

CELL

AQUACULTURE

“Hatch to Dispatch”

a complete, land-based, environmentally responsible aquaculture system

For the Offer and issue of 25,000,000 Shares at 20 cents each to raise a total \$5,000,000
and for oversubscriptions of up to 10,000,000 Shares at 20 cents each to raise a further \$2,000,000

CELL AQUACULTURE LIMITED ACN 091 687 740

P R O S P E C T U S



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IMPORTANT NOTICE

This Prospectus is dated 22 April 2005 and a copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at www.cellaqua.com.

The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place which, or to any person whom, it would not be lawful to make such an offer or invitation. The

distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

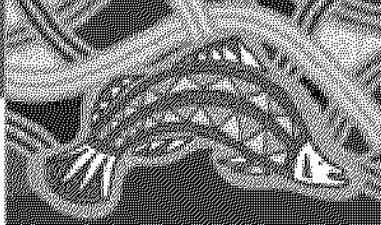
In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven (7) days from the date of lodgement with ASIC.

This period may be extended by ASIC for a further period of up to seven (7) days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

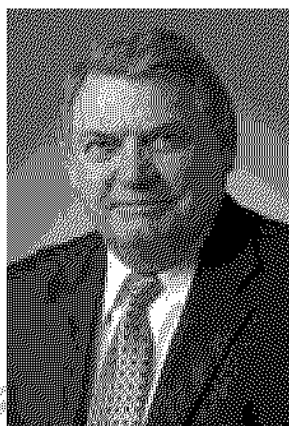
No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within seven days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for quotation on ASX.

Applicants should read this document in entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Shares. There are risks associated with an investment in the Company (refer to Section 11) and the Shares offered under this Prospectus must be recognised as a speculative investment. The Shares offered under this Prospectus carry no guarantee as to the return on capital investment, payment of dividends or future value.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 14 of this Prospectus. Figures disclosed in this Prospectus are exclusive of goods and services tax, unless otherwise stated.



1.0 CHAIRMAN'S LETTER



Dear Investor

I am pleased to offer this opportunity for you to invest in Cell Aquaculture Limited and to participate in the benefits of the commercialisation of our EcoCell™ system of aquaculture production in the world market.

The EcoCell™ is a complete, land based, environmentally responsible aquaculture system developed for the production and supply of premium quality fin-fish from "Hatch to Dispatch". The EcoCell™ system provides for an efficient and reliable operation at a time when the global aquaculture market is expanding.

With worldwide natural fish stocks under threat, wild catch fishing will have difficulty in meeting growth in demand for fresh seafood. Aquaculture is expected to fill the gap and in doing so is projected to double its world supply capability over the next 25 years*. Cell Aquaculture is poised to take advantage of this opportunity.

Developed over seven years, the EcoCell™ system has many advantages compared to traditional forms of aquaculture, particularly in relation to environmental factors and simplification of operating processes. The system can be located right at the consumer's door step, offering readily available fresh, superior quality seafood, all year round, with no seasonality impact.

Cell's initial focus will be on establishing a number of joint ventures in the United States, European and Asian markets. These are planned to be fully operational production facilities which will be available for both marketing, display and training purposes for future licensed EcoCell™ operators. Cell Aquaculture currently has signed heads of agreement to enter into joint ventures to establish EcoCell™ production facilities in the USA, the Netherlands and India. Sales and marketing agents have also been appointed to act as the Company's agents in respect of 10 countries to facilitate further international expansion.

The technology and processes of the EcoCell™ system have been developed to supply the premium end of the fin-fish market. A key feature of the system is its modular design, allowing production capacity to be quickly and easily scaled up to match local market demand. Seafood output, including value added products, have been successfully taste-tested in more than 20 countries and are intended to be marketed under our Eco-Star™ brand.

Cell Aquaculture will earn its revenue from license fees for use of the EcoCell™ technology, sales of EcoCell™ proprietary equipment, profit distributions from joint ventures, marketing fees for use of our brands and the recurring sales into the EcoCell™ network of quality fingerlings (baby fish) from the Company's planned Hatchery.

While the EcoCell™ aquaculture system is expected to be suitable for other species of fin-fish, the renowned Australian Barramundi is the first commercial species being offered. More than a million tonnes of high-value fin-fish were produced by Aquaculture in 2001*. Cell Aquaculture requires only a very small proportion of this market to be successful. In addition to Barramundi, other species, the subject of current research and development programmes, are intended to be introduced to the market to provide additional revenue.

Cell Aquaculture currently has a highly skilled and experienced team of aquaculture specialists overseeing its research and development projects. In addition, the Company enjoys an ongoing consulting relationship with James Cook University's world renowned aquaculture team.

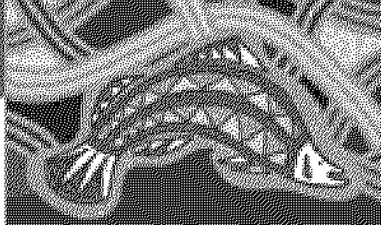
Your Board has an appropriate and requisite blend of skills for the pursuit of the commercialisation and development of its business model.

On behalf of the Board of Directors, I invite you to join the Company as a Shareholder and to become part of this exciting new investment opportunity.

Yours sincerely

Lee Boyd
Chairman

*Source: Food and Agriculture Organisation, State of World Fisheries and Aquaculture, 2002.



2.0 INVESTMENT HIGHLIGHTS

“HATCH TO DISPATCH” SYSTEM

After significant investment and over seven years of research and development, Cell Aquaculture Ltd introduce the **EcoCell™ “Hatch to Dispatch” system** – a fully integrated, low risk, land based seafood production package, to supply premium quality seafood to the major world markets.

Investors are being offered the opportunity to invest in the commercialisation of the fully integrated “Hatch to Dispatch” system within expanding world markets.

EXPANDING WORLD MARKET

Total world demand for fish is expected to increase to approximately 175 million tonnes per annum by 2030*. Due to an increasing world population and world capture of natural fish stocks projected to stagnate, world demand for aquaculture products is accelerating to fill the ‘supply gap’. In 2000 the world aquaculture industry was valued at approximately **US\$56 billion** per annum*.

Cell Aquaculture is well poised to take advantage of this market opportunity.

ECOCELL™ BENEFITS

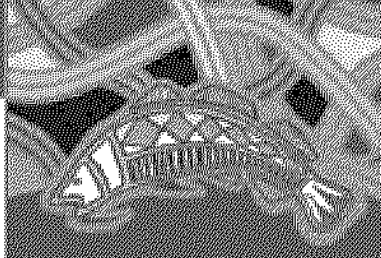
With wild catch fishing incapable of meeting increasing world demand, aquaculture is the obvious global solution. EcoCell™ “hatch to dispatch” system has been designed to provide significant advantages over traditional forms of aquaculture in that it is :

- **Environmentally responsible.**
- **Low risk, with modular design, incorporating back-up systems and offering simple scalability for expansion to meet growing demand.**
- **Controlled operating environment which also offers greater protection from natural disaster risks.**
- **Reliable consistent supply of premium quality fingerlings (baby fish) from the planned Cell Aquaculture owned hatchery.**
- **Efficient water treatment and filtration technologies (patents pending).**
- **Simple, labour efficient and controllable, year round operation.**
- **Portability – enables prompt set-up, in major markets to continuously supply premium, ultimately fresh or even live produce to meet market demands, with no seasonal influences.**
- **Low stress environment results in low mortality rates and increased profitability.**

TARGETING MAJOR CITIES

The EcoCell™ system can be established to provide a regular supply of high quality seafood product to virtually every major city in the world. Cell Aquaculture is initially targeting the major markets in Europe, America and Asia.

*Source: Food and Agriculture Organisation, State of World Fisheries and Aquaculture, 2002.



2.0 INVESTMENT HIGHLIGHTS

REVENUE STREAMS

Cell Aquaculture's fully integrated "Hatch to Dispatch" system offers the following targeted revenue streams:

- License and consulting fees for the use of EcoCell™ technology.
- Sales of EcoCell™ plant, equipment and consumables to Cell Aquaculture's customer network.
- Sales of high quality fingerlings (baby fish) from the Company's planned Hatchery.
- Profit share from joint venture companies to be established to produce Barramundi and market Cell Aquaculture's technology and EcoCell™ system.
- Marketing fees for the use of Cell Aquaculture's Eco-Star™ brand and trade marks.

PRODUCTION AND DISPLAY FACILITIES 3 CONTINENTS

Cell Aquaculture has signed four heads of agreements to enter into Joint Ventures to develop EcoCell™ production and display facilities in the Netherlands, India and two in the United States of America. Cell Aquaculture intends to utilise these production facilities as display facilities for potential licensees.

AGENTS IN 10 COUNTRIES

Further Joint Ventures and licensing arrangements are currently under negotiation in various regions. Authorised sales and marketing agents have been appointed to act as the Company's agents in respect of 10 countries.

PROTECTED TECHNOLOGY (PATENTS PENDING) AND TRADEMARKS

Patents for key components of the EcoCell™ system have been applied for to protect the technology. Trademarks have also been applied for or granted for the EcoCell™ system and the Eco-Star™ brand.

EXPERIENCED MANAGEMENT AND STAFF

The Directors and management of Cell Aquaculture have appropriate skills and experience to advance the commercialisation of Cell Aquaculture's business on a global scale.

CAPITAL STRUCTURE

After completion of the Offer (assuming Minimum Subscription of \$5,000,000 gross funds) the capital structure of the Company will be as follows:

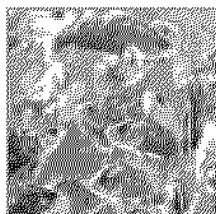
	Shares	%
Current Shares on Issue	92,709,606	78.8%
Minimum Subscription under Offer	25,000,000	21.2%
Total	117,709,606	100%
	Options	%
Current Options on Issue	18,385,500	86.0%
Options issued on listing	3,000,000	14.0%
Total	21,385,500	100%

SUMMARY

An investment in Cell Aquaculture presents an opportunity to be part of the global commercialisation of its "Hatch to Dispatch" system in an expanding world market for aquaculture.

OFFER

The Offer closes on 2 June 2005 unless closed earlier or later at the discretion of the Directors subject to the Corporations Act or the Listing Rules. Details as to how to apply are set out in Section 7.12 of this Prospectus.



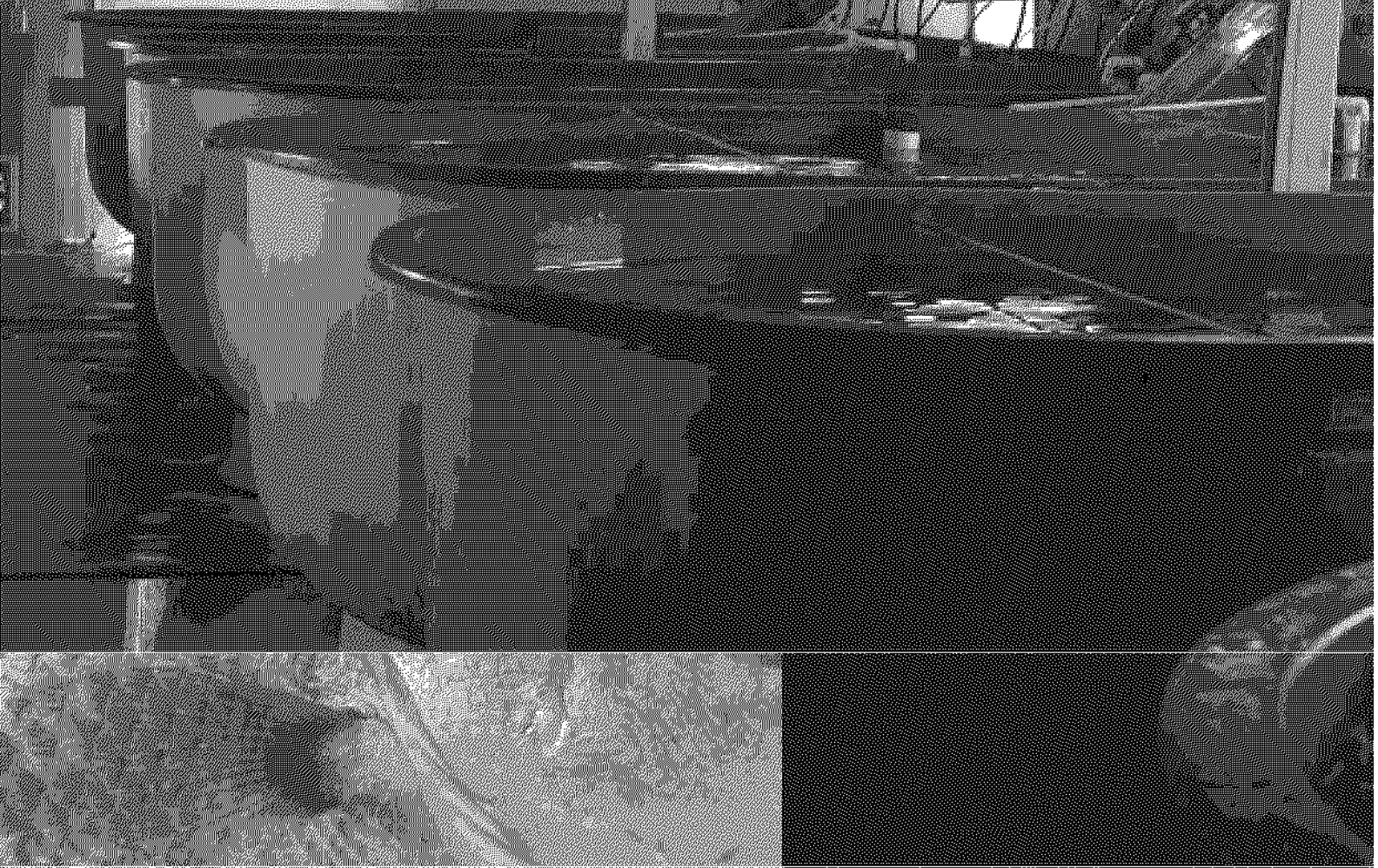
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DISPATCH



3.0 HISTORY OF SYSTEM DEVELOPMENT

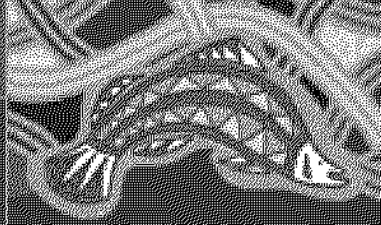
THE BEGINNING

The EcoCell™ system, first commenced development early in 1997 when Mr Perryman Leach (Cell Aquaculture, Managing Director) identified a significant window of opportunity. His engineering background and extensive experience of intensive farming, led him to question if tried and proven farming methods, could be replicated in the seafood industry. Mr Leach commenced his intensive research and travelled the world extensively, researching and analysing leading aquaculture methods and systems, highlighting the main advantages and disadvantages of each. He was aware of the increasing pressures on the global seafood industry and the compounding environmental issues inherent with existing aquaculture. Mr Leach eventually concluded that there was immense opportunity if a system could be developed that was:

- low risk with low water usage and truly re-circulating;
- environmentally friendly and operationally economical in a controlled environment;
- capable of being located anywhere in the world and therefore on the market's door-step; and
- capable of producing consistently fresh, high end premium seafood product, in either fresh or salt water environments.

So began the development of what is now called the EcoCell™ system.

A test site was chosen and development commenced late in 1997. A major consideration in the development of the EcoCell™ system was not to re-invent the wheel but to take a selection of the proven, best and most efficient methods of aquaculture, combine them in a manner that incorporates a number of new technical innovations, to essentially create a paradigm shift in current aquaculture production. With the objective of enabling the EcoCell™ system to be set up virtually anywhere, extreme pressures were placed on the system during its development. A location and testing environment was specifically chosen to evaluate if the objectives of creating the system could be achieved. The test site was chosen within the Perth metropolitan area in Western Australia. Notwithstanding that the site had a natural watercourse at its lower boundary, small market gardens on both sides and was surrounded by an abundance of private residences, approvals were sought and granted for the commercial production facility.



3.0 HISTORY OF SYSTEM DEVELOPMENT

Over the next three years, the EcoCell™ was further developed on this site, culminating in successful 'grow-out' trials of Australian Barramundi in late 2000.

It was decided that the technologies could be further refined, with a particular emphasis on the reduction of running costs, whilst increasing water quality. At this point, with an exciting product, it was decided that an operating site be purchased and developed at Fremantle, Western Australia. Qualified and highly distinguished consultants were also engaged to review various facets of the system.

The Company was incorporated on 7 March 2000 as Cell Technologies Limited, and changed its name to Cell Aquaculture Limited on 8 October 2002. All of the technology developed for the EcoCell™ system is entirely owned by Cell Aquaculture having been acquired from Mr Leach and associated parties in 2001.

FREMANTLE OPERATION

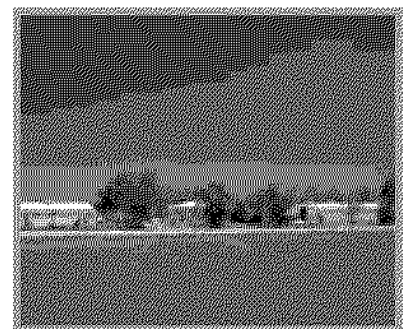
Cell Aquaculture owns and occupies a 10,000 square metre property, only a few kilometres south of Fremantle, Western Australia. The site is easily accessible by road transport and has all services connected. All necessary licenses and approvals are in place and a fully operational EcoCell™ system (12.5 tonne per annum capacity) is in place, acting as a showpiece, for viewing by potential joint venturers and licensees. Produce from this unit is currently sold to the local market. The site also houses the Company's office complex.



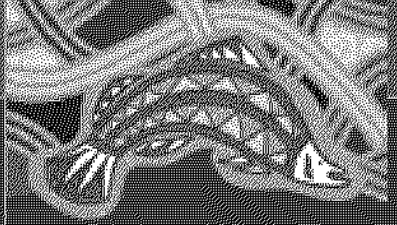
The original Karrinyup facility 1999



Fremantle facility 2002



Fremantle facility 2005



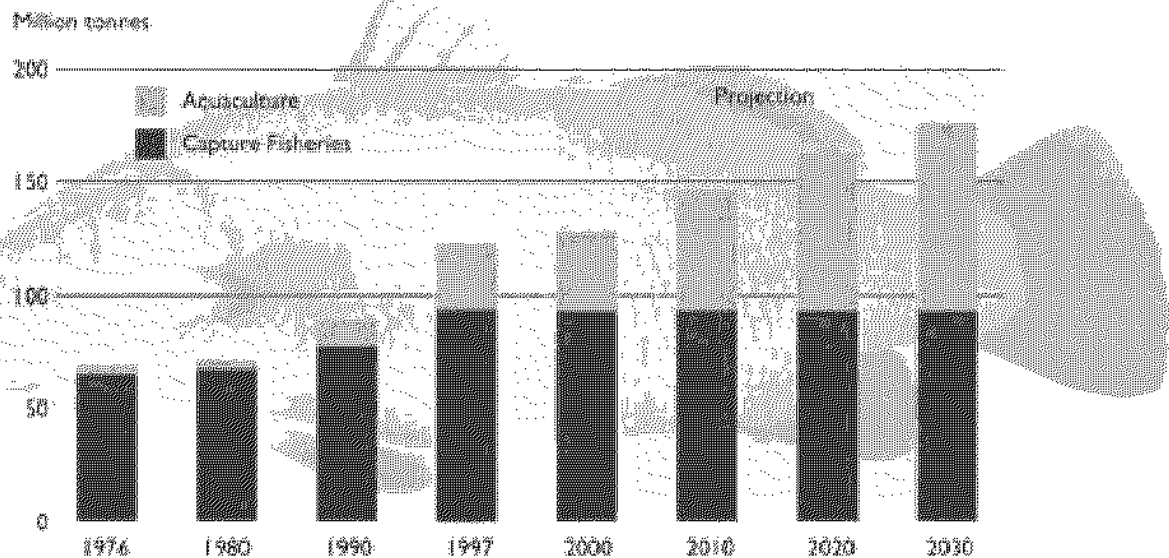
4.0 THE CELL AQUACULTURE BUSINESS

4.1. THE BUSINESS OPPORTUNITY

The Cell Aquaculture business model has been specifically developed to participate in and benefit from increasing global demand for premium fish supplies.

In 2000 the United Nations Food and Agriculture Organisation reported that world fisheries production totalled 130.4 million tonnes with 35.6 million tonnes being contributed by aquaculture. World fisheries production excluding China stood at 88.9 million tonnes, of which aquaculture contributed 11 million tonnes*. With the world's population estimated to grow from 6.1 billion in 2000 to 6.8 billion by 2010, together with a projected rise in fish consumption per person, there is a global need for increased fish production to meet the increasing demand.

World fish production: 1976-2030



Source: Food and Agriculture Organisation, State of World Fisheries and Aquaculture, 2002.

With the natural seafood stocks stagnating, this world demand can only be met through increased production by the aquaculture industry. United Nations Food and Agriculture Organisation projects aquaculture to more than double its world fish production by 2030*.

Traditional forms of aquaculture continue to face significant issues, including:

- Environmental impact of intensive farming activities;
- Complex systems that are often difficult to operate and labour intensive leading to high production costs;
- Lack of product consistency;
- Disease control difficulties and natural disaster risk in open water environments; and
- Long distances from major markets.

Cell Aquaculture's EcoCell™ technology and fully integrated "Hatch to Dispatch" system readily addresses the major issues facing traditional aquaculture producers, and can take advantage of the growing world demand.

The EcoCell™ technology and "Hatch to Dispatch" system has been developed to capitalise on this significant market opportunity whereby systems can be readily set up to suit any local conditions and market requirements.

*Source: Food and Agriculture Organisation, State of World Fisheries and Aquaculture, 2002.



4.0 THE CELL AQUACULTURE BUSINESS

4.2. ECOCELL™ SYSTEM

At the heart of the EcoCell™ system is a comprehensively tested filtration technology. Developed over seven years, each EcoCell™ aquaculture production unit is modular in design, enabling simple containerised transport, relocation and scalability to meet market demand.

Providing there is access to power and water, the EcoCell™ system can be set up and operated virtually anywhere in the world where premium seafood markets exist. The incorporation of specifically designed filtration and componentry (patents pending) results in clear water. The controlled operating environment enables production of high-quality produce all year round with no seasonal volume variations.

A typical production cycle using Cell Aquaculture's EcoCell™ system to produce premium grade fin-fish is approximately five months for plate-size fish and nine months for filleting size.

In summary, the EcoCell™ system has been designed to be low risk, low water usage, 'true re-circulating', environmentally friendly and operationally economical in a controllable bio-secure environment, with the ability to be located virtually anywhere in the world on the market's door-step and produce a consistently fresh, high end premium seafood product.

4.3. ADVANTAGES OF THE ECOCELL™ SYSTEM

Major advantages the EcoCell™ system offers over traditional aquaculture systems include:

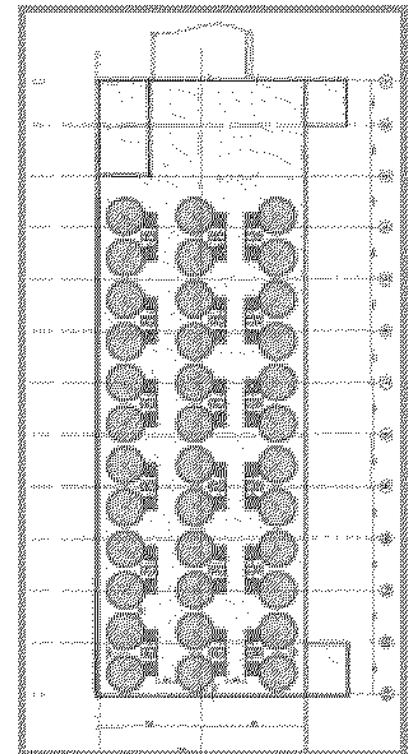
• Environmentally Responsible

The EcoCell™ process uses no chemicals (other than added salts), antibiotics, antimicrobials or growth promotants in its fish feeds or production process. The system maximises water re-use through recycling and there are no unpleasant odours. Fish waste is continually removed from the system and disposed of as liquid or solid fertiliser.

