

CELL AQUACULTURE LTD

ABN 86 091 687 740

**Interim Financial Report
for the Half-Year Ended 31 December 2005**

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Cell Aquaculture Ltd ABN 86 091 687 740
DIRECTORS' REPORT

The directors of CELL AQUACULTURE LIMITED submit herewith the interim financial report of the Company for the half-year year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report is as follows:

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
David Richard Thomas
Edwin Leith Boyd (Resigned on 18 October 2005)
Quenton Harold Leach (Appointed alternate director for Perryman Leach on 2 September 2005)
Peter Gerard Burns (Appointed alternate director for Peter J Burns on 29 September 2005)
Robert Sewell (Appointed as non executive Chairman of the board of directors on 12 December 2005)
Rocky de Nys (Appointed as non executive director on 23 January 2006)

Review of Operations

The Directors are pleased to report on the strong progress the company has made in the short time since listing on the A.S.X. on 25th July 2005.

The company has recruited the necessary expertise in key areas to achieve its goals and have significantly strengthened the Board with the addition of Robert Sewell and Prof Rocky de Nys.

Following extensive market research and preliminary test marketing, the company is now concentrating its resources and marketing efforts towards the key markets of Europe, North America and Australia.

A summary of activities in each of these markets is as follows:

AUSTRALIA

- In July 2005 the Company successfully completed its Initial Public Offering and raised \$4,549,720, net of share issue costs, to develop and market the 'Hatch to Dispatch' concept;
- After listing, the company sold and leased back its land at Hamilton Hill, resulting in a profit of \$1,953,705. This additional capital will accelerate growth into the outlined target markets;
- Significantly upgraded facilities at the Hamilton Hill site to include a fully operational Nursery and commercial "Cell" production facility in building 2 for display and training purposes. This production facility, although principally a Research and

Development Facility, will also provide a source of cash flow for the company. Building 1 has now been established as a dedicated Research and Development facility to make further advancements to the base technologies;

- Finalised agreements with James Cook University for the establishment of a commercial hatchery and research and development facility to further advance new species development and supply fingerlings (baby fish) internationally, generating cash flow for the company;
- Established commercial scale fabrication and manufacturing facilities at Malaga to supply specialised Cell Aquaculture production equipment to key world markets. Plants for Australia, Europe and America have all now been completed;
- Designed and developed a range of products for the Australian marketplace. A Sales and Marketing Manager has now been appointed for Australia to capitalise on market opportunities such as the Federal Government's announcement in November 2005 to spend \$220 million on buying back up to 50% of Australian commercial fishing licenses, as a consequence of the overfishing of Australian waters. This will create significant market opportunities for the Company in the near future, generating quick cash flow for the company.

EUROPE

- Designed, manufactured and installed specialised equipment in the Netherlands to establish the company's first joint venture European production facilities. These facilities will act as a 'Showpiece' and an excellent sales and marketing tool to promote further European expansion. The first batch of fingerlings (baby fish) were successfully sent to the plant on 3rd March 2006.
- Continued to actively market Australian Barramundi into Europe with very encouraging feedback. Subsequent to this financial period, Cell Aqua were proud to sponsor and supply Barramundi to a Royal Gala Dinner to celebrate 400 years of Australian and Dutch relations. This event was attended by distinguished guests, including: Dutch Royalty, The Dutch Prime Minister, The Australian Ambassador and Australian Foreign Minister;
- Currently developing further opportunities for production in the United Kingdom and Spain.

NORTH AMERICA

- After evaluations which commenced in August 2005, including Canada and the United States, the company proceeded towards the structuring and development of a joint venture company (Delta Aquaculture Services LLC) in the United States. Cell Aquaculture Ltd holds 50% of the issued capital in Delta.
- Extensive marketing of Australian Barramundi into the U.S. market has occurred over the last 9 months and the company is very encouraged by the findings;
- Delta has since acquired a fully operational hatchery in North America.
- Delta have committed to establishing North American 'Showpiece' production facilities. All relevant approvals are in place for this venture, all equipment has been manufactured in Perth and is due to be shipped to the United States in March 2006;

- Establishment of the Delta joint venture has now aligned Cell Aquaculture with one of the largest fresh produce marketing and distribution companies in the United States, paving the way for significant future growth.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalent to IFRS. A reconciliation between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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



Perryman James Leach
DIRECTOR

Dated at Perth this 15th day of March 2006.



