

INSIDE CELL

COMPANY NEWSLETTER JUNE '08
www.cellaqua.com (ASX Code: CAQ)

Dear Shareholder,

The recent months have been an extremely busy and dynamic period for the company. A strong shift has been made to focus strongly on the company's joint venture opportunities with the Malaysian government.

OPERATIONAL UPDATE

The company has now completed sales of Cell™ proprietary equipment for finalisation of the first 100+ tonnes per annum production facility, for its joint venture with the Terengganu state government, Malaysia. Barramundi fingerling sales have now commenced to the venture, with over 50,000 fish now stocked into the system. The completion of this facility is the first stage of a planned 1,100+ tonne per annum expansion program in Terengganu state.

The Company is in the process of securing Malaysian government funding for the advancement of its projects.

A comprehensive financing proposal has been submitted by CAQ's joint venture company, TRG Cell Sdn Bhd, to the Malaysian Ministry of Finance (MOF) to obtain funding for expansion of the Terengganu project. A further funding facility for the Sarawak project is expected to be lodged in the near future.

It is anticipated that the Terengganu funding facility will be in place within the coming months. Once the proceeds of this fund become available to the joint venture company, it will then purchase all equipment from CAQ, effectively seeing the bulk of the funding channelled back to CAQ as revenue.

System sales of Cells' proprietary technology is an important cash flow strategy for the company in assisting to support the lead times required before aquaculture production becomes profitable. Over the coming 36 months, Cell expects significant increases in income from aquaculture system sales as both Malaysian Government joint ventures scale-up towards 1,800+ tonnes per annum of premium species production.



Grow-out facilities now commissioned and in production.

Successful commissioning of the Terengganu facility

The first 2,500m² Terengganu Barramundi facility was recently successfully commissioned and production has now commenced from the facility. Completion of the first facility represents a significant milestone for the company and demonstrates the viability of the expansion program. Completion of the first facility in a new region is the most challenging task with only replication now required to meet the expansion targets.

To view images of the completed facility, please enter the following web address on you internet browser: <http://www.cellaqua.com/projects.asp>



Operational nursery facilities in Terengganu.

Official opening ceremony of the Terengganu facility

An official opening ceremony was held to mark the commencement of production from the first Terengganu facility. The opening ceremony was graced by Her Excellency (HE) Ms Penny Williams, Australian High Commissioner to Malaysia, Y.B Dato' Haji. Mohd Jidin Bin Shafee - State Agriculture Minister of Terengganu State and Y.B. Dato' Mazlan Bin Ngah - State Finance Minister of Terengganu, Malaysia.

The opening ceremony resulted in significant media coverage throughout major Malaysian newspapers and on four television news networks, significantly raising the profile of the company and the Malaysian based ventures within the region. The media exposure also prompted a visit directly from the Malaysian Prime Minister's office to view progress of the project.

To view further images of the official opening ceremony, please enter the following address in your web browser: <http://www.cellaqua.com/projects.asp>



Y.B Dato' Mazlan Bin Ngah, State Finance Minister of Terengganu, Malaysia and Her Excellency Ms Penny Williams, Australian High Commissioner to Malaysia cut the opening ribbon to officially open the first stage of production for TRG Cell Sdn Bhd.

Ribbon cutting is overlooked by Y.B Dato' Haji. Mohd Jidin Bin Shafee, State Agriculture Minister of Terengganu, Mr Peter Kane (Australian Senior Trade Commissioner to Malaysia) and Mr Peter Burns (General Manager Asia - Cell Aquaculture Ltd & Executive Director TRG Cell - Sdn Bhd)

Successful fingerling shipments made to Terengganu facility

Two commercial fingerling shipments have now been successfully shipped from Cell's James Cook University based hatchery to the Terengganu facility, with over 50,000 fish now in the system. A strong push has been made to increase further shipments to build fish biomass in the Terengganu facility. First Barramundi harvests are 'on-track' for the final calendar quarter of 2008.



Y.B Dato' Mazlan Bin Ngah, State Finance Minister of Terengganu, Malaysia and Her Excellency Ms Penny Williams, Australian High Commissioner to Malaysia feed the first baby fish within the TRG Cell production facility.

Feeding of fish is overlooked by Y.B Dato' Haji. Mohd Jidin Bin Shafee, State Agriculture Minister of Terengganu, Mr Peter Kane (Australian Senior Trade Commissioner to Malaysia), Ir Adnan Ghazali (TADC – Executive Director) and Mr Peter Burns (General Manager Asia - Cell Aquaculture Ltd & Executive Director TRG Cell - Sdn Bhd)

Terengganu feasibility for major expansion complete

Comprehensive feasibility and financial modelling has now been completed for expansion with the Terengganu State government. Completion of the feasibility has resulted in finalising suitable grow-out site selections and preparation of a comprehensive expansion program, incorporating system designs and resourcing required to achieve the expansion objectives.

Progression of Sarawak state government joint venture

A Memorandum of Understanding (MOU) was recently signed with the investment arm of the Sarawak state government, ASSAR Group. A comprehensive feasibility study and site selection has now also been completed. The company has now entered formal negotiations to enter into a shareholders agreement and form the joint venture company. The facility will have an initial target production of 700+ tonnes per annum.

Market development

Marketing relationships and brand development is currently underway with a number of large South East Asian multi-national buyers for sales of live and value added premium seafood products.

Reduction of Australian company overheads

The company has significantly reduced its Australian overheads and is now focusing on bolstering its Malaysian office presence to prepare for expansion.

Board restructure

In-line with the company's desire to focus on Malaysian expansion, the board was restructured to concentrate efforts in this geographical area. Peter G Burns has been appointed to the board and further board appointments, in-line with the Malaysian vision, will be made in due course.



Premium multi-species hatchery development

A strong relationship has now been developed with the Malaysian Federal Marine Research Centre and progression of the first stage premium multi-species hatchery within the marine centre is underway. This is an exciting and lucrative opportunity for the company with planned development of a range Grouper and other high order exotic fish species for current and future production.

Customised software development

To assist in coping with the rapid Malaysian development and ensure the success of every venture, Cell Aquaculture Ltd has partnered with Microsoft certified, Fortuna Worldwide Technologies Ltd, to develop state-of-the-art automated production software systems. The software has been developed 'from scratch' and is fully tailored exclusively for Cell™ production systems.

The software systems provide extremely detailed 'real time' production data and reporting, allowing management to make all necessary operational decisions to maximise productivity. Being web-based, the system allows production data to be accessed from any location in the world and also allows CAQ technicians to offer extremely comprehensive back-up and support from other geographical locations.



Selected screens from Cell's custom software systems

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