

# INSIDE CELL

COMPANY NEWSLETTER JULY '07  
[www.cellaqua.com](http://www.cellaqua.com) (ASX Code: CAQ)

## Dear Shareholder,

Welcome to this edition of Inside Cell. We are delighted to inform you of the strong progress made by your company in recent months and thank you for your continued support as we strive to establish Cell Aquaculture Ltd as a global leader in land based aquaculture.

## ASIAN UPDATE

### Malaysia

As you may be aware, Cell has recently formed a Malaysian based Joint Venture and signed a Shareholders Agreement and License & Supply Agreement with the Terengganu Agrotech Development Corporation (TADC) - an entity wholly owned and controlled by the Terengganu State Government, Malaysia.

The establishment of this Joint Venture represents a significant step forward for Cell Aquaculture, providing the company with a solid platform to capitalise on expansion opportunities into Asia's high-end premium markets.

Under the terms of the Shareholders Agreement, the parties have established a Joint Venture company, TRG Cell Sdn Bhd (Company No. 757084-U), to initially develop sufficient infrastructure to produce up to 700 tons per annum of finfish from a land based Cell™ production system, in the State of Terengganu, Malaysia.



Above: Stage 1 – 2,500m<sup>2</sup> Production Building Now Complete.

Below: Stage 1 Production Building - Side View.



Manufactured Proprietary Cell™ Equipment Ready for Shipment

The establishment of the Joint Venture has capacity to generate revenues of approximately **AUD\$ 7 million** to Cell 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.

At full capacity, the Joint Venture (TRG Cell Sdn Bhd) is expected to generate further ongoing revenues of approximately **AUD\$ 7 million** per annum from fish sales.

Commenting of the recently formed Joint Venture, Peter Burns General Manager – Cell Aquaculture Ltd stated, “this project provides Cell with an economic cost base to access Asia and it is our intention to export the majority of finished seafood product into lucrative markets such as Japan, Singapore and Hong Kong. The production of approximately 700,000 kg of product will see us starting to reach the critical mass and economies that these large markets require”.

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. Planning is now underway to jointly develop a world class ‘multi-species’ hatchery. Development of the ‘multi species’ hatchery will assist in commercialisation of extensive R & D conducted by both parties to date.

Cell are delighted to advise that construction of the initial 2,500m<sup>2</sup> production building and all associated infrastructure in Terengganu is now complete. The first two containers of proprietary Cell™ equipment have been successfully shipped to the Besut site and payment of over \$1,400,000 has now been received. The next containers are due to be shipped in the coming weeks. Cell's installation team has been dispatched and installation of the initial Cell™ production systems has commenced.

The Malaysian venture has been further strengthened by the recent appointment of Capt. Suresh Abishegam as a non-executive Director of Cell Aquaculture Ltd. Capt. Abishegam is a Malaysian based businessman who has been closely associated with Cell for the past two years - making the introduction and providing the catalyst to complete the Joint Venture deal with the Terengganu State 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.



**TRG Cell – Malaysian Joint Venture Company Logo**

Commenting on recent progress, Capt Abishegam stated, "it is indeed very encouraging to see the strong relationship developing between Cell Aquaculture Ltd and the Terengganu State Government. Both parties have worked extremely hard to meet their commitments for the first stage of this venture."

Capt Abishegam continued, "the Terengganu State Government has delivered the first production building on budget and ahead of schedule and must be commended. Cell on its part have manufactured and delivered all production equipment as scheduled, ready for installation. The strong level of trust and respect that has been developed between the partners has built the foundation for a very successful and prosperous future."

Chairman of the Malaysian based Joint Venture company, TRG Cell Sdn Bhd, Dato' Hj. Zakaria Awang stated, "we are now very confident with Cell and their ability to work with us to expand this Joint Venture to a scale that will put Terengganu State on the world map as a major aquaculture player and fish producer. As we develop our 'Multi-Species' hatchery, we plan to expand future production to in excess of 2,500 tons per annum, across a range of species."



**The TRG Cell Joint Venture Company Board of Directors**

The strong relationship developed with the Terengganu Government has led to planning of a fully integrated aquaculture industry in Terengganu. These future developments will strongly complement Cell's 'Hatch to Dispatch' philosophy and create a complete vertically integrated aquaculture offering and provide a low cost hub for Cell's international operations.