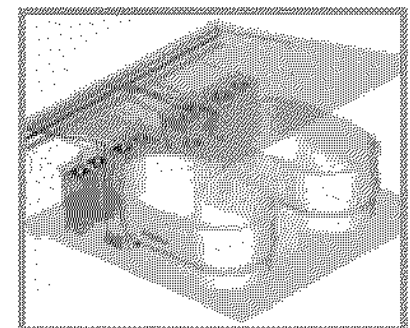
• Low Risk Modular Design

The EcoCell™ system is made up of completely separate localised sub-cell units. Each sub-cell (which may be circular or oval) is effectively its own individual stand alone re-circulating unit, comprising of two tanks and a three stage filtration and water recycling system. The required number of sub-cell production units are simply matched to meet the required market demand. As market demand increases, the EcoCell™ system can be easily expanded by introducing additional sub-cell units. Cell Aquaculture intends to license use of the technology for a minimum 50 tonne per annum system.

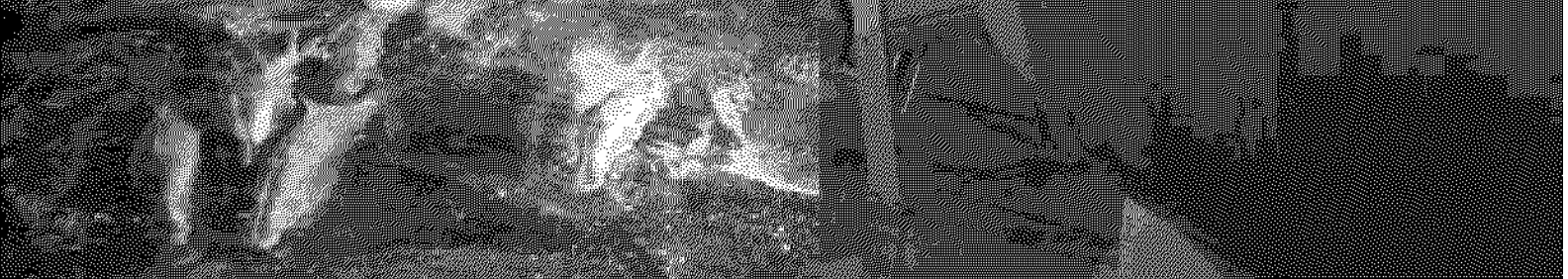
If by chance a disease or system failure occurred in a particular tank, it is quarantined to that sub-cell only, without any further effect on the rest of the production system which minimises the possibility of a complete system failure – a problem which has devastated many traditional aquaculture producers because of large consequent stock losses.

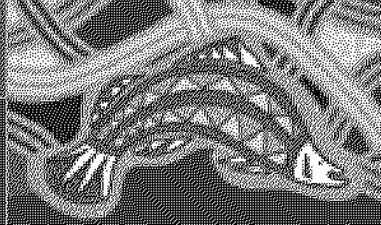


A Typical 50tonne/EcoCell™ Layout



A Typical EcoCell™ Module Segment





4.0 THE CELL AQUACULTURE BUSINESS

Process Control

During the development of the EcoCell™ system a strong emphasis was placed on risk management. Along with its modular design, there has been a parallel development of a tailored back-up system. A monitoring system immediately alerts operators to any matters requiring attention in the production process. The system also has stand-by power which will automatically commence operation in the event of a local power failure.

Controllable Operating Environment

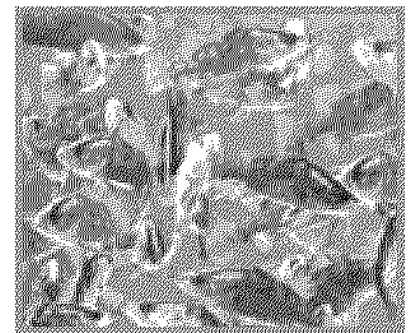
The EcoCell™ system operates within a fully enclosed, insulated, slightly pressurised and temperature controlled environment. The environment and strict operating protocols, minimise the introduction of contaminants to the EcoCell™ system.

The controllable environment also enables the EcoCell™ producer to maintain low stress growing conditions, regardless of the external climate. Low stress levels result in low mortalities leading to increased productivity.

Quality Fingerlings (Baby Fish) From Planned Company Owned Hatchery

Vertical integration of the "Hatch to Dispatch" process incorporates a consistent and reliable supply of quality Fingerlings (baby fish) to the EcoCell™ system network from the planned Company owned Hatchery incorporating the latest technological advances (refer to Section 4.7).

Fingerlings will be bred from brood stock, under highly controlled conditions, in a bio-secure hatchery environment. Fertilised eggs are intended to be screened using an advanced screening process, currently under development, to allow Cell Aquaculture to select only superior quality Fingerlings for supply to the EcoCell™ network.



Barramundi Fingerlings





EcoCell's water management produces a premium product

- **Advanced Water Management**

The EcoCell™ filtration and water sterilisation systems enables the same recycled water to be used for the entire growth cycle with minimal water top-up required. Clean, pollutant free water which is high in oxygen reduces stress levels and facilitates growth.

The controlled conditions and high water quality of the EcoCell™ system facilitates production of a premium product.

- **Design Features**

The main components of the EcoCell™ system are manufactured by Cell Aquaculture and have been designed to be efficiently transported. The EcoCell™ system can be easily and quickly assembled at any desired destination. The modular design and portability of the EcoCell™ system allows it to be set-up on the desired market's doorstep with suitable production capacity to meet local demand.

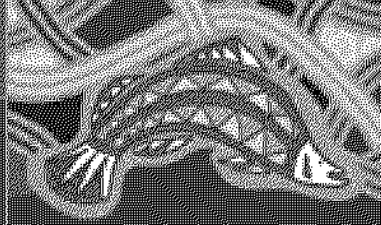
- **Consistent Reliable Year Round Production**

The high degree of control and low risk production factors enable EcoCell™ operators to offer produce of consistent volume, size and price. The consistent high quality production from EcoCell™ systems will enable operators to seek internationally recognised quality standard accreditation.

- **Ultimate Freshness**

Produce can be harvested from the EcoCell™ system on a continuous basis. This contributes to ultimate freshness as there are no long storage or transport delays.

Given that the system can be established on the market's doorstep, supply of live produce at a premium price is possible.



4.0 THE CELL AQUACULTURE BUSINESS

4.4. SOURCES OF REVENUE

Cell Aquaculture's sources of targeted revenue include:

- License and consulting fees for the use of EcoCell™ technology.
- Sales of EcoCell™ plant equipment and consumables to Cell Aquaculture's customer network.
- Sales of high quality Fingerlings (baby fish) from the Company's planned Hatchery.
- Profit share from joint venture companies to be established to produce Barramundi and market Cell Aquaculture's technology and EcoCell™ system.
- Marketing fees for the use of the Company's registered Eco-Star™ brand and trade marks.

These are the revenue sources currently expected by the Directors of Cell Aquaculture having regard to current market forces. The revenue sources remain subject to change as effected or governed by market influences.

4.5. MARKETING AND BRANDING

The initial species to be marketed by Cell Aquaculture will be Australian Barramundi (*Lates calcarifer*), a hearty, fast growing fish, with a strong established demand pattern as a premium white flesh game fish in domestic and international markets. Australian Barramundi has high filleting yield and excellent preparation diversity – it can be baked, smoked, pan fried, deep fried, grilled, cooked whole or sashimied.

Cell Aquaculture is also working towards commercialisation of Murray Cod (*Maccullochella peelii peellei*) and is undertaking research and development for the production of Golden Perch (*Macquaria ambigua*). Murray Cod is highly regarded as a table fish with firm, flaky, delicate, white flesh. The Company has completed a full grow-out trial of Murray Cod in the EcoCell™ system as well as taste testing which has received positive feedback. Golden Perch is a native Australian freshwater fish with current supplies generally only available in very limited numbers as wild caught fish.

The EcoCell™ system's ability to continuously produce consistent quality Australian Barramundi (and potentially other fin-fish) without seasonal volume variation is likely to be attractive to major international seafood buyers, who require consistent supply and product quality. The Company has developed a marketing brand and packaging design for Eco-Star™ products to position fin-fish produced by the EcoCell™ system as a premium seafood product for international markets. Test marketing of the Eco-Star™ brand and product has been conducted in more than 20 countries, with high degree of satisfaction and acceptance. Trademark applications have been taken out to protect the Company's intellectual property.

The Company is actively marketing the sale of its EcoCell™ system through its agent networks and is presently active in the United Kingdom, Europe, Asia, Canada and the United States. In March 2005, Cell Aquaculture exhibited a display at the Boston Seafood Show. This was a successful exhibition for Cell Aquaculture with many opportunities presenting themselves to the Company's delegates. Following completion of this Offer, a comprehensive, strategically focused marketing programme will be implemented to create brand awareness and demand for the EcoCell™ system and Eco-Star™ products.

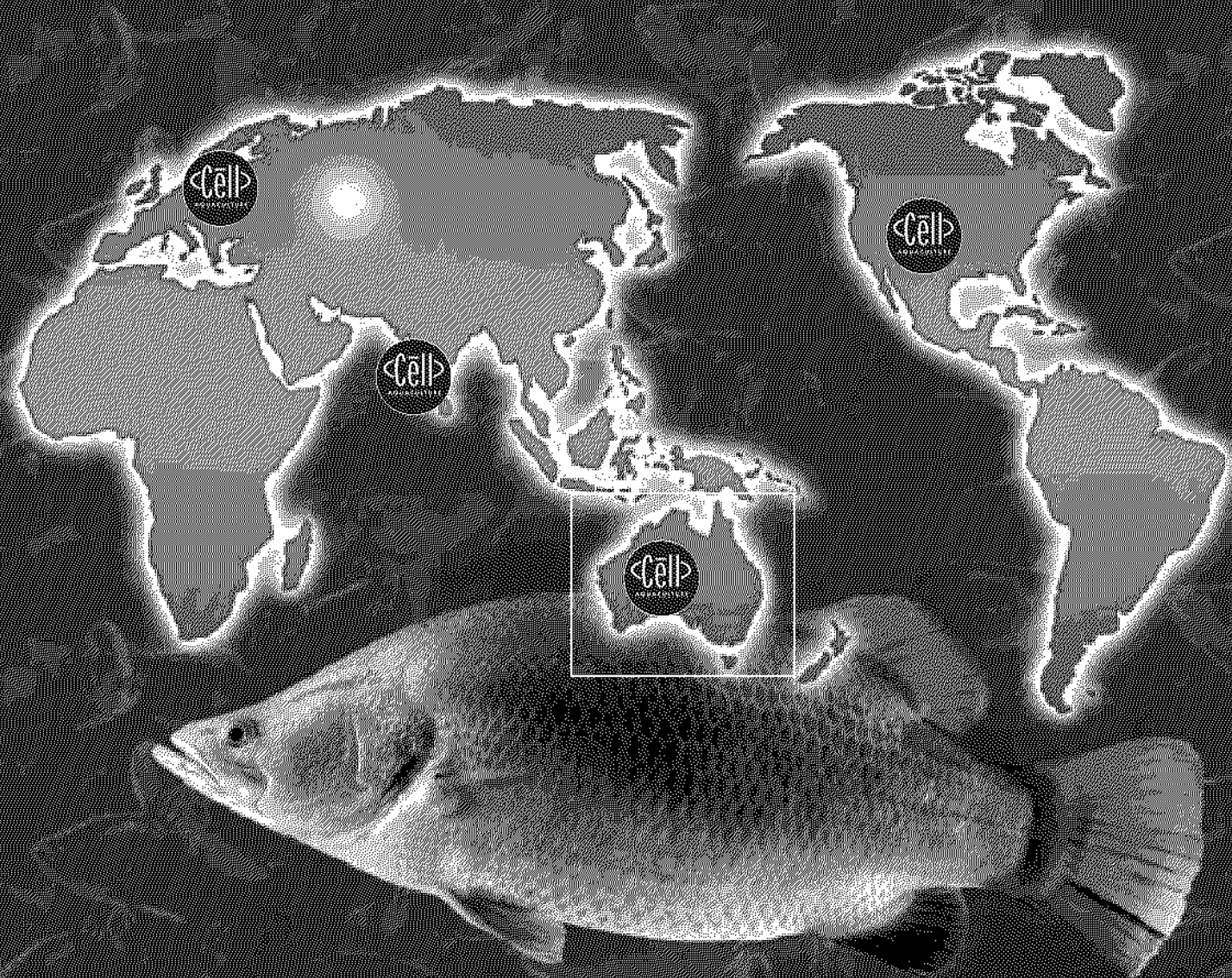


Brussel Seafood Show 2004



Boston Seafood Show 2005





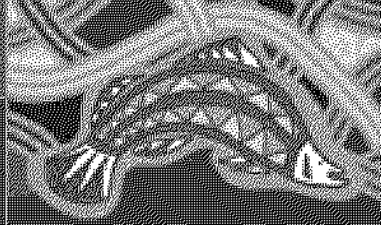
4.6. JOINT VENTURE AGREEMENTS

The Company has executed heads of agreement to enter into joint ventures for the establishment of EcoCell™ production facilities in The Netherlands, India and two in the United States of America using the funds raised by this Offer. The Company intends to establish further joint ventures, subject to the availability of funds. The joint venture production facilities will provide working production display facilities in key markets that will be the showpiece for demonstrating the EcoCell™ system in operation. License agreements will require the joint venturers to sell and distribute products under the Eco-Star™ brand name.

The funds raised under the Offer will fund the Company's investment costs for the establishment of joint ventures (which costs will be allocated on a 50/50 basis between Cell Aquaculture and the joint venture partner). Funding for the Company's share of any additional working capital (if required) is intended to be advanced by way of secured, interest bearing loans made to the joint venture on commercial terms.

Refer to Section 6.2 for use of funds.

Details of the proposed joint ventures can be found in Section 12.1 of this Prospectus.



4.0 THE CELL AQUACULTURE BUSINESS

4.7. FISH HATCHERY

Preliminary development approvals are already in place for the proposed Hatchery at the Company-owned 10,000 m² site in Perth, Western Australia, however, a final decision on the location of the Hatchery is subject to completion of a detailed feasibility study.

The Hatchery will have a capability to supply Australian Barramundi Fingerlings to the EcoCell™ licensed network and expand to meet increased market demand, as required.

The Hatchery is expected to provide recurring revenue for Cell Aquaculture as it will allow the Company to control production and to ensure a consistent supply of quality Fingerlings is available to the EcoCell™ licensed network. The Company already owns premium quality brood stock for production of Barramundi and Murray Cod Fingerlings.

4.8. MANUFACTURING FACILITY

The Company intends to complete the establishment of a facility to manufacture, in house, the specialised proprietary components of the EcoCell™ system for the proposed joint venturers and licensees.

Sales of these components to the EcoCell™ licensed network will generate further revenue for the Company.

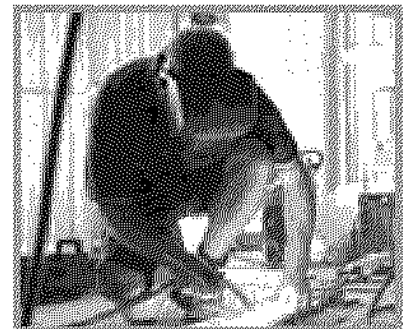
4.9. COMMERCIALISATION AND BUSINESS OBJECTIVES

Cell Aquaculture's key business objectives for the commercialisation and development of its business are to:

- Finalise arrangements with its proposed joint venturers for EcoCell™ production facilities in The Netherlands, India and two in the United States of America.
- Promote licensed operators of the EcoCell™ system, and additional potential joint ventures, in Asia, Europe or USA.
- Establish Cell Aquaculture's commercial Hatchery.
- Expand the research and development facility.
- Introduce new species, products and value-adding services.



Barramundi Fingerlings

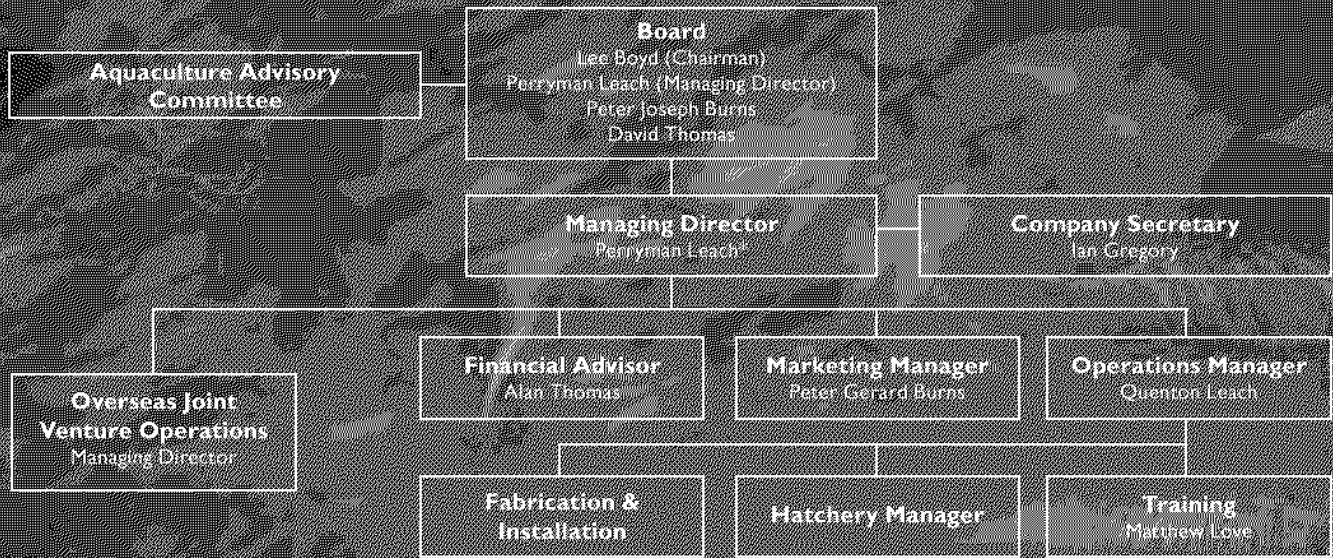


Fabrication



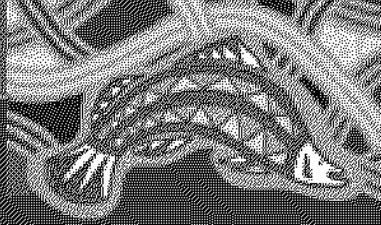
The value-adding of Barramundi

The board, advisory and management structure of Cell Aquaculture is set out in the chart below:



*See Section 5.1 regarding Perryman Leach





5.0 DIRECTORS AND MANAGEMENT

5.1 DIRECTORS

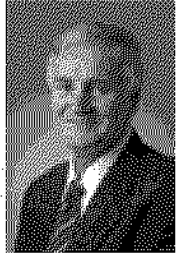


Mr Edwin Leith (Lee) Boyd
B Bus, Dip Mktg, Adv Cert Bus, CPA, FAICD, ACSA, AFAMI
Non-Executive Chairman

Mr Boyd has extensive and broad ranging senior executive, management consulting and directorial experience gained in a diverse range of industries over the past 30 years. These include industrial engineering, food manufacturing, franchising, retailing and the resource industry sectors.

He has held senior executive positions with such well known companies as Cadbury Schweppes, George Weston Foods, Metro Industries and Foodland and has been a director of a number of public and private companies. He has served as President, or as a Director, on the executive of state and national peak industry bodies. In addition to his directorial duties, Mr Boyd's current professional activities include the provision of corporate advisory and business services to a number of public and private company clients. Mr Boyd maintains CPA status with CPA Australia, is a Fellow of the Australian Institute of Company Directors, an Affiliate of Chartered Secretaries Australia and an Associate Fellow of the Australian Marketing Institute.

Mr Boyd brings to Cell Aquaculture the ability to provide high level direction and input. His broad corporate management experience and strategic business development expertise will provide strong leadership with which to assist the Company and its staff to successfully commercialise its technology and products.



Mr Perryman Leach
MIE Aust
Managing Director

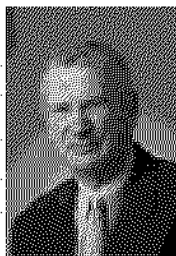
Mr Leach, the creator of the EcoCell™ system, is a civil engineer, project manager and licensed builder. He has extensive experience in, intensive farming methodology of pigs and poultry, abattoirs, small goods processing, chillers and freezer works and pollution control. Mr Leach has an ongoing role in species development and the further advancement of Cell Aquaculture's technologies.

Shortly after the Company is admitted to the Official List, the Company proposes to conduct a comprehensive search and recruitment process for a chief executive officer. Until such time as a suitable candidate is found, Mr Leach will continue as Managing Director of Cell Aquaculture. In any event, Mr Leach will continue as a non-executive director and member of the Aquaculture Advisory Committee.



Mr Peter Joseph Burns
FCMI
Non-Executive Director

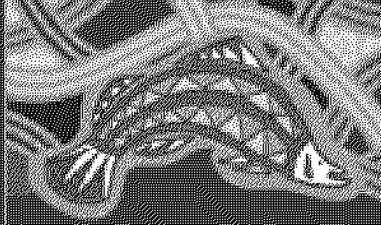
Mr Burns is a Fellow of the Chartered Management Institute (London). He developed and managed his own successful marketing business in Europe prior to moving to Australia 17 years ago. Since then he has established a reputation for success in exclusive real estate sales and property development. Peter brings to Cell Aquaculture a comprehensive range of local and international sales and marketing expertise.



Dr David Thomas
B.Sc Agric (Hon) PhD
Non-Executive Director

As a food and feed scientist, Dr Thomas has more than 30 years experience with one of Australia's largest food companies. He has significant expertise in areas of feed development, food safety training and both quality assurance and quality systems auditing. Dr Thomas has been instrumental in the development of specific feed diets for the EcoCell™ system.

Dr Thomas has particular expertise in the implementation, operation and audit of quality control systems (including international quality standards of HACCP) within the food manufacturing sector throughout Australia.



5.0 DIRECTORS AND MANAGEMENT

5.2 KEY CONSULTANTS

5.2.1 Corporate

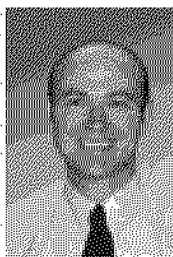


Ian Gregory

B.Bus, FCIS, FCPA, FAIBF, MAICD, CD

Company Secretary, The Company Secretariat

Ian Gregory is a professionally well-connected company secretarial and business administration services with listed and non listed companies. Ian Gregory provides consultancy services to Cell Aquaculture in his capacity as company secretary.



Alan Thomas

CA

Company Financial Advisor, Hayes Knight GTO

Alan Thomas is a Chartered Accountant and Fellow of the Tax Institute of Australia, with over 20 years experience both in the profession and in medium and large corporations. He has had experience in regulatory compliance, financial management and control, feasibility studies, and due diligence assignments for a wide range of corporations. He is the Managing Director of Hayes Knight GTO Pty Ltd, an accounting and business advisory group. Hayes Knight GTO Pty Ltd is an independent member of the Hayes Knight group, which has offices throughout Australia. Alan Thomas and Hayes Knight GTO Pty Ltd have provided advisory, and accounting and taxation services to Cell Aquaculture for the past 3 years and will continue in an advisory capacity whilst the company's in-house financial management department is developed, including the appointment of a permanent chief financial officer.

5.2.2 Technical/Aquaculture



Intaqt Pty Ltd

Aquaculture Consultant

A Member of the Aquaculture Advisory Committee

Cell Aquaculture has had an ongoing working relationship with Intaqt for over 5 years, which is intended to be strengthened in the future.

Intaqt is a Melbourne based company with primary business interests in freshwater and marine aquaculture. The company's services include assistance with research and development projects. Intaqt is headed by a multi-disciplinary team with professional experience in business management, aquaculture and aquaculture marketing and research in aquatic biology. The majority of their staff are experienced scientists conducting active research programs.

The following Intaqt staff are directly involved in consultation with Cell Aquaculture:



Professor Rocky de Nys

PhD (marine biology) GDipMgt (TechMgt), MRACI, CChem

Rocky de Nys is a director of Intaqt and Professor and Head of the Aquaculture Division at James Cook University, Queensland, Australia's internationally recognised centre for Aquaculture research and education. He has successfully led and supervised complex team based research programs in aquaculture and marine biotechnology. The outcomes of this are 5 international patents, more than 70 internationally peer reviewed scientific publications and the establishment of two recirculating aquaculture farms.



Dr Paul Harrison

PhD (aquatic biology)

Paul Harrison is an experienced scientist and business manager with a background in aquatic biology and in the design and construction of recirculating aquaculture systems. He is a Director of Intaqt and Managing Director of Main Stream Aquaculture Pty Ltd.