15 March 2006

The Board of Directors
Cell Aquaculture Limited
PO Box 251
SOUTH FREMANTLE WA 6162

Horwath Audit (WA) Pty Ltd

ABN 79 112 284 787

Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my half-year review of the financial report of Cell Aquaculture Limited for the half-year ended 31 December 2005 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours sincerely

HORWATH

Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read "A G Bevan".

A G BEVAN

Director

Directors: Glyn O'Brien CA Anthony Bevan CA

Horwath Audit (WA) Pty Ltd conducts its practice independently of all other firms of chartered accountants who are members of Horwath International in Australia

Independent review report to members of Cell Aquaculture Limited

We have conducted an independent review of the accompanying financial report of Cell Aquaculture Limited for the half-year ended 31 December 2005. The financial report comprises the balance sheet at 31 December 2005, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the half year then ended.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing 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.

Auditor's Responsibility

Our responsibility is to perform an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and the *Corporations Act 2001*, so as to present a view which is consistent with our understanding of the entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have complied with the independence requirements of the *Corporations Act 2001*.



Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cell Aquaculture Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

Dated the 15th day of March 2006.

HORWATH
Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read "A G Bevan", with a horizontal line extending to the right.

A G BEVAN
Director

Cell Aquaculture Ltd ABN 86 091 687 740
DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes set out on pages 9 to 24:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flow, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Perryman James Leach
DIRECTOR

Dated at Perth this 15th day of March 2006.

Cell Aquaculture Ltd ABN 86 091 687 740

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	31.12.2005	31.12.2004
	\$	\$
Revenue from ordinary activities	132,172	58,856
Profit from sale of non current asset	1,953,705	-
Raw materials and consumables used	(22,130)	-
Marketing expenses	(44,672)	(41,818)
Communication expenses	(13,315)	(7,040)
Consultancy expenses	(86,757)	(39,091)
Consumables	(18,245)	(16,534)
Employee benefits expense	(434,317)	(265,720)
Insurance expenses	(32,743)	(15,916)
Occupancy Costs	(42,410)	(19,821)
Professional Costs	(124,823)	(26,767)
Travel Costs	(61,382)	(9,795)
Depreciation and amortisation expense	(59,990)	(55,525)
Borrowing costs expense	(9,349)	(52,561)
Impairment loss on loan receivable	(500,000)	-
Other expenses from ordinary activities	(89,235)	(1,926)
	546,509	(493,658)
Profit/(loss) from ordinary activities before Income Tax Expense/ Benefit		
Income tax benefit relating to ordinary activities	236,929	161,610
	783,438	(332,048)
Net profit/(loss) from ordinary activities after income tax expense		
	Cents Per Share	Cents Per Share
Basic earnings per share	0.68	(0.4)

The accompanying notes form part of these financial statements.

Cell Aquaculture Ltd ABN 86 091 687 740

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	31.12.2005	30.6.2005
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	4,385,924	6,602
Receivables	573,315	43,207
Inventories	368,585	26,235
Other	-	323,219
TOTAL CURRENT ASSETS	<u>5,327,824</u>	<u>399,263</u>
NON CURRENT ASSETS		
Receivables	225,993	2,420
Investments accounted for using the equity method	273,542	-
Property, plant and equipment	489,475	1,143,590
Intangible assets	163,131	179,767
Development costs	698,804	569,754
TOTAL NON CURRENT ASSETS	<u>1,850,945</u>	<u>1,895,531</u>
TOTAL ASSETS	<u>7,178,769</u>	<u>2,294,794</u>
CURRENT LIABILITIES		
Payables	438,888	308,357
Interest Bearing Liabilities	-	309,266
Other	-	-
TOTAL CURRENT LIABILITIES	<u>438,888</u>	<u>617,623</u>
NON CURRENT LIABILITIES		
Interest bearing liabilities	-	270,448
TOTAL NON CURRENT LIABILITIES	<u>-</u>	<u>270,448</u>
TOTAL LIABILITIES	<u>438,888</u>	<u>888,071</u>
NET ASSETS	<u>6,739,881</u>	<u>1,406,723</u>
EQUITY		
Contributed equity	9,548,214	4,998,494
Accumulated losses	(3,122,083)	(3,905,521)
Reserve	313,750	313,750
TOTAL EQUITY	<u>6,739,881</u>	<u>1,406,723</u>

The accompanying notes form part of these financial statements.