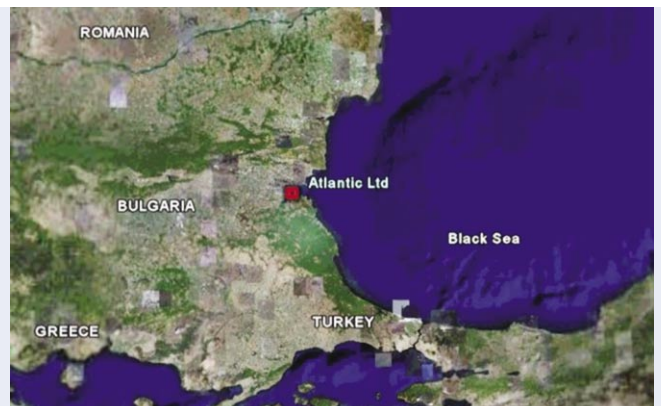
In addition to the research and development of new aquaculture species and development of the 'multi-species' hatchery, the TRG Cell Joint Venture is now assessing the following opportunities for development:

- 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.

## EUROPEAN UPDATE

### Bulgaria

In late 2006, Cell finalised a deal with Atlantic Ltd, a Bulgarian-based fishing and seafood processing business, to establish Eastern Europe's first Australian Barramundi production system at Atlantic's existing Bourgas port premises.



**Location of Bulgarian Facility.**

Although located right on the Black Sea and operating its own fleet of fishing trawlers, forward thinking Atlantic Ltd Chairman, Petko Roussinov stated, “the declining state of the wild fishery means that seafood businesses must look at recirculating, land-based aquaculture as a means to supply premium fish products in the future”.



**Bulgarian facility before Installation**



**Bulgarian facility after Installation**

Mr Roussinov added, “by utilising the technically advanced Cell™ System for production of Barramundi we can grow this premium Australian table fish in Europe to satisfy the increasing high value fresh seafood market that is developing in Bulgaria as a result of its recent introduction into the European Union”.

The installation has been built to a high specification and was commissioned in February 2007. Training of local staff is complete and Cell has now successfully shipped two batches of Barramundi to the facility. First Barramundi harvests will be available in late 2007 and discussions are well advanced towards developing further production systems with Atlantic Ltd.

## AUSTRALIAN UPDATE

### Hamilton Hill

Research and Development continues at the Hamilton Hill site with further improvements to Cell’s base technologies constantly being trialed and assessed. A number of key biological filtration and degassing advancements have recently been made.

A fully functional Cell production module, incorporating all recent technological advancements, has now completed full testing at the Hamilton Hill site – with exciting results !!.

This revised production module will form the basis of the large-scale installation for the Malaysian Joint Venture.

### Manufacturing Update

Cell has recently expanded its manufacturing operations to meet increasing demand for its proprietary Cell™ equipment.

The expansion has involved the leasing and set-up of a second manufacturing warehouse next to the existing manufacturing warehouse in Malaga, Western Australia.

The manufacturing division has also recently installed laser cutting and CNC routing systems to automate a number of previously manual tasks and increase overall product quality and consistency.



**Expanded Manufacturing Facilities.**



**Recently Installed CNC Routing Machine.**



### Cell Equips for Global Expansion

As Cell has established a presence in each of its key target markets of the United States, Europe and Asia, the company has now attracted influential Directors in each of these regions to assist expansion of the existing 'footprint'.

As previously stated, Cell recently appointed Captain **Suresh E Abishegam** as a non-executive Director to progress expansion into Asia. Capt Abishegam 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.

Cell has appointed **Mr Paul A Hopper** as a non-executive Director to progress expansion into the United States. Mr Hopper is a San Diego based Investment Banker with over 25 years experience in finance and international public company markets, primarily in the biotechnology sector. He is also currently Chairman of several ASX listed and international companies.

Cell has also appointed **Professor Glyn Tonge** as a non-executive Director to progress expansion into Europe. Prof 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.

The company's board now possesses a wealth of international experience and sees it well poised for expansion into its major target markets.

### Cell in the Press

Cell continues to receive excellent media exposure. To see all the latest media coverage, refer to the "**Cell in the Press**" section of our website: [www.cellaqua.com](http://www.cellaqua.com)

### Tell Your Friends

As you can see, we have been busy at Cell Aqua. If you like what we are doing, tell your friends to be a part of our international 'Hatch to Dispatch' expansion.

Any potential investors, please contact Peter G Burns (General Manager) and he would be delighted to show you how we take the risk out of growing fish, enabling production on any market's doorstep, in the most environmentally sustainable manner possible.

You can contact Peter on **(08) 9336 7122** or **0411 463 399** or [pburns@cellaqua.com](mailto:pburns@cellaqua.com)

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### Feedback

We hope you enjoy reading this edition of *Inside Cell* and welcome any comments or feedback you may have. Please forward your comments to [pburns@cellaqua.com](mailto:pburns@cellaqua.com)