5.0 DIRECTORS AND MANAGEMENT

5.2.2 Technical/Aquaculture (cont'd)

Leo Nankervis

BSc (Hons)

Leo Nankervis is presently completing a PhD at James Cook University researching the nutritional control of growth and growth-related hormones in juvenile Barramundi. Leo is an aquaculture specialist who has previously been heavily involved in various Barramundi and Groper research and development projects both in Australia and Indonesia.



5.2.3 Promotional

Warren Mead

Fine Dining Restaurateur

Warren Mead has been involved over many years in the development and operation of a number of Western Australia's leading fine dining seafood restaurants. He provides the Company with advice and counsel in relation to food service marketing concepts and the development of final product, in particular, taste, texture and species selection. He also makes his restaurant facilities available to Cell Aquaculture for promotional purposes.



5.3 Key Personnel

Mr Peter G Burns

B. Bus, AIMM, AMAMI

Marketing Manager

Peter G Burns has a Bachelor of Business with a double major in marketing and management. He has held senior management and marketing positions at state and national levels and, prior to joining Cell Aquaculture, he established his own business which was subsequently sold to a large multi-national company. He brings management, marketing and business development skills to the Company.

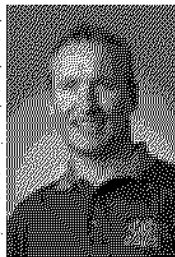


Mr Quenton Leach

Dip. Bus, Cert. Aqua

Operations Manager

Quenton Leach joined the Company in the initial stages of development. Quenton has completed appropriate business and aquaculture studies and has had considerable input into the final design and operation of the system. His hands-on approach has advanced the Company's operations and the EcoCell™ technologies.



Mr Clayton Smith

Dip. Aqua

Company Aquaculturist

Clayton Smith joined Cell Aquaculture in March 2003. He oversees much of the day to day production operations and will play an active role in the Company's planned Hatchery. He completed a Diploma of Aquaculture from Fremantle Maritime TAFE and was awarded the Most Outstanding Student in 2001. He was subsequently employed by TAFE and undertook technical and lecturing duties before commencing employment with Cell Aquaculture. He is currently completing a Bachelor of Science at Murdoch University.



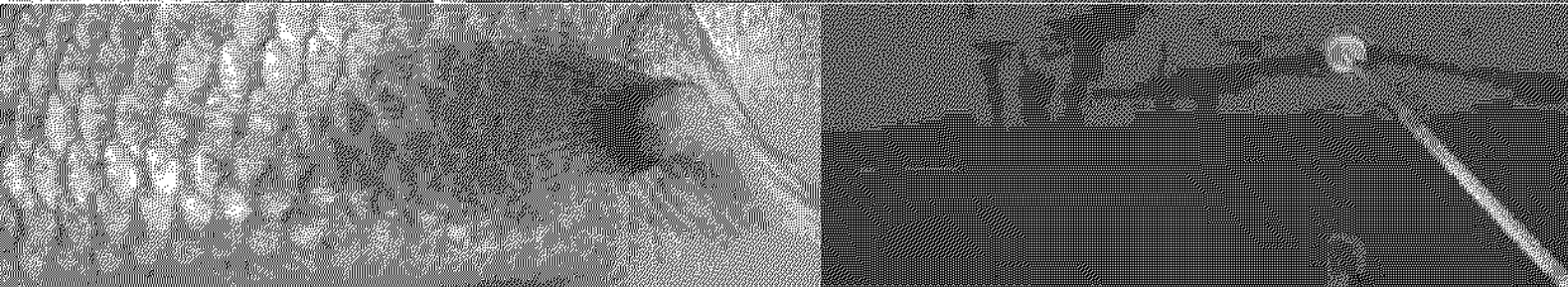
Mr Matthew Love

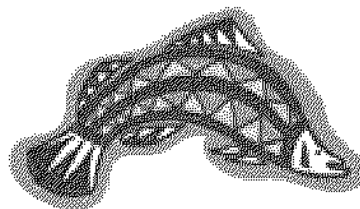
BSc

Training and Research and Development Manager

Matthew Love has a Bachelor of Science from the University of Western Australia with a double major in marine biology and zoology. This, and subsequent aquaculture studies, makes him well qualified for his role in commercial aquaculture. His role with Cell Aquaculture since October 2001 has primarily been focused on research and development of new species and associated systems development.







6.0 INVESTMENT OVERVIEW

6.1 PURPOSE OF THE OFFER

The net funds to be raised if fully subscribed after paying the costs of the Offer (including brokerage fees), are approximately \$4,500,000. The Company reserves the right to accept over-subscriptions of up to \$2,000,000.

Funds raised will provide Cell Aquaculture with the financial resources to pursue:

- The promotion, marketing and initial set-up costs of joint venture arrangements as detailed in Section 4.6.
- Promotion of the EcoCell™ systems to potential licensees in the United States, Asia and Europe.
- Research and development.
- The development and construction of the fish Hatchery as detailed in Section 4.7.

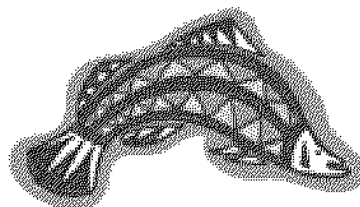
6.2 USE OF FUNDS

The funds raised from the Offer will be applied over the 18 months after the Official Quotation Date, as follows:

	Minimum Subscription \$5.0m	Maximum Subscription \$7.0m
Investment in Joint Venture companies (Section 4.6)	\$1,400,000	\$2,750,000
Investment in Hatchery (Section 4.7)	\$1,100,000	\$1,500,000
Cost of Offer (Section 12.13)	\$500,000	\$620,000
Research and Development	\$450,000	\$450,000
Working Capital	\$1,550,000	\$1,680,000
Total funds raised	\$5,000,000	\$7,000,000

The Directors are of the opinion that on completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. If the Maximum Subscription is achieved (A\$7m), the Company intends to immediately after the Official Quotation Date proceed to increase the initial planned capacity of its proposed Hatchery and also secure additional joint ventures. The table above reflects the allocation of funds in such circumstances. Should any of the four proposed Joint Ventures in India, The Netherlands or USA not proceed as set out in Section 12.1, the Company intends to use the allocated funds to secure alternate joint ventures (refer also Section 4.9).

The aquaculture industry is consistently expanding and therefore business models are continually evolving. Whilst the Company has committed the funds under this Offer to be expended to meet the key commercialisation and business objectives as set out in Section 4.9, these may be influenced by external market and commercial factors or as new opportunities arise. In order that the Company can respond to these influences, the actual level and break-up of expenditure may differ from the above estimates.



6.0 INVESTMENT OVERVIEW

6.3 CAPITAL STRUCTURE

The pro forma capital structure of the Company is set out below for illustrative purposes to reflect the issued and paid up capital structure of the Company including Shares issued pursuant to this Prospectus:

	Minimum Subscription (\$5.0)		Maximum Subscription (\$7.0m)	
	Shares	%	Shares	%
Current Shares on Issue	92,709,606	78.8%	92,709,606	72.6%
Now offered for subscription	25,000,000	21.2%	35,000,000	27.4%
Total shares on issue	117,709,606	100%	127,709,606	100%

	Options	%
	Current Options on Issue	18,385,500
Options issued on listing	3,000,000	14.0%
Total	21,385,500	100%

There are 18,385,500 Options on issue, comprising:

- 14,885,500 Seed Capital Options on issue each exercisable at 35 cents on or before 30 June 2005, and
- 3,500,000 Options exercisable at 20 cents on or before 1 March 2008.

Immediately upon the successful listing of the Company, the following further Options will be issued:

- to the non-executive directors of the Company, 3,000,000 Options (in aggregate) exercisable at 35 cents on or before the date which is 3 years from the issue date of such Options (being the Official Quotation Date).

Save for the exercise price and expiry date, the above Options are or will be on the same terms and conditions as the Seed Capital Options (details of these terms can be found in section 12.9 of this Prospectus).

It is anticipated that approximately 50% of the 92,709,606 Shares currently on issue will be classified as restricted securities by ASX (refer to Section 12.1 (H) for further details).

The new Shares to be issued pursuant to this Prospectus will rank equally to the existing Shares. The rights attaching to the Shares are summarised in Section 12.8 of this Prospectus.

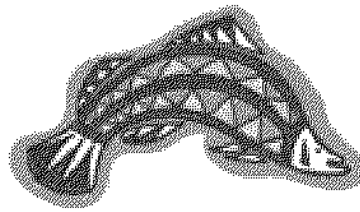
Further details of the Company's capital structure are set out in the Independent Accountant's Report in Section 8 of this Prospectus.

6.4 RISK FACTORS

Prospective investors in the Company should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are described in Section 11 of this Prospectus. Investors are urged to consider these risks before deciding whether to invest in the Company.

6.5 FINANCIAL FORECASTS

Given the early stages of the development of the Company's business and the uncertainties associated with the Company's business model, together with a lack of history, the Company considers that there is no reasonable basis for the inclusion in this Prospectus of financial forecasts or projections in relation to its business.



6.0 INVESTMENT OVERVIEW

6.6 CORPORATE GOVERNANCE

The Company's main corporate governance policies are outlined below.

(a) Responsibility of Board of Directors

The Board is responsible for the overall operation and stewardship of the Company. The Directors' responsibilities include:

- providing input into, and approval of, the Company's strategic direction and budgets as developed by management;
- directing, monitoring and assessing the Company's performance against strategic business plans, and ensuring appropriate resources are available;
- approving and monitoring capital management and major capital expenditure, acquisitions and divestments;
- ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within the Company;
- ensuring that the business risks facing the Company are identified and that appropriate monitoring and reporting controls are in place to manage these risks whilst acknowledging that such risks will not be totalling eliminated;
- the risk management function requires that mechanisms be in place to review and monitor corporate performance across a broad range of risk and compliance issues affecting assets, personal safety, management, finance, business operations, corporate governance and environmental issues;
- appointing the managing director/ chief executive officer, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration, and succession planning; and
- developing initiatives for growth of profits and assets.

The Directors are committed to the principals underpinning best practice in corporate governance, applied in a manner which best addresses their accountability to shareholders. This is supported by an overriding commitment to the highest standards of legislative compliance and financial and ethical behaviour.

Responsibility for managing the business on a day-to-day basis has been delegated to the Managing Director and the management team.

(b) Composition of the Board

The names of the Directors, together with details of their relevant qualifications are set out in Section 5.1. The procedures for election and retirement of the Directors are governed by the Company's constitution and the ASX Listing Rules. Subject to the constitution, the composition of the Board is determined as follows:

- a minimum of half the number of Directors will be non-executive, and it is expected that ordinarily the majority of directors will be non-executive;
- the Board comprises directors with a range of experience encompassing the current and proposed activities of the Company;
- where a vacancy on the Board arises, the Board will select an appropriate candidate through consultation with external parties based on the consideration of the needs of the shareholders and the Company. Any such candidate will be referred to shareholders at the next available opportunity for election at a general meeting.

(c) Aquaculture Advisory Committee

The combined expertise in aquaculture of the Aquaculture Advisory Committee is utilised as a reference by the Board of Directors to strengthen the Company's standing in the aquaculture industry and academia. The members of the Aquaculture Advisory Committee are Professor Rocky de Nys, Mr Clayton Smith and Mr Perry Leach. The qualifications of the members of the Aquaculture Advisory Committee are contained in Section 5.0.

(d) Independent Professional Advice

The Directors may seek independent professional advice on issues arising during the course of their duties, subject to the Chairman's prior approval which shall not be unreasonably withheld.

(e) Letters of Appointment for Non-Executive Directors

Letters of appointment are provided to non-executive directors of the Company setting out the terms and conditions of their appointment.

(f) Remuneration Committee

A Remuneration Committee has been

established and consists of Peter Joseph Burns (Chairperson) and Lee Boyd. The Remuneration Committee will meet twice a year. It determines and reviews remuneration arrangements for the Directors and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amounts of emoluments of such officers on a periodic basis by reference to relevant employment market conditions. It will make recommendations to the Board on these matters with a view to ensuring maximum shareholder benefit from the retention of a high quality executive team.

(g) Audit Committee

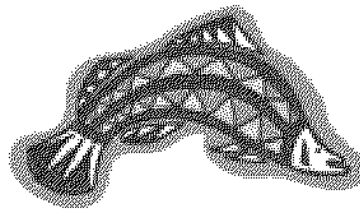
An Audit Committee has been established and consists of David Thomas (Chairperson) and Lee Boyd. The Audit Committee reviews the performance of the external auditors on an annual basis and will meet with them at least twice a year to review the results and findings of the audit, the appropriateness of provisions and estimates included in the financial results, the adequacy of accounting and financial controls and to obtain feedback on the implementation of the recommendations made. The Audit Committee will also review the draft financial statements and audit review reports at year end and half-year end and recommend acceptance or otherwise thereof to the Board.

(h) Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

(i) Review of Corporate Governance Policies and Practices

On admission to the Official List of ASX, the Board will direct management to review the Company's corporate governance policies and practices in light of the ASX Corporate Governance Council's principals of good corporate governance and best practice recommendations. Following this review, the Board will consider the suitability of any recommendations made by management having regard to the Company's size and operations.



7.0 DETAILS OF THE OFFER

7.1 SHARES OFFERED FOR SUBSCRIPTION

By this Prospectus, the Company is inviting investors to subscribe for 25,000,000 fully paid ordinary shares in the Company at an issue price of 20 cents each to raise \$5,000,000 (gross).

The Company has set a minimum subscription under this Prospectus of 25,000,000 fully paid ordinary shares at an issue price of 20 cents each ("Minimum Subscription"). The Company has reserved its rights to accept oversubscriptions of up to \$2,000,000. Should oversubscriptions be received, the Directors will exercise their discretion to allot and issue a maximum of a further 10,000,000 shares at 20 cents each under this Prospectus. The maximum amount which may be raised under this Prospectus is therefore \$7,000,000 ("Maximum Subscription").

The Offer is open to all public investors. Applications for the Offer must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Applications under the Offer will only be accepted on the Application Form attached to this Prospectus.

The Company may reject any Application or allocate fewer Shares than applied for by any Applicant under this Offer, at its absolute discretion.

7.2 INDICATIVE TIMETABLE

Date of Prospectus:	22 April 2005
Opening Date:	2 May 2005
Closing Date:	2 June 2005
Allotment and Issue of new Shares:	9 June 2005
Dispatch of Holding Statements:	13 June 2005
Quotation of Shares on ASX expected:	20 June 2005

Notes:

- (1) The Directors reserve the right to vary these dates for any reason.
- (2) The Directors reserve the right to close the Offer earlier or later than indicated above, subject to the requirements of the Corporations Act and the Listing Rules.
- (3) The above are anticipated dates only.

7.3 APPLICATION OF SHARES

The allotment of Shares to Applicants will occur as soon as possible after the Offer is closed, following which Statements of Share holdings will be dispatched.

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

Pending issue of the Shares or return of the Application monies, the Application monies will be held in trust for the Applicants.

The Company retains an absolute discretion in allocating Shares under the Offer. The Company may reject any Application or allocate fewer Shares than applied for by any Applicant under the Offer.

If an Application is not accepted, or is in part only, the relevant part of the Allocation monies will be refunded without interest. The Company will not be liable to any person not allocated Shares.

7.4 MINIMUM SUBSCRIPTION AND OVERSUBSCRIPTION

No new shares will be allotted under this Prospectus until the amount of \$5 million gross, being the Minimum Subscription, has been received by the Company. If the Minimum Subscription of \$5 million has not been raised within 4 months of the date of this Prospectus, all applications will be dealt with in accordance with section 724 of the Corporations Act.

The Directors have resolved to exercise their discretion should oversubscriptions be received to allot and issue up to a maximum of an additional 10,000,000 shares at 20 cents each (in addition to the Minimum Subscription) under this Prospectus.

7.5 NON RESIDENT INVESTORS

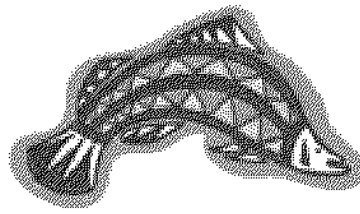
This Prospectus does not constitute an Offer of Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or the Offer. Residents of countries outside Australia should consult their professional advisors as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an Application to take up Shares on the basis of this Prospectus. No action has been taken to register or qualify the Shares or the Offer or otherwise to permit an offering of the Shares in any jurisdiction outside Australia.

7.6 POSSIBLE ASSISTANCE OF FINANCIAL SERVICES LICENSEES

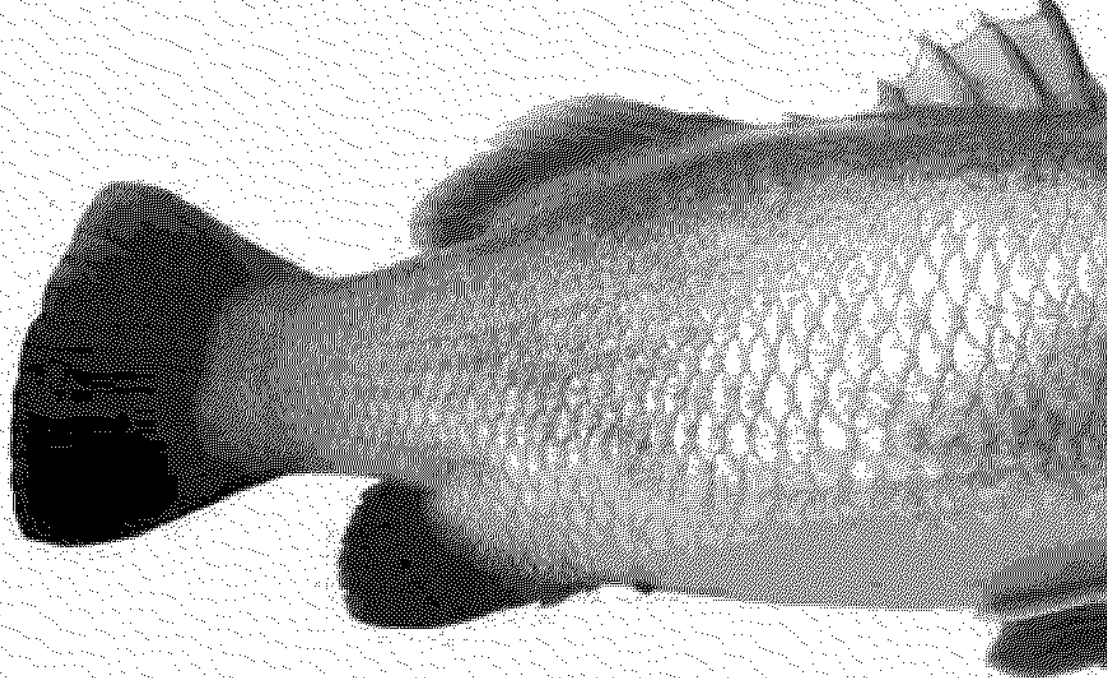
The Company will pay combined brokerage, commission and/or management fees of up to 6% (exclusive of goods and services tax) of amounts subscribed in respect of valid Applications lodged and accepted at the Company's sole and absolute discretion bearing the stamp of any Financial Services Licensee. Payments will be subject to the receipt of a proper tax invoice from the Financial Services Licensee.

7.7 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty will be payable by Applicants subscribing for Shares.



7.0 DETAILS OF THE OFFER



7.8 ASX LISTING

Within seven (7) days after the date of the Prospectus, the Company will make application to ASX for admission of the Company to the Official List and of the Shares offered pursuant to this Prospectus.

If the Company is not admitted to the Official List, and its Shares are not admitted to quotation within three months after the date of this Prospectus, the Company will not allot or issue any Shares and will repay all Application monies without interest and within the time prescribed by the Corporations Act.

The ASX takes no responsibility for the contents of this Prospectus.

7.9 ESCROW PROVISIONS

Shares issued to promoters, seed capital investors and others prior to the Offer may be subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of such Shares, to be determined by ASX, may be required to be held in escrow for a period of time, as determined by ASX (further details provided in Section 12.1(H) of this Prospectus).

7.10 CHESS

Cell Aquaculture proposes to participate in CHESS, operated by ASTC, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under CHESS, the Company does not issue Certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send them a CHESS statement.

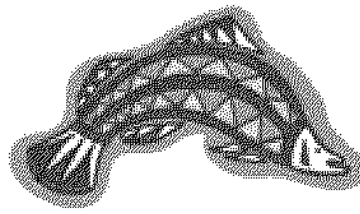
The CHESS statement will set out the number of Shares allocated to each holder under the Prospectus and give details of their holder identification number, in the case of a holding on the CHESS sub register. In the case of an Issuer Sponsored sub register, the statement will contain the number of Shares allocated under the Prospectus and the Shareholder's Security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A holder may request a statement at any other time, however, a charge may be incurred for additional statements.

7.11 OPENING AND CLOSING DATES

The Offer will open on 2 May 2005 or such later date as may be prescribed by ASIC (Opening Date), and will remain open until 5.00pm WST on 2 June 2005 (Closing Date) subject to the right of Cell Aquaculture to either close the Offer at an earlier time and date or extend the Closing Date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.



7.0 DETAILS OF THE OFFER

7.12 HOW TO APPLY

Applications for Shares under the Offer can only be made on the Application Form attached to this Prospectus in Section 15.

The Application Form must be completed in accordance with the instructions set out on the back of the Application Form. Completed Application Forms and accompanying cheques should be lodged at the Company's Share Registry on or before the Closing Date.

By post to:

Cell Aquaculture Limited
C/- Advanced Share Registry Services
PO Box 1156,
Nedlands,
Western Australia 6909

By delivery to:

Cell Aquaculture Limited
C/- Advanced Share Registry Services
110 Stirling Highway,
Nedlands, Western Australia
Telephone: (61 8) 9389 8033
Facsimile: (61 8) 9389 7871

Cheques must be made payable to "Cell Aquaculture Limited Trust Account" and crossed "Not Negotiable". No stamp duty is payable by Applicants.

Applications must be for a minimum of 10,000 Shares at 20 cents per Share. Applications for more than 10,000 Shares must be in multiples of 1,000 Shares.

7.13 ENQUIRIES IN RELATION TO THE OFFER

This Prospectus provides information for potential investors in Cell Aquaculture and should be read in its entirety.

If after reading this Prospectus, you have any questions about any aspect of an

investment in Cell Aquaculture, please contact your stockbroker, accountant or independent financial adviser.

7.14 PRIVACY ACT

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address, and details of the security held) in its public register.

This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If Applicants do not provide the information required on the Application Form, the Company may not be able to accept or process Applications.

7.15 EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven (7) days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven (7) days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

7.16 PROSPECTUS DISTRIBUTION

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer. No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.





8.0 INDEPENDENT ACCOUNTANT'S REPORT

1. Introduction

Horwath Securities (WA) Pty Ltd ("Horwath") has been engaged by Cell Aquaculture Limited ("Cell") to prepare this report for inclusion in a Prospectus dated 22 April 2005, and to be issued by Cell, in respect of the proposed issue of 25,000,000 ordinary fully paid shares, at an issue price of \$0.20 each to raise \$5,000,000. Cell may also accept oversubscriptions of 10,000,000 shares to raise an additional \$2,000,000.

All amounts are expressed in Australian Dollars unless otherwise stated.

Expressions defined in the Prospectus have the same meaning as this report.

2. Background

The company was incorporated on 7 March 2000 as Cell Technologies Limited, with the name subsequently being changed to Cell Aquaculture Limited on 8 October 2002. Since incorporation and up to 31 December 2004 the company has issued 92,709,606 shares to raise \$5,146,745 (net of costs of raising capital.)

3. Capital Structure

This Prospectus is offering 25,000,000 fully paid ordinary shares in Cell at an issue price of \$0.20 each, to raise \$5,000,000. As at the 31 December 2004 the share holding of the company was as follows:

Shareholders 31 December 2004	Number of Shares	Number of Options
Shares on issue	92,709,606	14,885,500

Following the issue of 25,000,000 shares and the successful completion of the issue, the capital structure and ownership of Cell will be as follows:

Shareholders	Number of Shares	%	Number of Options	%
Current shares on issue	92,709,606	79	18,385,500	86
Public	25,000,000	21	-	-
Immediately upon listing	-	-	3,000,000	14
TOTAL	117,709,606	100	21,385,500	100

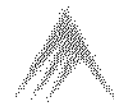
It should be noted that Cell may accept oversubscriptions of 10,000,000 shares, to raise an additional \$2,000,000.