Cell Aquaculture Ltd ABN 86 091 687 740

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Share Capital	Retained Profits	Option Reserve	Total
Balance at 1.7.2004	3,307,200	(2,966,198)	-	341,002
Shares Issued during the year	1,697,099			1,697,099
Share Issue Costs	(5,805)			(5,805)
Options Granted			313,750	313,750
Profit/(Loss) attributable to members		(332,048)		(332,048)
Balance at 31.12.2004	<u>4,998,494</u>	<u>(3,298,246)</u>	<u>313,750</u>	<u>2,013,998</u>
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	(651,680)			(651,680)
Profit/(Loss) attributable to members		783,438		783,438
Balance at 31.12.2005	<u>9,548,214</u>	<u>(3,122,083)</u>	<u>313,750</u>	<u>6,739,881</u>

The accompanying notes form part of these financial statements.

Cell Aquaculture Ltd ABN 86 091 687 740

**CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	31.12.2005	31.12.2004
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	11,346	22,421
Grant received	-	36,944
Interest received	88,424	355
Borrowing costs	(9,349)	(21,311)
Payments to suppliers and employees	<u>(1,398,260)</u>	<u>(315,844)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,307,839)</u>	<u>(277,435)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for Research & Development	(140,697)	(251,919)
Payments for Property, Plant and Equipment	(34,608)	(22,102)
Proceeds from Sale of Property, Plant and Equipment	2,859,653	-
Deposit	(300,000)	
Loan to other entities	(500,000)	-
Loan to Joint Venture Entities	(223,573)	
Investment in Joint Venture Entities	<u>(273,542)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,387,233</u>	<u>(274,021)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments for Prospectus and Shares Issue Costs	(329,044)	(67,115)
Proceeds from Share Issues	5,201,400	1,062,100
Share Issue Costs	-	(5,806)
Proceeds from Issue of Convertible Note	-	-
Repayment of Bank Loan	(298,484)	(17,271)
Repayment of Director's Loan	(63,500)	-
Repayment – Aquaculture Technology Agreement	-	(145,833)
Other loans	-	-
Net Cash Provided by (Used in) Financing Activities	<u>4,510,372</u>	<u>826,075</u>
Net increase/(decrease) in cash held	4,589,766	274,619
Cash at beginning of the financial year	<u>(203,842)</u>	<u>110,309</u>
Cash at the end of the financial year	<u>4,385,924</u>	<u>384,928</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 1: Statement of Significant Accounting Policies

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards AASB 134 Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Income Tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited to the income statements except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law.

(b) Acquisition of Assets

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus incidental costs to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) 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	5 %
Plant and equipment	5 – 40%

(d) Intangibles

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

useful life.

(e) 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.

Development costs have a finite life and are amortised on systematic basis matched to the future economic benefits over the useful life of the project.

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 profit and loss account 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.

(f) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

(g) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

the service to the customers.

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

All revenue is stated net of the amount of goods and services tax (GST).

(i) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables 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.

(k) Earnings Per Share

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

(l) Inventories

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

(m) Impairment of Assets

At each reporting date, the group reviews carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

(n) Leases

Lease payments for operating leases, where substantially all the risks and benefits will remain with the lessor, are charged as expenses in the periods they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Finance leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

(o) Investments in Associates and Joint Venture Entities

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the group's share of past acquisition reserves of its associates.

The economic entity's interest in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(p) Share based Payments

Under AASB 2 Share based Payments, the Company is required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Income Statement. This standard is not limited to options and also extends to other forms of equity based remuneration.

Cell Aquaculture Ltd ABN 86 091 687 740

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards
Reconciliation of Equity at 1 July 2004**

	Previous GAAP At 1.7.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian Equivalents to IFRS At 1.7.2004
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	110,309	-	110,309
Receivables	53,512	-	53,512
Inventories	26,235	-	26,235
Other	1,082	-	1,082
TOTAL CURRENT ASSETS	191,138	-	191,138
NON CURRENT ASSETS			
Receivables	2,420	-	2,420
Property, plant and equipment	1,188,496	-	1,188,496
Intangible assets	212,767	-	212,767
Development costs	971,372	(769,042)	202,330
TOTAL NON CURRENT ASSETS	2,375,055	(769,042)	1,606,013
TOTAL ASSETS	2,566,193	(769,042)	1,797,151
CURRENT LIABILITIES			
Payables	310,002	-	310,002
Interest Bearing Liabilities	-	-	-
Other	55,000	-	55,000
TOTAL CURRENT LIABILITIES	365,002	-	365,002
NON CURRENT LIABILITIES			
Interest bearing liabilities	1,091,147	-	1,091,147
TOTAL NON CURRENT LIABILITIES	1,091,147	-	1,091,147
TOTAL LIABILITIES	1,456,149	-	1,456,149
NET ASSETS	1,110,044	(769,042)	341,002
EQUITY			
Contributed equity	3,307,200	-	3,307,200
Accumulated losses	(2,197,156)	(769,042)	(2,966,198)
TOTAL EQUITY	1,110,044	(769,042)	341,002

