



ASX Release - CAQ

MOU Signed to Develop \$20+million South African Venture

- **CAQ have signed an MOU with a substantial partner to develop a 2,000 tonne per annum Cell™ production facility in the Eastern Cape region of South Africa.**
 - **Total project cost estimated in excess of AU\$20million.**
 - **Project will be one of the world's largest fully integrated, recirculating land-based premium seafood production facilities.**
 - **CAQ to be assigned as exclusive 'aquaculture partner' and assume full responsibility for design, construction and operation of the entire project – resulting in significant revenue flow to CAQ.**
 - **Final site selection to be secured in the coming weeks.**
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21 April 2009: Cell Aquaculture Limited (ASX Code: CAQ) is pleased to advise the signing of a Memorandum of Understanding to establish a AU\$20+million, Cell™ land-based seafood production facility in the Eastern Cape region of South Africa. This project will be one of the world's largest, fully integrated, recirculating land-based seafood production facilities, with a production capacity in excess of 2,000,000kg of premium fin-fish per annum.

The agreement has been signed with a consortium of South African entrepreneurs, with very strong grounding in the food & beverage and seafood industries. The head of the consortium is a key player and major developer of a highly recognised global food brand and restaurant chain, with in excess of 1,000 outlets in 34 countries. The other members of the consortium have a strong blend of finance, legal and seafood marketing expertise.

The deal will be structured as a joint venture, with CAQ to acquire 40% equity in the new joint venture company. It is agreed that CAQ will be assigned as the exclusive 'aquaculture partner' to the venture and the new facility will be a licensed Cell™ proprietary design, incorporating CAQ's tried and proven proprietary seafood production technologies and operating procedures.

In the capacity of exclusive aquaculture partner, CAQ will assume full responsibility for the design, construction and operation of the entire AU\$20+million project, resulting in significant revenue flow to the company. Revenue flow to CAQ will be derived from project management of the facility, licensing of intellectual property, sale of CAQ proprietary equipment, as well as 40% of the ongoing profitability of the facility once in production. The South African partners will have an active role in the day-to-day management of the business and secure project financing.

Given the very strong grounding of the South African partners in the food industry, it has been agreed that CAQ and its consortium partners will jointly assume responsibility for the marketing, branding and distribution of seafood produce from the facility. It is planned that approximately 50% of the production will be sold domestically within South Africa and discussions are advanced with a major South African seafood restaurant chain. The remaining 50% of the production is planned for export, primarily into the European and Middle Eastern markets and will ensure no cannibalisation of CAQ's existing markets for its Malaysian produce – now or in the future.

Significant due diligence has been conducted and discussions are well advanced with three government backed Industrial Development Zones (IDZ's) to establish the venture. The various IDZ's are competing to offer very attractive incentives to secure the project to their region. A number of suitable sites have now been shortlisted for the project and a team of CAQ representatives and engineers will be travelling to South Africa in the coming weeks to finalise and secure the site selection.

Given the significant foundation work completed to date and the strong willingness of the partners to advance the project, it is anticipated that a formal joint venture shareholders agreement will be signed within the coming months.

As CAQ makes preparations to progress this exciting South African opportunity, the company still remains fully committed to its current Malaysian operations and planned expansion projects in Malaysia. A separate operational and engineering team is now being recruited for the South African project and all current Malaysian resources will remain focussed and committed to the Malaysian operations.

The process of securing Malaysian expansion funding has been slowed recently due to the global economic crisis and also a number of major changes within the Malaysian State and Federal Governments. CAQ is actively progressing a number of Malaysian government funding applications and hopes to secure positive outcomes shortly.

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Headquartered in Western Australia, Cell Aquaculture Limited (Cell) is an international aquaculture company, publicly listed on the Australian Securities Exchange (ASX). Cell supplies a full range of environmentally sustainable, vertically integrated seafood production services – encompassing everything from 'Hatch to Dispatch'.

Developed over ten years the Cell™ propriety system is a complete land based environmentally responsible aquaculture system developed for the production and supply of premium quality fin fish. Cell has established hatchery operations for Australian Barramundi at James Cook University, Queensland, and is due to construct a world class multi-species hatchery in Malaysia. Cell has also commenced production trials on a range of further 'high value' premium species.

Cell has developed large scale production facilities in Terengganu, Malaysia, with further expansion planning now underway. Cell is also now focussing on an opportunity to develop one of the world's largest land-based recirculating seafood production facilities in South Africa. Cell supplies and installs growing systems, manages the operations as well as sales and marketing of finished product.