4. Basis of Preparation

This report has been included in this Prospectus to assist investors and their financial advisers to make an assessment of the financial position and performance of Cell. This report does not address the rights attaching to the shares to be issued in accordance with this Prospectus, nor the risks associated with the investment.

The Directors of Cell have requested Horwath to prepare an Investigating Accountant's Report for inclusion in this Prospectus dealing with the following financial and other information:

- the reviewed results of Cell for the half year ended 31 December 2004;
- the reviewed statement of financial position of Cell as at 31 December 2004; and
- the proforma statement of financial position of Cell adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 3.



8.0 INDEPENDENT ACCOUNTANT'S REPORT

5. Scope of Review

Our review has been conducted in accordance with Auditing Standard AUS 902 "Review of Financial Reports". Our review was limited primarily to enquiries of company personnel, review of the historical and proforma financial information, analytical procedures applied to financial data, performance of certain limited verification procedures and comparison of consistency in application of accounting standards and policies.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

6. Statement

Based on our review, nothing has come to our attention that causes us to believe that the financial information as set out in Appendix 1, 2 and 3 does not present fairly:

- i) the results of Cell for the half year ended 31 December 2004;
- ii) the statement of financial position of Cell as at 31 December 2004; and
- iii) the proforma statement of financial position of Cell as at 31 December 2004 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 3,

in accordance with the accounting methodology required by applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and the accounting policies adopted by Cell as described in Note 1 and on the basis of the assumptions and transactions set out in Appendix 3.

7. Subsequent Events

Other than the matters referred to in Note 10 to Appendix 3, there have been no material items, transactions, or events subsequent to 31 December 2004, which relate to conditions existing at that balance date which require comment or adjustment to the figures in this report.

To the best of our knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2004, which, although they do not relate to conditions existing at that date, would cause reliance on the figures in this report to be misleading.

8. Declarations

- (a) Horwath will be paid a fee of \$5,000 based upon normal charge rates and professional time incurred in the compilation of information and the preparation of this report. The involvement of Horwath in the preparation of this Prospectus is limited to the preparation of this report;
- (b) Horwath was not involved in any other aspect of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus and we have only issued our consent in respect of the inclusion of this report in this Prospectus;
- (c) The author of this report does not have any interest in Cell or the shares offered by this Prospectus;
- (d) The giving of our consent for the inclusion of this report in this Prospectus should not be taken as an endorsement of Cell or a recommendation by Horwath of any participation in the offer by any intending investors;
- (e) The author of this report gives no assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription for shares being offered pursuant to this Prospectus; and
- (f) This report should be read as a whole and no part of it quoted, otherwise referred to, or produced without prior written consent of Horwath.

Yours faithfully

HORWATH SECURITIES (WA) PTY LTD

GLYN O'BRIEN
Director
HORWATH SECURITIES (WA) PTY LTD
21 April 2005

**8.0 INDEPENDENT ACCOUNTANT'S REPORT****STATEMENT OF FINANCIAL PERFORMANCE****APPENDIX 1**

	Audited Year 30 June 2003 \$	Audited Year 30 June 2004 \$	Reviewed Six Months 31 Dec 2004 \$
Revenues from ordinary activities	34,872	97,575	58,856
Marketing expenses	(92,505)	(194,164)	(41,818)
Depreciation and amortisation	(88,908)	(102,411)	(55,525)
Employee benefits expense	(77,416)	(320,855)	(153,220)
Borrowing cost expense	(31,582)	(30,578)	(52,561)
Other administrative expenses	(380,826)	(322,111)	(136,890)
(Loss) from ordinary activities before income tax expense	(636,365)	(872,542)	(381,158)
Income tax benefit relating to ordinary activities	313,674	177,805	161,610
(Loss) from ordinary activities after related income tax expense	(322,691)	(694,737)	(219,548)
Total changes in equity attributable to members of Cell Aquaculture Limited other than those resulting from transactions with owners as owners	(322,691)	(694,737)	(219,548)

To be read in conjunction with Appendix 3



8.0 INDEPENDENT ACCOUNTANT'S REPORT

STATEMENT OF FINANCIAL POSITION

APPENDIX 2

	Note	Audited 30 June 2003 \$	Audited 30 June 2004 \$	Reviewed 31 Dec 2004 \$	Proforma (minimum) \$	Proforma (maximum) \$
CURRENT ASSETS						
Cash assets	3	66,829	110,309	384,928	4,952,043	6,832,043
Receivables		112,741	53,512	199,932	199,932	199,932
Inventories		30,954	26,235	26,235	26,235	26,235
Other	6	1,664	1,082	830	830	830
TOTAL CURRENT ASSETS		212,188	191,138	611,925	5,179,040	7,059,040
NON-CURRENT ASSETS						
Receivables		2,420	2,420	2,420	2,420	2,420
Property, plant and equipment	4	1,054,446	1,188,496	1,171,958	1,171,958	1,171,958
Intangibles	5	245,767	212,767	196,131	196,131	196,131
Other	6	675,540	971,372	1,290,406	1,223,291	1,223,291
TOTAL NON-CURRENT ASSETS		1,978,173	2,375,055	2,660,915	2,593,800	2,593,800
TOTAL ASSETS		2,190,361	2,566,193	3,272,840	7,772,840	9,652,840
CURRENT LIABILITIES						
Payables		276,789	365,002	161,730	161,730	161,730
Provisions		-	-	4,193	4,193	4,193
TOTAL CURRENT LIABILITIES		276,789	365,002	165,923	165,923	165,923
NON-CURRENT LIABILITIES						
Interest bearing liabilities		374,041	1,091,147	323,876	323,876	323,876
TOTAL NON-CURRENT LIABILITIES		374,041	1,091,147	323,876	323,876	323,876
TOTAL LIABILITIES		650,830	1,456,149	489,799	489,799	489,799
NET ASSETS		1,539,531	1,110,044	2,783,041	7,283,041	9,163,041
EQUITY						
Contributed equity	7	3,041,950	3,307,200	5,199,745	9,498,495	11,378,495
Option Reserve		-	-	-	201,250	201,250
Accumulated losses		(1,502,419)	(2,197,156)	(2,416,704)	(2,416,704)	(2,416,704)
TOTAL EQUITY		1,539,531	1,110,044	2,783,041	7,283,041	9,163,041

To be read in conjunction with Appendix 3



8.0 INDEPENDENT ACCOUNTANT'S REPORT

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL PERFORMANCE

APPENDIX 3

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The statement of financial position and statement of financial performance (collectively referred to as the "financial statements") have been prepared in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views. The disclosure requirements of applicable Accounting Standards have only been applied as considered relevant and appropriate.

The financial statements have also been prepared on the basis of historic cost and do not take into account changing money values or current values of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account either as provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company.

(d) Revenue

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

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

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

(e) Recoverable Amount

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

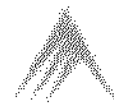
Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is re-valued to its recoverable amount. Where net

cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the statement of financial performance.

(f) Acquisition of Assets

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.



8.0 INDEPENDENT ACCOUNTANT'S REPORT

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL PERFORMANCE

(g) 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 proceeds of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve is transferred to the asset realisation reserve.

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 including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis 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%

(h) Intangibles

Patents, Technology and Licenses are valued in the accounts at the cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

(i) Research and Development

Costs incurred on research and development projects are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable. Deferred costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

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

Where a grant is received or receivable in relation to research and development costs which have been charged to the profit and loss account during this or a prior financial year, the grant shall be credited to the Statement of Financial Performance.

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 Statement of Financial Performance.

(j) 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.



8.0 INDEPENDENT ACCOUNTANT'S REPORT

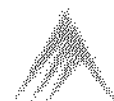
NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL PERFORMANCE

2. ACTUAL AND PROPOSED TRANSACTIONS TO ARRIVE AT PROFORMA STATEMENT OF FINANCIAL POSITION

The proforma Statement of Financial Position reflects the 31 December 2004 Statement of Financial Position adjusted to reflect the effect of the actual and proposed transactions pursuant to the proposed capital raising and shows both the minimum and maximum subscription of shares. The transactions reflected in the proforma are as follows:

- The issue of 25,000,000 (maximum of 35,000,000) fully paid ordinary shares at an issue price of \$0.20 each to raise \$5,000,000 (maximum of \$7,000,000) pursuant to this Prospectus;
- Costs associated with the issue of this Prospectus being \$500,000 (\$620,000 for maximum subscription of \$7,000,000);
- The issue of 3.5 million options (exercisable at \$0.20 on or before 1 March 2008) on 1 March 2005 in relation to the capital raising of the Company; and
- The issue of 3 million options (exercisable at \$0.35 on or before the date which is 3 years from the date of listing on ASX), the issue of which is conditional on listing on ASX.

	Audited 30 June 2003 \$	Audited 30 June 2004 \$	Reviewed 31 Dec 2004 \$	Proforma (minimum) \$	Proforma (maximum) \$
3. CASH ASSETS					
Cash at bank	66,829	118,309	384,928	4,952,043	6,832,043
Proforma adjustments					
Balance as at 31 December 2004				384,928	384,928
Shares issued pursuant to this Prospectus				5,000,000	7,000,000
Prospectus issue costs				(500,000)	(620,000)
Prospectus costs incurred pre 31 December 2004				67,115	67,115
				4,952,043	6,832,043
4. PROPERTY, PLANT & EQUIPMENT					
Plant & Equipment – at cost					
Plant & Equipment – at cost	261,247	289,011	307,053	307,053	307,053
Accumulated depreciation	(103,113)	(148,861)	(171,311)	(171,311)	(171,311)
	158,134	140,150	135,742	135,742	135,742
Land and Buildings					
Freehold land – at cost					
Freehold land – at cost	579,610	579,610	579,610	579,610	579,610
Land improvement – at cost					
Land improvement – at cost	82,300	82,300	82,300	82,300	82,300
Accumulated amortisation					
Accumulated amortisation	(6,154)	(10,369)	(12,343)	(12,343)	(12,343)
	76,146	72,031	69,957	69,957	69,957
Buildings – at cost					
Buildings – at cost	255,236	432,932	434,992	434,992	434,992
Accumulated amortisation					
Accumulated amortisation	(14,680)	(36,227)	(48,343)	(48,343)	(48,343)
	240,556	396,705	386,649	386,649	386,649
Total land and buildings	896,312	1,048,346	1,036,216	1,036,216	1,036,216
Total property, plant and equipment	1,054,446	1,188,496	1,171,958	1,171,958	1,171,958



8.0 INDEPENDENT ACCOUNTANT'S REPORT

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL PERFORMANCE

	Audited 30 June 2003 \$	Audited 30 June 2004 \$	Reviewed 31 Dec 2004 \$	Proforma (minimum) \$	Proforma (maximum) \$
5. INTANGIBLES					
Intellectual property / license	330,000	330,000	330,000	330,000	330,000
Accumulated amortisation	(85,250)	(118,250)	(134,886)	(134,886)	(134,886)
Formation Expenses	1,017	1,017	1,017	1,017	1,017
	245,767	212,767	196,131	196,131	196,131
6. OTHER ASSETS					
Current					
Prepaid borrowing costs	1,664	1,082	830	830	830
Non-current					
Research & development	675,540	971,372	1,223,291	1,223,291	1,223,291
Future Prospectus costs	-	-	67,115	-	-
	675,540	971,372	1,290,406	1,223,291	1,223,291
Proforma adjustments					
- At 31 Dec 2004				1,290,406	1,290,406
- Recognition of future Prospectus costs				(67,115)	(67,115)
				1,223,291	1,223,291
7. CONTRIBUTED EQUITY					
	3,041,950	3,307,200	5,199,745	3,498,495	11,378,495
Proforma adjustments					
- At 31 Dec 2004			No. of Shares	\$	\$
- Issue shares pursuant to this Prospectus			92,709,606	5,199,745	5,199,745
- Costs of capital raising			25,000,000	(5,000,000)	(7,000,000)
- Costs of capital raising - issue of options			-	(201,250)	(201,250)
			117,709,606	3,498,495	11,378,495

It should be noted that Cell may accept over-subscriptions of 10,000,000 shares, to raise an additional \$2,000,000; this has been reflected in the "Proforma (maximum)" column.

Options

At 31 December 2004, there were 14,885,500 share options outstanding, exercisable at 35 cents per share on or before 30 June 2005.

A further 3,500,000 options exercisable at 20 cents on or before 1 March 2008 were issued on 1 March 2005.

Immediately upon the successful listing of the Company, the following further options will be issued:

- * to the non-executive directors of the Company, 3,000,000 options exercisable at 35 cents on or before the date which is 3 years from the issue date of such options (being the date of successful listing).

Save for the exercise price and expiry date, these options will be on the same terms and conditions as the Seed Capital Options (as defined in this Prospectus).



8.0 INDEPENDENT ACCOUNTANT'S REPORT

NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL PERFORMANCE

8. COMMITMENTS

As at the date of this report there were no capital commitments for the Company.

9. INTERESTS IN JOINT VENTURES

As at the date of this report the Company had executed Heads of Agreement to enter into four joint ventures agreements with separate partners in the United States of America (2), The Netherlands (1), and India (1). These Heads of Agreement commit the Company and each prospective joint venture partner to form a separate company for the purposes of operating the land based aquaculture system developed by Cell. The Company and the partner will each hold 50% of the issued capital in the new joint venture company. Each Heads of Agreement stipulates that each party will provide initial funding to be used for the purposes of establishing each new joint venture company. The total initial funding committed by the Company under these Heads of Agreement is AUS\$25,000.

10. SUBSEQUENT EVENTS

There have been no other material items, transactions, or events subsequent to the date of this report which relate to conditions existing at that balance date which require comment or adjustment to the figures in this report.

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting the International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the economic entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the statements of financial performance and financial position as disclosed in this report would not be significantly different if determined in accordance with IFRS.

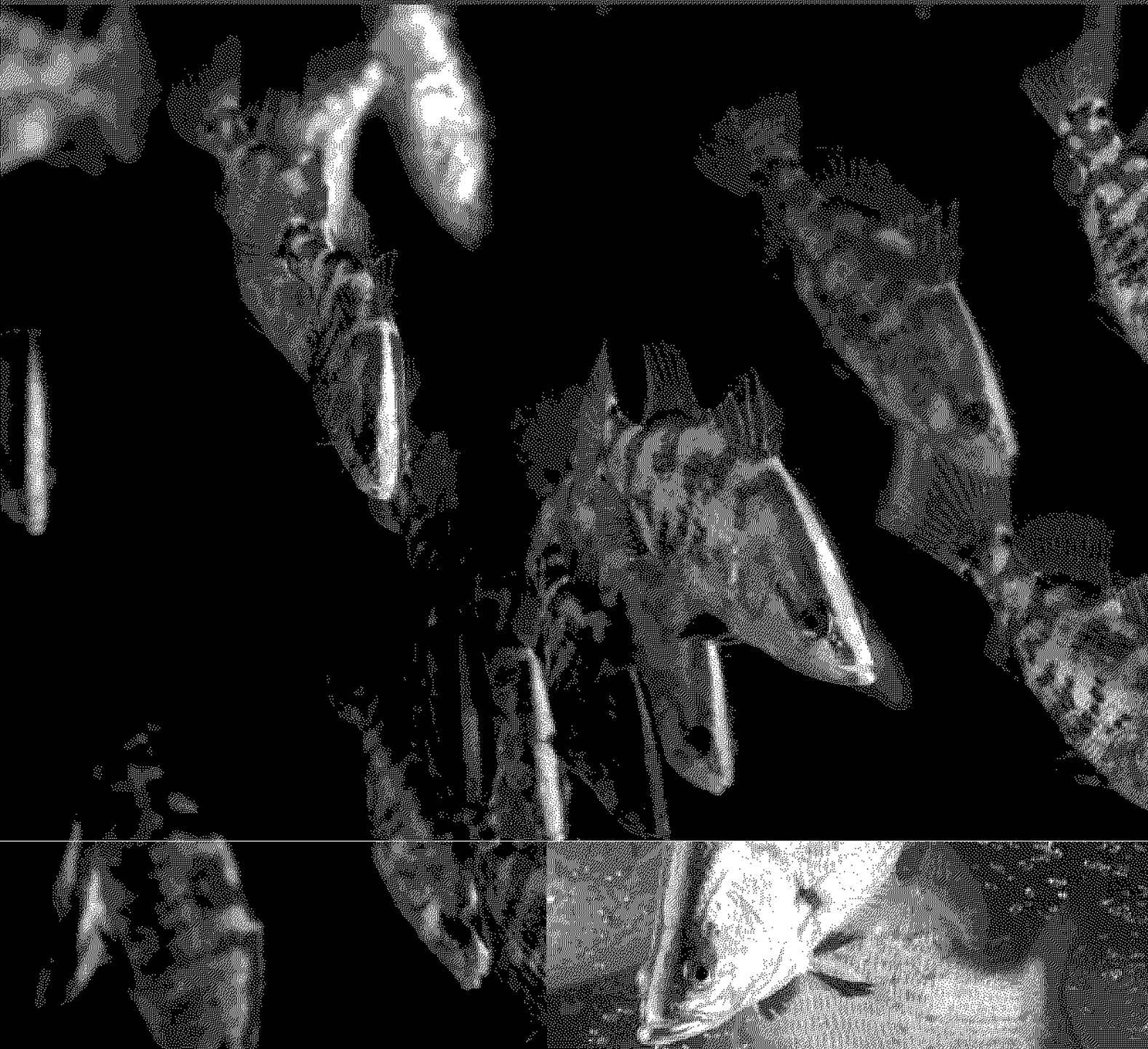
The key potential implications of the conversion to IFRS on the company are as follows:

- (a) **Income Tax**
Income tax will be calculated on the "balance sheet" approach, which will result in more deferred tax assets and liabilities, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- (b) **Impairment of Assets**
Under Accounting Standard AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current

accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of write-downs charged to the Statement of Financial Performance could be greater.

- (c) **Equity-based compensation benefits**
Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- (d) **Comparatives**
Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The above should not be regarded as a complete list of changes of accounting policies that will result from the transition to IFRS. This is because, as yet, not all standards have been analysed nor some decisions made where choices of accounting policies are available. For these reasons it is not possible at present to quantify the impact of the transition to IFRS on the Company's financial position and reported results.



9.0 INDEPENDENT AQUACULTURE EXPERT'S REPORT

EXECUTIVE SUMMARY

Cell Aquaculture Ltd (Cell Aqua) demonstrates a well informed appreciation of the requirements for successful aquaculture development. The company has developed a recirculation system, EcoCell technology, for Barramundi production and has also evaluated potential global markets for Barramundi products, pioneered value added products using this species, initiated research programmes to assist with future self-sufficiency in fingerling supply and even assessed techniques for appropriate farm waste management.

Barramundi, the target species for production by Cell Aqua, is a robust species able to tolerate a range of environmental conditions which make it suitable to production in recirculation aquaculture systems. It is well received in the market and in terms of growth characteristics, using EcoCell technology, preliminary data suggests that it could grow faster than other species of bass farmed in recirculation systems.

The EcoCell technology can supply water quality within the specified limits stipulated by Cell Aqua and which meet the requirements for Barramundi production. According to tank volume and number of individual modules used the EcoCell technology is capable of producing up to 50 tonnes of Barramundi per annum under optimum operating water quality conditions.

The EcoCell technology is suitable for Barramundi production based on fingerling supplies from Australian hatcheries or a future company operated Hatchery. The future development of a commercial Hatchery would enable Cell Aqua to arrange supplies of fingerlings to domestic and overseas markets.

The EcoCell technology is continually being refined to improve performance in terms of system security and production efficiency. Cell Aqua is promoting a range of research programmes not only in recirculation technology but also in

relation to the improvement of aqua-feeds and hatchery procedures for commercially important species.

The development of recirculation aquaculture fin-fish production is a significant growth sector in Europe and the US. Market opportunities are available for development of reliable supplies of high quality seafood products close to the markets. There is increasing demand for full traceability of seafood products produced in a more environmentally sustainable manner which takes animal welfare issues into consideration.

There is a significant shortfall in the supply of fingerling or juvenile fish for the on grow sector comprising sea cage and land based farms producing market size fish throughout the Asia Pacific region. This on grow sector of the aquaculture industry is largely dependent on supplies of wild caught fingerlings with limited, sub-standard, supplies from poorly designed hatcheries. Greater uptake of recirculation technology for hatchery development should assist in resolution of this limiting factor.

According to location, consideration needs to be given to economies of farm size to ensure competitive production costs and achieve production volume sufficient to support opportunities for processing and product diversification.

1. Introduction

The current activity of Cell Aqua is the development and commercialisation of recirculating fish production systems. The company has developed its technology over the past 7 years and has as its key objective the development and commercialisation of a complete aquaculture system which will enable the production of fish from "hatch to dispatch".

Dr David Fletcher has been commissioned to undertake an independent assessment of Cell Aquaculture Ltd aquaculture technology referred to as the "EcoCell"

system located at Hamilton Hill, Fremantle, Western Australia.

2. Assumptions

It is assumed that all research and production data, research reports, market studies and statements provided by Cell Aqua, company directors and staff are a true and accurate representation of the facts relating to the activities of Cell Aqua and the capabilities of the EcoCell technology.

The consultant conducted an on-site inspection of the production facility at Fremantle between 4-7 January 2005 to confirm the condition of system components and suitability for culture of Barramundi. He discussed the operations of this facility with key staff. It is assumed that the observed conditions of Cell Aqua during the consultants visit reflected a true and accurate version of the general operating conditions and procedures at the farm.

In respect to this report the discussion and comments relate to the production of Barramundi from fingerling to market size fish of 400 – 500g. Its suitability for other species has not been assessed in detail.

3. Qualifications

The author, David Fletcher BSc, PhD, of this report is well qualified to assess the technical capabilities of Cell Aqua's aquaculture technology. Dr Fletcher has operated as an aquaculture consultant for over 20 years. He has worked in SE Asia, S America and the Mediterranean. Since 1996 he has been based in UK where he has been involved in the research and development of land based recirculation farms. The consultant has assessed the potential for recirculation farms and hatcheries in China, Malaysia, Sri Lanka and Europe. He has been working with commercial marine and freshwater recirculation systems for several years assessing the quality of established recirculation farms, resolving problems with failed systems and advising national and local governments as to the capabilities of various production systems.

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4. Independence

The author has no financial, material or other interest in Cell Aqua. Expenses incurred have been reimbursed at cost and a fee for services has been charged at normal commercial rates that are not contingent upon the outcomes of the Prospectus.

5. Previous relationship

The consultant has had no prior relationship with, and has not previously provided advice to, Cell Aquaculture Limited. In November 2004, the consultant issued a quotation to provide advice to a third party (who is not a related party nor controller of Cell Aquaculture) in relation to the possible development of an aquaculture project in the UK using Cell Aquaculture technology. No engagement has arisen from the quotation and the issue has not developed any further.

6. Scope of Report

Dr Fletcher was engaged by Cell Aqua to prepare an independent technical report for inclusion in its initial public offering Prospectus, the scope of which report is as follows:

- a) a review of Cell Aqua's "Technology", including a discussion on:
 - i) what the technology purports to do;
 - ii) whether the technology accomplishes what it purports to do.
- b) a review of the "Market Applications" of the technology, including a discussion on:
 - i) potential markets for the technology;
 - ii) the importance of the technology;
 - iii) market growth drivers and prospects.
- c) a review of "Competition" including a discussion on:
 - i) what competing products are available in the marketplace;
 - ii) the unique features of Cell Aqua's technology.

7. Summary of Information Sources

Information has been derived from 4 sources.

- i. Discussions with Cell Aqua directors, staff and site inspection from 4 – 7 January, 2005.
- ii. A range of reports, documents, data and a draft company prospectus provided by Cell Aqua.
- iii. Published scientific reports in peer reviewed journals.
- iv. Discussions with academics working with Cell Aqua on collaborative projects.

8. Cell Aqua Technology

Cell Aqua's technology is based on the concept of land based recirculation aquaculture systems (RAS) which is an aquatic food production method other than the use of ponds, flow through land based tanks or sea cages. There are a range of systems available on the market with varying performance capabilities. In general, RAS technology is applicable to the culture of both fin-fish and invertebrates found in either fresh or sea water environments. Essentially, RAS involve the recirculation of a significant proportion of the same water from the fish production tanks through a series of mechanical filters, solids concentrators, biofilters, sterilizers and oxygen injectors before being returned to the fish tanks at the appropriate temperature for optimum fish growth. Cell Aqua's technology, referred to as the EcoCell technology, is based on this principle with a number of modifications designed to meet specific market opportunities where there is a demand for fresh / live fish production close to the main markets.