Cell Aquaculture Ltd ABN 86 091 687 740

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Reconciliation of Equity at 31 December 2004

	NOTE	Previous GAAP At 31.12.2004 \$	Adjustments on introduction of Australian equivalents to IFRS \$	Australian Equivalents to IFRS At 31.12.2004 \$
CURRENT ASSETS				
Cash and cash equivalents		384,928	-	384,928
Receivables		199,931	-	199,931
Inventories		26,235	-	26,235
Other		830	-	830
TOTAL CURRENT ASSETS		611,924	-	611,924
NON CURRENT ASSETS				
Receivables		2,420	-	2,420
Property, plant and equipment		1,171,958	-	1,171,958
Intangible assets		196,131	-	196,131
Development costs		1,290,406	(769,042)	521,364
TOTAL NON CURRENT ASSETS		2,660,915	(769,042)	1,891,873
TOTAL ASSETS		3,272,839	(769,042)	2,503,797
CURRENT LIABILITIES				
Payables		161,730	-	161,730
Provisions		4,193	-	4,193
TOTAL CURRENT LIABILITIES		165,923	-	165,923
NON CURRENT LIABILITIES				
Interest bearing liabilities		323,876	-	323,876
TOTAL NON CURRENT LIABILITIES		323,876	-	323,876
TOTAL LIABILITIES		489,799	-	489,799
NET ASSETS		2,783,040	(769,042)	2,013,998
EQUITY				
Contributed equity		5,199,744	(201,250)	4,998,494
Accumulated losses		(2,416,704)	(881,542)	(3,298,246)
Reserve		-	313,750	313,750
TOTAL EQUITY		2,783,040	(769,042)	2,013,998

Cell Aquaculture Ltd ABN 86 091 687 740

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Reconciliation of Equity at 30 June 2005

	Previous GAAP At 30.6.2005 \$	Adjustments on introduction of Australian equivalents to IFRS \$	Australian Equivalents To IFRS At 30.6.2005 \$
CURRENT ASSETS			
Cash and cash equivalents	6,602	-	6,602
Receivables	43,207	-	43,207
Inventories	26,235	-	26,235
Other	323,219	-	323,219
TOTAL CURRENT ASSETS	399,263	-	399,263
NON CURRENT ASSETS			
Receivables	2,420	-	2,420
Property, plant and equipment	1,143,590	-	1,143,590
Intangible assets	179,767	-	179,767
Development costs	1,461,270	(891,516)	569,754
TOTAL NON CURRENT ASSETS	2,787,047	(891,516)	1,895,531
TOTAL ASSETS	3,186,310	(891,516)	2,294,794
CURRENT LIABILITIES			
Payables	308,357	-	308,357
Interest bearing liabilities	309,266	-	309,266
TOTAL CURRENT LIABILITIES	617,623	-	617,623
NON CURRENT LIABILITIES			
Interest bearing liabilities	270,448	-	270,448
TOTAL NON CURRENT LIABILITIES	270,448	-	270,448
TOTAL LIABILITIES	888,071	-	888,071
NET ASSETS	2,298,239	(891,516)	1,406,723
EQUITY			
Contributed equity	5,199,744	(201,250)	4,998,494
Accumulated losses	(2,901,505)	(1,004,016)	(3,905,521)
Reserve	-	313,750	313,750
TOTAL EQUITY	2,298,239	(891,516)	1,406,723

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Reconciliation of Profit or Loss for the half year 31 December 2004

