder goal congruence. All options granted during the year ended 30 June 2005 have an exercise price of 35 cents. The options granted have an exercise date of prior to July 2009. There were no options granted during the year ended 30 June 2007.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated and Parent Entity			
	2007		2006	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	3,000,000	35.0	3,000,000	35.0
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	3,000,000	35.0	3,000,000	35.0
Exercisable at year-end	3,000,000	35.0	3,000,000	35.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.17 years, and all options had an exercise price of 35 cents. The options were approved to be issued to Directors in December 2004. However, they were issued in July 2005 following the listing by the company on the Australian Stock Exchange. Expenses arising from the issue are reflected in the Income Statement in the year ended 30 June 2005. The weighted average fair value of the options granted was 3.75 cents per option.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Options issued	-	-	-	-
Shares issued	-	-	-	-

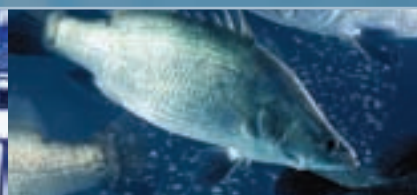
Note 27: Variation from Preliminary Final Report

Subsequent to the release of the company's preliminary report to the Stock Exchange, the company made a decision to cease operations carried on by a subsidiary, Delta Aquaculture Services LLC, as detailed in Note 21(b)

As a result of the decision, impairment charges were made to writedown the value of goodwill, and plant & equipment. Furthermore, unsecured loans receivable, which had been fully provided for, were settled, resulting in a part reversal of the writedown.

The variations are reconciled as follows:

Net loss as per preliminary final report	\$3,886,778
Impairment charge on plant & equipment	750,052
Impairment charge of goodwill	209,457
Other adjustment	114,288
Reversal of impairment charge – unsecured loan	(250,000)
Revised net loss	<u>4,710,575</u>





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