The target species to which this report refers is Barramundi, *Lates calcarifer*. This species is considered to be well adapted to culture in RAS exhibiting good growth at high stocking densities. It is generally a robust species not overly sensitive to standard farming operations such as grading or culture conditions which might occasionally be sub-optimal. It is considered to have high culture potential in Australia particularly if producers diversify into a range of processed products to avoid the commodity label and manage to further reduce production costs through

increased efficiencies. There exist good export markets for fresh and live product.

9. The EcoCell Technology

This section discusses Cell Aqua's claims for its EcoCell technology, the supporting evidence and the consultant's response to such claims. According to Cell Aqua the EcoCell technology is a modular seafood production system:

9.1. that can be established anywhere in the world provided essential services are available

The EcoCell technology system benefits from the standard asset of RAS technology in that it allows Barramundi culture to be performed wherever the essential services of power, freshwater and waste disposal facilities are available. This includes brown field sites or sites unsuited to other forms of fish production and where potential conflict with other land users precludes aquaculture development using other production methods.

9.2. that allows for expansion of production to meet market demand.

The modular form of the EcoCell technology would allow for expansion through additional units to increase production at a specific site. The EcoCell technology could allow for diversification of the species base on one site assuming that the technology can be adapted to meet the environmental requirements of different species. The system could allow for flexibility of production in terms of the species base and market products in a competitive seafood market.

9.3. with innovative design and operational features for recirculation aquaculture

The EcoCell technology system does have a number of specific features that might be novel for RAS systems:

- i) Module approach extends the options for location of this technology in either purpose built or pre-existing buildings allowing for provision of seafood close to market a reality for Barramundi.

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- ii) The purpose built belt filters should reduce unitary costs for this component compared to available products on the market. Filter design should allow easier parts replacement and some construction materials could present fewer corrosion problems than those experienced with systems currently available when used under saline conditions. The use of mains freshwater for solids removal from the belt filter could present a saving in operational costs for individual filters compared to other models on the market using system water.
- iii) The combined UV and ozone injector system may present a novel approach to using these processes for water quality control.
- iv) The cellular approach allows for sequential stocking of different modules as the fish grow and are periodically graded as they approach market size.
- v) Compared to some commercial recirculation systems the EcoCell technology system is less complex in design and with appropriate technical and infrastructure support should offer opportunities to less experienced personnel to diversify into the seafood business for direct market supply.
- vi) The EcoCell technology system is applicable to coastal or inland regions where ambient climate conditions would not support Barramundi production.
- vii) Security of EcoCell technology units ensures that un-intentional release of non-endemic species to the environment is far less likely. This fact is particularly important where governments are striving to prevent the introduction of exotic species but wish to diversify the seafood production base.

9.4. that promotes optimal survival and growth, food conversion ratios and survival rates

Data was supplied for a number of individual batches of Barramundi produced for the market using the EcoCell technology. A well designed RAS farm

should achieve a minimum 90% survival from fingerling to market size fish although clearly there will be a degree of variation according to selected species. Survival of 95-97% in some commercial marine RAS farms is not unusual while cage farms can experience lower survival values of 75-85%. A mortality rate for Barramundi of less than 10% to market size under normal operating procedures was recorded using EcoCell technology. While Cell Aqua has previously experienced mortality rates higher than 10% this is not unexpected while the technology was being developed and the farm is experimenting with new approaches and equipment. Generally, RAS farms should be able to operate consistently at <6% mortality and such standards are usually achieved as experience is gained. According to data supplied EcoCell technology systems have produced batches of fish where mortality rates were below 6%.

Barramundi grown in an EcoCell technology system achieve weights of between 400-500g in about 6 months which meets expectations of the industry for this species (Tucker et al., 2002). In Europe, the potential of Cell Aqua to deliver the production technology for a euryhaline species like Barramundi that might compete with traditional species in terms of production characteristics in RAS may be an advantage. Certainly, in terms of growth rates the indications are that Barramundi may compete with the European sea bass in RAS farms.

The food conversion ratio is an indicative value of the efficiency with which administered feed is converted into fish flesh. It provides information to the farm operator on the effectiveness of the feeding strategy employed by the farm, the quality of feed and the impact of water quality on the efficiency of feed utilisation by the fish. Systems which support low mortality might also reflect improved food conversion ratios as shown by some production batches in the EcoCell technology systems. Food conversion ratio values of 1.48 to 0.86:1 (Williams et al. 2003), 1.5 – 1.8:1 (Glencross et al., 2003) and 0.98 to 1.08:1

at 26 – 29 °C (Glencross, 2004) have been reported in experimental trials with Barramundi. However, under commercial farm conditions food conversion ratios of 1.6 to 1.8:1 have been reported with commercially available feeds (Barlow et al., 1996) although under efficient, well designed farm conditions a food conversion ratio of 1.3:1.0 should be possible.

Cell Aqua has reported food conversion ratios below 1.1:1.0. Assuming this value is representative of normal operating efficiency with which feed is utilized by Barramundi in an EcoCell technology system then, apart from good husbandry, it emphasizes the suitability of this species to culture using recirculation technology.

9.5. that provides optimal conditions of temperature and oxygen supplies while removing toxic nitrite and ammonia

a) **Temperature**
The EcoCell technology comprises an insulated building with temperature control using air conditioners that allow the pumping of cooler night air to reduce daytime temperature increases. Heat exchangers control the temperature of air supplies to the biofilters. In general, optimal temperatures for Barramundi growth are believed to range between 26–29 °C (Glencross, 2004). In an RAS operating at high stocking densities approaching the upper maximum temperature of this range may not be advisable. The data supplied by Cell Aqua indicates that the EcoCell technology was capable of maintaining temperatures slightly below or within the optimum range indicated by Glencross (2004) for optimum Barramundi growth. This would be the ideal situation with regard to stock safety and optimal growth.

b) **Oxygen**
The EcoCell technology specification for dissolved oxygen (DO) concentration is 4 – 7mg/l. While the mean operating DO level for production batches was well within the specified system range DO levels did very occasionally decline slightly below 4mg/l. Cell Aqua intends

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to recommend use of circular tanks rather than the current 'D' – ended raceway design for commercial applications. This approach should facilitate optimal DO concentrations in commercial systems since circular tanks are better suited to removal of suspended solids which can influence bacterial activity and DO levels. In addition, it was also clear that Cell Aqua were actively making improvements to the biofilter design and operation which should also assist in improved management of water quality.

c) Nitrite

The EcoCell technology specification for system nitrite levels is $<10.0\text{mg l}^{-1}$. Nitrite levels recorded from production data supplied by Cell Aqua ranged between $0.1 - 1.2\text{mg l}^{-1}$ at salinities below 5ppm. One record of water nitrite concentration was measured at 1.5mg l^{-1} at the higher salinity of 26.6ppm. Consequently, the EcoCell technology system maintains nitrite levels within the range specified for the technology. In addition, since the system is operated under brackish water conditions ($<5\text{ppt}$ salinity) the existence of chloride ions in the water will also reduce any toxicity associated with the nitrite ions. It should also be emphasized that some of the higher nitrite readings (1.5mg l^{-1}) were recorded during experimental trial work rather than a commercial scale production period under normal operating procedures.

d) Ammonia

The EcoCell technology specifications for system ammonia levels is $<0.1\text{mg l}^{-1}$. According to data and information supplied by Cell Aqua ammonia levels do not exceed this upper limit during production indicating efficient biofilter operation within the EcoCell. With respect to Barramundi production in RAS the ability of the operator to physically manipulate water pH and salinity which both influence ammonia levels and greatly facilitates the practical protection of the stock from any ammonia increases in the event that such a problem develops.

e) Carbon dioxide

The EcoCell technology specification for

system carbon dioxide is $<25\text{mg l}^{-1}$. The EcoCell technology recorded operational levels were well within this range indicating efficient carbon dioxide stripping and removal from the system.

f) Nitrate

The EcoCell technology specification for system nitrate is $<200\text{mg l}^{-1}$. Data from production runs during 2004 / 05 confirm that the system was operating below this limit.

g) pH and salinity

pH and salinity control in the EcoCell technology is dependant on daily management by staff manipulating the levels of salt, freshwater and sodium bicarbonate added to each unit.

9.6. with secure operation at stocking densities up to 50kg m^{-3}

The production data made available by Cell Aqua demonstrates achievable stocking densities of between $42 - 48\text{kg m}^{-3}$ using EcoCell technology and this level is commensurate with densities achieved in some commercial freshwater recirculation farms for species other than Barramundi. Stocking densities of $40-50\text{kg m}^{-3}$ are considered suitable for Barramundi and the EcoCell technology system is able to support this species within this range under optimal water quality conditions.

9.7. with minimal water usage and loss associated with water purification

One of the most significant sources of water loss in RAS farms occurs during the purification of contaminated water from the fish production tanks. This is usually associated with protein skimmers in marine systems and the use of belt or drum filters for removal of solids $>50\mu$.

The belt filter developed by Cell Aqua uses a separate mains freshwater supply for removal of the solid waste from the nylon filter screens. This is clearly a saving in terms of avoiding water loss from the production system. Some RAS farms use system water for back flushing filters which can constitute a significant loss of energy

since this water will have been purified and possibly heated prior to entering the production system. EcoCell technology systems appear to replace only minimal amounts of system water on a daily basis. During freshwater ($<5\text{ppt}$) production operations Cell Aqua reports that less than 5% of system water is replaced daily.

A level of 5% or less daily water replacement is within the expected range that an efficient RAS farm would be expected to operate. The reported FCRs, growth rates and survival of Barramundi in the production system indicate that EcoCell technology is capable of supporting adequate conditions for culture of this species at the low rates of water replacement reported when system water quality and management is optimal.

9.8. that reduces opportunity for disease spread

The modular form of the EcoCell technology system may limit the immediate spread of disease between separate modules in the same building. However, disease organisms can travel via contaminated equipment, workers and aerosol methods. Consequently, elimination of disease transmission between modules in the same building cannot be guaranteed. However, where a larger production facility is sub-divided into a number of smaller units housed in separate buildings then disease transmission to the entire farm might be limited with strict husbandry controls.

Other than farm personnel, the most likely source of disease transmission to any RAS is via the fingerling supply from another hatchery. Cell Aqua has experienced such an event and the company has sensibly realised the necessity to become self-sufficient in fingerling supply thereby reducing the risks of inferior quality fingerlings entering future commercial operations.

Hygiene appeared good at Cell Aqua with foot baths containing clean disinfectant, high quality work-tops and facilities for footwear changes prior to entering the

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fish production room. EcoCell technology documentation indicates that make-up water is sterilised and air supplies for biofilter operation are both filtered and sterilised prior to entering the production tanks. Bacterial levels in the recirculating system were at levels normally detected in stable, well functioning RAS. Separate nets were being used for each module and the general internal and external appearance of the building was very clean and well maintained.

9.9. with no smell

Efficiently managed and well designed RAS farms are not generally associated with any obnoxious smells as is sometimes experienced with other production systems. This is due to the nature of RAS farms where waste water is rapidly processed, waste solids quickly removed from the farm and mortalities are generally at low levels. This fact is critical when units are to be located in rural or urban locations. No indications as to the nature of the activities at Cell Aqua could be detected immediately outside (or inside) the fish production units.

9.10. that does not require use of chemicals or antibiotics

The only chemicals seen to be used at Cell Aqua were sea salt for salinity control and sodium bicarbonate to maintain optimum pH levels. These are both normal operating procedures for RAS farms maintained at a salinity of 5ppt. It is a universal fact of RAS management that the continual recycling of water through biological filters causes a gradual decline in pH value which has to be buffered using bicarbonate. There was no indication of prophylactic medication of the stock observed during the visit to Cell Aqua. Visually, fish appeared in good health apart from some split fins but no sickly animals were observed. According to Barlow et al. (1996) Barramundi are reluctant to feed from the water surface. However, feeding activity in the EcoCell system could only be described as vigorous with fish feeding freely at the water surface. This is a positive sign of fish health and condition.

9.11. that virtually eliminates the risk of a complete system failure and hence massive stock loss.

Theoretically, system failure of EcoCell technology could occur either at an individual module level or at the entire EcoCell unit level through a mains power failure. The EcoCell technology system incorporates flow monitor alarms such that failure of water (and hence oxygen) supply to any individual tank is detected quickly over any 24h period. A complete system failure due to mains power failure is supported by automatic power generation via an on-site generator. The modular design of the system does reduce the risk to the entire farm stock in that no single water pump supports the whole farm production in any one building.

9.12. that has been designed to operate under salt water, freshwater or a combination of both to support culture of a range of seafood species

The majority of data supplied relating to EcoCell technology operation was based on production of Barramundi under conditions of freshwater or low salinity <5ppt. One report was provided describing attempts by Cell Aqua to grow Barramundi using EcoCell technology at higher salinities 5 – 28ppt. This study was not successful for reasons which were not conclusively identified by the research programme. The report proposed a number of potential possibilities to explain the results such as the quality of the salt used to raise the salinity in the production system and lower oxygen availability under saline conditions. Potassium deficiency in the salt used to raise the system salinity was considered to be a likely cause of the problem. The trial was repeated using sea salt (with normal potassium levels) to raise the salinity from 0ppt to 35ppt over a 2 week period. In this instance mortality was reported to be much reduced and the fish were marketed.

Barramundi is a euryhaline species functioning well under a range of salinities. The EcoCell technology supports production of this species under low saline

conditions (<5ppt). The taste of the final product was not reported to be effected by water salinity conditions. In addition, other commercially important species that Cell Aqua is considering for immediate exploitation using EcoCell technology are freshwater species.

10. Current Market Applications for Recirculation Technology

RAS technology is proving to be of particular relevance both in the hatchery and on-grow sectors. The relative importance of each sector for RAS technology tends to be regional. The application of RAS technology as applied to hatchery operations differs from that used for production of market size fish. The following discussion relates to the general application of RAS technology in terms of its ability to optimise fish production.

10.1. RAS and hatchery operation

10.1.1. The salmonid industry

In several countries such as Canada, Scotland and Norway recirculation technology has become well established as a tool for improving management, production and profits in the salmon industry. The use of recirculation hatcheries for smolt production and acclimation to saline conditions has played a critical role in ensuring that the smolt are ready at precisely the time when sea conditions are optimal for transfer to cages. In the marine sector, RAS technology has become crucially important in the expansion of the Mediterranean aquaculture industry.

10.1.2. Mediterranean marine fin-fish industry

Most European commercial hatcheries use recirculating water systems for all the different stages of Mediterranean fish rearing, from broodstock to fingerlings several grams in weight. Despite a higher initial investment relative to flow-through systems, this technology reduces production costs mainly because much less energy is required for heating and

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the survival rate of the fingerlings is much higher. The introduction of recirculation systems has sped up the development of reliable and cost effective hatcheries. Commercial pre-growing units with recirculating systems are now used to produce fish weighing several tenths of a gram at the end of the cold season. This increases the productivity of cage structures, offers the possibility of introducing the fish into less sheltered areas and improves attempts to meet market demand (Blancheton, 2000).

10.2. RAS and grow out to market size fish

RAS technology has already been proven for market production of some freshwater species but the real economic potential for marine species remains unclear although there is an increasing number of marine grow out units being constructed. This latter market will be more restricted until companies can consistently demonstrate the production economics of marine RAS.

11. Market Opportunities for Recirculation Technology

The demand for increased production of seafood has been combined with even more stringent demand for product traceability and environmental control over production techniques. Consequently, land based recirculation aquaculture is one area realising increased development. Current markets for the introduction of RAS technology include both new hatchery operations and the production of market size fish.

11.1. Fingerling production

World total demand for fish and fishery products is projected to expand by 49 million tonnes by 2015. Demand will be greatest in developing countries.

Aquaculture will have an increasing share of total production maybe as high as 40% and mariculture in the Asia-Pacific region will play an important role. Barramundi, the species under consideration for this report is included with a vast range of commercially important tropical marine

and freshwater species for which the supply of fingerlings to the ongrow sector in Asia-Pacific is severely limited.

In Asia, apart from the general demand for seafood supplies, specific markets like the live reef food fish (LRFF) trade offer attractive business opportunities for both market size fish production and the fingerlings needed to supply the end product. Recent estimates, based on declared imports of LRFF into Hong Kong alone, put the annual volume of trade into Hong Kong at 13-14,000 tonnes, with a retail value of approximately US\$400 million. As there is no requirement for the approximately 100 Hong Kong licensed live-fish transport vessels to declare imports entering Hong Kong by sea, these estimates are almost certainly lower than actual imports, which are more likely to be 15-20,000t annually (Sim, 2004). The total regional trade has been estimated to be as high as 30,000t per year (Sadovy et al. 2003). By 2010 seafood is expected to supply more than 50% of protein consumption per capita in China. Marine fish culture is relatively small in tonnage, but it is the fastest growing sector of the marine aquaculture industry. Culture of marine fish has been growing at an average rate of 27% a year since 1986.

Much of the fish culture in this region is based on wild caught supplies of fingerlings or supplies of sub-standard stock from poorly designed hatcheries. The greater use of RAS in hatcheries could make a significant contribution to improving production.

11.2. Market size fish production

In the seafood supply (market size fish) sector the general production technique using recirculation technology has potential to target markets for:

- i) Low volume satellite farms. A modular recirculation unit may support the concept of satellite farms supplying marketable Barramundi into centralised processing plants. This is the model established in

parts of Europe for eel production where agricultural farmers with insufficient experience to undertake large scale fish production in excess of 100tonnes are able to diversify from traditional meat production by constructing small eel production plants in existing agricultural buildings. Under the guidance and management of an experienced central farm which governs supplies of juvenile eels and controls processing the farmers are able to diversify agricultural farm income at a lower risk.

- ii) Production of fresh product close to niche markets such as the live fish trade for Asian markets within Europe and the US.
- iii) Exploitation of specific market opportunities for RAS technology in Asia in relation to the direct supply of live market size fish to the LRFF trade. For instance, the ability of Hong Kong to meet its domestic requirements for LRFF is increasingly limited. In the past two decades, the primary production from aquaculture (marine and freshwater) industry in Hong Kong has decreased from 9,500 metric tonnes in 1988 to 3,600 metric tonnes in 2003. Hong Kong remains the major destination for consumption of LRFF but of growing interest is the expanding market associated with increased incomes in mainland China.

12. The Importance of RAS Technology

There are several areas where the strictly controlled environment provided by recirculation aquaculture system technology can present improved opportunities for sustainable fish production:

- RAS promote opportunities for food production with reduced environmental impact. In a flow-through fish farm the water needed to produce 1kg of fish is around 200 - 300m³. After use the polluted water

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- is returned to the environment often without treatment. This traditional activity is generally profitable but with an environmental cost, and is today facing administrative restrictions in many regions. In a closed recirculation system up to 95% of the water may be recycled. Consequently, there is a significant reduction in water requirements.
- RAS allows collection of the solid farm waste which can then be recycled into value added products. This process is feasible irrespective of climate since there are high valuable products that can be produced for the leisure and farming industries irrespective of location.
 - RAS ensure a remarkable steadiness of all rearing parameters and offer the possibility to fix them at pre-determined species-specific values. This stability of water quality enables the fish density to be significantly increased and allows for controlled growth rates. This allows specific market demands to be targeted.
 - RAS permit a more humane slaughter of fish. The ability to use a rapid slaughter technique is advantageous for both ethical and flesh quality reasons.
 - RAS allow such a high level of control over the culture environment that implementation of a Hazard Analysis Critical Control Point (HACCP) plan is feasible. The gradually increasing pressure for "green" products has led to greater attention being devoted to rearing conditions and handling procedures (Muir, 1998). The implementation of a HACCP plan allows traceability, assists in the production of a safer product for the consumer and ensures a consistent marketable product (Muir & Bostock, 1994).
 - Greater system control promotes reduction of the risk factor. Cage and flow through systems are more susceptible to meteorological, pathological and ecological events.

- Sudden pollution incidents are also high risk factor for these culture systems.
- They provide a degree of isolation for the stock from the influences of the surrounding environment such as drought, cold winters, disease and changes in water quality due to pollution or algal blooms. Equally, properly designed and managed RAS prevent the escape of farmed stock and any pathogens to the wild.
 - Within reason RAS may be located at sites totally unsuitable for other forms of land based culture. These can include 'brown field' sites or locations nearer to the main markets.

13. Market Growth Drivers and Prospects.

13.1. Market demand for seafood and fingerling supplies.

There is a global demand to increase local aquaculture production of a diverse species range, involving minimal environmental impact, while meeting increasingly strict market demands for high quality and traceable seafood products. In many regions these factors support the concept of establishing RAS farms for market size fish production. The critical factors to consider in terms of the market and economics for RAS farms producing market size fish will include a range of factors according to target country, species and regional markets. Principal in these considerations will be the economies of farm size, ease and security of RAS operation and capital cost of construction for any particular RAS package. Coupled with the demand for improved supplies of seafood is the need for reliable fingerling supplies.

13.2. Economics of land based recirculation technology

Ultimately, it remains that fish production costs in RAS will be the critical factor in the uptake of this technology. Wilton & Boschman (1998) demonstrated that the real financial savings to be gained by the

salmon industry through implementation of RAS included reduction in costs for pumping water, heat loss, water surcharges and wastewater treatment. Although political and environmental forces were tightening the parameters of water use and limiting the geographical areas in which farmers could operate they concluded that it was the actual cost of production that was encouraging the industry to adopt RAS.

Similarly, in the marine sector Blancheton et al. (1996) compared the annual cost of producing 300 tonnes of sea bass in a RAS with a pump ashore flow through system. They demonstrated that the investment cost of the recirculating system was higher than traditional flow through farms due to the requirement of high quality insulated buildings for the production tanks. However, RAS allowed higher stocking densities and thermal control shortened the production cycle allowing controlled supplies to the market. This fact resulted in a drastic decrease of other investment items like rearing tanks and pumping stations. Blancheton (2000) reported 50% savings on heating costs alone using recirculation as opposed to flow through systems for sea bass production.

13.3. Competition in the RAS market

There are a number of RAS packages available on the European and American markets mostly targeting the on-grow sector although increasingly the technology is being applied to the hatchery production of fingerlings. While this is a highly competitive market there remain opportunities for new RAS technology that reduces production costs for identified species while maintaining high system security for livestock.

Some commercial freshwater RAS farms for the production of market size fish have been established for many years largely for the production of tilapia and European eel. Marine RAS farms are being built targeting high value flatfish species such as turbot and halibut which are unsuited to cage culture or species which simply demonstrate inferior growth in land

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based flow through systems. Increasingly, companies are realising the benefits of RAS for producing other species such as European sea bass in Europe, halibut in Canada and Kingfish in New Zealand. European sea bass have traditionally been farmed in the warmer parts of the Mediterranean where cage culture is the normal practice. In recent years, it has been demonstrated that this species may be farmed in RAS farms at near market locations where colder ambient environmental conditions would preclude traditional cage or pond culture.

RAS technology is specifically highlighted in the European aquaculture research programmes as an area for continued development indicating the level of support within the established aquaculture sector for RAS technology. However, it remains that apart from the freshwater sector commercial marine RAS farms producing market size fish have yet to break through the profitability barrier. An RAS system designed to produce a euryhaline species like Barramundi under low salinity conditions could possibly have a market advantage over more complex RAS systems designed specifically for marine species.

14. Specific Features of Cell Aqua technology.

14.1. Modular approach

The EcoCell technology units appear relatively simple to maintain and operate which could be a competitive market advantage for specific applications. The general appearance of the EcoCell technology system was a non-complex, self-contained modular unit which should be attractive to non-specialised sectors of the seafood market requiring supplies of live or fresh products particularly of high quality species like Barramundi.

14.2. The water purification system

One notable problem with many commercial marine and freshwater RAS farms is the inability of the technology to resolve the problem of the brown 'tea'

stained coloration of the water in the production tanks. This coloration develops due to the accumulation of specific metabolic by-products from the fish and a lack of knowledge about how such products should be removed. Unresolved, the staining effect reduces quality of the final product and limits production criteria in the RAS. Generally, the staining effect is resolved through improved system management using ozone (O₃) to break down the metabolic products.