	Previous GAAP	Effect of Transition to Australian Equivalent to IFRS	Australian Equivalents to IFRS
NOTE	\$	\$	\$
Revenue from ordinary activities	58,856	-	58,856
Raw materials and consumables used	-	-	-
Marketing expenses	(41,818)	-	(41,818)
Communication expenses	(7,040)	-	(7,040)
Consultancy expenses	(39,091)	-	(39,091)
Consumables	(16,534)	-	(16,534)
Employee benefits expense	(153,220)	(112,500)	(265,720)
Insurance expenses	(15,916)	-	(15,916)
Occupancy costs	(19,821)	-	(19,821)
Professional costs	(26,767)	-	(26,767)
Travel Costs	(9,795)	-	(9,795)
Depreciation and amortisation expense	(55,525)	-	(55,525)
Borrowing costs expense	(52,561)	-	(52,561)
Other expenses from ordinary activities	(1,926)	-	(1,926)
<hr/>			
Profit/(loss)from ordinary activities before Income Tax Expense/ Benefit	(381,158)	(112,500)	(493,658)
Income tax benefit relating to ordinary activities	161,610	-	161,610
<hr/>			
Net profit/(loss) from ordinary activities after income tax expense attributed to members of the company	(219,548)	(112,500)	(332,048)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Reconciliation of Profit or Loss for the full year to 30 June 2005

NOTE	Previous GAAP \$	Effect of Transition to Australian Equivalent to IFRS \$	Australian Equivalents to IFRS \$
Revenue from ordinary activities	70,747	-	70,747
Raw materials and consumables used	(18,973)	-	(18,973)
Marketing expenses	(48,556)	-	(48,556)
Communication expenses	(13,939)	-	(13,939)
Consultancy expenses	(150,036)	-	(150,036)
Consumables	(31,562)	-	(31,562)
Employee benefits expense	(236,464)	(112,500)	(348,964)
Insurance expenses	(31,256)	-	(31,256)
Occupancy Costs	(30,721)	-	(30,721)
Professional Costs	(107,756)	-	(107,756)
Travel Costs	(11,463)	-	(11,463)
Research Costs written off	-	(122,474)	(122,474)
Depreciation and amortisation expense	(113,525)	-	(113,525)
Borrowing costs expense	(70,055)	-	(70,055)
Other expenses from ordinary activities	(72,448)	-	(72,448)
Profit/(loss)from ordinary activities before Income Tax Expense/ Benefit	(866,007)	(234,974)	(1,100,981)
Income tax benefit relating to ordinary activities	161,658	-	161,658
Net profit/(loss) from ordinary activities after income tax expense attributed to members of the company	(704,349)	(234,974)	(939,323)

Cell Aquaculture Ltd ABN 86 091 687 740

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Note 3 Profit from Ordinary Activities

	31.12.2005	31.12.2004
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Net gain on the disposal of land	<u>1,953,705</u>	<u>-</u>

Note 4 Issuances, Repurchases and Repayments of Securities

Movements in share capital during the six months to 31 December 2005 were as follows:

		Fully Paid Ordinary Shares	\$
1/7/05	Opening balance	92,709,606	4,998,494
25/7/05	Share issue	26,007,000	5,201,400
	Costs of issue		<u>(651,680)</u>
31/12/05	Closing Balance	<u>118,716,606</u>	<u>9,548,214</u>

Note 5 Receivables

	31.12.2005	31.12.2004
	\$	\$
Trade Debtors	35,875	5,521
Income Tax Refundable	237,440	-
Other Debtors	-	37,686
Loan – Other (Note 5(a))	500,000	-
Less allowance for impairment	(500,000)	-
Deposit (Refunded in January 2006)	<u>300,000</u>	<u>-</u>
	<u>573,315</u>	<u>43,207</u>

(a) The loan to other entity was repayable to Cell Aquaculture Ltd on 29 January 2006, and as it was not collected as at the date of this report, an allowance for impairment has been made. The Company is actively pursuing repayment of the loan. Interest of 10% per annum is payable on the loan.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 6 Contingent Liabilities

The Company had no contingent liabilities as at 31 December 2005.

Note 7 Segment Information

The economic entity operates predominantly in the aquacultural industry within Australia. At 31 December 2005 it had acquired interests in companies that will carry out aquacultural activities in the USA and The Netherlands. At 31 December 2005 a total of \$497,115 has been provided as initial funding for the two associated companies, represented on the Balance Sheet as follows:

	<u>USA</u>	<u>The Netherlands</u>	<u>Total</u>
	\$	\$	\$
Receivables	-	223,573	223,573
Investments	<u>273,542</u>	-	<u>273,542</u>
	<u>273,542</u>	<u>223,573</u>	<u>497,115</u>

For the period ended 31 December 2005 these entities had not yet traded, and accordingly there is no share of net profits of associates to be included in the Income Statement.

Note 8 Events Occurring after Balance Date

There were no material events occurring after balance date to the date of this Report.