The use of ozone by some aquaculturists is often avoided due to an inability to master its safe use in terms of ensuring fish health. Cell Aqua has succeeded in utilizing ozone in this respect to achieve clear system water conditions. It was noted that some of the 'D' ended raceway tanks with higher stocking densities at Cell Aqua did retain an extremely faint discoloration and some suspended particulate material circulated in the tanks. However, levels of suspended particulate material in the tanks at any particular time vary according to the feeding regime. The indicative levels observed were not considered detrimental to the health of Barramundi. The intended use of circular tanks in commercial applications should favor a more rapid suspended solids removal from the water.

14.3. Waste management

The technology utilised by EcoCell technology for dewatering the farm effluent solids was not seen in operation so a statement as to its efficiency can not be offered. The technical process was however fully explained and its potential noted. It was also noted that flocculants were required to improve efficiency of this solids dewatering approach and the additional cost to overall fish production is unclear. However, what is most important is that Cell Aqua has actually considered the problem of dealing with the solid waste produced by the farm. The dewatering of effluent waste from both freshwater and marine land based farms should not be considered a problem but a potential opportunity. There are numerous techniques available on the market for solids recycling and suited to each

particular farm environment or location. Both in the tropics and temperate regions techniques are available for recycling effluent waste from land based farms to produce value added products that can improve the economic viability of the core aquaculture business while eliminating the farm effluent problem (Heilskov & Holmer, 2001; Lanari & Franci, 1998).

14.4. Processing, research and development

Cell Aqua has approached the development of RAS with a fully integrated concept as to the essential requirements for successful aquaculture development. Some key points include:

- a. The company has implemented in-depth global studies into the markets for Barramundi both in terms of volume trade and the acceptability of fresh, live and processed products by the international market. Several value added products were sampled during the visit and these were considered excellent in taste, texture and presentation. The packaging of the products was attractive and highly striking.
- b. The company has realised the importance of being self-sufficient in fingerling supply. This is a critical development not only in terms of minimising fish production costs when using EcoCell technology for market size fish production but also in terms of ensuring consistency and quality of fingerling supply. In this respect, the company has established firm collaborative R & D programmes with commercially orientated academics capable of assisting the company with resolving real issues pertinent to the commercial production of Barramundi and other commercial species like Murray Cod and Golden Perch. These include the development of improved hatchery techniques for commercial fish species and refinement of diets specific to Barramundi culture.

9.0 INDEPENDENT AQUACULTURE EXPERT'S REPORT

15. Disclaimer

All due care has been taken in the analysis and interpretation of data supplied in this document. The statements and opinions contained in this report are provided in good faith and in the belief that they are not false or misleading.

To the maximum extent permitted by law, the consultant does not take responsibility, and expressly disclaims in any way whatsoever to any person in respect of Cell Aqua's Prospectus, including any errors or omissions therein, arising through negligence or otherwise however caused, other than this report.

The assumptions and predictions are provided on the clear understanding that any commercial action taken based on the accuracy of the estimates is a decision of the user of the information and is taken on a personal or an own risk basis. This document has been prepared to provide technical information only and does not represent investment advice.

16. Consent

The author of this report gives consent for this report to be included in the Prospectus by Cell Aquaculture Ltd and to be dated 22 April 2005.



Dr David J Fletcher
Independent Aquaculture Consultant
26 March 2005

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Australian Murray Cod

10.0 PATENT ATTORNEY'S AND TRADEMARKS REPORT

1. Introduction

This report on the patent and trade mark portfolio of Cell Aquaculture Ltd ("Cell Aquaculture") has been prepared for inclusion in a Prospectus to be dated on or about 22 April 2005 in connection with the issues of 25,000,000 shares at an issue price of 20 cents each.

The intellectual property of Cell Aquaculture, insofar as it relates to patents, is directed to an aquaculture system and, insofar as it relates to trade marks, is directed to aquaculture produce.

Wray and Associates act as patent and trade mark attorneys for Cell Aquaculture and have been requested to report on the present status of the intellectual property rights in respect of which it is acting for that company.

2. Cell Aquaculture Technology

The Cell Aquaculture technology, the subject of this report, is directed to an aquaculture system, and more particularly to an aquaculture system based on a sealed environment utilising a recirculating water treatment and filtration process involving both mechanical and biological filtration.

3. Patents – Background and Strategy

A patent is an exclusive monopoly granted to the owner of an invention for a period of 20 years (in most cases), subject to payment of renewal fees to maintain the patent in force. In return, the owner must fully disclose the invention in a patent document. As the holder of a patent gains a monopoly, owners are able to use patents to stop other parties using their patented technology and to thereby gain a significant competitive advantage.

Patents generally need to be obtained in each country where a monopoly is of interest. Whilst there is no such thing as a "World Patent", various international treaties exist so that priority from an initial patent application filed in one country is recognised in most other countries.

The initial application establishes what is known as a "priority date" for the invention. The priority date is the date from which "newness" of an invention is

judged. It is a fundamental requirement of the patent system that the invention must be "new" at the time of lodging the patent application. Newness in this sense is judged in relation to what was publicly known or used at the priority date of the application. In addition, an invention in respect of which patent protection is sought must also be "inventive" and comprise an advance over what was previously known.

If patent protection is to be pursued in a multitude of countries, it is common to proceed to the next stage by filing an international application under the Patent Cooperation Treaty (PCT).

The PCT system allows for a single patent application to be filed covering a multitude of PCT member countries. The PCT application itself does not mature into an international patent, but at the end of an International phase steps can be taken to file separate applications in any or all of the PCT member states designated in the original PCT application.

In each country in which a patent application is filed, the application is eventually subject to examination by the relevant patent authorities where it may undergo amendment and revision before a patent is granted.

In some instances, regional patent applications may also be filed designating countries for which protection is sought. In particular, a European patent application may designate countries which are members of the European Union and some other European countries. A European patent application is processed centrally and in a single language. If the application is ultimately successful following examination, it leads to grant of a European patent. The European patent is effectively a bundle of national patent rights in countries when it is made effective. The national patent rights need to be maintained and enforced separately in the individual countries.

Regional patent applications (including European applications) can be designated in PCT applications.

Patent applications often take three to five years, and sometimes even longer, before they are granted. Before grant, a patent application is considered to be "pending".

4. Cell Aquaculture Patent Portfolio

Cell Aquaculture has acquired its patent portfolio by virtue of a technology acquisition agreement dated 10 August 2001 between Cell Aquaculture (then known as Cell Technology Ltd), and Insulok Pty Ltd ("Insulok") as well as Perryman James Leach and Wendy Judith Leach.

The patent portfolio comprises three patent applications filed in the name of Insulok. The assignment of the patent applications to Cell Aquaculture will in due course be recorded at the respective patent offices.

Particulars of the patent applications appear in the table below:

Country	Application Number
Australia	2002/248973
Europe	02717846.6
USA	10/475,244

In the European application, the following countries have been designated:

Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Lichtenstein, Luxemburg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Each of the patent applications listed above derives from international application PCT/AU02/00481 filed on 18 April 2002, and has a priority date of 18 April 2001 established by Australian provisional patent application PR4472.

As part of the international phase of international application PCT/AU02/00481, an international preliminary examination report issued identifying that certain aspects of the agriculture system were new, although not sufficiently inventive to warrant patent protection. We do not necessarily share the view expressed in the international preliminary examination report, as we are of the

10.0 PATENT ATTORNEY'S AND TRADEMARKS REPORT

opinion that there is an aspect of the aquaculture system which could possibly provide the basis for patent protection, albeit of a limited nature. Each country will examine the respective application on its merits, and there will be an opportunity to argue the case in support of the patentability of the invention.

5. Cautionary Remarks

Examination of intellectual property rights is always complex and is an imprecise art.

Patents are normally granted only for inventions which are new and inventive, involving an advance over what was previously known. These concepts often involve a degree of subjective interpretation, and so there can be no assurance that patent applications will result in the grant of a patent following the examination process. In addition, there can be no assurance that any patent which is granted in a particular country will be valid and enforceable in that country. There are many grounds upon which a patent application may be refused and upon which a granted patent may be found invalid, including its technical interpretation and the technical interpretation of the prior art.

It should be noted that the grant of a patent does not necessarily entitle the patent owner to utilise the invention which is the subject of that patent. Examination of a patent examination only considers questions of novelty and obviousness of the invention, and does not consider the issue of infringement. It is possible for an invention for which a patent has been granted to also infringe an earlier patent which is in force. If this is the case, the patent owner may have patent rights but may not be entitled to utilise the invention until such time as the earlier patent is no longer in force.

The scope of patent rights may not necessarily be sufficient to deter competitors, as there may be commercially feasible alternatives, or the scope may be narrowed during the application process to an extent that protection ultimately afforded may not be sufficient to deter competitors.

6. Trade Marks

Cell Aquaculture is the owner of various trade marks, and is applying for, or has obtained registration, of those trade marks in various jurisdictions, particulars of which are set out below:

Country	Mark	Number	Classes	Status
Australia	ECO-STAR	897544	29,31	Registered
Australia	ECOCELL	919128	29,31	Registered
Australia	CELL	1043532	11,29,31	Pending
Australia	Fish logo	1043531	29,31	Pending
Germany	ECO-STAR	829220	29,31	Pending
Germany	ECOCELL	829221	29,31	Pending
India	ECO-STAR	136865	29,31	Pending
Ireland	ECO-STAR	829220	29,31	Pending
Ireland	ECOCELL	829221	29,31	Pending
Malaysia	ECO-STAR	4013378	31	Pending
Malaysia	ECO-STAR	4013379	29	Pending
Poland	ECO-STAR	829220	29,31	Pending
Poland	ECOCELL	829221	29,31	Pending
United Kingdom	ECO-STAR	829220	29,31	Pending
United Kingdom	ECOCELL	829221	29,31	Pending
USA	ECOCELL	829221	29,31	Pending

Of the applications listed above, those designated by numbers 829220 and 829221 are applications made under the Madrid Protocol concerning the International Registration of Marks.

The trade marks CELL and the FISH logo are the subject of Australian trade mark applications filed on 24 February 2005. Under the provisions of an international arrangement, known as the Paris Convention, there will be an opportunity for Cell Aquaculture to file corresponding applications in various other countries and regions of interest within six months of the Australian filing date. If corresponding applications are filed in other countries of interest within the six months, then the foreign applications will take the benefit of the priority date of 24 February 2005 established by the Australian applications.



WRAY
& ASSOCIATES

Integrity — Through Trust

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Telephone + 61 8 9216 5100

10.0 PATENT ATTORNEY'S AND TRADEMARKS REPORT

7. Declarations

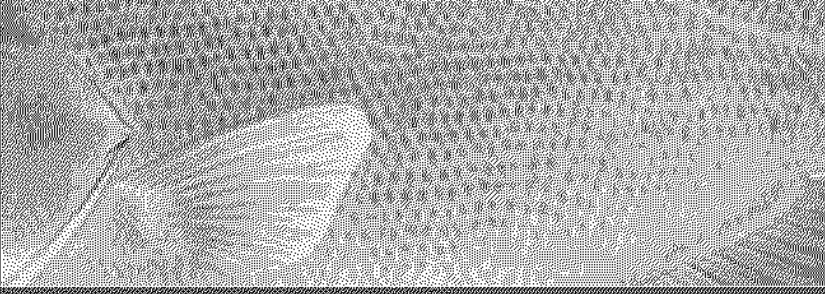
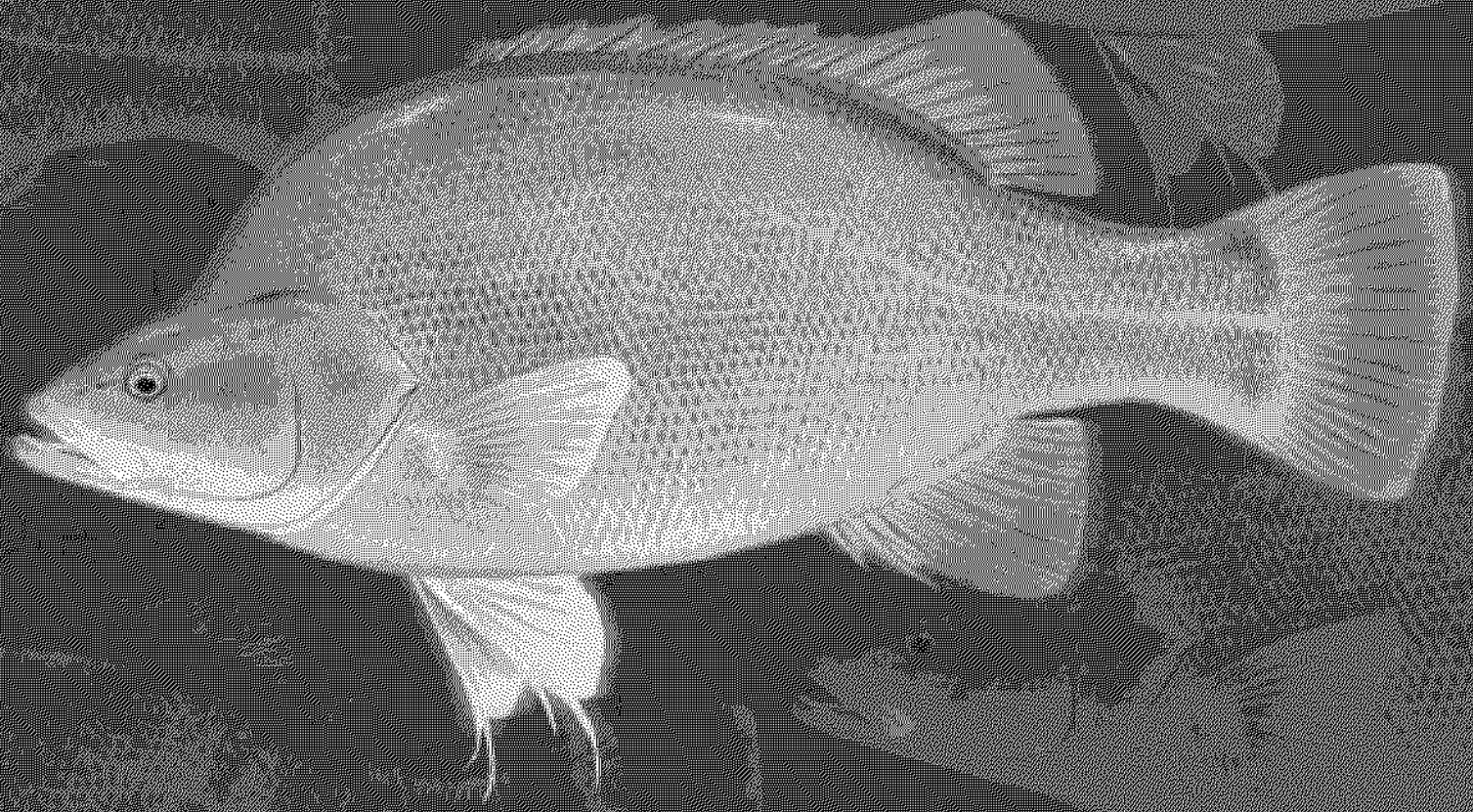
Intending investors should consult their own professional advisers for independent advice as to whether an investment in Cell Aquaculture pursuant to the Prospectus is appropriate for their individual circumstances. The future success or financial returns associated with acquiring shares pursuant to this Prospectus will depend upon the success of the research and development work, operational, technical, managerial, financial, taxation, legislative, market forces and other variables which are outside the scope of this report. We have not been requested to consider or evaluate these matters and have not done so. Intending investors should also note that:

- (i) the involvement of Wray & Associates in the preparation of this Prospectus is limited solely to the preparation of this report;
- (ii) Wray & Associates and the writer have no interest in Cell Aquaculture, however, Wray & Associates will be paid normal commercial fees for the preparation of this report and any other services provided to Cell Aquaculture in the future;
- (iii) the giving of our consent to the inclusion of this report in this Prospectus should not be taken as an endorsement of Cell Aquaculture or its technologies or a recommendation by Wray & Associates of the merits of any investment in Cell Aquaculture; and
- (iv) Wray & Associates gives no assurance or guarantee whatsoever in respect of the future success or financial returns associated with the acquiring the shares being offered pursuant to this Prospectus.

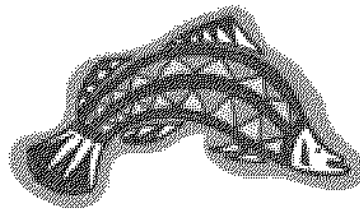
Yours sincerely
WRAY & ASSOCIATES



John King
19 April 2005



Australian Golden Perch



11.0 RISK FACTORS

11.0 RISK FACTORS

In any investment, risks associated with the Company are present. Careful consideration should be given to those risks that are raised in this Prospectus, prior to making a decision to invest. Some of the risks can be managed, while others are outside of the control of the Company and cannot be managed. Investors should consider the risks raised in this Prospectus prior to deciding to apply for Shares in the Company.

The following outlines the risks that the Directors feel should be considered and is not exhaustive.

11.1 KEY PERSONNEL

The Company has dedicated personnel in its Facility. However, there is a risk that trained personnel may leave for whatever reason and the loss of these individuals could impact on the development, expansion and financial success of the Company.

11.2 EXCHANGE RATE RISK

Payments for equipment, licenses and Fingerlings are based in Australian dollars and the exchange rate is constantly changing between countries, thus future revenue streams cannot be accurately predicted.

11.3 INTELLECTUAL PROPERTY

The Company regards its patents (under application), copyrights, trademarks and trade secrets as important. While the Company relies on patents and copyright law, trade secret protection and duties of confidence with its key personnel and other third parties to protect its intellectual property rights, steps the Company takes to protect its intellectual property rights may be inadequate. Thus, unauthorised use of the Company's intellectual property and system may have an adverse effect on the financial success of the Company.

11.4 MARKETING RISK

Even though the EcoCell™ system has been developed over the last seven years, there has been no outright sale of the system. The Company is managing this risk by formulating a marketing strategy involving entering into joint ventures with partners in targeted countries (and has entered into heads of agreement to enter into joint ventures in The Netherlands, India and USA). Whilst fish produced in the EcoCell™ system have been successfully taste tested in countries targeted for the EcoCell™ system, any one or all of the targeted consumer markets generally or environmental lobby groups may disagree with market results to date which would have an adverse affect on the perceived value of the fish.

11.5 ECONOMIC FACTORS

Economic factors such as currency exchange, inflation, interest rates, levels of taxation, supply and demand variables, industrial disputation affect the operational costs, fish prices and distribution. While the EcoCell™ system minimises this process, the Company's future revenue streams and hence Share price may be affected by such factors beyond the control of the Company.

11.6 RAW MATERIALS

The interruption of the supply of Fingerlings to an EcoCell™ system in Australia or overseas would prove a risk to the Company. The planned production of a hatchery for Fingerlings will seek to minimize this risk, however, in the event of an interruption of supply the Company may be forced to draw on other hatcheries to obtain Fingerlings supply. The Company cannot guarantee the availability of supply of Fingerlings. Further, the Company is exposed to the risks associated with transporting Fingerlings within Australia and to overseas countries. An adverse event causing the interruption on supply of Fingerlings may detrimentally impact on the Company's financial performance.

Interruption to feed supplies to any of the Company's joint ventures may have a negative impact on the financial results of the Company. To mitigate against this, a back-up crisis management programme will be implemented under the Quality Control System detailing alternate feed suppliers and auditing the primary supplier.

11.7 GOVERNMENT POLICY CHANGE

The policy of governments in countries around the world change over time. The Company recognises such changes, and although working with various government departments changes in government policy are beyond the control of the Company and may have an impact on aquaculture.

11.8 PRODUCTION RISK

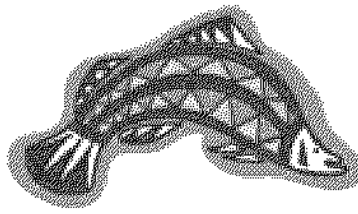
In some instances, the Company will rely on other parties to achieve the stated production from the EcoCell™ system. While all endeavours will be made to train prospective customers in fish handling (including purchasing of consumables), supply operating manuals and to offer after hours support, the Company cannot guarantee that disease, infection and interruption to consumables supply will not affect production optimisation. Such events would detrimentally impact on the Company's financial performance.

11.9 FINANCING REQUIREMENTS

The Directors expect that the proceeds of the Offer will provide sufficient capital to allow the Company to meet its stated objectives. However, the Directors believe that future borrowings or capital raising (which cannot be guaranteed by the Company) may be necessary to capitalise on market expansion.

11.10 APPROVALS

The Company has investigated the requirements (including quarantine requirements) relating to Fingerling movement into many countries to



11.0 RISK FACTORS

enable the EcoCell™ system to operate. However, there is a risk that the Company (or potential joint venturer or licensee) does not have or cannot obtain all necessary permits and or approvals to comply with all regulatory requirements in the overseas countries targeted by Cell Aquaculture which would impact on the operation of the EcoCell™ system in such country.

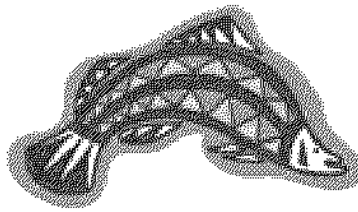
11.11 PRODUCT LIABILITY INSURANCE

The sale and supply of the EcoCell™ system generally is likely to require product liability insurance. A failure to obtain, or have available to it, such necessary and any other appropriate insurance coverage is a risk which may detrimentally impact on the Company.

11.12 GENERAL RISKS

Such factors as taxation and accounting practices, government legislation or intervention, terrorists, natural disasters, environmental damage or pollution, social upheaval and war may affect the prices of product and or equipment. As a result the Company's revenue flow may be affected by what is beyond the control of the Company. Furthermore, general movements in the world stock markets and general economic conditions, both locally and globally may affect the Company's share price.





12.0 ADDITIONAL INFORMATION

12.1 SUMMARY OF MATERIAL CONTRACTS

In the opinion of the Directors, the contracts summarised below together with the executive services agreement referred to in Section 12.5 are material to the terms of the Offer and the operations of the Company's business and as such are believed to be relevant to potential investors in the Company.

(A) Dutch Joint Venture – The Netherlands (50% Cell, 50 tonne per annum facility)

Cell Aquaculture entered into a Heads of Agreement with a private company based in The Netherlands dated 14 January 2005 to establish a Joint Venture in The Netherlands.

Cell Aquaculture has also entered into an Agency Agreement with a related company of the proposed joint venture partner to be appointed as its sales and marketing agent in The Netherlands (see Section 12.1(F)).

The President of the proposed Dutch joint venture partner visited Cell Aquaculture's Fremantle operations in January 2005, accompanied by his legal and accounting advisors and his operations manager who undertook the initial training program.

The key terms of the Heads of Agreement for the Dutch Joint Venture are:

- (a) that the parties will incorporate a joint venture company in The Netherlands for the purposes of operating the land based aquaculture system developed by Cell Aquaculture. A newly incorporated Dutch based company will be used for this purpose and Cell Aquaculture will hold 50% of the issued capital of the joint venture company for the purposes of the Joint Venture;
- (b) that the parties will negotiate and execute a formal shareholders deed embodying the commercial terms of the joint Venture and setting out how the joint Venture will manage its affairs and carry on its business (Shareholders Deed), the terms of which were substantially agreed under the Heads of Agreement; and
- (c) the obligations of the parties are conditional upon both parties obtaining funding of a satisfactory amount (to be determined by each party in their reasonable discretion) for the purposes of fulfilling their obligations under the Shareholders Deed, such condition to be met on or before 30 June 2005.

(B) United States Joint Venture - East Coast (50% Cell, 50 tonne per annum facility)

Cell Aquaculture has entered into a Heads of Agreement with a private company based in the United States dated 7 February 2005 to establish a Joint Venture on the East Coast of the United States of America.

Cell Aquaculture has also entered into an Agency Agreement with a related company of the proposed joint venture partner to establish a sales and marketing outlet in the South East of the USA (see Section 12.1(F)).

Considerable market feasibility, financial modelling and pricing studies have taken place for this venture over the past six months. A number of potential sites have now been identified and applications for all necessary approvals are currently being compiled.

The key terms of the Heads of Agreement for the East Coast of the United States Joint Venture are:

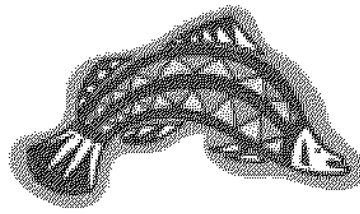
- (a) that the parties will incorporate a joint venture company in the United States for the purposes of operating the land based aquaculture system developed by Cell Aquaculture. Cell Aquaculture will hold 50% of the issued capital of the joint venture company for the purposes of the Joint Venture;
- (b) that the parties will negotiate and execute a formal shareholders deed embodying the commercial terms of the Joint Venture and setting out how the Joint Venture will manage its affairs and carry on its business (Shareholders Deed), the terms of which were substantially agreed under the Heads of Agreement; and
- (c) the obligations of the parties are conditional upon both parties obtaining funding of a satisfactory amount (to be determined by each party in their reasonable discretion) for the purposes of fulfilling their obligations under the Shareholders Deed, such condition to be met on or before 30 June 2005 unless extended by the parties.



West Coast - USA Joint Venture.



The Netherlands Joint Venture.



12.0 ADDITIONAL INFORMATION

(C) Indian Joint Venture (50% Cell, 50 tonne per annum facility)

Cell Aquaculture has entered into a Heads of Agreement dated 26 January 2005 to establish a joint Venture in India.

Cell Aquaculture has also entered into an Agency Agreement with a related company of the proposed joint venture partner to establish a sales and marketing outlet in India and Malaysia (see Section 12.1(F)).

A long relationship has been developed with Cell's Indian Joint Venture partner, who is an Indian businessman, with strong business ties also into Bangladesh, Sri Lanka and Malaysia.

The key terms of the Heads of Agreement for the Indian joint venture are:

- (a) that the parties will incorporate a joint venture company in India for the purposes of operating the land based aquaculture system developed by Cell Aquaculture. Cell Aquaculture will hold 50% of the issued capital of the joint venture company for the purposes of the Joint Venture;
- (b) that the parties will negotiate and execute a formal shareholders deed embodying the commercial terms of the Joint Venture and setting out how the Joint Venture will manage its affairs and carry on its business (Shareholders Deed), the terms of which were substantially agreed under the Heads of Agreement; and
- (c) the obligations of the parties are conditional upon both parties obtaining funding of a satisfactory amount (to be determined by each party in their reasonable discretion) for the purposes of fulfilling their obligations under the Shareholders Deed, such condition to be met on or before 30 June 2005 unless extended by the parties.

(D) United States Joint Venture - West Coast (50% Cell, 50 tonne per annum facility)

Cell Aquaculture has entered into a Heads of Agreement dated 3 March 2005 to establish a joint Venture in the West Coast of the United States of America.

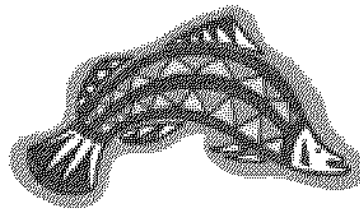
Considerable market feasibility, financial modelling and pricing studies have taken place for this venture over the past six months. A number of potential sites have now been identified and applications for all necessary approvals are currently being compiled.

The key terms of the Heads of Agreement for the West Coast of the United States joint Venture are:

- (a) that the parties will incorporate a joint venture company in the United States for the purposes of operating the land based aquaculture system developed by Cell Aquaculture. Cell Aquaculture will hold 50% of the issued capital of the joint venture company for the purposes of the Joint Venture;
- (b) that the parties will negotiate and execute a formal shareholders deed embodying the commercial terms of the Joint Venture and setting out how the Joint Venture will manage its affairs and carry on its business (Shareholders Deed), the terms of which were substantially agreed under the Heads of Agreement; and
- (c) the obligations of the parties are conditional upon both parties obtaining funding of a satisfactory amount (to be determined by each party in their reasonable discretion) for the purposes of fulfilling their obligations under the Shareholders Deed, such condition to be met on or before 3 June 2005 unless extended by the parties.



Discussions with potential EroCell licensees



12.0 ADDITIONAL INFORMATION

(E) Agreement with James Cook University

By an agreement dated 9 October 2004 between Cell Aquaculture and James Cook University (Townsville, Queensland), the parties agreed to the development and implementation of a research hatchery for Barramundi. The research program is to develop a research hatchery in Townsville and conduct experiments as to bio-security of hatchery supply and also to investigate the performance of fertilised eggs of barramundi, larval barramundi and juvenile barramundi in response to transport stress, using simulated transport. The project is anticipated to be completed in June 2005.

Pursuant to the agreement with James Cook University, the ownership of all intellectual property (including any invention, discovery, method or process of manufacture, drawing or design, patent or right to apply for a patent, copyright or rights in the nature of copyright) which arises in the course of the research project, including reports, shall be retained by James Cook University. However, James Cook University grants to Cell Aquaculture an irrevocable royalty free worldwide and non-exclusive licence to reproduce in any manner the contents of any report furnished by James Cook University to Cell Aquaculture in the course of the research project.

(F) Agency Agreements

Cell Aquaculture has entered into Agency Agreements covering the indicated territories:

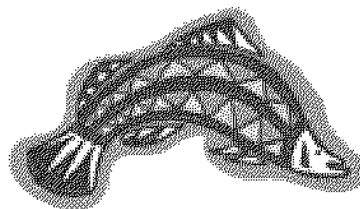
Expiry of Term	Territory
30 June 2006	India & Malaysia (exclusive)
30 June 2006	The Netherlands, Germany, Belgium, Luxemburg (exclusive)
30 June 2006	Southern USA (non-exclusive)
30 June 2006	East Coast USA (exclusive)
30 June 2005	Singapore, Thailand (non-exclusive)
8 June 2005	Western Canada (provinces of British Columbia, Alberta, Manitoba and Saskatchewan) (exclusive)

The Agency Agreements are on usual commercial terms for the purposes of the Agent offering the land based aquaculture operation developed by Cell Aquaculture (Licensed Production Facility) for sale, within the designated territory as set out in the relevant Agency Agreements, as goods manufactured or sourced by Cell Aquaculture, according to Cell Aquaculture's marketing documentation, specifications, prices and terms and in accordance with any sample or model supplied by Cell Aquaculture. The agreements provide that Cell Aquaculture will pay a commission to the Agent upon an introduced customer making payment for a Licensed Production Facility on specified commercial terms. The Agent must use its best endeavours to promote the sale of the Licensed Production Facility within the designated territory and enhance the reputation of both the Licensed Production Facility and Cell Aquaculture as the creator of the Licensed Production Facility and Cell Aquaculture may in its absolute discretion accept or reject any offers from prospective customers to acquire a Licensed Production Facility. Either the Agent or Cell Aquaculture may terminate the agreement by written notice within 30 days of the end of the term and Cell Aquaculture may terminate the agreement by giving 4 weeks notice or if the Agent commits a breach of the agreement, becomes a bankrupt or is guilty of conduct which in Cell Aquaculture's opinion is prejudicial to Cell Aquaculture's interests. If the agreement is terminated (other than for gross negligence or misconduct) Cell Aquaculture will pay all commissions earned by the Agent as a result of a customer being introduced by the Agent to Cell Aquaculture during the term of the agreement for a period of 12 months after termination.

(G) Consultancy Agreement with Intaqt

By agreement dated 14 March 2005, the Company and Intaqt Pty Ltd agreed that Intaqt would provide aquaculture consultancy services to the Company on the following key terms:

- for the provision of services to the Company via Intaqt being appointed as a member of the Company's Aquaculture Advisory Committee. Intaqt's role on this Committee will be fulfilled by at least one of Intaqt's directors being available to sit on this Committee, as required from time to time, to a maximum of 8 hours per month of consultancy services;
- the appointment is for a one year term. A monthly retainer fee of \$1,000 is to be paid to Intaqt monthly in arrears;
- either party may terminate this appointment by giving 2 months notice in writing;
- should the Company require Intaqt to provide consultancy services in relation to a special project, the scope for such services will be separately defined and the fees for such consultancy services will be agreed in writing between the parties based on Intaqt's standard consultancy terms.



12.0 ADDITIONAL INFORMATION

(H) Share Restriction Agreements

As a condition of the Company gaining admission to the Official List, certain of the securities issued by the Company are likely to be classified by ASX as "restricted securities" and will be required to be held in escrow for varying periods. The maximum period will be 2 years from the date of Official Quotation. At the date of this Prospectus, the number of securities that will be required to be held in escrow and the relevant escrow periods are unknown.

The escrow provisions might apply to the existing Shareholders and other holders of securities that are "related parties" or "promoters" of the Company for the purposes of the ASX Listing Rules. ASX may review these requirements during consideration of the Company's application for admission to the Official List.

As at the date of this document, the Company considers it likely that share restriction agreements will be entered into prior to listing on ASX, the effect of which (in aggregate) will be:

Parties to Restriction Agreements	Total Shares held	Restricted Shares	Restriction Period – from the date of listing on ASX
Pre-IPO investors who are not "related parties" or "promoters" of the Company	40,968,612	2,704,128	various
Pre-IPO investors who are "related parties" or "promoters" of the Company	42,575,369	41,401,936	24 months
New IPO investors and certain pre-IPO investors not subject to escrow	34,165,625	Nil	Nil
Total Shares on issue at completion of Offer (assuming Minimum Subscription)	117,709,606	44,106,064	

(I) Employment agreements

Cell Aquaculture has employed its key personnel based on standard commercial employment terms. The company has entered into an employment relationship with Peter Gerald Burns, Marketing Manager, and Quenton Leach, Operations Manager, (both of whom are also related parties to the company) for a fixed 1 year term deemed to commence on the date of Official Quotation.

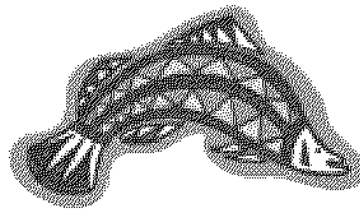
12.2 SUBSTANTIAL SHAREHOLDERS

The Directors expect that the substantial shareholders of the Company will be as follows, assuming that the Minimum Subscription of 25,000,000 Shares are issued under the Offer and the relevant parties do not participate in the Offer (although it should be noted that these parties are not restricted from selling their Shares prior to the Official Quotation Date or participating in the Offer):

Substantial Shareholder	Relevant interest in Shares	Percentage interest post completion of Offer
Jarq Holdings Pty Ltd*	17,070,001**	14.5%
Brian Featherby	9,429,000**	8.0%
Peter Joseph Burns	9,176,668**	7.8%
Strata Mining Corporation Limited	9,165,625	7.8%

* Jarq Holdings Pty Ltd is a company associated with Mr Perryman Leach

** All of these shareholdings will be escrowed for 24 months from the Official Quotation Date.



12.0 ADDITIONAL INFORMATION

12.3 COMPANY TAX STATUS

The Directors expect the Company will be taxed in Australia as a public company.

12.4 LITIGATION

The Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any proceedings pending or threatened against the Company.

12.5 INTERESTS OF DIRECTORS

Directors Shares & Options Holding

At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company is as follows:

Director	Shares(1)	Options(2)
Mr Lee Boyd	nil	nil
Mr Perryman Leach	17,070,001	3,535,000
Mr Peter Burns	9,176,668	2,614,500
Dr David Thomas	1,330,000	445,000

Notes:

(1) The Directors may subscribe for Shares under this Prospectus.

(2) Mr Lee Boyd, Mr Peter Burns & Dr David Thomas will each, upon the successful listing of the Company's Shares on ASX, be issued 1,000,000 Options to subscribe for Shares at an exercise price of 35 cents each on or before the date which is 3 years after the date of issue, being the Official Quotation Date.

Directors' Remuneration

The names and descriptions of the Directors of Cell Aquaculture are set out in Section 5 of this Prospectus.

Non-executive Directors fees to be paid by Cell Aquaculture following admission of the Company to the Official List, will not exceed \$200,000 in aggregate per annum. These fees have been approved by the Company in a general meeting on 21 December 2004. The non-executive Directors will, following admission of the Company to the Official List, be paid \$40,000 each per annum in directors' fees.

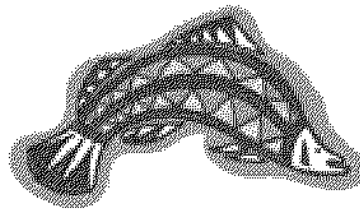
A Director may be paid fees or other amounts if the Directors' so determine where a Director performs special duties or otherwise perform services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties. Mr Boyd and Dr Thomas have performed special consulting services to the Company in relation to this Offer and have been compensated at normal commercial rates on an hourly basis for these services.

In addition to the non-executive Directors' fees disclosed above, the following executive service arrangement has been entered into:

Perryman Leach Executive Service Agreement

The Company has entered into an executive services agreement with Mr Perryman Leach dated 21 April 2005 under which the Company and Mr Leach have established an employment relationship for a 1 year term deemed to commence on the date of Official Quotation, with a 1 year option to extend granted to the Company. Mr Leach is employed as Managing Director of the Company and is required to undertake the duties and perform the functions with respect to the business conducted by the Company. From the date of Official Quotation, Mr Leach will be remunerated \$150,000 per annum, inclusive of superannuation and other entitlements. The Company may terminate the agreement for cause or by giving 1 months' notice to Mr Leach.

Prior to Official Quotation, Mr Leach has been paid fees for consultancy services provided to Cell Aquaculture.



12.0 ADDITIONAL INFORMATION

Directors Interests

Other than set out above or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its promotion or formation or the Offer; or
- (c) the Offer.

Except as set out above, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Directors:

- (a) to induce them to become, or to qualify them as, a Director;
- (b) for services rendered by them in connection with the formation or promotion of the Company or the Offer; or
- (c) it shall be noted that Mr. Perryman Leach through his private company Insulok Pty Ltd has within the 2 years before lodgement of this Prospectus received payments totalling \$286,947.28 as the balance of consideration for the sale of intellectual property and plant necessary for the commercial development of EcoCell™ to Cell Aquaculture. Cell Aquaculture has fully completed this acquisition agreement and thereby acquired title to the relevant assets.

12.6 INTERESTS OF PERSONS NAMED

Other than set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or broker to the Company has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;

- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- the Offer;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by them in connection with the formation or promotion of the Company.

Horwath Securities (WA) Pty Ltd has been appointed as Independent Accountant for the purposes of this Offer for which it will receive professional fees of approximately \$5,000 for accounting services in connection with this Prospectus, including the provision of the Independent Accountant's Report.

Q Legal has acted as solicitors to the Company in providing general advice in relation to this Prospectus and will receive professional fees of approximately \$50,000.

Wray & Associates will receive professional fees of approximately \$3,500 for the provision of the Patent Attorney's Report.

Dr David Fletcher has been paid professional fees of approximately \$22,000 for the provision of the Independent Aquaculture Expert's Report.

Hayes Knight GTO Pty Ltd has been appointed as financial adviser to the Company and has provided general advice in relation to this Prospectus including conducting financial due diligence and will receive professional fees of approximately \$15,000.

Advanced Share Registry Services as the Company's Share Registry, will be paid approximately \$4,000 in relation to the Offer.

The amounts disclosed above are exclusive of any goods or services tax payable by the Company in respect of those amounts.

12.7 CONSENTS

Each of the parties referred to in this Section 12.7:

- (a) does not make, or purport to make, any statement in this Prospectus, other than as specified in this Section 12.7; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 12.7.

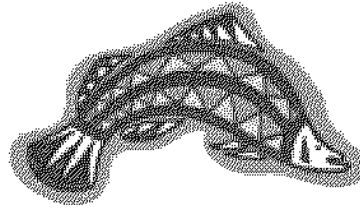
Horwath Securities (WA) Pty Ltd has given its written consent to the inclusion in this Prospectus of its Independent Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before the lodgement of this Prospectus with ASIC.

Wray & Associates has given its written consent to the inclusion in this Prospectus of its Patent Attorney's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Dr David Fletcher has given his written consent to the inclusion in this Prospectus of his Independent Aquaculture Expert's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to lodgement of this Prospectus with ASIC:

- (a) Horwath Securities (WA) Pty Ltd, as the Company's independent Accountant;
- (b) Horwath Audit (WA) Pty Limited, as the Company's Auditor;
- (c) Wray & Associates, as the Patent Attorney;



12.0 ADDITIONAL INFORMATION

- (d) Q Legal, as the Company's Solicitors for the Offer;
- (e) Hayes Knight GTO Pty Ltd and Alan Thomas as the Company's financial adviser;
- (f) Intaqt – Integrated Aquaculture, as a member of the Aquaculture Advisory Board and as the Company's aquaculture consultants, and each of the nominated personnel of Intaqt named in Section 5;
- (g) Ian Gregory as a consultant and the Company Secretary;
- (h) Advanced Share Registry Services, as the Share Registry to Cell Aquaculture;
- (i) Dr David Fletcher, as the Independent Aquaculture Expert; and
- (j) Mr Warren Mead, as a promotional consultant.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

12.8 RIGHTS ATTACHING TO SHARES

There is only one class of share on issue in the Company being fully paid ordinary shares. The rights attaching to Shares are:

- (a) set out in the Constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is by no means exhaustive and does not constitute a definite statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank *pari passu* with the Company's existing Shares.

Voting

Subject to any restriction on voting imposed due to a breach of the Listing Rules relating to restricted shares or any escrow agreement entered into by the Company and a member, every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every one Share held by him or her, but, in respect of partly paid shares, shall have a fraction of a vote for each partly paid share.

A poll may be demanded before a vote is taken, or before or immediately after the declaration of the result of the show of hands by the Chairperson of the meeting, by at least five Shareholders present in person or by proxy, attorney or representative, or by one or more Shareholders who are together entitled to not less than five percent of the total voting rights of all those Shareholders having the right to vote on the resolution.

Dividends

Dividends are payable out of the Company's profits and are declared by the Directors. Dividends declared will (subject to the rights of the Shareholders and to the right of the holders of any share created or raised under any special arrangement or as to dividend) be payable on the Shares in accordance with the Corporation Act.

Transfer of Shares

A Shareholder may transfer Shares by market transfer in accordance with any computerised or electronic system established or recognised by ASX or Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors. The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted by the Listing Rules or the ASTC Settlement Rules.

The Company must comply with such obligations as may be imposed on it by the Listing Rules and where appropriate the ASTC Settlement Rules in connection with any market transfer and may not prevent, delay or in any way interfere with the registration of a market transfer where to do so would be contrary to the provisions of any of the Listing Rules or ASTC Settlement Rules.

Meetings & Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Winding Up

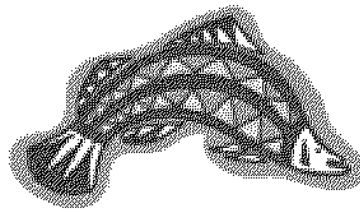
The Company has only issued one class of Shares, which all rank equally in the event of liquidation. A liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholders of the Company can be compelled to accept any Shares or other shares in respect of which there is any liability.

Shareholder Liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The Company's Constitution can only be amended by a special resolution passed by a least three quarters of Shareholders



12.0 ADDITIONAL INFORMATION

present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List, notwithstanding anything in the Constitution of the Company, if the Listing Rules prohibit any act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

12.9 TERMS & CONDITIONS OF SEED CAPITAL OPTIONS

The rights attached to Seed Capital Options ("Seed Capital Options") are as follows:

- (a) The Seed Capital Options shall expire at 5pm WST on 30 June 2005 ("Expiry Date").
- (b) Each Seed Capital Option is a right in favour of the Option Holder to subscribe for one Share.
- (c) The Seed Capital Option Holder may exercise a Seed Capital Option anytime prior to the Expiry Date.
- (d) A share allocated to a Seed Capital Option Holder on exercise of a Seed Capital Option shall be issued at 35 cents each ("Exercise Price").
- (e) The Exercise Price shall be payable in full upon exercise of the Seed Capital Option.
- (f) A Seed Capital Option shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Seed Capital Option Holder to:

- (i) exercise all or a specified number of Seed Capital Options; and
- (ii) pay the subscription monies in full for the exercise of each Seed Capital Option.

The notice must be accompanied by a certificate in respect of the Seed Capital Options and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Seed Capital Options shall not affect the rights of the Seed Capital Option Holder to the balance of the Seed Capital Options held by the Seed Capital Option Holder.

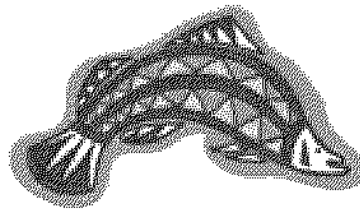
- (g) The Company shall allot a resultant Share and deliver the holding statement within five Business Days of the exercise of a Seed Capital Option.
- (h) If the Company is admitted to the Official List it will not apply for Official Quotation of the Seed Capital Options.
- (i) Seed Capital Options are not transferable.
- (j) Shares allotted pursuant to an exercise of Seed Capital Options shall rank, from the date of allotment, equally, with existing Shares of the Company in all respects.
- (k) The Company shall in accordance with the Listing Rules make application to have Shares allotted pursuant to an exercise of Seed Capital Options listed for Official Quotation.
- (l) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the authorised or issued capital of the Company, the number of the Seed Capital Options or the Exercise Price of the Seed Capital Options or both shall be reconstructed (as appropriate) in accordance with the Listing Rules, so as not to result in any benefits being conferred on Seed Capital Option Holders which are not conferred on Shareholders.

12.10 EMPLOYEE SHARE OPTION PLAN

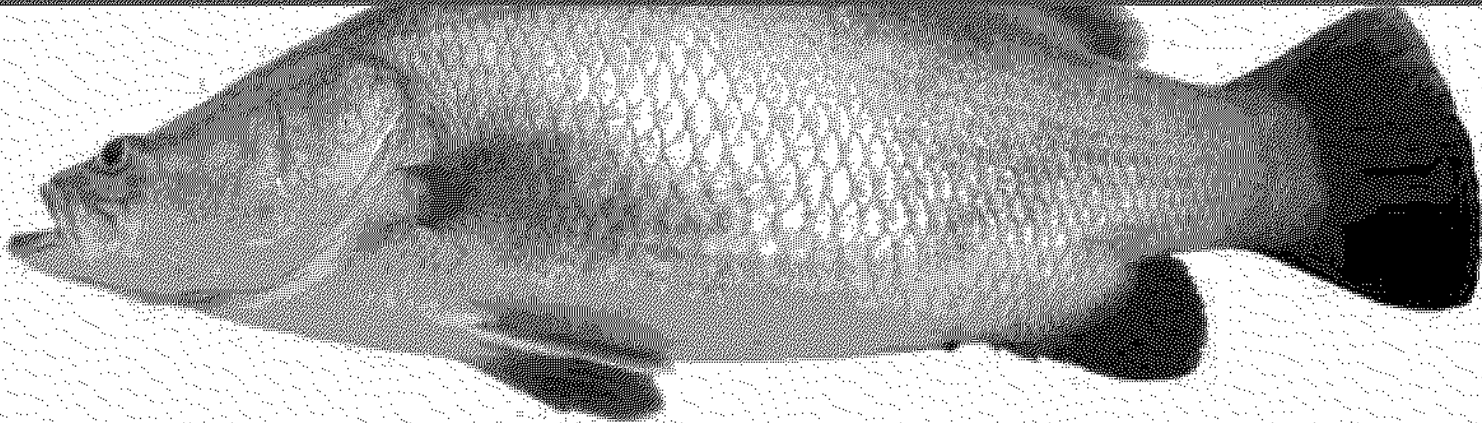
The Company has adopted the Employee Share Option Plan ("ESOP") for the purpose of recognising the efforts of, and providing incentive to, employees of the

Company. A summary of the terms and conditions of the ESOP are shown below:

- (a) Under the ESOP the Company may offer Options to subscribe for Shares in the Company to Eligible Persons. Directors and part time or full time employees of the Company are "Eligible Persons" for the purpose of the ESOP. Eligible Persons may nominate a nominee to hold options in their place.
- (b) The Board may determine that an Eligible Person is entitled to participate in the ESOP and the extent of that entitlement, after consideration of specified matters.
- (c) Options offered under ESOP are to be offered on such terms as the Board determines and the offer must set out specified information including the number of Options, the period of the Offer and calculation of the Exercise Price. The Exercise Price is determined by the Board with reference to the market value of the Shares at the time of resolving to offer the Options. Eligible Persons may accept the whole or a lesser number of the Options offered to them.
- (d) No consideration is payable for the grant of the Options unless the Board decides otherwise and the Company will not apply for Official Quotation of the Options.
- (e) The Options are not transferable except to the Option Holders' personal representative in the event of the death of the holder of the Options.
- (f) The Options may be exercised in whole or part by notice to the Company accompanied by payment of the required Exercise Price. Within 10 Business Days of exercise the Board must issue the required number of Shares, which will rank *pari passu* with the previously issued Shares.
- (g) The Options may be exercised prior to the Expiry Date determined by the Board prior to the Offer of the relevant Options but no longer than five years from the date of grant of the Options. Any Options not exercised by that time will lapse.
- (h) Notwithstanding the terms of the Options, the Options may be exercised



12.0 ADDITIONAL INFORMATION



in the event of specified occurrences including a change of control allowing replacement of all or a majority of the Board or during the period of a takeover bid for the Company.

- (i) Unless the Board determines otherwise, if an Eligible Person ceases to be an Eligible Person prior to the earliest date for exercise of their Options, for any other reason other than a "Specified Reason" (being retirement at 65 or over, permanent disability, redundancy or death), the Options held by them or their nominee will automatically lapse. If an Eligible Person ceases to be an Eligible Person prior to the earliest date for exercise of their Options because of a Specified Reason, the Board may, in its absolute discretion, waive or vary any conditions of exercise in regard to the Options held by that Eligible Person, in which case the Eligible Person or their nominee will have three (3) months or such longer period as the Board determine to exercise their Options. If an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their Options for any other reason other than a Specified Reason, such Eligible Person or their nominee will have one (1) month to exercise their Option or such longer period as the Board determine. If an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their Options because of a Specified Reason, such Eligible Person, or their nominee is entitled to exercise any such Option at any time prior to the Expiry Date of such Option.
- (j) Option Holders may participate in new issues of securities if an Option

has been exercised and Shares allotted before the record date for determining entitlements to the new issue. If there is a bonus issue the number of Shares over which the Options are exercisable will be increased by the number of Shares the Option Holder would have received if the Option had been exercised before the record date of the bonus issue. If there is a pro rata issue (other than a bonus issue), the Exercise Price of the Option will be adjusted in the manner provided for in the Listing Rules. If there is a reorganisation of capital the Options will be reorganised in the manner provided for in the Listing Rules.

- (k) The Company shall not offer Options under the ESOP if the total number of Shares the subject of the Options to be offered will exceed 5% of the total number of issued Shares of that class when aggregated with:
 - (i) the number of Shares which would be issued with each outstanding offer or Option acquired pursuant to the ESOP or any other employee share scheme extended only to employees or Directors, were exercised; and
 - (ii) the number of Shares issued during the previous five (5) years pursuant to the ESOP or any other employee share scheme extended only to employees or Directors, but disregarding any offer made, Option acquired or Share issued by way of or as a result of an offer under the ESOP to a person situated outside Australia; or an Offer under the ESOP that did not need disclosure to investors because of section

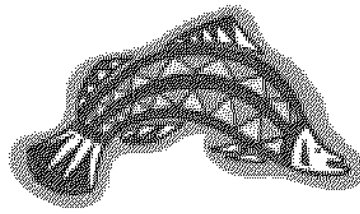
708 of the Corporations Act; or an Offer made under a disclosure document.

- (l) The rules of the ESOP do not form part of any contract of employment as the Option Holder and the holder has no rights of compensation or damages as a result of termination of his or her employment so far as those rights arise from the holder ceasing to have rights under the ESOP.
- (m) The ESOP is administered by the Board who have the power to determine procedures for administration of the ESOP and resolve questions of fact or interpretation of the ESOP. The Board may also alter, delete or add to the rules of the ESOP at any time, subject to the Listing Rules.

12.11 DIVIDEND POLICY

In the short term, the Company anticipates there will be an ongoing requirement to reinvest any profits in order to enhance its future potential earnings and to attain consistent and growing earnings.

The Directors will develop a suitable dividend policy at the appropriate stage. The Directors can give no assurance as to the extent, timing or actual payment of future dividends or the availability or level of franking credits. The level of dividends payable will depend upon a number of factors including future earnings, capital requirements for expansion and overall financial position of the Company. The Company has not declared, or paid any dividends before the issue of this Prospectus.



12.0 ADDITIONAL INFORMATION

12.12 TAXATION

The acquisition or disposal of Shares in Cell Aquaculture will have tax consequences, which will differ depending on the individual financial affairs of each Shareholder or Option Holder. All potential investors in Cell Aquaculture, should seek independent financial advice about the consequences of acquiring Shares from a taxation viewpoint generally.

To the maximum extent permitted by law, Cell Aquaculture, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

12.13 EXPENSES OF THE OFFER

Assuming full subscription to raise the minimum of \$5,000,000, it is estimated that approximately \$500,000 will be payable by the Company in respect of brokerage, legal, accounting, corporate advisory, experts' fees, printing, ASIC and ASX fees, and other costs arising from this Prospectus and the Offer.

The estimate of costs includes the professional fees referred to in Section 12.6 and an anticipated maximum expenditure of \$300,000 for brokerage, commissions and/or management fees.

The Company will pay brokerage, commissions and/or management fees to Financial Services Licensees of up to 6% of any funds raised through Applications received from Financial Services Licensees. The anticipated expenditure assigned to brokerage has been calculated upon the assumption that all Applications will be received from Financial Services Licensees and that they will be paid brokerage of 6%. In the event that brokerage paid in respect of any Applications received from Financial Services Licensees, is less than 6% and/or any Applications are received from Applicants directly (and therefore no brokerage will be payable), the expenditure required in relation to brokerage and commissions will be less than \$300,000.

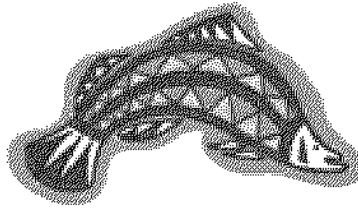
12.14 ASIC CLASS ORDERS

Pursuant to ASIC Class Order 00/44 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company at email info@cellaqua.com or telephone (618) 9336 7122 and the Company will send to you free either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the application monies received will be dealt with in accordance with section 722 of the Corporations Act.

Certain statements in this Prospectus are identified as being made or based on statements made in public official documents or published in books, journals or comparable publications in circumstances described in ASIC Class Order 00/193. Those persons are not required to consent, and have not consented, to the inclusion of those statements.



13.0 DIRECTORS' STATEMENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

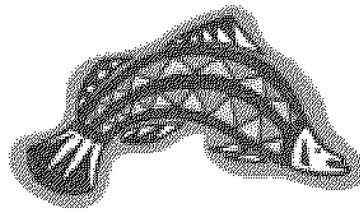
Each Director had consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated 22 April 2005.

Signed for and on behalf of Cell Aquaculture Limited by

Lee Boyd

Chairman



14.0 GLOSSARY

"Applicant"

means a person who submits an Application.

"Application"

means a valid application to subscribe for Shares.

"Application Form"

means the application form attached to and forming part of this Prospectus.

"ASIC"

means Australian Securities and Investments Commission.

"ASTC"

means ASX Settlement and Transfer Corporation Proprietary Limited (ACN 008 504 532).

"ASTC Settlement Rules"

means the Settlement rules of ASTC (formerly known as the SCH Business Rules).

"ASX"

means Australian Stock Exchange Limited (ACN 008 624 691).

"Auditor"

means Horwath Audit (WA) Pty Limited.

"Board"

means the Board of Directors of Cell Aquaculture Limited unless the context indicates otherwise.

"Business Day"

means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

"Cell", "Cell Aqua" or "Company"

means Cell Aquaculture Limited (ABN 86 091 687 740).

"CHES"

means ASX Clearing House Electronic Sub-Registry System.

"Closing Date"

means 2 June 2005.

"Corporations Act"

means the Corporations Act 2001.

"Directors"

means the Board of Directors of the Company as it is constituted from time to time.

"Electronic Prospectus"

means the electronic version of this Prospectus.

"ESOP"

means the Employee Share Option Plan described in Section 12.10 of this Prospectus.

"Exposure Period"

means the period of seven days after lodgement of this Prospectus which may be extended by the ASIC by not more than seven (7) days pursuant to Section 727(3) of the Corporations Act.

"Facility"

means the freehold land and buildings at 66 Bennett Avenue, Hamilton Hill, Western Australia.

"Financial Services Licensee"

means a financial services licensee as defined in the Corporations Act.

"Fingerlings"

means baby fish.

"HACCP"

means Hazard Analysis Critical Control Points.

"Hatchery"

means the proposed Company owned hatchery for the supply of Fingerlings as referred to in Section 4.7.

"Independent Aquaculture Expert"

means Dr David Fletcher.

"Independent Aquaculture Expert's Report"

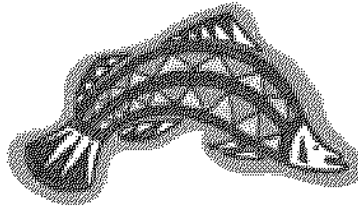
means the report contained in Section 9 of this Prospectus.

"Independent Accountant"

means Horwath Securities (WA) Pty Ltd.

"Independent Accountant's Report"

means the report contained in Section 8 of this Prospectus.



14.0 GLOSSARY

“Intaqt”

means Intaqt Pty Ltd ACN 097 410 074 an aquaculture company providing consultancy services to the Company

“Issuer Sponsored”

means shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

“Joint Venture”

means a business relationship between Cell Aquaculture and another group with appropriate capital, proportioned in accord with each others interest in the joint venture.

“Listing Rules”

means the Listing Rules of the ASX.

“Maximum Subscription”

is as defined in Section 7.1.

“Minimum Subscription”

is as defined in Section 7.1.

“Offer”

means the offer to the public of 25,000,000 Shares at 20 cents to raise \$5,000,000 pursuant to this Prospectus.

“Offer Period”

means the period commencing on the Opening Date and ending of the Closing Date.

“Official List”

means the Official List of the ASX.

“Official Quotation”

means quotation of the Shares on the Official List.

“Opening Date”

means 2 May 2005.

“Options”

means options to subscribe for one Share in Cell Aquaculture granted pursuant to the Seed Capital Options or the ESOP described in Sections 12.9 and 12.10 respectively of this Prospectus and those described in Section 6.3.

“Patent Attorney”

means Wray & Associates.

“Patent Attorney’s Report”

means the report contained in Section 10 of this Prospectus.

“Prospectus”

means this Prospectus dated 22 April 2005 in relation to the Offer, including the Electronic Prospectus.

“Recirculation”

is a term used in aquaculture to describe a fish production facility with daily waste water disposal equating to less than 10% of the gross value of water held in the system.

“SCH Business Rules”

means Securities Clearing House Business Rules.

“Section”

means a section of this Prospectus.

“Securities”

means Shares, Options and Seed Capital Options.

“Seed Capital Options”

means an existing option to subscribe for one Share in Cell Aquaculture exercisable at 35 cents on or before 30 June 2005 on the terms and conditions summarised in Section 12.9 of this Prospectus.

“Share”

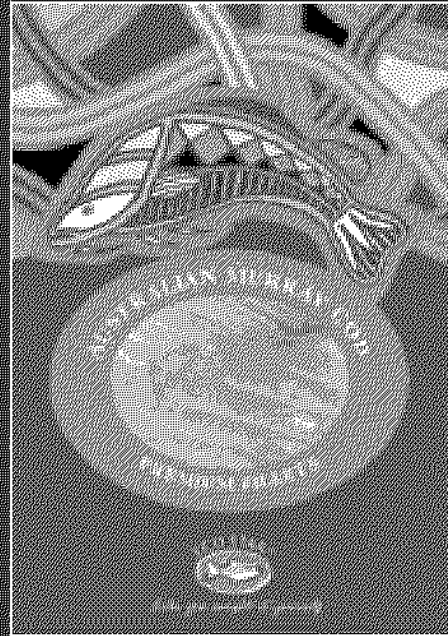
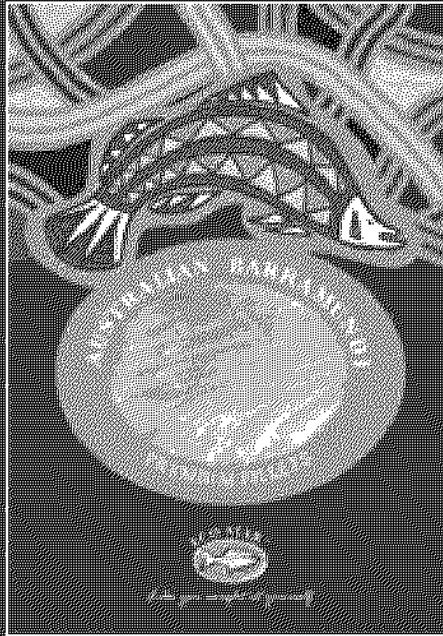
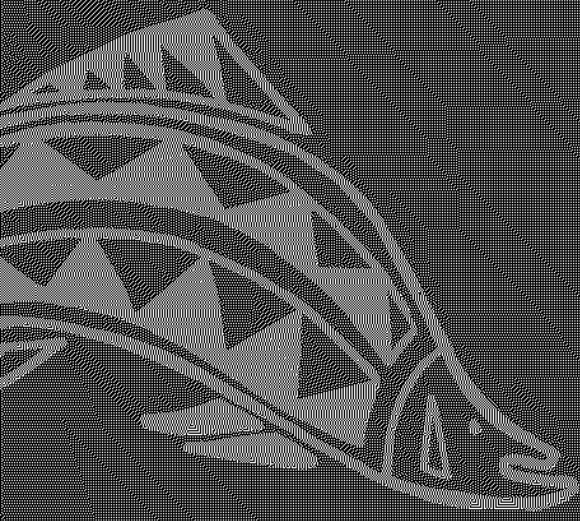
means one fully paid ordinary share in Cell Aquaculture.

“Shareholder”

means a holder of Shares.

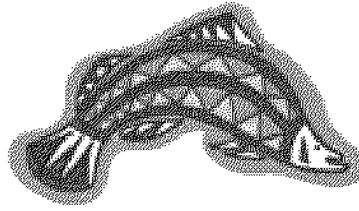
“WST”

means Western Standard Time, Perth Western Australia.



Packaging designs for Cell Aquaculture's planned Eco-Star™ products.





15.0 APPLICATION FORM AND INSTRUCTIONS

CELL AQUACULTURE LIMITED ABN 86 091 687 740

Please use BLOCK LETTERS – refer to reverse side for instructions on completing this form.

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter multiples of 1,000 Shares.

Please note: Application Forms printed from a downloaded version of the Prospectus located at www.cellaqua.com will be accepted. Paper copies of the Prospectus (and any supplementary prospectus) and this Application Form can be obtained from Cell Aquaculture Limited free of charge by calling 08 9336 7122. Photocopied Application Forms cannot be accepted. If any person downloads the Application Form and gives a copy of it to another person or sends it by mail or some electronic means to another person, they must at the same time and by the same means, give a copy of, or access to, the Prospectus (and any supplementary prospectus).

1. APPLICATION FOR SHARES

I/We apply for Shares at \$0.20 per Share. \$

in CELL AQUACULTURE LIMITED or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge in full the application monies of for the above Shares.

2. TITLE GIVEN NAMES OR COMPANY NAMES SURNAME/ACN/ABN

3. TITLE JOINT APPLICANTS OR DESIGNATED ACCOUNT EG. <SUPER FUND A/C>

4. TAX FILE NUMBER OR EXEMPTION CATEGORY

<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

(First Applicant)

CHESS HIN (if applicable)

(Second Applicant)

5. FULL ADDRESS

STREET NUMBER STREET

SUBURB/CITY/TOWN STATE POSTCODE

6. CONTACT DETAILS

CONTACT NAME TEL (HM) TEL (WK)

FAX EMAIL

7. PAYMENT DETAILS – ALL CHEQUES SHOULD BE MADE PAYABLE TO “CELL AQUACULTURE LIMITED TRUST ACCOUNT” AND CROSSED “NOT NEGOTIABLE”

DRAWER BANK BRANCH AMOUNT OF CHEQUE A\$

DRAWER BANK BRANCH AMOUNT OF CHEQUE A\$

TOTAL AMOUNT A\$

8. TICK IF YOU WISH TO RECEIVE EMAIL UPDATES FROM THE COMPANY?

15.0 APPLICATION FORM AND INSTRUCTIONS

INSTRUCTIONS

This Application Form relates to the Offer of 25,000,000 Shares in Cell Aquaculture Limited at \$0.20 per Share pursuant to the Prospectus dated 22 April 2005. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

1. APPLICATION FOR SHARES

To calculate Application money due, multiply the number of Shares that have been applied for by \$0.20. Please forward the completed Application Form and cheque to:

By post: Cell Aquaculture Limited
C/- Advanced Share Registry Services
PO Box 1156
NEDLANDS WA 6909

By delivery: Cell Aquaculture Limited
C/- Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

2. NAME OF APPLICANT

Write the Applicant's FULL NAME in Item 2. This must be either an individual's name or the name of a company. If a company, please also include its ACN/ABN. Note that ONLY legal entities are allowed to hold securities and therefore Application Forms must be in the name(s) of a natural person(s), company, or other legal entity acceptable to the Company.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decisions of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it, shall be final. An Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque for the Application monies referred to in Item 1.

3. JOINT APPLICANTS AND/OR ACCOUNT DESIGNATIONS

If JOINT APPLICANTS are applying or an ACCOUNT DESIGNATION is required complete Items 2 & 3.

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
Individual <i>Use given names, not initials</i>	John Alfred Smith	JA Smith
Company <i>Use company title, not abbreviations</i>	XYZ Pty Ltd	XYZ P/L XYZ Co
Trusts <i>Use trustee(s) personal name(s), Do not use the name of the trust</i>	Sue Smith [Sue Smith Family A/C]	Sue Smith Family Trust
Deceased Estates <i>Use executor(s) personal name(s)</i>	Jane Smith [Est John Smith A/C]	Estate of late John Smith
Partnerships <i>Use partners' personal names, Do not use the name of the partnership</i>	John Smith and Michael Smith [John Smith and Son A/C]	John Smith and Son
Clubs/Incorporated Bodies/Business Names <i>Use office bearer(s) personal name(s), Do not use the names of the clubs etc.</i>	Michael Smith [XYZ Cricket Association A/C]	XYZ Cricket Association
Superannuation Funds <i>Use of name of trustee of fund, Superannuation Fund Do not use the name of the fund.</i>	Jane Smith Pty Ltd [Super Fund A/C]	Jane Smith Pty Ltd

4. TAX FILE NUMBER OR EXEMPTION

An Applicant is not obliged to quote their Tax File Number ("TFN"). However in cases where no TFN is quoted, the Company must deduct tax from any dividends payable (to the extent that they are not franked) at the top personal marginal tax rate plus the Medicare Levy.

5. ADDRESS

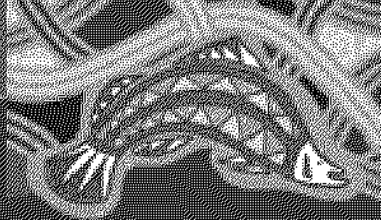
Enter the Applicant's postal address for all correspondence.

6. CONTACT DETAILS

Please provide a contact name and daytime telephone number so that the Company can contact that Applicant if there is an irregularity regarding the Application Form.

7. PAYMENT DETAILS

Payment must be made in Australia currency by cheque or bank cheque drawn on an Australian bank. The amount of the cheque should agree with the amount shown in Item 1 of the Application Form. Cheques are to be made payable to "Cell Aquaculture Limited Trust Account" and should be crossed "Not Negotiable". Cash should not be forwarded.



CORPORATE DIRECTORY

DIRECTORS

Mr Lee Boyd
Non-Executive Chairman

Mr Perryman Leach
Managing Director

Mr Peter Burns
Non-Executive Director

Dr David R Thomas
Non-Executive Director

CONSULTANTS

Intagt - Integrated Aquaculture
PO Box 2286
Werribee,
Victoria, 3030

COMPANY SECRETARY

Mr Ian Gregory

ASX CODE

CAQ

REGISTERED OFFICE & OPERATIONS

66 Bennett Avenue
Hamilton Hill
Western Australia 6163

INDEPENDENT ACCOUNTANT

Horwath Securities (WA) Pty Ltd
128 Hay Street
Subiaco
Western Australia 6008

AUDITOR

Horwath Audit (WA) Pty Limited
128 Hay Street
Subiaco
Western Australia 6008

SOLICITORS TO THE OFFER

Q Legal
Level 4
105 St Georges Terrace
Perth
Western Australia 6000

PATENT ATTORNEY

Wray & Associates
Level 4
The Quadrant
1 William Street
Perth
Western Australia 6000

INDEPENDENT AQUACULTURE EXPERT

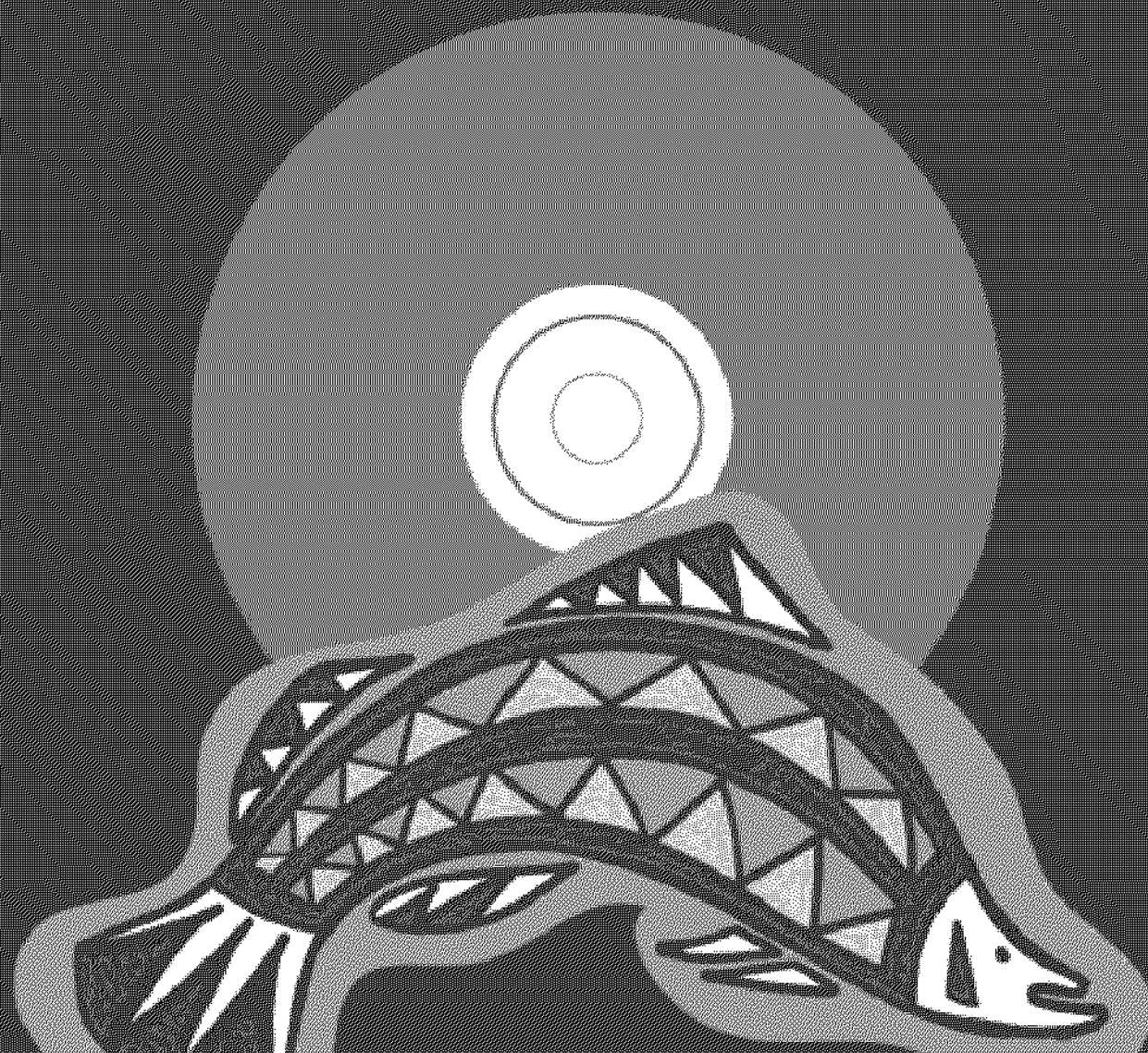
David J Fletcher PhD
Penlon,
Maes Y Llan,
Llandwrog,
Gwynedd LL54 5TT
North Wales, United Kingdom.

SHARE REGISTRY SERVICES

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

TRADE MARKS

Eco-Star™
EcoCell™





Cell

AQUACULTURE LTD

66 Bennett Avenue

Hamilton Hill WA 6163

PO Box 251

South Fremantle WA 6160

www.cellaqua.com